

**Examination Warrant Numbers:** 21-01230-12358-R1  
21-01230-14411-R1  
21-01230-41203-R1  
21-01230-54720-R1  
21-01230-95199-R1  
21-01230-15793-A1

**Report of Examination of**  
**Avalon Insurance Company**  
**Capital Advantage Assurance Company**  
**Capital Advantage Insurance Company**  
**Capital Blue Cross**  
**Keystone Health Plan Central, Inc.**  
**Vibra Health Plan, Inc.**  
**Harrisburg, Pennsylvania**  
**As of December 31, 2021**

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Harrisburg, Pennsylvania  
May 23, 2023

Honorable Diana L. Sherman, CPA, CFE, CISA, CITP  
Acting Deputy Insurance Commissioner  
Commonwealth of Pennsylvania  
Insurance Department  
Harrisburg, Pennsylvania

Dear Madam:

In accordance with instructions contained in Examination Warrant Numbers 21-01230-12358-R1, 21-01230-14411-R1, 21-01230-41203-R1, 21-01230-54720-R1, 21-01230-95199-R1, and 21-01230-15793-A1, dated August 9, 2021, an examination was made of

**Avalon Insurance Company, NAIC Code: 12358**

a Pennsylvania domiciled, multi-state, stock life insurance company, hereinafter referred to as “AIC”

**Capital Advantage Assurance Company, NAIC Code: 14411**

a Pennsylvania domiciled, single-state risk assuming preferred provider organization (“RANLI-PPO”), hereinafter referred to as “CAAC.”

**Capital Advantage Insurance Company, NAIC Code: 41203**

a Pennsylvania domiciled, single-state, property and casualty insurance company, hereinafter referred to as “CAIC.”

**Capital Blue Cross, NAIC Code: 54720**

a Pennsylvania domiciled, single-state, hospital plan corporation, hereinafter referred to as “Capital.”

**Keystone Health Plan Central, Inc., NAIC Code: 95199**

a Pennsylvania domiciled, single-state, Health Maintenance Organization (“HMO”), hereinafter referred to as “KHPC.”

**Vibra Health Plan, Inc., NAIC Code: 15793**

a Pennsylvania domiciled, RANLI-PPO, hereinafter referred to as “VHPI.”

The examination was conducted remotely. A report of this examination is hereby respectfully submitted.

## SCOPE OF EXAMINATION

The Pennsylvania Insurance Department (“Department”) has performed an examination of the Pennsylvania domiciled companies within the Capital Blue Cross Group (“Group”) listed above, each of which was last examined as of December 31, 2016, except for VHPI, which was last examined as of December 31, 2019. This examination covered the five-year period from January 1, 2017 through December 31, 2021 for all companies except for VHPI, which covered the two-year period from January 1, 2020 through December 31, 2021.

Work programs employed in the performance of this examination were designed to comply with the standards promulgated by the Department and the National Association of Insurance Commissioners (“NAIC”) *Financial Condition Examiners Handbook* (“Handbook”).

The Handbook requires that the Department plan and perform the examination to evaluate the financial condition, assess corporate governance, identify current and prospective risks of the Group, evaluate system controls and procedures used to mitigate those risks, and review subsequent events. 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 Group 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.

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 following the Group’s financial statements.

This examination report includes significant findings of fact, in accordance with 40 P.S. § 323.5(a), and general information about the Group 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 separately communicated to other regulators and/or the Group.

The certified public accounting firm of Ernst & Young LLP (“CPA”) has provided an unqualified opinion on the statutory-basis financial statements for all Companies included in the examination scope. Relevant work performed by the CPA, during its annual audit of the Group, was reviewed during the examination and incorporated into the examination workpapers.

## HISTORY

AIC was incorporated on September 26, 2005, licensed by the Department on December 12, 2005, and commenced business on January 1, 2006.

AIC is currently authorized to transact those classes of insurance described in 40 P.S. § 382 (a)(1) Life and Annuities, and (a)(2) Accident and Health.

CAAC was incorporated on May 24, 2012, licensed by the Department on November 9, 2012, and commenced business on January 1, 2013.

## Capital Blue Cross Group

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CAAC is currently authorized to transact business of a RANLI-PPO under the provisions of 40 P.S. § 764a.

CAIC was incorporated as Camp Hill Insurance on May 6, 1981, licensed by the Department on May 24, 1982 and commenced business on May 24, 1982. Effective December 9, 1992, CAIC was renamed as the Capital Health Insurance Company. Effective June 3, 1993, CAIC was renamed to its current name, Capital Advantage Insurance Company.

CAIC is currently authorized to transact those classes of insurance described in 40 P.S. § 382(c)(2) Accident and Health and (c)(4) Other Liability.

Capital was incorporated on February 14, 1938, licensed by the Department on February 24, 1938, and commenced business on March 1, 1938.

Capital is currently authorized to transact those classes of insurance described in 40 Pa. C.S.A. § 6102 Accident and Health, specifically, a Hospital Plan Corporation.

KHPC was incorporated on December 31, 1985, licensed by the Department on September 30, 1988 and the Pennsylvania Department of Health on July 27, 1988, and commenced business on November 1, 1988.

KHPC is currently authorized to transact business as an HMO as described in 40 P.S. § 1554.

VHPI was incorporated on January 1, 2015, licensed by the Department on October 13, 2015 and commenced business on January 1, 2017.

VHPI is currently authorized to transact business of a RANLI-PPO under the provisions of 40 P.S. § 764.a.

## MANAGEMENT AND CONTROL

### CAPITALIZATION

As of December 31, 2021, AIC's total capital was \$17,984,686, consisting of 11,000 shares of issued and outstanding common capital stock with a par value of \$100 per share amounting to \$1,100,000; \$97,600,000 in paid in and contributed surplus; and \$(80,715,314) in unassigned funds (surplus).

The total capitalization required of AIC, to engage in the types of business for which it is licensed, is \$1,100,000 in capital and \$550,000 in surplus. AIC meets this requirement.

As of December 31, 2021, CAAC's total capital was \$326,834,135, consisting of 100 shares of issued and outstanding common capital stock with a par value of \$1 per share amounting to \$100; \$374,999,900 in paid in and contributed surplus; and \$(48,165,865) in unassigned funds (surplus).

To engage in the types of business for which it is licensed, CAAC must maintain a minimum net worth in the amount of \$1,125,000. CAAC meets this requirement.

## Capital Blue Cross Group

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As of December 31, 2021, CAIC's total capital was \$332,907,691, consisting of 1,000 shares of issued and outstanding common capital stock with a par value of \$1,000 per share amounting to \$1,000,000; \$577,569,311 in paid in and contributed surplus; and \$(245,661,620) in unassigned funds (surplus).

The total capitalization required of CAIC, to engage in the types of business for which it is licensed, is \$750,000 in capital and \$375,000 in surplus. CAIC meets this requirement.

As of December 31, 2021, Capital's total surplus was \$646,788,656, consisting entirely of unassigned funds (surplus).

As a Hospital Plan Corporation, in accordance with 40 Pa. C.S.A. § 6305, there is a minimum reserve requirement of \$25,000. Capital meets this requirement.

As of December 31, 2021, KHPC's total capital was \$22,127,988, consisting of 40,000 shares of issued and outstanding common capital stock with a par value of \$1 per share amounting to \$40,000; \$11,160,000 in paid in and contributed surplus; and \$10,927,988 in unassigned funds (surplus).

The total minimum net worth required of KHPC, to engage in the types of business for which it is licensed, pursuant to 31 Pa. Code § 301.121(b)(2) is equal to the greater of \$1,000,000 or three months of uncovered health care expenditures for Pennsylvania enrollees. Accordingly, KHPC's required surplus was \$1,000,000. KHPC meets this requirement.

As of December 31, 2021, VHPI's total capital was \$11,711,996, consisting of 100 capital shares of issued and outstanding common stock with a par value of \$1 per share amounting to \$100; \$106,508,040 in paid in and contributed surplus; and \$(94,796,144) in unassigned funds (surplus).

To engage in the types of business for which it is licensed, VHPI must maintain a minimum net worth in the amount of \$1,125,000. VHPI meets this requirement.

## STOCKHOLDERS

The sole stockholder for AIC is CAIC.

The following capital contributions were made from CAIC to AIC on or about the dates listed:

<u>Date</u>	<u>Amount</u>
December 29, 2017	\$8,000,000
December 20, 2018	\$7,500,000
February 27, 2019	\$10,000,000
September 27, 2019	\$19,000,000
December 31, 2020	\$10,000,000

The sole stockholder for CAAC is CAIC.

