



I, Mike Causey, Commissioner of Insurance in and for the State of North Carolina do hereby certify that: I have caused Blue Cross and Blue Shield of North Carolina Insurance Group as of December 31, 2021 with the original on file at this Department and find the same to be a correct copy of the whole said original.

IN TESTIMONY WHEREOF, I have hereunto set my hand and affixed my official seal at the City of Raleigh, this the 20th day of June, 2023.



Mike Causey
Commissioner of Insurance

Monique D. Smith, CPA, CFE
Deputy Commissioner
Financial Examination Division

Blue Cross and Blue Shield of North Carolina Insurance Group

Durham, North Carolina

Multi-Entity Report on Examination

As of December 31, 2021

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May 25, 2023

Honorable Mike Causey
Commissioner of Insurance
State of North Carolina
Raleigh, North Carolina

Sir:

Pursuant to your instructions and in accordance with Section (“§”) 58-65-105 and GS § 58-2-131 of the General Statutes of North Carolina (“GS”), the North Carolina Department of Insurance (“Department”) conducted an examination of the records, business affairs and financial condition of

**Blue Cross and Blue Shield of North Carolina (“BCBSNC”)
Blue Cross and Blue Shield of North Carolina Senior Health (“Senior Health”)**

(hereinafter collectively referred to as the “BCBSNC Insurance Group”), at its main administrative and statutory home office located at 4613 University Drive, Durham, North Carolina.

SCOPE OF THE EXAMINATION

We performed a full-scope statutory examination of each company within the BCBSNC Insurance Group. This examination covers the period from January 1, 2017, to December 31, 2021, including any material transactions and events occurring subsequent to the examination date and noted during the course of this examination. The Department’s most recent prior examination of BCBSNC was as of December 31, 2016, and this is the Department’s first statutory examination of Senior Health, which began writing business on January 1, 2021.

The purpose of this examination is to review and evaluate the BCBSNC Insurance Group’s business processes and controls to assist in assessing and monitoring its current financial condition and prospective solvency. Pursuant to GS § 58-65-105 and GS § 58-2-132, this Report on Examination comprises only facts appearing in the books, records, or other documents of the BCBSNC Insurance Group (together with citations of pertinent laws, regulations, and rules) with regard to any material adverse findings disclosed by the examination.

This was a single state financial examination of BCBSNC and Senior Health.

We conducted our examination in accordance with standards established by the Department and the National Association of Insurance Commissioners (“NAIC”) Financial Condition Examiners Handbook (“Handbook”). The Handbook requires that we plan and perform the examination to evaluate the financial condition, assess corporate governance, identify current and prospective risks of the BCBSNC Insurance Group, and evaluate system controls and procedures used to mitigate those risks. An examination also includes identifying and evaluating significant risks that could cause an insurer’s surplus to be materially misstated both currently and prospectively.

All accounts and activities of the BCBSNC Insurance Group were considered in accordance with the Handbook risk-focused surveillance process and the following key functional activities were identified:

Investments
Reserving
Underwriting/Pricing
Related Party Transactions
Capital Management
Reinsurance
Actuarial Data

This may include assessing significant estimates made by management, as well as evaluating the overall financial statement presentation, management's compliance with GS Chapter 58 and evaluating management's compliance with statutory accounting principles. This examination does not attest to the fair presentation of the financial statements included herein.

This examination report includes significant findings of fact and general information about the insurer and its financial condition. There may be other items identified during the examination that, due to their nature (e.g., subjective conclusions, proprietary information, etc.), are not included within the examination report but are separately communicated to the BCBSNC Insurance Group.

BCBSNC Insurance Group's Annual Statements, work papers, and the independent audit work papers were reviewed and relied upon whenever possible. Trial balance reconciliations of the Annual Statements were performed, as were a verification of ownership and valuation of assets, determination of liabilities and reserves, and an analysis and review of such accounts and records as deemed necessary by the examination team. A management representation letter attesting to the BCBSNC Insurance Group's ownership of assets, the nonexistence of unrecorded liabilities and contingent liabilities was received from the BCBSNC Insurance Group's management.

The books and records of the BCBSNC Insurance Group are audited annually by independent certified public accountants in accordance with GS § 58-10-185(a) pursuant to GS § 58-65-2. Ernst & Young LLP of Charlotte, North Carolina, the designated independent public accountant of the BCBSNC Insurance Group, issued an unmodified opinion for each year subsequent to the Department's prior examination through, and including, the year ended December 31, 2021, for BCBSNC. Senior Health was issued an unmodified opinion for the year ended December 31, 2021, and was not audited previously. Senior Health obtained an annual audit exemption from the Department each year from its inception through 2020.

REPORT ABBREVIATIONS

Amerigroup Partnership Plan, LLC	“Amerigroup”
BCS Financial Corporation	“BCS”
“BCBSNC Insurance Group” includes the following companies:	
Blue Cross and Blue Shield of North Carolina	“BCBSNC”
Blue Cross and Blue Shield of North Carolina Senior Health	“Senior Health”
Board of Trustees	“Board”
Centers for Medicare & Medicaid Services	“CMS”
Noncontributory Defined Benefit Pension Plan	“Plan”
Defined Contribution Retirement Plan	“401(k) Plan”
Dual Eligible Special Needs Plan	“D-SNP”
Financial Condition Examiners Handbook	“Handbook”
General Statutes of North Carolina	“GS”
Health Maintenance Organization	“HMO”
Information Technology General Controls	“ITGCs”
Information Technology Planning Questionnaire	“ITPQ”
National Association of Insurance Commissioners	“NAIC”
North Carolina Department of Insurance	“Department”
Supplemental Executive Retirement Plans	“SERPs”
Statements of Statutory Accounting Principles	“SSAP”
UniCare Life & Health Insurance Company	“UniCare”

SUMMARY OF SIGNIFICANT FINDINGS

1. ANALYSIS OF EXAMINATION ADJUSTMENTS – BCBSNC

	December 31, 2021			
	Assets	Liabilities	Surplus	Net Income
As originally reported to the Department	\$ 7,504,642,091	\$ 2,940,863,231	\$ 4,563,778,860	\$ 262,695,638
a. Common Stocks	(2,415,623)			
b. Unassigned Funds			(2,415,623)	
As adjusted	\$ 7,502,226,468	\$ 2,940,863,231	\$ 4,561,363,237	\$ 262,695,638

- a. To decrease the valuation for investments in subsidiaries for year-end 2021. (Refer to Note 3.a.)
- b. To decrease unassigned funds for the valuation correction related to investments in subsidiaries for year-end 2021. (Refer to Note 3.a.)

2. ANALYSIS OF EXAMINATION ADJUSTMENTS – SENIOR HEALTH

	December 31, 2021			
	Assets	Liabilities	Surplus	Net Income
As originally reported to the Department	\$ 11,703,120	\$ 8,344,718	\$ 3,358,402	\$ (2,883,255)
a. Current Federal Income Tax Recoverable	(46,838)			
b. Federal Income Taxes Incurred			(46,838)	(46,838)
c. Administrative Services Reimbursement Receivable	47,848			
d. Amounts Due to Parent, Subsidiaries and Affiliates		(79,687)		
e. Other Professional Services			127,535	127,535
f. Other Assets	95,505			
g. Net Premium Income			95,505	95,505
As adjusted	\$ 11,799,635	\$ 8,265,031	\$ 3,534,604	\$ (2,707,053)

- a. To decrease the current federal income tax recoverable for income taxes incurred for year-end 2021. (Refer to Note 3.a.)
- b. To record the income tax effect for changes in net income as a result of the combined adjustments and properly reflect federal income taxes incurred at year-end 2021. (Refer to Note 3.a.)
- c. To increase administrative services reimbursement receivable to correct intercompany payables at year-end 2021. (Refer to Note 3.a.)
- d. To record the overall decrease in amounts due to parent, subsidiaries, and affiliates for the intercompany payables and overstatement of claims expense at year-end 2021. (Refer to Note 3.b.)
- e. To decrease other professional services expense for an overstatement of claims expense at year-end 2021. (Refer to Note 3.b.)
- f. To increase other assets for an error in deposit accounting for reinsurance premium differences at year-end 2021. (Refer to Note 3.c.)
- g. To increase net premium income for an error in deposit accounting for reinsurance premium differences at year-end 2021. (Refer to Note 3.c.)

3. COMMENTS, RECOMMENDATIONS, AND DIRECTIVES

- a. BCBSNC's and Senior Health's audited financial statements as of December 31, 2021, contained various differences from amounts reported in the 2021 Annual Statement filed with the Department due to audit adjustments identified during the independent audit. The audit adjustments were deemed to be immaterial to our examination on an individual basis; therefore, no specific comment, recommendation or directive is provided for each adjustment. BCBSNC and Senior Health are directed to ensure accurate financial reporting in future filings to the Department in accordance with GS § 58-2-165(c) pursuant to GS § 58-65-100.
- b. Senior Health did not report transactions with affiliates correctly in accordance with Statements of Statutory Accounting Principles ("SSAP") No. 25 - Affiliates and Other Related Parties. Senior Health's independent auditor recorded an adjustment to correct an overstatement of claims expense

totaling \$127,535, which incorrectly increased amounts due from parents, subsidiaries, and affiliates and other professional services at December 31, 2021. Senior Health is directed to comply with SSAP 25 in future filings to the Department.

- c. Senior Health did not report the deposit accounting reinsurance premium correctly in accordance with SSAP No. 61R, Life, Deposit-Type and Accident and Health Reinsurance. Senior Health's independent auditor recorded an adjustment to correct an error in reinsurance premium under deposit accounting totaling \$95,505, whereby both premium income and other assets were understated. Senior Health is directed to record reinsurance premium in accordance with SSAP 61R.

ORGANIZATIONAL STRUCTURE

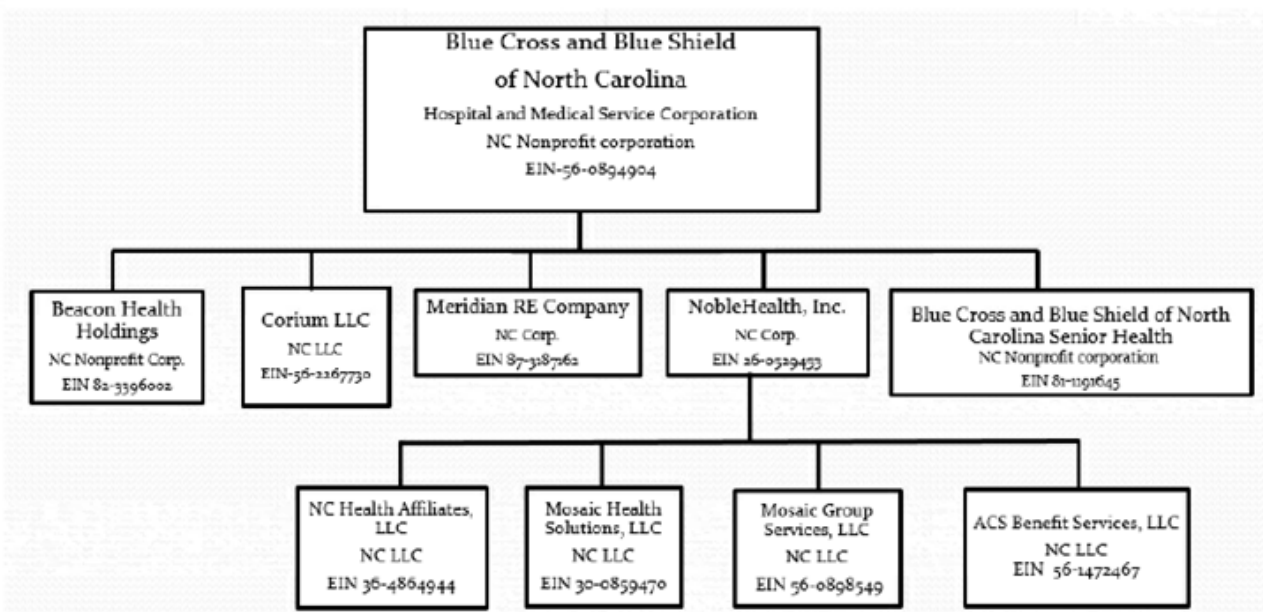
The companies within the BCBSNC Insurance Group are part of an insurance holding company system as defined in GS § 58-19 and are either wholly owned or partially owned subsidiaries of BCBSNC, a North Carolina corporation. BCBSNC owns 100% of Senior Health; NobleHealth, Inc.; Beacon Health Holdings; Corium LLC and Meridian Re Company.

NobleHealth, Inc. owns several companies, which provide services to the BCBSNC Insurance Group including NC Health Affiliates, LLC; Mosaic Health Solutions, LLC; Mosaic Group Services, LLC and ACS Benefit Services, LLC. As a result of the ownership interests in Mosaic Health Solutions, LLC, BCBSNC and NobleHealth, Inc. have minority ownership interests in the following service providers: Prime Therapeutics, LLC; Health Intelligence Company, LLC; TouchCare Holdings, Inc.; FastMed Holdings I, LLC; Avalon Health Services, LLC and DMBC-NC LLC.

On February 1, 2022, NobleHealth, Inc. acquired 100% of the Brighton Health Plan Services Holdings Corporation.

ORGANIZATIONAL CHART

BCBSNC and Senior Health's 2021 Annual Statement Schedule Y contains detail of the insurance holding company system. The following is a summarized organizational chart as of December 31, 2021:



INDIVIDUAL COMPANY HISTORY

BCBSNC

BCBSNC is a nonprofit health services company domiciled in the state of North Carolina. BCBSNC provides a comprehensive spectrum of products to customers primarily located in North Carolina and holds the exclusive licenses to use the Blue Cross and Blue Shield name and service marks in North Carolina. BCBSNC was incorporated on January 1, 1968, and commenced business on January 1, 1968. BCBSNC has the authority to write insurance as a health service organization under the laws of Article 65 of Chapter 58 of the General Statutes of North Carolina.

SENIOR HEALTH

Senior Health was incorporated on January 13, 2016, under the laws of the State of North Carolina as a Hospital, Medical and Dental Service corporation. Senior Health was initially capitalized with a \$1,500,000 contribution from BCBSNC, its parent. Senior Health's license is restricted to Medicare business only as of its issuance by the Department on June 1, 2016. Prior to 2021, Senior Health had no written premiums. Senior Health began providing a new blue-branded Medicare Advantage plan on January 1, 2021, named Healthy Blue + Medicare, which is a Health Maintenance Organization ("HMO") Dual Eligible Special Needs Plan ("D-SNP").

The Department conditioned Senior Health's license to conduct insurance business only in North Carolina and requires Senior Health to maintain a risk-based capital ratio of 375% or higher.

MANAGEMENT AND CONTROL

CORPORATE GOVERNANCE

The companies within the BCBSNC Insurance Group do not share the same trustees; however, there are several shared principal officers. The companies occupy the same home office space and share accounting systems and personnel. During 2021, most personnel were employees of BCBSNC.

Board of Trustees

The business of the BCBSNC Insurance Group is conducted by its management team and is subject to review by the individual company's Board of Trustees ("Board").

The bylaws for BCBSNC specify that the number of trustees shall not be less than 12, but not more than 16. The bylaws for Senior Health specify that the number of trustees shall not be less than three, but not more than 5. Trustees are elected annually, at the annual meeting of the BCBSNC Board, for a term of four and three years for BCBSNC and Senior Health, respectively, with the exception of the chief executive officer whose term is as long as the person serves in that position.

Oversight of BCBSNC is driven primarily by the 14-member Board, all of which are considered to be independent members with the exception of the Chief Executive Officer.