The sole stockholder for CAIC is Capital.

For Capital, no common capital shares have been issued due to Capital being a non-profit, non-stock corporation.

## Capital Blue Cross Group

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The sole stockholder for KHPC is CAIC.

VHPI's stock is wholly owned by Vibra Health Plan Holdings, LLC ("VHPH"). VHPH is wholly owned by Capital. Capital is the ultimate controlling entity of VHPI.

The following capital contributions were made from Capital to VHPH, which in turn VHPH contributed to VHPI on or about the dates listed:

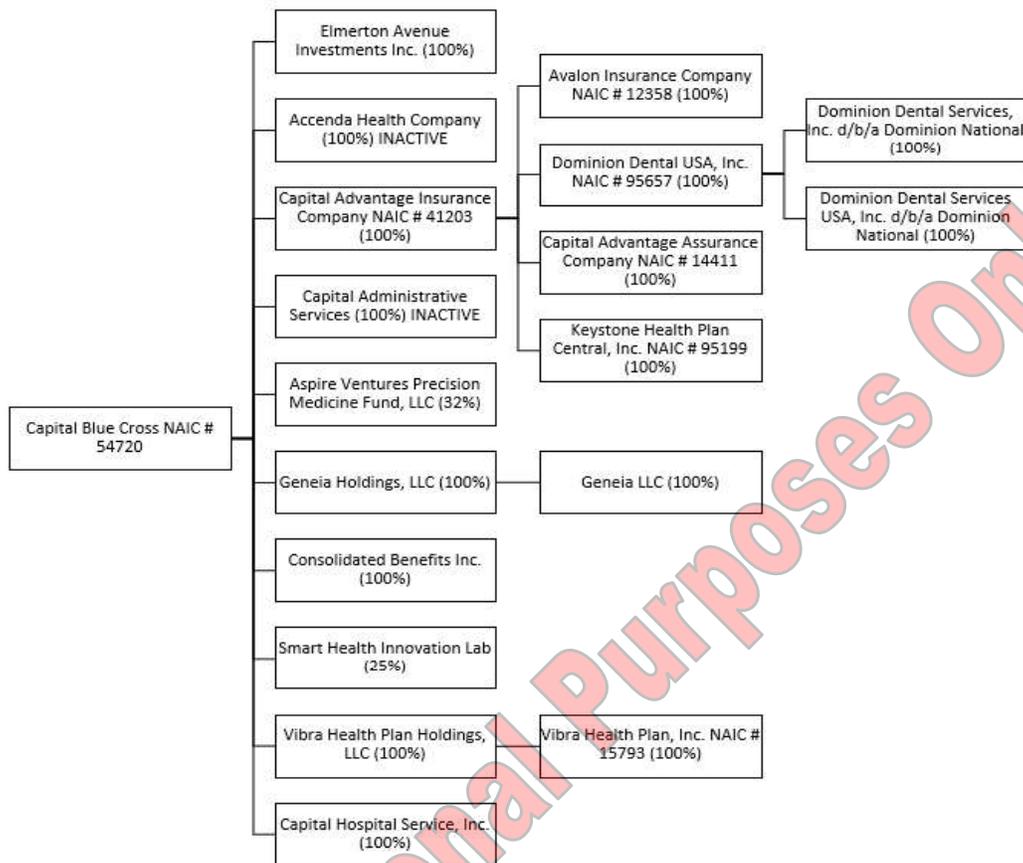
<u>Date</u>	<u>Amount</u>
July 15, 2020	\$12,000,000
July 15, 2021	\$20,000,000

Prior notice of capital contributions was filed with the Department for all transactions listed above.

### INSURANCE HOLDING COMPANY SYSTEM

The Group meets the requirements for filing an insurance holding company system annual registration statement ("Annual Registration Statement"), in compliance with 40 P.S. § 991.1404. The required Annual Registration Statements for the examination period have been filed.

Capital is named as the ultimate controlling entity/person of the holding company system. The organizational chart below summarizes the holding company system as of December 31, 2021.



Geneia Holdings, LLC (“Geneia Holdings”) wholly owns Geneia, LCC (“Geneia”), which provides clinical services to health plans and providers, analytics, care management and coordination, and consulting services.

Excluded from the scope of the examination are Dominion Dental USA, Inc. (“DDUSA”) and its subsidiaries Dominion Dental Services USA, Inc. (“DDSUSA”) and Dominion Dental Services, Inc. (“DDS”). These entities are wholly owned subsidiaries of CAIC.

**BOARD OF DIRECTORS**

Management of AIC, CAAC, CAIC, and VHPI is vested in each respective company’s Board of Directors (“Board”), which were comprised of the following members as of December 31, 2021:

**Name and Address**

- Jennifer Anne Chambers, MD <sup>1,2,3</sup>  
Harrisburg, Pennsylvania
- Scott Phillip Frank <sup>1,3</sup>  
Harrisburg, Pennsylvania
- Renae Lynn Kluk Kiehl <sup>1,2,3,4</sup>  
Harrisburg, Pennsylvania

**Principal Occupation**

- Senior Vice President/Chief Medical Officer  
Capital Blue Cross
- Senior Vice President/CIO  
Capital Blue Cross
- Corporate Secretary/Attorney  
Capital Blue Cross

## Capital Blue Cross Group

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Toliver Ralph Woodard <sup>1,2,3,4</sup>  
Harrisburg, Pennsylvania

Frank Fernandez <sup>1,3,4</sup>  
Harrisburg, Pennsylvania

Glenn Phillip Heisey <sup>1,2,3,4</sup>  
Harrisburg, Pennsylvania

Todd Aaron Shamash <sup>1,2,3,4</sup>  
Harrisburg, Pennsylvania

1 – Directors for AIC  
2 – Directors for CAAC  
3 – Directors for CAIC  
4 – Directors for VHPI

Senior Vice President/CFO/Treasurer  
Capital Blue Cross

Senior Vice President  
Capital Blue Cross

Executive Vice President/COO  
Capital Blue Cross

President/CEO  
Capital Blue Cross

According to AIC's, CAAC's and CAIC's by-laws, the directors shall be elected by the stockholders by ballot, at the annual meeting of stockholders of the company, and each director shall be elected for a term of one (1) year, and until his successor shall be duly chosen and shall qualify.

According to VHPI's bylaws, the directors shall be elected by the stockholders by ballot, at the annual meeting, or a special meeting, of stockholders of the company, or by unanimous written consent, and each director shall be elected for a term of one (1) year, and until his successor shall be duly chosen and shall qualify.

Management of Capital is vested in its Board, which was comprised of the following members as of December 31, 2021:

### **Name and Address**

Marcella Kate Arline  
Harrisburg, Pennsylvania

Robert James Dolan  
Elizabethtown, Pennsylvania

Terry Lee Harris  
Enola, Pennsylvania

Robert Fitzel Lambert  
York, Pennsylvania

Stuart Suttphin Paxton Jr.  
Hellertown, Pennsylvania

Todd Aaron Shamash  
Harrisburg, Pennsylvania

Courtney Barilar Vose  
New Brunswick, New Jersey

Elizabeth Force Carson  
Hanover, Pennsylvania

George Stewart Glen  
Chambersburg, Pennsylvania

### **Principal Occupation**

Retired  
The Hershey Company

Retired  
Conrad Siegel Actuaries

Retired  
McKonly & Asbury, LLP

President  
York County Libraries

Managing Director  
Paxton & Associates, LLC

President/CEO  
Capital Blue Cross

Chief Nursing Officer/VP of Nursing  
Robert Wood Johnson Barnabas Health

Retired  
M&T Bank

Lawyer  
Glen and Glen LLC

## Capital Blue Cross Group

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Mary Diane Koken Lancaster, Pennsylvania	Legal/Regulatory Consultant Self-Employed
Stephen Aloysius Moore Harrisburg, Pennsylvania	Member McNees Wallace & Nurick, LLC
Velma Arlene Redmond Carlisle, Pennsylvania	Retired Pennsylvania-American Water Company
Kathryn Pelgrift Taylor Harrisburg, Pennsylvania	Retired Business Executive
Patricia Ann Warehime Hanover, Pennsylvania	Retired Lincoln Intermediate Unit #12

According to Capital's by-laws, the term of office of an elected director shall be three (3) years, but a director shall serve until a successor is elected and qualified, except in the event of death, resignation, removal, or upon failure to be re-nominated or re-elected. The term of directors to be elected at any meeting of the board of directors called for the election of directors shall be so staggered that, as nearly as possible, an equal number of directors shall be elected in successive years.