The following individuals served as trustees for BCBSNC as of December 31, 2021:

Name	Location	Principal Occupation
Edward Lloyd Curran, Jr.	Charlotte, NC	(Chairman) President, Stone Cottage Advisors
Jeffrey Thomson Barber	Charlotte, NC	Partner (Retired), PwC Director, Fennebresque & Company
Roberta Bromberg Bowman	Bluffton, SC	Chief Brand/Communications Officer, Ladies Professional Golf Association
Anita Rose Brown-Graham	Durham, NC	Professor, UNC School of Government
William Hardy Bryan	Mount Olive, NC	Executive Chairman, Mount Olive Pickle Company
Lisa Anne Carey, MD	Chapel Hill, NC	Professor/Director, University of North Carolina at Chapel Hill
Walter Conaway Davenport	Raleigh, NC	Partner (Retired), Cherry Bekaert
Frank Brown Holding, Jr.	Raleigh, NC	Chief Executive Officer/Chairman, First Citizens Bank
John Davis Kimberly	Asheville, NC	President, Carolina Alliance Bank
Harold Lee Martin, Sr., PhD	Greensboro, NC	Chancellor, North Carolina Agricultural & Technical University
Jimmie Watkins Phillips, Jr.	Greensboro, NC	Attorney, Brooks Pierce McLendon Humphrey & Leonard
Margaret Booth Powell	Chapel Hill, NC	Chief Executive Officer, 501 Ventures
Larry Bernard Wooten	Raleigh, NC	President (Retired), North Carolina Farm Bureau Mutual Insurance Company
Babatunde Sotayo Sotunde, MD	Roswell, GA	President & Chief Executive Officer, BCBSNC

Oversight of Senior Health is driven primarily by a 3-member Board comprised of BCBSNC officers. The following individuals served as trustees for Senior Health as of December 31, 2021:

Name	Location	Principal Occupation
Babatunde Sotayo Sotunde, MD	Roswell, GA	President & Chief Executive Officer, BCBSNC
Mitchell Wade Perry	Raleigh, NC	Senior Vice President & Chief Financial Officer, BCBSNC
Francesca Deborah Gary	Atlanta, GA	Senior Vice President Government Markets, BCBSNC

The Board has the authority to establish committees including, but not limited to, an audit committee and an investment committee. The Board has appointed BCBSNC’s Audit and Investment Committees to act on behalf of the BCBSNC Insurance Group.

The following individuals served on Board committees at December 31, 2021:

Executive Committee

Edward Curran, Jr. - Chair
 Jeffrey Barber
 Roberta Bowman
 Anita Brown-Graham
 William Bryan
 Frank Holding, Jr.
 Jimmie Phillips
 Babatunde Sotunde

Audit Committee

Jeffrey Thompson Barber - Chair
 Walter Conaway Davenport
 John Davis Kimberly
 Harold Lee Martin, Sr., PhD
 Margaret Booth Powell
 Larry Bernard Wooten

Investment Committee

Lisa Anne Carey, MD - Chair
 Jeffrey Thompson Barber
 Walter Conaway Davenport
 Frank Brown Holding, Jr.
 Jimmie Watkins Phillips, Jr.
 Margaret Booth Powell

Governance and Nominating Committee

Anita Rose Brown-Graham - Chair
 Roberta Bromberg Bowman
 William Hardy Bryan
 Lisa Anne Carey, MD
 Frank Brown Holding, Jr.
 Jimmie Watkins Phillips, Jr.

Personnel and Compensation Committee

William Hardy Bryan - Chair
 Roberta Bromberg Bowman
 Anita Rose Brown-Graham
 Edward Lloyd Curran, Jr.
 John Davis Kimberly
 Harold Lee Martin, Sr., PhD
 Larry Bernard Wooten

Officers

The bylaws provide that the Board shall appoint the officers of BCBSNC and Senior Health. The officers consist of a Chief Executive Officer, a President, a Secretary, a Chief Financial Officer, a General Counsel, and any other officers deemed appropriate by the Board.

All officers shall hold office, subject to removal at any time by the Board, until their successors are appointed. The Chief Executive Officer may, from time to time, provide that any two officer positions be

held by the same person, but no officer may act in more than one capacity where action of two or more officers is required.

The following individuals served as officers of BCBSNC as of December 31, 2021:

Name	Title
Babatunde Sotunde, MD	President, Chief Executive Officer
Mitchell Perry	Senior Vice President, Chief Financial Officer
Santiago Estrada	Senior Vice President, Chief Legal Officer & Corporate Secretary
Gerald Petkau	Senior Vice President, Commercial Markets
Francesca Gary	Senior Vice President, Government Markets
Sameet Goyal	Senior Vice President, Diversified Business Group, Chief Strategy Officer
Fara Palumbo	Senior Vice President, Chief People Officer
Karla Mizelle	Senior Vice President, Chief Operations & Member Experience Officer
Stephen Friedhoff	Senior Vice President, Healthcare Services
Lauren O'Brien	Vice President, Chief Accounting & Risk Officer
Brian Tajlili	Vice President, Chief Actuary
Tracy Bennett	Vice President, Audit
Jogenia Abernathy	Vice President, Chief Information Officer
Richard Chilton	Vice President, Chief Information & Security Officer
Amber Dreyer	Vice President, Commercial & Medicare Compliance, Chief Compliance Officer
Michael O'Conner	Vice President, Head of Total Rewards & Shared Services
Jesse Thomas	Vice President, President Medicaid
Roberta Capp	Vice President, Healthcare
Christine Evans	Vice President, Public Affairs
Maticia Sims	Vice President, Treasurer & Diversified Group Finance
Mark Werner	Vice President, Provider Network & Transformation
Melissa Williams	Vice President, Deputy General Counsel

The following individuals served as officers of Senior Health as of December 31, 2021:

Name	Title
Babatunde Sotunde, MD	President, Chief Executive Officer
Mitchell Perry	Senior Vice President, Chief Financial Officer
Santiago Estrada	Senior Vice President, Chief Legal Officer & Corporate Secretary
Bruce Allen	Vice President, Medicare Sales
Brian Vick	Director, Managing Counsel (Assistant Secretary)
Thomas Summers III	Director, Tax

CODE OF CONDUCT AND CONFLICT OF INTEREST

The BCBSNC Insurance Group has established policies and procedures to identify existing or potential conflicts of interest and to report the same to the Board. Annually, the BCBSNC Insurance Group requires a signed statement from each trustee and officer disclosing any conflicts of interest. A review of the signed conflict of interest statements for the examination period revealed that the BCBSNC Insurance Group acted in accordance with its policy and procedures for disclosure of conflicts of interest.

CORPORATE RECORDS

We reviewed the minutes of the meetings of the Board and its committees for the period under examination. Based on our review, it appears that the minutes documented the BCBSNC Insurance Group's significant transactions and events, and that the trustees approved these transactions and events.

The articles of incorporation and bylaws were reviewed for any changes during the period under examination. Based on our review, it appears that there have been no changes to the articles of incorporation for the BCBSNC Insurance Group or the bylaws for Senior Health during the period under examination. BCBSNC amended its bylaws on December 7, 2021, to change the composition, election, term, and retirement age of the Board members and to add guidance surrounding the establishment of an investment committee. The amended bylaws for BCBSNC increases the maximum size of the Board from 16 trustees to 20 trustees and limits the term for new trustees and existing trustees appointed after 2013 to 12 consecutive years. The amended bylaws for BCBSNC also establishes that existing trustees elected on or prior to 2013 will count 2013 as their first year of service, regardless of any years served prior to and provides that a trustee may potentially serve an additional four years if approved by a two-thirds vote of the then current trustees. Once an individual has served 12 years (or 16 years as approved) on the BCBSNC Board, they are again eligible to be considered for a Board seat once they sit out one full year, if all other requirements are met. In addition, the retirement age limit for the BCBSNC trustees was increased from 72 to 75 years old. The amended bylaws for BCBSNC added the Investment Committee to the list of committees of the Board and requires the Investment Committee to consist of three or more trustees who are not employees of the corporation. Additionally, the requirement for the regular meeting of the BCBSNC Board was changed from "no less than quarterly" to "no less than four times per year unless otherwise determined by the Board."

STATUTORY DEPOSITS

Statutory deposits are maintained as required by insurance regulatory agencies for doing business in such jurisdictions. The 2021 Annual Statement Schedule E, Part 3 contains a complete description and listing of the statutory deposits by state. The companies in the BCBSNC Insurance Group only maintain statutory deposits in North Carolina.

ACCOUNTS AND RECORDS

The BCBSNC Insurance Group's books and records are maintained at its main administrative office located at 4705 University Drive, Building 700, Durham, North Carolina.

The BCBSNC Insurance Group utilizes information systems to sell products to customers, to establish service and maintain customer policies, as well as to gather and report financial data. The environment for internal controls over financial reporting is highly automated and includes application controls and system generated reports supporting its financial reporting functions. The BCBSNC Insurance Group uses a combination of internally developed applications and outsourced services to support its needs. Significant applications are hosted in co-location data centers located in North Carolina and Virginia.

INFORMATION TECHNOLOGY CONTROLS

BCBSNC provides IT services to Senior Health; therefore, the Department only performed a risk-based assessment and review of BCBSNC's Information Technology General Controls ("ITGCs") in accordance with the NAIC requirements as outlined in the Handbook. The guidance and direction used to perform the review of BCBSNC ITGCs were derived from Exhibit C Part 1 - Information Technology Planning Questionnaire ("ITPQ") and Exhibit C Part 2 - Information Technology Work Program (collectively, "Exhibit C").

BCBSNC's responses to the ITPQ were evaluated, and certain controls within the IT control environment were tested to assess whether the selected controls were designed effectively and were functioning properly.

The Department's objectives were to obtain reasonable assurance about whether:

1. BCBSNC had a process in place to effectively identify, mitigate and manage its IT risks;
2. BCBSNC's control structure, policies and procedures were suitably designed to achieve the control objectives specified in Exhibit C; and
3. BCBSNC was complying with those policies and procedures.

The objectives above were achieved through a combination of reviewing BCBSNC's policy and procedures, testing in key areas related to Exhibit C, interviewing BCBSNC's IT management, reviewing IT risk assessment processes, and leveraging relevant risk assessment procedures performed by Ernst & Young LLP and BCBSNC's Internal Audit Department.

Based upon the risk-based assessment and review, BCBSNC's ITGCs were determined to be effective.

FIDELITY BONDS AND OTHER INSURANCE

The companies in the BCBSNC Insurance Group are named insureds under a fidelity bond, which provides BCBSNC and its affiliates with coverage totaling \$5 million in aggregate with a retention of \$2 million. The coverage exceeded the minimum amount of fidelity bond coverage recommended by the Handbook for the BCBSNC Insurance Group on a consolidated basis.

In addition, BCBSNC and its affiliates are covered by various corporate property and liability policies issued to BCBSNC, which appeared to be adequate to cover risks in the normal course of business.

EMPLOYEE BENEFITS AND PENSION PLANS

BCBSNC maintains a Noncontributory Defined Benefit Pension Plan ("Plan"), which covers employees hired before January 1, 2006. Benefits are determined according to the covered employee's years of credited service and final average compensation while an eligible participant. Effective December 31, 2013, the Plan was frozen and no longer recognizes service or compensation earned after this date for retirement benefit determination purposes. In July 2021, the BCBSNC Board took action to terminate the Plan, consistent with all applicable regulatory requirements and subject to Plan amendments necessary to facilitate the termination. Following receipt of final regulatory approval in March 2022 and before the distribution date, participants who had not previously elected to commence their benefits had the option to receive their benefit as a lump sum payment. Lump sum distributions totaling \$194,912,546 as a result of the Plan termination were paid in August 2022. For those participants that did not elect a lump sum payment, the Plan purchased annuity contracts through American General Life Insurance Company and the

United States Life Insurance Company in the City of New York for a total premium of \$253,900,000, which was paid in September 2022. The remaining market value of the Plan assets totaled \$95,764,887 after the distributions and annuity payments in 2022.

BCBSNC also maintains four separate non-contributory, non-qualified defined benefit Supplemental Executive Retirement Plans (“SERPs”) for certain executives. Two of the SERPs have benefits based on years of service, retirement age and certain final average pay calculations. Benefits are offset by benefits payable from other defined benefit retirement plans. The other two SERPs have benefits based on years of service and individual agreements that generally require payment of a fixed monthly dollar amount for 15 years upon retirement.

BCBSNC sponsors a Defined Contribution Retirement Plan (“401(k) Plan”). Eligible BCBSNC employees may contribute pretax and Roth contributions that are matched at the rate of 100% of the first 4% and 50% of the next 2% of compensation contributed. Additional company contributions include profit sharing contributions that range from 2% to 5% of eligible compensation, based on the employee’s years of service with the company, and transition contributions that range from 1% to 8% of eligible compensation for eligible employees who were participants in the defined benefit pension plan on December 31, 2013. Transition contributions will cease after December 31, 2023. Employee and company contributions are subject to certain regulatory limits and service conditions.

The Company also maintains a restoration plan, a non-qualified defined contribution plan, to ensure that designated participants receive the full amount of benefits to which they would have been entitled under the BCBSNC 401(k) Plan, except for limits on compensation imposed by the Internal Revenue Service.

BCBSNC provides certain health care and life insurance benefits for retired employees. The health and welfare plan is a contributory plan, which provides health benefits (medical, hospital, surgical, dental and drug) for eligible retirees. Retirees are eligible for coverage upon retirement at age 55 or later with five or more years of service. In addition, substantially all of those employees hired prior to January 1, 2006, and who reach retirement age with at least 15 years of service may become eligible for both subsidized health care insurance and a company-paid life insurance benefit. BCBSNC funds retiree health care benefits by making contributions to the Voluntary Employees Beneficiary Association administered by the Blue Cross and Blue Shield Association. BCBSNC did not make a contribution for 2021 to fund the liability for eligible retired employees.

Effective January 1, 2017, retirees and dependents who were age 65 and older obtained coverage through a private health exchange, Blue Cross Blue Shield Medicare Marketplace. Eligible retirees and dependents who enrolled through the Blue Cross Blue Shield Medicare Marketplace received a sponsor subsidy in the form of a health reimbursement account contribution. This modification did not have a material impact on the cost of the program.

RELATED PARTY AGREEMENTS

Pursuant to various agreements, services such as financial management, operational management, accounting, payroll, internal audit, human resources management, tax, legal, investment advisory, and data processing are provided for or by the BCBSNC Insurance Group and its affiliates as follows:

- a. BCBSNC has shared services agreements with Mosaic Group Services, LLC; Mosaic Health Solutions, LLC; ACS Benefit Services, LLC; NobleHealth, Inc.; Corium LLC; NC Health Affiliates, LLC and Senior Health, which includes, but is not limited to, management duties, production of business and servicing of the subsidiaries’ business. BCBSNC earned management fees from its subsidiaries of

\$6,799,325 during 2021. These amounts are included in claims adjustment expenses and general administrative expenses.

- b. ACS Benefit Services, LLC and NobleHealth, Inc. provide claims administration, intermediary services, and management services to BCBSNC. BCBSNC paid administrative fees of \$5,694,651 to these subsidiaries in 2021.
- c. Effective October 16, 2018, BCBSNC has a capital management agreement with Senior Health in which BCBSNC unconditionally guarantees the capital obligations of Senior Health (i) for the protection against insolvency; (ii) to ensure Senior Health maintains satisfactory minimum levels of net worth of \$1.5 million; and (iii) to ensure Senior Health maintains satisfactory risk-based capital level of a 375% RBC ratio. If Senior Health fails any of the above obligations, BCBSNC shall promptly contribute to Senior Health amounts sufficient to meet the required obligation.
- d. Effective April 1, 2017, BCBSNC entered into an administrative services agreement with NC Health Affiliates, LLC, whereby NC Health Affiliates, LLC provides certain administrative and payroll services to BCBSNC. Service fees incurred under this agreement totaled \$16,657,637 in 2021.
- e. Effective January 1, 2015, and subsequently amended, BCBSNC entered into a pharmacy benefit service agreement with Prime Therapeutics LLC, whereby Prime Therapeutics LLC provides certain pharmacy benefit services to BCBSNC. Services include but are not limited to managing pharmacy benefit plans, providers and pharmacies and handling prescription information for BCBSNC. Service fees incurred under this agreement totaled \$12,275,785 in 2021.
- f. BCBSNC provides administrative services to Senior Health, which includes but is not limited to, management duties, sales distribution, and servicing of the Senior Health business. Senior Health paid administrative fees of \$3,900,690 in 2021.
- g. BCBSNC files a consolidated federal income tax return with the following entities: Corium LLC; NobleHealth, Inc.; Mosaic Group Services, LLC; ACS Benefit Services, LLC; Mosaic Health Solutions, LLC; NC Health Affiliates, LLC; Beacon Health Holdings, Inc. and Senior Health. Current taxes are allocated among affiliated companies based on a written tax sharing agreement, primarily on a separate company return basis. For tax years ending December 31, 2019, and earlier years, the prior agreement employed a wait-and-see method, which had the effect of crediting each separate company within the consolidated group for the use of its net operating or other losses in the year in which the separate company could utilize the losses on a separate company return basis while charging those companies that previously benefited from use of the losses. For tax years ending on December 31, 2020, and subsequent years, a newly effectuated agreement has the effect of crediting each separate company within the consolidated group for the use of its net operating or other losses in the year in which the consolidated group is able to utilize the losses.