Management of KHPC is vested in its Board, which was comprised of the following members as of December 31, 2021:

<b>Name and Address</b>	<b>Principal Occupation</b>
Robert Elwood Kessler Jr. Lemoyne, Pennsylvania	President/CEO Kessler's, Inc.
Kathryn Pelgrift Taylor Harrisburg, Pennsylvania	Retired Business Executive
Franklin Richard Shearer Jr. Palmyra, Pennsylvania	Retired Hershey Entertainment & Resorts

According to KHPC's by-laws, the directors shall be elected by the stockholders by ballot, at the annual meeting of stockholders of the company, and each director shall be elected for the term of three (3) years, and until his or her successor shall be duly chosen and shall qualify.

Capital has a conflict of interest policy applicable to the Group. According to the policy, all individuals conducting business on behalf of Capital are prohibited from engaging in any activity that constitutes a conflict of interest. The Corporate Compliance Department is responsible for receiving notice of, evaluating, and rendering a decision about, potential conflict of interest situations. Employees, Board members, members of the company's medical and dental review and advisory committees, and independent contractors are required to complete disclosure and certification forms (both initial and annual).

Capital's by-laws detail the composition requirements of its mandated standing committees including, Audit, Executive, Compensation and Organization Development, Finance and Investment, Compliance and Risk, Nominating and Governance. The bylaws also give the Board authorization to establish any such other committees as it deems desirable for the conduct of the company's affairs. The Board has not established any additional Committees aside from the required standing Committees as of the examination date.

## COMMITTEES

As of December 31, 2021, the following Committees were appointed by the Board and serving in accordance with Capital's by-laws:

Audit Committee

Terry Harris, Chairman  
Robert Dolan  
Diane Koken  
Stephen Moore  
Stuart Paxton, Jr.  
Velma Redmond  
Kathryn Taylor

Executive Committee

Kathryn Taylor, Chairman  
Marcella Arline  
Terry Harris  
Stephen Moore  
Stuart Paxton, Jr.  
Velma Redmond  
Todd Shamash

Compensation and Organization

Development Committee

Marcella Arline, Chairman  
Elizabeth Carson  
Robert Dolan  
Stephen Moore  
Stuart Paxton, Jr.  
Kathryn Taylor  
Tricia Warehime

Finance and Investment Committee

Stuart Paxton, Jr., Chairman  
Elizabeth Carson  
Robert Dolan  
Terry Harris  
Robert Lambert  
Stephen Moore  
Todd Shamash  
Kathryn Taylor  
Courtney Vose

Compliance and Risk Committee

Velma Redmond, Chairman  
Marcella Arline  
George Glen  
Terry Harris  
Diane Koken  
Robert Lambert  
Stephen Moore  
Kathryn Taylor

Nominating and Governance Committee

Stephen Moore, Chairman  
Marcella Arline  
Elizabeth Carson  
George Glen  
Kathryn Taylor  
Tricia Warehime

The Boards for each company under examination have delegated authority to the Committees listed above.

The minutes indicated that the Committees above performed their specified activities, as set forth within the by-laws and Committee Charters on a consistent basis for all years during the examination period.

The examiners concluded from the review of the Board meeting minutes that updates on the activities of each of the Board-level committees, including those of special committees, were presented to the Board on a regular basis through Committee meeting minutes and presentations by Committee Chairs.

AIC, CAAC, CAIC, KHPC, and VHPI achieve compliance with the Board committee membership requirements of 40 P.S. § 991.1405(3)(ii) through 40 P.S. § 991.1405(c)(5), which states: “The provisions of paragraphs (3), (4) and (4.1) shall not apply to a domestic insurer if the person controlling such insurer is an insurer, an attorney in fact for a reciprocal exchange, a mutual insurance holding company or a publicly held corporation having a board of directors and committees thereof which already meet the requirements of paragraphs (3), (4) and (4.1)”. The committees appointed at Capital meet these requirements.

## **OFFICERS**

As of December 31, 2021, the following officers were appointed and serving in accordance with the companies’ by-laws:

<b>Name</b>	<b>Title</b>
Todd Aaron Shamash	President and Chief Executive Officer
Toliver Ralph Woodard	Treasurer
Renae Lynn Kluk Kiehl	Secretary

## **CORPORATE RECORDS**

### **MINUTES**

For AIC, CAAC, CAIC, KHPC, and VHPI, shareholder actions are conducted through "written consent" orders. Shareholder actions were conducted for such purposes as electing the members of the Board in accordance with the respective company’s by-laws. The shareholder ratified the prior year's actions of the officers and directors. The companies’ officers were elected by the Board of Directors. A quorum was present at all directors’ meetings and all directors attend Board meetings regularly.

For Capital, a compliance review of corporate minutes revealed the following:

- The Annual Meetings of the company’s Board held in April of each year were held in compliance with its By-laws.
- The Board elects directors at such meetings in compliance with the By-laws.
- Quorums were present at all directors' meetings.
- All directors attend Board meetings regularly.

### **ARTICLES OF INCORPORATION**

There were no changes made to the companies’ Articles of Incorporation during the period of examination.

## BY-LAWS

For AIC, CAAC, CAIC, KHPC, and VHPI, there were no changes to the companies' by-laws during the examination period.

For Capital, there were changes to the company by-laws effective January 1, 2019, February 11, 2021, and October 28, 2021. The changes were reported to the Department appropriately. The change effective January 1, 2019 implemented the Compliance and Risk committee, combined the Nominating and Governance committees to a single committee, specified that the chairman may make appointments outside of the annual meeting as necessary with approval of the Board, and removed the requirement that notice of a proposed amendment to the by-laws be given in the notice of the meeting. The change effective February 11, 2021 converted the Compensation Committee to the Compensation and Organization Development Committee. The change effective October 28, 2021 removed the age limit of 75 years for directors.

## SERVICE AND OPERATING AGREEMENTS

The companies are party to various service and operating agreements, including both external and intercompany agreements. A review of the intercompany agreements revealed that all of the following agreements meet the fair and reasonable standard pursuant to 40 P.S. § 991.1405(a)(1)(i) regarding transactions within an insurance holding company system.

### Agreements with External Parties

#### *Blue Cross and Blue Shield Federal Employee Program – Plan Participation Agreement*

Effective January 1, 2002, Capital entered into a Plan Participation Agreement with the Blue Cross Blue Shield Association (“BCBSA”), whereby the BCBSA authorized Capital to underwrite and administer health care benefits for the Federal Employee Program (“FEP”) subscribers within its twenty-one (21) county service area under Title 5, Chapter 89 of the United States Code. The BCBSA entered into a separate contract with the United States Office of Personnel Management (“OPM”), for the provision of health care benefits under the FEP, on behalf of the participating Blue Cross and Blue Shield Plans (“Participating Plans”).

BCBSA is responsible for collecting the subscription income from subscribers. BCBSA and Capital are reimbursed for FEP administrative expenses. Capital is also reimbursed for claims expenses. For each contract year, BCBSA is required to allocate one-half of the service charges among the Participating Plans based on each Participating Plan's relative performance for that contract year, using enrollment measurement criteria approved by the Standing Committee of the Board of Directors of the BCBSA. The other half of the service charge is appropriated at the BCBSA's discretion to use in the best interest of the FEP. This plan participation continues until either party terminates by giving one hundred twenty (120) days' notice prior to the last day of the current contract term as stated in the FEP contract between the BCBSA and the OPM.

*FEP BlueVision Plan Participation Agreement*

Effective December 31, 2006, Capital entered into an FEP BlueVision Plan Participation Agreement with BCBSA, whereby BCBSA authorized Capital to underwrite and administer vision benefits for FEP subscribers within its twenty-one (21) county service area under the Federal Employee Dental and Vision Benefits Enhancement Act of 2004 (Title 5, Chapters 89A and 89B of the United States Code). On behalf of the Participating Plans, BCBSA had entered into a separate Vision Contract with the OPM to provide insurance coverage with respect to certain vision benefits to federal employees. BCBSA is responsible for collecting the premium payments from subscribers. BCBSA and Capital are reimbursed for FEP administrative expenses. This plan participation continues until either party terminates by giving one hundred and eighty (180) days' notice prior to the last day of the current contract term as stated in the Vision Contract between the BCBSA and the OPM.

*Agreement for Vision Care with National Vision Administrators, Inc.*

Effective March 15, 2002, Capital and CAIC entered into an agreement for Vision Care Management Services with National Vision Administrators, Inc. ("NVA"). Through amendments adopted, the agreement has added the following affiliates: KHPC effective July 1, 2005; DDS and AIC effective January 1, 2011; and CAAC effective January 1, 2013.