TERRITORY AND PLAN OF OPERATION

BCBSNC

BCBSNC provides a broad spectrum of products and services to its customers. These customers include individuals, large and small employers, multiple employer welfare arrangements, and government agencies. BCBSNC administers the Federal Employee Program, whereby the program insurers federal employees who are subject to special regulations and seeks reimbursement from the Federal government. Health plan offerings currently include preferred provider organizations, exclusive provider organization, traditional indemnity medical, HMO, Health Savings Accounts, and Medicare Advantage. Health benefits for these products vary and many include, but are not limited to, mental health, substance abuse, prescription drugs,

dental, vision and chiropractic benefits. BCBSNC offers standalone products for vision, dental and Medicare Supplement. BCBSNC also offers a broad range of health benefit services for self-funded plans, including claims processing, stop-loss insurance, analytical and reporting services, network access, medical cost management and other administrative services. BCBSNC began participating in the North Carolina Department of Health and Human Services Medicaid Program in July 2021. These Medicaid managed care services are being provided through a strategic alliance with Elevance Health, Inc., (f.k.a Anthem, Inc.), which includes a quota share reinsurance agreement.

Senior Health

Senior Health began providing a new blue-branded Medicare Advantage plan on January 1, 2021, called Healthy Blue + Medicare, which is an HMO D-SNP. During 2021, Senior Health was certified by the Centers for Medicare & Medicaid Services (“CMS”) to offer the product in 18 counties within North Carolina and served 280 members as of December 31, 2021. Senior Health became certified in an additional 72 counties effective January 1, 2022.

Effective April 20, 2020, BCBSNC entered into a marketing and administrative services agreement with Amerigroup Partnership Plan, LLC (“Amerigroup”), whereby Amerigroup provides certain marketing and administrative services to BCBSNC and respective affiliates in connection with the D-SNP associated with Senior Health. Under the agreements, Amerigroup administers the enrollment associated with all premium revenue, adjudicates medical claims, provides additional services for Senior Health, and shares 50% of the administrative expenses related to the D-SNP product.

GROWTH OF THE COMPANIES

The data obtained from annual statements filed with the Department, as reflected in Appendix B, illustrates the growth of the companies within the BCBSNC Insurance Group for the five-year period ended December 31, 2021.

ACTUARIAL OPINION

Every health service organization doing business in this State, unless otherwise exempted by the Commissioner, shall annually submit the opinion of an appointed actuary in accordance with GS § 58-65-100 and GS § 58-2-165(c).

Pursuant to GS § 58-65-100 and GS § 58-2-165(c), the statutory reserves and related items for 2021 were reviewed and certified by an Appointed Actuary. BCBSNC’s statutory reserves and related items were reviewed and certified by BCBSNC’s Appointed Actuary, Brian Tajlili, FSA MAAA, Chief Actuary. Senior Health’s statutory reserves and related items for 2021 were reviewed and certified by Senior Health’s Appointed Actuary, Ryland Pigg. Actuarial opinions regarding the BCBSNC reserves for claims unpaid and unpaid claims adjusted expenses were issued by an appointed actuary for all years in the examination period. Senior Health was previously a shell company and started writing business in 2021; therefore, reserves for claims unpaid and unpaid claims adjustment expenses were only issued by an appointed actuary for 2021. The appointed actuaries evaluated the data provided by the BCBSNC Insurance Group for reasonableness and consistency of the claims unpaid and unpaid claims adjustment expense reserves. According to the actuarial opinions, the BCBSNC Insurance Group’s reserves on the claims unpaid and unpaid claims adjustment expenses met the requirements of the insurance laws of North Carolina; were consistent with reserves computed in accordance with accepted actuarial standards and principles; and made a reasonable provision for all claims unpaid obligations of the BCBSNC Insurance Group.

REINSURANCE PROGRAM OVERVIEW

REINSURANCE CEDED

BCBSNC

Effective May 15, 2017, BCBSNC entered into a quota share reinsurance agreement with UniCare Life & Health Insurance Company (“UniCare”), whereby BCBSNC cedes 50% of the profits and losses from its Medicaid managed care business to UniCare. This agreement is part of a strategic alliance and provides insolvency protection related to its Medicaid managed care business as required by GS 58-93-70.

Additionally, effective January 1, 2021, BCBSNC entered into an excess of loss reinsurance agreement with BCS Insurance Company for a period of 12-months, which renews annually. The excess of loss coverage includes all commercial lines specific coverages by product. The reinsurer covers 40% Affordable Care, individual and small group claims in excess of \$5 million per claimant. The reinsurer covers 100% of all other commercial business claims in excess of \$5 million per claimant.

Senior Health

Effective April 20, 2020, Senior Health entered into a quota share reinsurance agreement with UniCare, whereby Senior Health cedes 50% of the profits and losses from its D-SNP business to UniCare. In 2021, the agreement did not contain sufficient insurance risk to be accounted for as reinsurance and was, therefore, subject to deposit accounting.

REINSURANCE ASSUMED

The BCBSNC Insurance Group does not have any reinsurance agreements whereby it assumes insurance risk.

OTHER PROGRAMS

RETROSPECTIVELY RATED CONTRACTS AND CONTRACTS SUBJECT TO REDETERMINATION

The Affordable Care Act Risk Management Program established a permanent risk adjustment program to reallocate funds from insurers with lower risk populations to insurers with higher risk populations based on the relative risk scores of participants in non-grandfathered plans in the individual and small group markets, both on and off the exchanges. Based on the risk of BCBSNC members compared to the risk of other members in the same state market, considering data obtained from industry studies and the proprietary market data, BCBSNC estimates its year-to-date risk adjustment. Beginning in 2018, the CMS also introduced a High-Cost Risk Pool program, which provides reinsurance for high-cost claimants through the risk adjustment program. As of December 31, 2021, BCBSNC had a risk adjustment receivable of \$209,098,512.

Senior Health serves as a plan sponsor offering Medicare D-SNP insurance coverage under a calendar year contract with CMS. Payments from CMS under this contract include amounts for premiums, risk corridor adjustments, reinsurance and low-income cost sharing subsidies. Senior Health recognizes a risk sharing payable or receivable based on year-to-date activity. The risk corridor provisions compare costs targeted in Senior Health’s annual bid to actual prescription drug costs, limited to actual costs that would have been incurred under the standard coverage as defined by CMS. Variances exceeding certain thresholds may

result in CMS making additional payments to Senior Health or require Senior Health to refund to CMS a portion of what was received. As of December 31, 2021, there was a risk corridor receivable from CMS of \$232,020.

In addition, payments from CMS for reinsurance and low-income cost sharing subsidies represent reimbursement of prescription drug costs for which Senior Health is not at risk and is recorded as a payable when received. Reinsurance subsidies represent reimbursements for CMS' portion of prescription drug costs that exceed the member's out-of-pocket threshold, or the catastrophic coverage benefit level. Low-income cost sharing subsidies represent reimbursements from CMS for all or a portion of the deductible, the coinsurance and co-payment amounts from the out-of-pocket threshold for low income beneficiaries. Senior Health receivable or payable is based on year-to-date activity. Reinsurance and low-income cost sharing subsidies are reported in the Statements of Revenue and Expense as an offset to benefits expense. Risk sharing amounts are included in net premium income.

A reconciliation and related statement of the final risk sharing, low-income cost sharing and reinsurance subsidy amounts is performed following the end of the contract year. As of December 31, 2021, there was a risk sharing payable with CMS of \$197,736.