This agreement permitted the contracting companies and their brokers to be appointed with American International Group ("AIG") in order to solicit applications for insurance policies between National Union Fire Insurance Company of Pittsburgh, PA, an AIG company, and the contracting companies' customers. Additionally, the agreement permits the companies to retain the services of NVA to administer and manage the self-funded and insured vision care benefit programs for its customers. Upon its addition as a party to the agreement, DDS was granted permission to bundle its dental insurance programs and products with AIG's vision products for marketing to its customers. Concurrent with the amendment to add CAAC as a party to the agreement, the contracting companies, with the exception of DDS, granted NVA exclusivity as its provider of vision care benefit management services.

Additional amendments were executed for NVA's management of vision benefits for Capital's Children's Health Insurance Program ("CHIP"). Effective January 1, 2018, VHPI was added to the agreement.

In consideration for the services rendered by NVA, the contracting companies have agreed to pay administrative fees. Through various amendments adopted, the contract's termination date has been extended to December 31, 2024. This agreement also provides that the contract automatically renews for successive one-year terms, unless the ninety (90) day written notice of termination is provided by either party.

*Pharmacy Benefit Management Agreement with Prime Therapeutics, LLC*

Effective January 1, 2020, Capital entered into an agreement with Prime Therapeutics, LLC ("Prime") for pharmacy benefit management. The agreement includes Capital and subsidiaries and includes separate contracts for CHIP, Commercial, Medicare, and Specialty. The pharmacy benefit services to be provided by Prime include: Account Management; Retail Pharmacy Network Management; Claims Adjudication and Claims Processing; Mail Service

Pharmacy Program Administration; Support of Capital's Customer Services, Sales, Functions and Utilization Management; Rebate Contracting and Management Services; Formulary Consultation; and any additional services offered by Prime that Capital may direct Prime to provide.

Generally, the financial terms provide that Capital pays administrative fees for program services and provides program drug claim cost reimbursement. Prime shall pass prescription rebates received to Capital.

*Pharmacy Specialty Products Agreement with Accredo Health Group, Inc.*

Effective January 1, 2008, Capital, on behalf of itself and its subsidiaries CAIC, KHPC and AIC, entered into a Pharmacy Specialty Products Agreement with Accredo Health Group ("Accredo"), formerly CuraScript, for the latter to provide prescription drug benefit management and specialty pharmacy services in support of the contracting companies' health benefit to its members, including those under the CHIP and Healthy PA programs sponsored by the Commonwealth of Pennsylvania, as well as Medicare Part D. The initial term of this agreement expired on December 31, 2011. Thereafter, the contract automatically renewed, and continues to renew, for successive one-year terms unless a written notice of termination is provided by either party no less than ninety (90) days prior to the expiration date.

In addition to the above, the parties entered into a separate agreement, effective January 1, 2010, under which Accredo agrees to provide medical specialty drugs to the contracting companies' providers through physician offices on a patient-specific basis. The initial term of this agreement expired on December 31, 2012. Thereafter, the contract automatically renewed, and continues to renew, for successive one-year terms unless a written notice of termination is provided by either party no less than ninety (90) days prior to the expiration date.

These agreements have been amended numerous times, predominately to adjust the underlying drug pricing schedules, terms of service, provider performance standards, supported programs, and termination date.

The agreement that was effective January 1, 2008, was also amended, effective October 1, 2012, to add CAAC as a party to the agreement.

Effective November 11, 2013, the contracting companies and CuraScript executed an amendment under which CuraScript assigned all of its rights, duties, and interests to and under the agreements to Accredo. Both CuraScript and Accredo are subsidiaries of Express Scripts Holding Company and the assignment was necessitated following a corporate restructuring.

*Behavioral Health Services Management Agreement with Beacon Health Options, Inc.*

Effective April 1, 2021, Capital entered into an agreement with Beacon Health Options, Inc. ("BHO") for behavioral health and substance abuse utilization and provider network management. The agreement includes Capital and its subsidiaries, CAIC, KHPC, AIC, and CAAC. The agreement is for the provision and/or management of the Behavioral Health Services that Capital provides to the Members of Capital's Health Benefit Plans, including, but not limited to, CHIP, FEP, Medicare Advantage and Supplemental Programs, Commercial Program, Health Maintenance Organization ("HMO") Plans, PPOs, Exclusive Provider

Organizations (“EPOs”), POS Plans, and Traditional and Comprehensive Plans. Under the agreement Capital has elected to retain and to provide (either through the company’s internal resources or through other third-party vendors) certain behavioral health services for which BHO provides support services to the company. Included in the services to be provided by BHO are: Provider Quality Management; BHO Clinical Activities for Members and Providers; Utilization Management; Case Management; Medical Director; Member/Provider Services; Crisis Intervention; Quality Management and Quality Assurance; Account Management; Data Exchange; Compliance Program; and Compliance with Legal and other Admin Requirements.

Generally, the financial terms include payment of administrative fees for BHO services. The term of the agreement is for three years (4/1/2021 through 3/31/2024). The agreement may be extended for up to two additional one-year terms, through 3/31/2026. After the first three contract years, a party may terminate the agreement upon giving one hundred eighty (180) calendar days written notice to the other party. However, immediate termination can occur for cause as defined in the agreement.

*Services Agreement with National Imaging Associates, Inc.*

Effective January 1, 2006, Capital and its affiliates entered into a Services Agreement with National Imaging Associates, Inc. (“NIA”). Under the agreement, NIA agreed to provide utilization management services for outpatient diagnostic imaging services provided to covered individuals by hospitals, radiologists, and other imaging providers in exchange for a monthly per subscriber fee. The initial term of the agreement was for two years through December 31, 2007; however, in connection with the execution of numerous amendments, the termination date was extended through June 30, 2022. Thereafter, it automatically renews for additional one-year terms unless terminated by either party by providing written notice at least one hundred and twenty (120) days prior to the expiration of the then existing term. In addition, through reference to the listing of parties to the agreement, CAAC was added as a party effective January 1, 2014.

*Contract with Eligible Prescription Drug Plan Sponsor*

Effective April 1, 2006, AIC and CMS entered into a novation agreement that allowed AIC to replace Avalon Health, Ltd. (“AHL”) in a contract under which AHL operated a Medicare Part D Prescription Drug Benefit Program. The agreement between AHL and CMS was executed September 29, 2005 and became effective January 1, 2006. The initial term expired on December 31, 2006, and was subject to annual renewals unless the contract was terminated upon notice by either party. This contract was terminated and replaced by the contract described below.

AIC executed a contract with CMS that enables AIC to offer a Medicare Part D Prescription Drug Benefit Program to eligible members effective October 15, 2011. The initial term of the contract expired on December 31, 2012, with successive one-year renewal periods thereafter unless non-renewed or terminated by either party. The contract is governed by 42 CFR 423 of the Social Security Act.

### *Contract with Eligible Medicare Advantage Organization*

Effective January 1, 2021, CAIC, KHPC and VHP each executed a contract with CMS that enables the companies to offer a Medicare Advantage benefit plan and a Medicare Part D Prescription Drug Benefit Program to eligible members. The initial term of the contract expired on December 31, 2021, with successive one-year renewal periods thereafter unless non-renewed or terminated by either party. The contract is governed by 42 CFR 422 of the Social Security Act. The companies offer three different benefits: Medicare Part D, Medicare Advantage and Medicare Advantage – PD.

### **Intercompany Agreements**

#### *Financial Guarantee Agreements*

Capital has entered into the following agreements with its affiliates to guarantee the payment of all of the financial liabilities under any and all of the respective affiliate's contracts:

- CAIC originally dated September 27, 2002, with a revised version dated September 27, 2011, to the extent of Capital's ownership interest
- KHPC dated April 14, 2004, to the extent of Capital's ownership interest
- AIC dated April 1, 2010, to the extent of Capital's assets
- CAAC dated December 4, 2012, to the extent of Capital's assets

#### *Capital Maintenance Agreement*

Effective October 31, 2019, Capital entered into a Capital Maintenance Agreement with VHPI. The terms of the agreement call for Capital to provide financial guarantees and Risk-Based Capital Maintenance for VHPI.

#### *Conversion/Service Agreements*

Effective December 6, 2017, Capital amended its prior conversion/service agreements with its subsidiaries CAIC and KHPC and entered into updated agreements with each affiliate. The amendments prescribe that in the event the subsidiary ceases operations for any reason, Capital shall, to the extent that the subsidiary assumes risk in its business, offer Blue Cross branded coverage to the subsidiary's subscribers without exclusions, limitations or conditions based on health status. Also, to the extent the subsidiary provides non-risk services, Capital shall provide Blue Cross branded services to the subsidiary's customers.

#### *Allocation of Consolidated Tax Liability Agreement*

Effective December 31, 2002, Capital entered into an Allocation of Consolidated Tax Liability Agreement with its subsidiaries CAIC, Consolidated Benefits, Inc. ("CBI"), and NCAS. Prior to the current examination period, numerous amendments and acknowledgements were made to add Keystone Heath Plan Central ("KHPC"), Capital Insurance Company ("CBCIC"), AIC, DDUSA, DDDS, DDSUSA, Dominion Dental Services of New Jersey, Inc. ("DDSNJ"), Geneia Holdings, Geneia, CAAC, and Dominion National Insurance Company ("DNIC").

Under this agreement, Capital agreed to file consolidated federal income tax returns on behalf of the group with the Internal Revenue Service. Each subsidiary computes a separate return tax liability for each taxable year and pays Capital its share of the tax liability on a quarterly basis within sixty (60) days of the due date for the estimated tax installments. Any tax refund from the IRS will be refunded by Capital to the respective subsidiary within sixty (60) days of receipt or within sixty (60) days after the statutory due date.

On July 13, 2010, Capital and its affiliates CBI, NCAS, CAIC, KHPC, AIC, DDS, DDSNJ, DDSUSA and DDUSA executed Amendment No. 1 to the agreement. Under this Amendment, the method of determining each subsidiary's separate return tax liability was adjusted to disregard any adjustments made pursuant to Internal Revenue Code Section 482, with respect to all consolidated federal tax returns filed on or after June 1, 2010. By reference, this amendment also removed AHL and CBCIC as parties to the agreement.

On March 1, 2017, Capital and its affiliates, CBI, Capital Administrative Services, Inc. ("CAS") (formerly known as NCAS), CAIC, CAAC, KHPC, AIC, DDS, DDSNJ, DDSUSA, DDUSA, Geneia Holdings, and Geneia, executed Amendment No. 2, adopting the then newly mandated provisions required by 31 Pa Code §25.21. This amendment was made to be retroactively effective to the tax year beginning January 1, 2016. The amendment also added DNIC to the agreement.

Effective January 1, 2020, Capital and its affiliates, CBI, CAS, CAIC, CAAC, KHPC, AIC, DDS, DDSNJ, DDSUSA, DDUSA, DNIC, Geneia Holdings, and Geneia entered into Amendment No. 3 to add Accenda Health Company ("Accenda"), VHPI and VPH to the agreement.

#### *Administrative Support Services Agreements*

Capital has entered into individual Administrative Support Services Agreements with the following subsidiaries:

1. CAS (formerly known as NCAS), effective February 9, 1993;
2. CBI, effective February 9, 1993;
3. CAIC, effective April 1, 2002;
4. KHPC, effective January 1, 2004
5. AIC, effective September 26, 2005;
6. CAAC, effective December 4, 2012;
7. Geneia, effective July 1, 2012

Under these agreements, Capital provides its subsidiaries with management, operations, information technology, accounting, and administrative support services. In turn, each subsidiary reimburses Capital based upon Capital's cost of performance. Each Agreement automatically renews unless terminated by either party by providing written notice at least sixty (60) days prior to the expiration of the then current term.

Capital has also entered into a Support Service Agreement with VHPI, effective May 31, 2017. Under this agreement, Capital provides Corporate Governance; Corporate Administration and Management; Human Resources; Finance; Network; Product; Sales and Marketing; and Additional Support services. In turn, VHPI reimburses Capital based upon Capital's cost to perform the services provided. Each Agreement automatically renews unless terminated by either party by providing written notice at least sixty (60) days prior to the expiration of the current term.

*Support Services Agreements with Dominion Dental USA, Inc.*

Effective January 1, 2009, Capital entered into a Support Services Agreement with its affiliate, DDUSA. Under this agreement, DDUSA provides all administrative and network management services related to the company's offering of DDUSA's dental plan. The original term of this agreement was for one year, through December 31, 2009. However, the agreement automatically renews for successive one-year terms unless terminated by either party by providing written notice at least sixty (60) days prior to the expiration of the current term. Effective May 12, 2017, VHPI was added as a party to the agreement.

On August 1, 2012, AIC and DDUSA and its subsidiaries entered into a support services agreement. Under this agreement, DDUSA provides all Sales, Rating and Underwriting, Fulfillment, Membership and Billing, Administrative, Vendor Management, Information Technology, and Support Services for dental plans issued by AIC. In exchange, AIC will compensate DDUSA on a tiered fixed fee basis dependent upon the number of enrolled members. The original term of this agreement expired July 31, 2013, upon which time it automatically renews for successive one-year terms unless terminated by either party by providing written notice at least sixty (60) days prior to the expiration of the current term.

On August 1, 2012, AIC and DDUSA and its subsidiaries entered into a support services agreement to support AIC's vision benefit products. Under the agreement, DDUSA provides: Legal and Regulatory; Office Administration; Vendor Management; Purchasing; Rating and Underwriting; Data Management, Control and Reporting; Sales and Marketing; Producer Appointment and Management; Fulfillment; Membership and Billing; and Information Technologies.

*Agency Appointment and Support Services Agreements with Consolidated Benefits, Inc.*

Effective August 31, 2020, entered into an Agency Appointment and Support Services Agreement with CBI. Under the agreement, AIC appoints CBI as their insurance agents to sell, solicit and negotiate new and renewal applications for insurance and other benefit plan contracts offered by AIC. Support functions provided by CBI include Office Administration; Sales and Marketing; Fulfillment; and Membership and Billing.

Effective August 31, 2020, CAAC entered into an Agency Appointment and Support Services Agreement with CBI. Under the agreement, CAAC appoints CBI as their insurance agents to sell, solicit and negotiate new and renewal applications for insurance for dental and vision insurance benefit plan contracts offered by CAAC. Support functions provided by CBI include Office Administration and Sales and Marketing.

**REINSURANCE**

**CEDED**

AIC’s ceded premium for 2021 was \$1,609,697 which is approximately 8.95% of its surplus. The net amount recoverable for 2021 was \$698,291. As of December 31, 2021, the company did not have any outstanding recoverables due from its reinsurers.

**Per Person Medical Excess of Loss**

Effective January 1, 2021, AIC entered into a Per Person Medical Excess of Loss contract with QBE Reinsurance Corporation (“QBE”). The term of the contract was for 1 year and was terminated on December 31, 2021.

AIC’s retention and the reinsurance limits are as follows:

<u>Company's Retention</u>	<u>Reinsurance Limits</u>	<u>Type of Business Covered</u>
\$2,500,000 per covered person, per policy period	Ultimate net loss in excess of \$2,500,000 per covered person, per policy period.	Employer Stop Loss Policies

**ASSUMED**

**Specific and Aggregate Medical Benefits – Variable Quota Share**

Effective January 1, 2018, AIC entered into a Specific and Aggregate Medical Benefits – Variable Quota Share Treaty with Gerber Life Insurance Company. The term of the contract is indefinite; however, either party may cancel by giving the other party written notice not less than ninety (90) days prior to any anniversary.

The details of this contract are as follows:

<u>Reinsured's Retention</u>	<u>Reinsurance Limits</u>	<u>Type of Business Covered</u>
Variable Quota Share of up to 90% of the liability, subject to a maximum limit to the reinsurer of up to 90% or being \$4,500,000 per person in respect to specific policies, with a minimum self- insured retention of \$10,000 and up to 90% or being \$4,500,000 per group in respect to Aggregate policies, with a	90% of up to or being \$4,500,000 per person in respect to specific policies, and 90% of up to or being \$4,500,000 per group in respect to Aggregate policies, with a minimum attachment point of not less than 115% of expected claims costs for the Aggregate policies.	Specific and Aggregate Stop Loss Insurance for Self-Funded Medical Benefit Plans

minimum attachment point of not less than 115% of expected claims costs for the Aggregate policies.

CAAC, CAIC, Capital, KHPC, and VHPI did not assume any business during the examination period.

### TERRITORY AND PLAN OF OPERATIONS

AIC is licensed in the following jurisdictions: Delaware, the District of Columbia, Maryland, Pennsylvania, Virginia, and West Virginia.