FINANCIAL STATEMENTS

The financial statements in Appendix A are based on the statutory financial statements filed with the Department and present the financial condition of each company in the BCBSNC Insurance Group for the period ending December 31, 2021. The supporting tables and exhibits present the information required to be included, in conformity with reporting practices prescribed by the Department. The financial statement information related to the prior year is unexamined and is presented for comparative purposes only.

COMMENTS ON FINANCIAL STATEMENTS

Basis of Presentation and Summary of Significant Accounting Policies

The accompanying financial statements have been prepared on the basis of the accounting practices prescribed or permitted by the Department.

The more significant accounting policies followed by BCBSNC Insurance Group are as follows:

Bonds: Carried at amortized cost using the scientific method. Bonds with lower credit ratings are carried at the lower of amortized cost or NAIC market value.

Securities Valuations Office – Identified bond ETF is reported at fair value.

Declines in the fair value of invested assets below costs are compiled on a monthly basis and reviewed quarterly to assess whether any other-than-temporary impairment loss should be recorded. Various thresholds are used to identify those securities which are at the greatest risk of an other-than-temporary impairment.

Cash and short-term investments: Carried at amortized cost (which approximates fair value) and includes money market instruments and debt securities with maturities of less than one year at the time of purchase.

Common stocks: Carried at fair value provided by the Securities Valuation Office of the NAIC or are based on quoted market prices except investments in stock of subsidiaries, which are carried at a value

determined under the equity method. However, for certain investments for which the Securities Valuation Office does not provide a value, the Company uses the amortized costs amount as its estimate of market value in accordance with prescribed guidance.

As of December 31, 2021, BCBSNC had five wholly owned subsidiaries: Beacon Health Holdings; Corium, LLC; Senior Health; NobleHealth, Inc.; and Meridian Re Company. NobleHealth, Inc. holds non-controlling strategic investments in certain health service companies and has four wholly owned subsidiaries: Mosaic Group Services, LLC; Mosaic Health Solutions, LLC; ACS Benefit Services, LLC; and NC Health Affiliates, LLC.

Preferred stocks: Investment grade perpetual preferred stocks are stated at fair value provided by the Securities Valuation Office of the NAIC or are based on quoted market prices. Investment grade redeemable preferred stocks are stated at cost. Preferred stock at non-investment grade is stated at the lower of cost or fair value. However, for certain investments for which the Securities Valuation Office does not provide a value, the Company uses the amortized costs amount as its estimate of market value in accordance with prescribed guidance.

Mortgage-backed and other asset-backed securities: Stated at either amortized cost or the lower of amortized cost or fair market value. The value of securities is adjusted for unamortized premiums and discounts, which are amortized using the scientific method over the estimated remaining term of the securities, adjusted retrospectively for changes in anticipated prepayments.

For loan-backed or structured securities, factors considered by management in determining whether an other-than-temporary impairment exists include the company's stated intent to not sell, the company's ability to hold such investments until the fair value recovers, and the discounted cash flows of the security based on the yield at the date of acquisition.

Premium deficiency reserve: The company establishes a premium deficiency reserve in current operations to the extent that the sum of expected future costs, claim adjustment expenses, and maintenance costs exceeds related future premiums under contracts with consideration of investment income. For purposes of determining premium deficiencies, contracts are grouped in a manner consistent with the company's method of acquiring, servicing, and measuring the profitability of such contracts.

Claims unpaid & unpaid claims adjustment expense: Claims and claims adjustment expenses are expensed as incurred. The claims paid liability includes management's estimate of the ultimate cost of the claims in process of settlement and claims incurred but not yet reported.

Analysis of Assets

The following represents an analysis of the BCBSNC Insurance Group's net admitted assets at December 31, 2021:

BCBSNC

	Assets	Assets not Admitted	Net Admitted Assets
Bonds	\$3,595,172,303	\$ -	\$3,595,172,303
Preferred stocks	313,269,431	-	313,269,431
Common stocks	1,282,654,528	25,622,057	1,257,032,471
Cash, cash equivalents and short-term investments	16,185,996	-	16,185,996
Other invested assets	992,129,956	-	992,129,956
Receivables for securities	448,486	-	448,486
Goodwill	78,542	78,542	-
Total cash and invested assets	6,199,939,242	25,700,599	6,174,238,643
Investment income due and accrued	30,090,627	-	30,090,627
Premiums and agents' balances in course of collection	332,262,460	3,173,416	329,089,044
Contracts subject to redetermination	19,077,093	-	19,077,093
Reinsurance recoverable	15,057,943	-	15,057,943
Amounts receivable relating to uninsured plans	410,874,632	64,894,036	345,980,596
Net deferred tax assets	107,182,670	-	107,182,670
Guaranty funds receivable or on deposit	16,310,044	-	16,310,044
Electronic data processing equipment and software	566,903,884	550,515,588	16,388,296
Furniture and equipment	15,523,681	15,523,681	-
Receivable from parent, subsidiaries, and affiliates	39,929,475	-	39,929,475
Health care and other amounts receivable	399,115,889	208,448,255	190,667,634
Risk adjustment receivable	209,098,512	-	209,098,512
Other assets	244,340,647	232,809,133	11,531,514
Total admitted assets	\$8,605,706,799	\$1,101,064,708	\$7,504,642,091

Senior Health

	Assets	Assets not Admitted	Net Admitted Assets
Cash and short-term investments	\$9,185,480	-	\$9,185,480
Total cash and invested assets	9,185,480	-	9,185,480
Contracts subject to redetermination	234,590	-	234,590
Current federal income tax recoverable	349,965	-	349,965
Net deferred tax assets	1,412,264	1,412,264	-
Receivable from parent, subsidiaries, and affiliates	3,193	3,193	-
Health care and other amounts receivable	136,550	65,030	71,520
Administrative services reimbursement receivable	1,524,599	-	1,524,599
Other assets	1,747,336	1,410,370	336,966
Total admitted assets	\$14,593,977	\$2,890,857	\$11,703,120

Reinsurance Activity

The companies in the BCBSNC Insurance Group have quota share and excess loss contracts to minimize their exposure to losses. Reinsurance contracts do not relieve the companies of their primary obligation to policyholders, and failure of the reinsurers to discharge their obligations could result in losses to the companies.

Direct and ceded premiums written and earned were as follows:

BCBSNC	2021	2020
Direct written	\$9,748,753,809	\$9,137,044,608
Ceded written	471,656,027	2,060,672
Net written	9,277,097,782	9,134,983,936
Net earned	\$9,277,097,782	\$9,134,983,936

Senior Health	2021	2020
Direct written	\$4,119,030	-
Ceded written	-	-
Net written	4,119,030	-
Net earned	\$4,119,030	-

The reinsurers share in the risks at different levels as specified in the reinsurance contracts. The types of contracts and retention limits are described in the Reinsurance Program Overview.

Summary of Reserves

The following provides a reconciliation of the BCBSNC Insurance Group's reserves for claims unpaid and unpaid claims adjustment expenses:

BCBSNC	2021	2020
Reserves for claims unpaid and unpaid claims adjustment expenses, beginning of year	\$921,085,868	\$924,150,252
Add:		
Provision for claims unpaid and unclaimed claims adjustment expenses, current year	8,457,055,655	7,375,986,226
Change in estimated unpaid claims and unpaid claims adjustment expenses, prior years	(190,511,842)	(59,276,300)
Total incurred	8,266,543,813	7,316,709,926
Deduct:		
Claims and claims adjustment expenses paid, current year	7,526,833,013	6,465,885,561
Claims and claims adjustment expenses paid, prior year	703,783,770	853,888,747
Total paid	8,230,616,783	7,319,774,308
Reserves for claims unpaid and unpaid claims adjustment expenses, end of year	957,012,898	921,085,870
Increase (decrease) in reserve for claims unpaid and unpaid claims adjustment expenses	\$ 35,927,030	\$ (3,064,382)

Reserves for claims unpaid and unpaid claims adjustment expenses are reported net of the amounts that are recoverable under BCBSNC's reinsurance contracts. At December 31, 2021, BCBSNC's liability for claims unpaid and unpaid claims adjustment expenses was reduced by approximately \$464,790,150 for amounts to be recovered from reinsurers.

Senior Health	2021	2020
Reserves for claims unpaid and unpaid claims adjustment expenses, beginning of year	\$ -	-
Add:		
Provision for claims unpaid and unclaimed claims adjustment expenses, current year	3,767,488	-
Change in estimated unpaid claims and unpaid claims adjustment expenses, prior years	-	-
Total incurred	3,767,488	-
Deduct:		
Claims and claims adjustment expenses paid, current year	2,593,128	-
Claims and claims adjustment expenses paid, prior year	-	-
Total paid	2,593,128	-
Reserves for claims unpaid and unpaid claims adjustment expenses, end of year	1,174,360	-
Increase (decrease) in reserve for claims unpaid and unpaid claims adjustment expenses	\$1,174,360	-

Reserves for claims unpaid and unpaid claims adjustment expenses are reduced for amounts that are recoverable under Senior Health's reinsurance contracts. At December 31, 2021, Senior Health's liability for claims unpaid and unpaid claims adjustment expenses was not reduced for amounts to be recovered from reinsurers.

Surplus

The data obtained from annual statements filed with the Department, as reflected in the Statutory Statement of Surplus in Appendix A and Appendix C, illustrates the changes in surplus since the Department's last examination.

CONTINGENCIES AND COMMITMENTS

BCBSNC is involved in litigation (in Re: Blue Cross Blue Shield Antitrust Litigation [United States District Court, Northern District of Alabama]) which is a multi-district litigation case that consolidates multiple state and national class actions against BCBSNC, the Blue Cross and Blue Shield Association and multiple other Blue Cross and Blue Shield Plans. BCBSNC is a named defendant in forty-five of the consolidated cases (thirty-one provider cases and fourteen subscriber cases). The cases all allege an ongoing conspiracy in violation of the Sherman Antitrust Act among the Blue Cross and Blue Shield Plans and the Blue Cross and Blue Shield Association. Additionally, one of the consolidated cases against BCBSNC makes antitrust allegations based on most favored nations clauses in BCBSNC provider contracts and seeks reformation of BCBSNC provider contracts to strike most favored nations clauses and monetary damages.

The Blue Cross and Blue Shield Plan defendants, including BCBSNC, reached a total class settlement of \$2.67 billion with the subscriber plaintiffs and included monetary and various injunctive relief. BCBSNC has satisfied its financial obligations under the settlement following final approval of the settlement by the United States District Court for the Northern District of Alabama. However, the majority of the settlement funds remain in escrow pending resolution of appeals that were filed related to the final approval order with the United States Court of Appeals for the Eleventh Circuit. BCBSNC is vigorously defending the remaining provider case.

BCBSNC Insurance Group is involved in routine legal and administrative proceedings incidental to the conduct of its business. While the outcome of these matters cannot be estimated with certainty, it is the opinion of management that the resolution of these matters will not have a material effect on the financial position of the BCBSNC Insurance Group.

SUBSEQUENT EVENTS

On January 18, 2023, BCBSNC signed an agreement with one of its former insurance carriers related to outstanding coverage litigation. Under the terms of the agreement, BCBSNC received \$46,500,000 in March 2023.

In December 2022, BCBSNC was informed that it lost the bid to be the administrator for the State of North Carolina uninsured contract effective January 1, 2025. BCBSNC has filed a formal protest and may continue to appeal through available avenues. BCBSNC will continue to serve the State of North Carolina through termination of the current contract as well as for a runout period in 2025 as claims are processed and customer and provider inquiries are addressed.

On February 1, 2022, BCBSNC acquired 100% of the Brighton Health Plan Services Holdings Corporation, which is a health care enablement company with more than 31 years of experience that provides flexible and affordable administrative services to employer groups. In addition, it provides the ability to integrate third party vendors for services, including wellness and pharmacy. Brighton is a wholly owned subsidiary of Noble Health, Inc., which is a wholly owned subsidiary of BCBSNC.

In January 2022, BCBSNC entered into a \$500,000,000 unsecured loan with Wells Fargo Bank to finance the acquisition of Brighton Health Solutions, due January 2023. In June 2022, the loan was converted to an unsecured 5-year term loan at a rate of 3.80% maturing June 24, 2027. Beginning September 30, 2022, the term loan requires a \$5,000,000 quarterly principal repayment. BCBSNC must maintain certain covenants including limits of indebtedness to capital, indebtedness to EBITDA, and risk-based capital ratios.

Effective January 1, 2022, BCBSNC entered into a payroll agreement with NC Health Affiliates, LLC, whereby NC Health Affiliates, LLC assumed the role of a shared services company becoming the employer of all BCBSNC employees.

Effective January 1, 2022, BCBSNC entered into a reinsurance agreement with an affiliate, Meridian Re Company, a newly licensed captive insurance company, whereby Meridian Re Company provides certain reinsurance coverage to BCBSNC and its affiliates for its net liability from all stop-loss insurance policies issued by its affiliates to individual employers, that have administrative service contracts with BCBSNC and its affiliates, for a period of 12-months. Under this quota share reinsurance agreement, BCBSNC and its affiliates cede 10% of its business to Meridian Re Company.

Blue Cross and Blue Shield of North Carolina Insurance Group
DISTRIBUTION OF REPORT ON EXAMINATION
December 31, 2021

Babatunde S. Sotunde, President & Chief Executive Officer
Blue Cross and Blue Shield of North Carolina
4705 University Drive, Bldg. 700
Durham, NC 27707-3460

Mitchell W. Perry, Chief Financial Officer
Blue Cross and Blue Shield of North Carolina
4705 University Drive, Bldg. 700
Durham, NC 27707

Jeffrey T. Barber, Board Director
Blue Cross and Blue Shield of North Carolina
4705 University Drive, Bldg. 700
Durham, NC 27707

CONCLUSION

The examination procedures, described, herein, revealed no material adverse findings or adjustments to surplus.

We conclude that BCBSNC complies with the special contingency reserve requirements of GS § 58-65-95 and the minimum capital and surplus requirements of GS § 58-67-110(b) and GS § 58-93-70 for the kinds of insurance that the Company has been authorized to write, which is \$2,000,000.

We conclude that Senior Health complies with the minimum net worth requirements of GS § 58-67-110(b) and GS 58-65-95, which is \$1,000,000 for the kind of insurance Senior Health is authorized to write.

The courteous cooperation and assistance extended by the officers and employees of the companies during the examination is hereby acknowledged.

Respectfully submitted,



Monique D. Smith, CPA, CFE
Deputy Commissioner
North Carolina Department of Insurance

May 25, 2023

STATE OF NORTH CAROLINA

COUNTY OF WAKE

Tonneta Drummond, Examination Supervisor, North Carolina Department of Insurance, being first, duly sworn, deposes and says that this multi-entity report on examination, subscribed by her is true and correct to the best of her knowledge and belief.

Signature: Tonneta Drummond Date: 5/25/23

Sworn and subscribed before me this 25 day of May, 2023.