AIC serves as a plan sponsor offering Medicare Part D prescription drug insurance coverage under a contract with CMS and offers standard aggregate and specific stop-loss insurance coverage, Medicare supplemental insurance coverage, and standalone vision coverage.

The following chart summarizes AIC's Direct and Assumed, Ceded, and Net Written Premiums by line of business for the year 2021:

Line of Business	Direct and Assumed Premium	Ceded Premium	Net Premium	Percentage of Total
<b>December 31, 2021</b>				
Medicare Supplement	\$ 779,759	\$ 0	\$ 779,759	1.2%
Vision only	473,678	0	473,678	0.7%
Other health	64,875,061	1,609,697	63,265,364	98.1%
Health subtotal	66,128,498	1,609,697	64,518,801	100.0%
Totals	\$ 66,128,498	\$ 1,609,697	\$ 64,518,801	100.0%

CAAC is licensed in Pennsylvania. CAAC provides comprehensive health care products to consumers in the company's 21-county service area within central Pennsylvania and the Lehigh Valley.

The following chart summarizes CAAC's Direct and Assumed, Ceded, and Net Written Premiums by line of business for the year 2021:

Line of Business	Direct and Assumed Premium	Ceded Premium	Net Premium	Percentage of Total
<b>December 31, 2021</b>				
Comprehensive (hospital and medical)	\$ 845,314,816	\$ 0	\$ 845,314,816	78.1%
Dental only	24,879,275	0	24,879,275	2.3%
Vision only	5,976,196	0	5,976,196	0.6%
Other health	206,223,214	0	206,223,214	19.0%
Health subtotal	1,082,393,501	0	1,082,393,501	100.0%
Totals	\$ 1,082,393,501	\$ 0	\$ 1,082,393,501	100.0%

CAIC is licensed in Pennsylvania and provides comprehensive healthcare products to consumers in the company's 21-county service area within Central Pennsylvania and the Lehigh

## Capital Blue Cross Group

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Valley. CAIC is a full-service health insurer providing coverage of hospital and physician services under various programs. CAIC serves as a plan sponsor offering Medicare Advantage Part C and Medicare Part D insurance coverage under contracts with the CMS. CAIC has four wholly-owned subsidiaries: KHPC, AIC, CAAC, and DDUSA.

The following chart summarizes CAIC's Direct and Assumed, Ceded, and Net Written Premiums by line of business for the year 2021:

Line of Business	Direct and Assumed Premium	Ceded Premium	Net Premium	Percentage of Total
<b>December 31, 2021</b>				
Comprehensive (hospital and medical)	\$ 3,935,647	\$ 0	\$ 3,935,647	1.3%
Medicare Supplement	43,999,542	0	43,999,542	14.7%
Title XVIII - Medicare	181,181,666	0	181,181,666	60.7%
Other health	69,392,872	0	69,392,872	23.2%
Health subtotal	298,509,727	0	298,509,727	100.0%
Totals	\$ 298,509,727	\$ 0	\$ 298,509,727	100.0%

Capital is licensed in Pennsylvania and is an independent licensee of the BCBSA. The company underwrites the Federal Employee Health Benefits Plan, Individual Medicare Supplement and the drug portion of CHIP.

Capital, its wholly-owned subsidiary, CAIC, and CAIC's wholly-owned subsidiaries, KHPC, AIC, CAAC, and DDUSA and its subsidiaries, as well as VHPI, offer groups and individuals a variety of health care coverage plans, and provide group customers with a full range of supplemental insurance products. Capital also provides administrative services, which include network access, quality management and utilization management, to various self-insured employer groups. In addition to servicing its own subscriber base, Capital processes claims for other BlueCross and BlueShield Plans' subscribers who use providers in Capital's service area. Capital's service area consists of 21 counties within Central Pennsylvania and the Lehigh Valley.

The following chart summarizes Capital's Direct and Assumed, Ceded, and Net Written Premiums by line of business for the year 2021:

Line of Business	Direct and Assumed Premium	Ceded Premium	Net Premium	Percentage of Total
<b>December 31, 2021</b>				
Comprehensive (hospital and medical)	\$ 4,018,646	\$ 0	\$ 4,018,646	1.1%
Medicare Supplement	14,219,810	0	14,219,810	4.0%
Fed employees health benefits program premium	336,216,194	0	336,216,194	94.9%
Health subtotal	354,454,650	0	354,454,650	100.0%
Totals	\$ 354,454,650	\$ 0	\$ 354,454,650	100.0%

KHPC is licensed in Pennsylvania and is considered a licensed affiliate of Capital by the BCBSA.

KHPC underwrites managed care insurance products and provides administrative services, which include network access, quality management and utilization management, to

## Capital Blue Cross Group

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various self-insured employer groups. KHPC's geographical market area consists of 21 counties within Central Pennsylvania and the Lehigh Valley. KHPC serves as a plan sponsor offering Medicare Advantage Part C and Medicare Part D insurance coverage under contracts with the CMS.

KHPC, along with its affiliated entities, Capital, CAIC, and CAAC, provide a comprehensive line of health insurance products.

The following chart summarizes KHPC's Direct and Assumed, Ceded, and Net Written Premiums by line of business for the year 2021:

Line of Business	Direct and Assumed Premium	Ceded Premium	Net Premium	Percentage of Total
<b>December 31, 2021</b>				
Comprehensive (hospital and medical)	\$ 36,863,672	\$ 0	\$ 36,863,672	17.0%
Title XVIII - Medicare	179,966,960	0	179,966,960	83.0%
Other health	15,095	0	15,095	0.0%
Health subtotal	<u>216,845,727</u>	<u>0</u>	<u>216,845,727</u>	<u>100.0%</u>
Totals	<u>\$ 216,845,727</u>	<u>\$ 0</u>	<u>\$ 216,845,727</u>	<u>100.0%</u>

VHPI is licensed in Pennsylvania and has contracted with CMS to offer Medicare Advantage health insurance coverage beginning January 1, 2017.

The following chart summarizes VHPI's Direct and Assumed, Ceded, and Net Written Premiums by line of business for the year 2021:

Line of Business	Direct and Assumed Premium	Ceded Premium	Net Premium	Percentage of Total
<b>December 31, 2021</b>				
Title XVIII - Medicare	60,998,270	0	60,998,270	100.0%
Health subtotal	<u>60,998,270</u>	<u>0</u>	<u>60,998,270</u>	<u>100.0%</u>
Totals	<u>\$ 60,998,270</u>	<u>\$ 0</u>	<u>\$ 60,998,270</u>	<u>100.0%</u>

## SIGNIFICANT OPERATING TRENDS

The following tables indicate the growth of the companies during the period covered by this examination:

### AIC

	2021	2020	2019	2018	2017
Admitted Assets	\$ 43,993,045	\$ 44,203,099	\$ 45,188,939	\$ 42,910,996	\$ 39,727,207
Liabilities	\$ 26,008,359	\$ 25,465,679	\$ 21,131,487	\$ 24,304,689	\$ 19,994,443
Capital and Surplus Funds	\$ 17,984,686	\$ 18,737,420	\$ 24,057,452	\$ 18,606,307	\$ 19,732,764
Net Premium Income	\$ 64,518,801	\$ 62,180,014	\$ 55,495,052	\$ 63,668,348	\$ 62,920,409
Benefits to Members	\$ 46,883,089	\$ 57,401,485	\$ 55,150,342	\$ 66,127,158	\$ 51,224,715
Net Investment Income	\$ 243,177	\$ 313,039	\$ 495,790	\$ 486,340	\$ 373,315
Net Income	\$ (3,531,598)	\$ (13,881,373)	\$ (13,289,499)	\$ (18,655,803)	\$ (4,004,645)

## Capital Blue Cross Group

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### CAAC

	2021	2020	2019	2018	2017
Admitted Assets	\$ 693,784,615	\$ 686,883,046	\$ 733,395,728	\$ 667,418,695	\$ 588,518,147
Liabilities	\$ 366,950,480	\$ 252,817,725	\$ 343,909,856	\$ 319,841,273	\$ 331,196,359
Capital and Surplus Funds	\$ 326,834,135	\$ 434,065,321	\$ 389,485,872	\$ 347,577,422	\$ 257,321,788
Net Premium Income	\$1,082,393,501	\$1,189,278,449	\$1,409,495,754	\$1,387,542,670	\$1,534,702,976
Benefits to Members	\$1,088,751,144	\$ 910,515,756	\$1,152,725,865	\$1,055,110,338	\$1,307,135,062
Net Investment Income	\$ 9,267,515	\$ 9,513,583	\$ 10,460,773	\$ 9,427,025	\$ 7,114,600
Net Income	\$ (87,057,100)	\$ 41,829,295	\$ 35,661,194	\$ 88,564,383	\$ 22,311,331