Notary Public Signature: Christine M. Williams Notary Public Seal:



Blue Cross and Blue Shield of North Carolina Insurance Group

APPENDIX A

December 31, 2021

2021 Statutory Statement of Admitted Assets

	BCBSNC	Senior Health
Bonds	\$3,595,172,303	\$ -
Preferred stocks	313,269,431	-
Common stocks	1,257,032,471	-
Cash, cash equivalents and short-term investments	16,185,996	9,185,480
Other invested assets	992,129,956	-
Receivables for securities	448,486	-
Total cash and invested assets	6,174,238,643	9,185,480
Investment income due and accrued	30,090,627	-
Premiums and agents' balances in course of collection	329,089,044	-
Contracts subject to redetermination	19,077,093	234,590
Amounts recoverable from reinsurers	15,057,943	-
Amounts receivable relating to uninsured plans	345,980,596	-
Current federal income tax recoverable and interest thereon	-	349,965
Net deferred tax asset	107,182,670	-
Guaranty funds receivable or on deposit	16,310,044	-
Electronic data processing equipment	16,388,296	-
Receivable from parent, subsidiaries, and affiliates	39,929,475	-
Health care receivables	190,667,634	71,520
Aggregate write-ins for other-than-invested assets	220,630,026	1,861,565
Total admitted assets	\$7,504,642,091	\$11,703,210

2021 Statement of Liabilities, Surplus, and Other Funds

	BCBSNC	Senior Health
Claims unpaid	\$861,338,438	\$1,174,360
Accrued medical incentive pool and bonus amounts	95,674,460	-
Unpaid claims adjustments expenses	20,908,330	22,690
Aggregate health policy reserves	303,683,672	3,041,975
Advance premium	102,037,558	-
General expenses due or accrued	791,726,069	-
Current federal income tax payable and interest thereon	245,991,274	-
Ceded reinsurance premiums payable	82,871,144	-
Amounts withheld or retained by company for account of others	1,632,513	-
Remittances and items not allocated	5,451,239	-
Borrowed money	137,557,567	-
Payable to parent, subsidiaries and affiliates	36,477,777	3,411,343
Payable for securities	28,456,033	-
Liability for amounts held under uninsured plans	157,638,398	694,350
Aggregate write-ins for liabilities	69,418,759	-
Total liabilities	2,940,863,231	8,344,718
Gross paid in and contributed surplus	-	11,400,000
Contingency reserve	1,390,648,559	49,190
Unassigned funds	3,173,130,301	(8,090,788)
Total capital and surplus or surplus as regards policyholders	4,563,778,860	3,358,402
Total liabilities, capital, and surplus	\$7,504,642,091	\$11,703,120

2021 Statutory Statement of Income

	BCBSNC	Senior Health
Member Months	22,943,604	2,584
Underwriting Income		
Net premium income	\$9,277,097,782	\$4,119,030
Change in unearned premium reserves and reserve for rate credits	131,377,639	-
Aggregate write-ins for other non-health revenues	59,889,415	-
Total revenues	9,468,364,836	4,119,030
Hospital and Medical		
Hospital/medical benefits	5,273,410,440	2,758,513
Other professional services	528,556,594	119,303
Emergency room and out-of-area	605,064,369	76,393
Prescription drugs	2,229,917,992	813,280
Incentive pool, withhold adjustments and bonus amounts	94,384,571	-
Subtotal	8,731,333,966	3,767,489
Less:		
Net reinsurance recoveries	464,790,150	-
Total hospital and medical	8,266,543,816	3,767,489
Claims adjustment expenses	553,770,934	1,416,331
General administrative expenses	793,905,667	495,048
Increase in reserves for life and accident and health contracts	(127,469,715)	1,676,847
Total underwriting deductions	9,486,750,702	7,355,715
Net underwriting gain or (loss)	(18,385,866)	(3,236,685)
Investment Income		
Net investment income earned	206,785,207	30
Net realized capital gains	91,973,442	-
Net investment gain	298,758,649	30
Other Income		
Aggregate write-ins for miscellaneous income	26,618,434	-
Total other income	26,618,434	-
Net income before dividends to policyholders	306,991,217	(3,236,655)
Federal income taxes incurred	44,295,578	(353,400)
Net income (loss)	\$262,695,639	\$(2,883,255)

2021 Statutory Statement of Surplus

	BCBSNC	Senior Health
Surplus, beginning of year	\$4,042,156,009	\$8,428,265
Surplus increases (decreases):		
Net Income	262,695,639	(2,883,255)
Change in net unrealized capital gains	164,732,980	-
Change in net deferred income tax	79,769,349	704,249
Change in non-admitted assets	(122,549,278)	(2,890,857)
Aggregate write-ins for gains and losses in surplus	136,974,161	-
Change in surplus as regards policyholders for the year	521,622,851	(5,069,863)
Surplus, end of year	\$4,563,778,860	\$ 3,358,402

2021 Statutory Statement of Cash Flow

	BCBSNC	Senior Health
Cash From Operations		
Premiums collected net of reinsurance	\$9,297,583,528	\$5,561,285
Net investment income	233,272,220	30
Miscellaneous income	19,510,095	-
Total	9,550,365,843	5,561,315
Benefit and loss related payments	8,175,538,481	4,406,526
Commissions, expenses paid and aggregate write-ins	1,133,321,977	1,194,339
Federal income taxes paid	41,316,310	(6)
Total	9,350,176,768	5,600,859
Net cash from operations	200,189,075	(39,544)
Cash Used By Investments		
Proceeds from investments sold, matured, or repaid	1,954,063,419	-
Cost of investments acquired	1,857,540,611	-
Net cash used by investments	96,522,808	-
Cash (Used By) From Financing and Miscellaneous Sources		
Borrowed funds	13,620,809	-
Other cash (applied) provided	(282,510,481)	(2,194,797)
Net cash (used by) from financing and miscellaneous sources	(268,889,672)	(2,194,797)
Reconciliation of Cash and Short-Term Investments		
Net change in cash and short-term investments	27,822,211	(2,234,341)
Cash and short-term investments, beginning of year	(11,636,215)	11,419,821
Cash and short-term investments, end of year	\$16,185,996	\$9,185,480

Blue Cross and Blue Shield of North Carolina Insurance Group
APPENDIX B
December 31, 2021

Growth of the Companies

BCBSNC

Year	Net Admitted Assets	Capital and Surplus	Net Premium Income	Net Underwriting Gain (Loss)	Net Income
2021	\$7,504,642,091	\$4,563,778,860	\$9,277,097,782	\$(18,385,865)	\$262,695,639
2020	\$6,955,831,951	\$4,042,156,008	\$9,134,983,936	\$(23,986,886)	\$163,580,487
2019	\$6,296,577,751	\$3,850,559,452	\$8,919,232,168	\$142,391,818	\$365,904,046
2018	\$5,707,644,445	\$3,416,546,681	\$9,069,391,728	\$613,231,769	\$650,382,086
2017	\$5,210,465,095	\$2,954,474,762	\$8,813,973,311	\$687,238,981	\$699,576,306

Senior Health

Year	Net Admitted Assets	Capital and Surplus	Net Premium Income	Net Underwriting Loss	Net Loss
2021	\$11,703,120	\$3,358,402	\$4,119,030	\$(3,236,685)	\$(2,883,255)
2020	\$12,131,029	\$8,428,265	-	\$(3,697,894)	\$(2,971,735)
2019	\$1,500,000	\$1,500,000	-	-	-
2018	\$1,500,000	\$1,500,000	-	-	-
2017	\$1,500,000	\$1,500,000	-	-	-

Blue Cross and Blue Shield of North Carolina Insurance Group

APPENDIX C

December 31, 2021

Changes in Surplus

BCBSNC

	2020	2019	2018	2017
Surplus, beginning of year	\$3,850,559,452	\$3,416,546,681	\$2,954,474,762	\$2,210,529,712
Surplus increases (decreases):				
Net income	163,580,487	365,904,046	650,382,086	699,576,306
Change in valuation basis of aggregate policy and claim reserves	22,966,350	(15,170,963)	5,578,091	17,530,059
Change in net unrealized capital gain (loss)	41,932,029	211,347,603	(48,517,046)	151,882,316
Change in net deferred income tax	40,755,912	10,339,238	37,480,147	(167,638,504)
Change in non-admitted assets	(94,997,504)	(79,108,041)	(194,314,824)	(13,902,297)
Aggregate write-ins for prior year losses in surplus	17,359,283	(59,299,112)	11,463,465	56,497,170
Change in surplus as regards policyholders for the year	191,596,557	434,012,771	462,071,919	743,945,050
Surplus, end of year	\$4,042,156,009	\$3,850,559,452	\$3,416,546,681	\$2,954,474,762

Senior Health

	2020	2019	2018	2017
Surplus, beginning of year	\$1,500,000	\$1,500,000	\$1,500,000	\$1,500,000
Surplus increases (decreases):				
Net loss	(2,971,735)	-	-	-
Change in net deferred income tax	-	-	-	-
Change in non-admitted assets	-	-	-	-
Surplus adjustments to paid-in capital	9,900,000	-	-	-
Change in surplus as regards policyholders for the year	6,928,265	-	-	-
Surplus, end of year	\$8,428,265	\$1,500,000	\$1,500,000	\$1,500,000