### CAIC

	2021	2020	2019	2018	2017
Admitted Assets	\$ 550,042,709	\$ 687,817,648	\$ 675,076,069	\$ 645,524,180	\$ 579,455,272
Liabilities	\$ 217,135,018	\$ 195,638,652	\$ 229,252,574	\$ 213,943,351	\$ 211,860,230
Capital and Surplus Funds	\$ 332,907,691	\$ 492,178,996	\$ 445,823,495	\$ 431,580,829	\$ 367,595,042
Net Premium Income	\$ 298,509,727	\$ 297,711,135	\$ 287,198,632	\$ 244,592,776	\$ 233,443,414
Benefits to Members	\$ 293,933,833	\$ 242,320,279	\$ 274,430,746	\$ 215,717,267	\$ 209,446,961
Net Investment Income	\$ 1,025,439	\$ 1,149,328	\$ 1,456,520	\$ 1,349,003	\$ 1,227,888
Net Income	\$ (26,024,660)	\$ 18,583,507	\$ (14,340,167)	\$ 1,463,760	\$ (7,921,433)

### Capital

	2021	2020	2019	2018	2017
Admitted Assets	\$1,154,991,465	\$1,276,435,331	\$1,213,060,859	\$1,143,040,407	\$1,131,485,688
Liabilities	\$ 508,202,808	\$ 522,442,963	\$ 495,416,880	\$ 443,051,932	\$ 454,647,357
Capital and Surplus Funds	\$ 646,788,656	\$ 753,992,367	\$ 717,643,980	\$ 699,988,475	\$ 676,838,330
Net Premium Income	\$ 354,454,650	\$ 333,740,328	\$ 345,355,559	\$ 318,654,351	\$ 292,472,626
Benefits to Members	\$ 340,227,319	\$ 306,479,343	\$ 327,195,461	\$ 291,365,757	\$ 275,844,641
Net Investment Income	\$ 10,029,955	\$ 11,814,281	\$ 13,433,709	\$ 13,835,528	\$ 11,970,626
Net Income	\$ 49,477,371	\$ 1,857,555	\$ 16,519,472	\$ 10,170,163	\$ 14,732,296

### KHPC

	2021	2020	2019	2018	2017
Admitted Assets	\$ 81,671,830	\$ 85,199,807	\$ 82,476,635	\$ 81,052,474	\$ 88,374,743
Liabilities	\$ 59,543,842	\$ 45,392,952	\$ 42,518,892	\$ 38,276,543	\$ 38,773,664
Capital and Surplus Funds	\$ 22,127,988	\$ 39,806,855	\$ 39,957,744	\$ 42,775,931	\$ 49,601,079
Net Premium Income	\$ 216,845,727	\$ 250,666,812	\$ 260,733,103	\$ 250,575,932	\$ 229,130,315
Benefits to Members	\$ 200,745,537	\$ 198,378,286	\$ 228,550,480	\$ 212,012,392	\$ 193,468,422
Net Investment Income	\$ 1,028,751	\$ 1,143,093	\$ 1,369,740	\$ 1,431,616	\$ 1,906,096
Net Income	\$ (14,812,228)	\$ 2,640,060	\$ (5,562,909)	\$ (5,380,486)	\$ 1,637,134

### VHPI

	2021	2020
Admitted Assets	\$ 39,411,662	\$ 18,524,816
Liabilities	\$ 27,699,666	\$ 8,305,473
Capital and Surplus Funds	\$ 11,711,996	\$ 10,219,345
Net Premium Income	\$ 60,998,270	\$ 42,837,220
Benefits to Members	\$ 74,108,234	\$ 40,845,483
Net Income	\$ (36,958,224)	\$ (10,093,709)

## PENDING LITIGATION

As a Blue branded company, Capital is party to a class action antitrust lawsuit against the BCBSA. The lawsuit includes one complaint filed on behalf of subscribers and another filed on behalf of providers. A settlement has been reached in the subscriber case, but appeals have been filed. The provider case is still in litigation with no settlement yet reached.

## FINANCIAL STATEMENTS

The financial condition of the companies, as of December 31, 2021, and the results of operations for the five-year period under examination (two-year for VHPI), are reflected in the following statements\*:

Comparative Statement of Assets, Liabilities, Surplus and Other Funds;  
Comparative Statement of Income;  
Comparative Statement of Capital and Surplus;  
Comparative Statement of Cash Flow

\*Note: Some financials shown in this report may contain immaterial differences to those reported in the companies' filed Annual Statements due to rounding errors.

For Informational Purposes Only

**Comparative Statement of Assets, Liabilities, Surplus and Other Funds  
As of December 31,**

**AIC**

	2021	2020	2019	2018	2017
Bonds	\$ 8,996,146	\$ 11,411,806	\$ 12,508,117	\$ 14,432,780	\$ 14,665,257
Common stocks	0	0	0	0	5,993,364
Cash, cash equivalents and short-term investments	12,485,515	9,312,314	23,574,304	6,224,886	11,381,237
Subtotal, cash and invested assets	21,481,661	20,724,120	36,082,421	20,657,666	32,039,858
Investment income due and accrued	100,250	126,408	159,983	158,776	144,541
Premiums and considerations	9,174,381	6,489,795	4,892,774	5,006,209	1,736,658
Amounts recoverable from reinsurers	0	1,791,105	0	987,605	0
Amounts receivable relating to uninsured plans	1,344,200	46	86	343,246	1,152,884
Current federal and foreign income tax recoverable and interest thereon	0	3,396,036	337,513	2,334,488	0
Receivable from parent, subsidiaries and affiliates	6,817,615	8,251,657	1,189,585	11,071,822	2,541,414
Health care and other amounts receivable	5,028,986	3,369,700	2,179,147	1,751,486	1,658,722
Aggregate write-ins for other than invested assets	45,952	54,232	347,430	599,698	453,130
<b>Total</b>	<b>\$ 43,993,045</b>	<b>\$ 44,203,099</b>	<b>\$ 45,188,939</b>	<b>\$ 42,910,996</b>	<b>\$ 39,727,207</b>
Claims unpaid	\$ 18,688,756	\$ 18,239,364	\$ 15,148,910	\$ 19,401,796	\$ 13,532,131
Unpaid claims adjustment expenses	291,255	313,779	334,269	454,486	373,889
Aggregate health policy reserves	0	1,742,895	0	0	68,602
Premiums received in advance	411,892	166,773	21,519	163,118	25,582
General expenses due or accrued	324,920	664,180	829,661	303,658	12,693
Current federal and foreign income tax payable and interest thereon	611,808	0	0	0	2,291,151
Ceded reinsurance premiums payable	130,634	294,700	198,774	208,611	0
Amounts due to parent, subsidiaries and affiliates	4,239,056	2,941,680	3,142,118	2,660,969	3,522,269
Liability for amounts held under uninsured plans	0	229,071	704,907	0	0
Aggregate write-ins for other liabilities	1,310,038	873,237	751,329	1,112,051	168,126
<b>Total liabilities</b>	<b>26,008,359</b>	<b>25,465,679</b>	<b>21,131,487</b>	<b>24,304,689</b>	<b>19,994,443</b>
Aggregate write-ins for special surplus funds	0	0	202,325	0	153,263
Common capital stock	1,100,000	1,100,000	1,100,000	1,100,000	1,100,000
Gross paid in and contributed surplus	97,600,000	92,600,000	82,600,000	63,600,000	46,100,000
Unassigned funds (surplus)	(80,715,314)	(74,962,580)	(59,844,873)	(46,093,693)	(27,620,499)
Total capital and surplus	17,984,686	18,737,420	24,057,452	18,606,307	19,732,764
<b>Totals</b>	<b>\$ 43,993,045</b>	<b>\$ 44,203,099</b>	<b>\$ 45,188,939</b>	<b>\$ 42,910,996</b>	<b>\$ 39,727,207</b>

For Informational Purposes Only

**Comparative Statement of Income  
For the Year Ended December 31,**

**AIC**

	2021	2020	2019	2018	2017
Net premium income	\$ 64,518,801	\$ 62,180,014	\$ 55,495,052	\$ 63,668,348	\$ 62,920,409
Change in unearned premium reserves and reserve for rate credits	401,139	(401,139)	0	0	0
Total revenues	64,919,940	61,778,875	55,495,052	63,668,348	62,920,409
Hospital/medical benefits	505,329	642,773	717,682	857,619	1,336,651
Other professional services	177,828	153,603	202,439	192,541	122,859
Emergency room and out-of-area	22,800	36,892	49,230	78,270	86,684
Prescription drugs	7,624,272	8,244,788	7,713,200	8,475,071	9,406,880
Aggregate write-ins for other hospital and medical	38,552,860	48,323,429	46,467,791	56,523,657	40,271,641
Subtotal (hospital and medical)	46,883,089	57,401,485	55,150,342	66,127,158	51,224,715
Net reinsurance recoveries	(6,250,249)	(1,617,131)	(2,269,992)	(1,866,988)	0
Total hospital and medical	53,133,338	59,018,616	57,420,334	67,994,146	51,224,715
Claims adjustment expenses, including cost containment expenses	1,356,989	1,166,187	690,438	1,741,945	1,918,598
General administrative expenses	16,733,266	17,758,521	14,761,989	18,182,984	16,564,628
Increase in reserves for life accident and health contracts	(1,341,756)	1,341,756	0	(68,602)	(38,668)
Total underwriting deductions	69,881,837	79,285,080	72,872,761	87,850,473	69,669,273
Net underwriting gain or (loss)	(4,961,897)	(17,506,205)	(17,377,709)	(24,182,125)	(6,748,864)
Net investment income earned	243,177	313,039	495,790	486,340	373,315
Net realized capital gains or (losses)	0	0	(4,391)	(24,186)	(22,876)
Net investment gains or (losses)	243,177	313,039	491,399	462,154	350,439
Aggregate write-ins for other income or expenses	36,180	23,190	2,861	59,605	5,199
Net income or (loss) before federal income taxes	(4,682,540)	(17,169,976)	(16,883,449)	(23,660,366)	(6,393,226)
Federal income taxes incurred	(1,150,942)	(3,288,603)	(3,593,950)	(5,004,563)	(2,388,581)
Net income (loss)	\$ (3,531,598)	\$ (13,881,373)	\$ (13,289,499)	\$ (18,655,803)	\$ (4,004,645)

For Informational Purposes Only

**Comparative Statement of Capital and Surplus  
For the Year Ended December 31,**

**AIC**

	2021	2020	2019	2018	2017
Capital and surplus, December 31, previous year	\$ 18,737,420	\$ 24,057,452	\$ 18,606,307	\$ 19,732,764	\$ 15,508,455
Net income or (loss)	(3,531,598)	(13,881,373)	(13,289,499)	(18,655,803)	(4,004,645)
Change in net unrealized capital gains and (losses)	0	0	0	12,102	(12,102)
Change in nonadmitted assets	(2,221,136)	(1,438,659)	(259,356)	17,244	241,056
Surplus adjustments:					
Paid in	5,000,000	10,000,000	19,000,000	17,500,000	8,000,000
Net change in capital and surplus	(752,734)	(5,320,032)	5,451,145	(1,126,457)	4,224,309
Capital and surplus, December 31, current year	<u>\$ 17,984,686</u>	<u>\$ 18,737,420</u>	<u>\$ 24,057,452</u>	<u>\$ 18,606,307</u>	<u>\$ 19,732,764</u>

For Informational Purposes Only

## Comparative Statement of Cash Flow For the Year Ended December 31,

AIC

	2021	2020	2019	2018	2017
<b>Cash from Operations</b>					
Premiums collected net of reinsurance	\$ 63,561,123	\$ 59,009,818	\$ 56,453,906	\$ 59,771,589	\$ 61,824,889
Net investment income	369,995	492,926	669,855	691,709	675,981
Total	<u>63,931,118</u>	<u>59,502,744</u>	<u>57,123,761</u>	<u>60,463,298</u>	<u>62,500,870</u>
Benefit and loss related payments	56,419,118	58,523,674	62,381,856	62,213,646	53,435,562
Commissions, expenses paid and aggregate write-ins for deductions	19,544,002	19,487,158	14,223,996	19,553,367	18,699,834
Federal and foreign income taxes paid (recovered)	(5,158,786)	(230,080)	(5,590,925)	(388,544)	(7,724,560)
Total deductions	<u>70,804,334</u>	<u>77,780,752</u>	<u>71,014,927</u>	<u>81,378,469</u>	<u>64,410,836</u>
Net cash from operations	<u>(6,873,216)</u>	<u>(18,278,008)</u>	<u>(13,891,166)</u>	<u>(20,915,171)</u>	<u>(1,910,166)</u>
<b>Cash from Investments</b>					
Proceeds from investments sold, matured or repaid:					
Bonds	1,665,000	950,000	1,745,000	1,175,000	2,702,390
Stocks	650,000	0	0	6,084,814	1,015,494
Total investment proceeds	<u>2,315,000</u>	<u>950,000</u>	<u>1,745,000</u>	<u>7,259,814</u>	<u>3,717,884</u>
Cost of investments acquired (long-term only):					
Bonds	0	0	0	1,162,128	2,208,997
Stocks	0	0	0	103,534	6,005,466
Total investments acquired	<u>0</u>	<u>0</u>	<u>0</u>	<u>1,265,662</u>	<u>8,214,463</u>
Net cash from investments	<u>2,315,000</u>	<u>950,000</u>	<u>1,745,000</u>	<u>5,994,152</u>	<u>(4,496,579)</u>
<b>Cash from Financing and Miscellaneous Sources</b>					
Cash provided (applied):					
Capital and paid in surplus, less treasury stock	0	10,000,000	19,000,000	17,500,000	8,000,000
Other cash provided or (applied)	7,731,417	(6,933,982)	10,495,584	(7,735,333)	(3,612,105)
Net cash from financing and miscellaneous sources	<u>7,731,417</u>	<u>3,066,018</u>	<u>29,495,584</u>	<u>9,764,667</u>	<u>4,387,895</u>
<b>Reconciliation of cash and short-term investments:</b>					
Net change in cash and short-term investments	3,173,201	(14,261,990)	17,349,418	(5,156,352)	(2,018,850)
Cash and short-term investments:					
Beginning of the year	9,312,314	23,574,304	6,224,886	11,381,238	13,400,088
End of the year	<u>\$ 12,485,515</u>	<u>\$ 9,312,314</u>	<u>\$ 23,574,304</u>	<u>\$ 6,224,886</u>	<u>\$ 11,381,238</u>

## Comparative Statement of Assets, Liabilities, Surplus and Other Funds As of December 31,

## CAAC

	2021	2020	2019	2018	2017
Bonds	\$ 367,755,032	\$ 347,441,236	\$ 317,097,769	\$ 316,972,555	\$ 262,895,521
Cash, cash equivalents and short-term investments	2,545,032	8,534,049	34,953,655	37,125,211	25,345,764
Subtotal, cash and invested assets	370,300,064	355,975,285	352,051,424	354,097,766	288,241,285
Investment income due and accrued	2,284,191	2,225,377	2,334,855	2,542,145	2,069,755
Premiums and considerations	10,144,126	80,112,981	73,511,619	17,080,653	5,012,229
Amounts recoverable from reinsurers	21,475,732	5,080,202	13,063,249	12,979,217	14,039,385
Amounts receivable relating to uninsured plans	190,713,649	157,824,368	171,728,761	126,751,034	112,052,449
Current federal and foreign income tax recoverable and interest thereon	24,361,747	0	5,209,103	0	1,626,029
Net deferred tax asset	0	3,826,744	5,078,848	6,747,988	0
Receivable from parent, subsidiaries and affiliates	47,232,007	54,699,358	75,725,847	123,353,927	128,731,710
Health care and other amounts receivable	27,273,099	18,779,635	33,499,601	23,376,562	36,743,305
Aggregate write-ins for other than invested assets	0	8,359,096	1,192,421	489,403	2,000
<b>Total</b>	<b>\$ 693,784,615</b>	<b>\$ 686,883,046</b>	<b>\$ 733,395,728</b>	<b>\$ 667,418,695</b>	<b>\$ 588,518,147</b>
Claims unpaid	\$ 155,861,288	\$ 108,339,763	\$ 133,476,079	\$ 109,909,060	\$ 126,277,511
Unpaid claims adjustment expenses	4,439,864	3,087,112	3,680,369	2,715,577	3,226,407
Aggregate health policy reserves	362,050	33,519,145	43,808,049	9,662,190	11,355,110
Premiums received in advance	70,721,109	46,316,141	54,842,204	58,274,662	50,718,360
General expenses due or accrued	1,249,228	601,718	2,210,328	9,746,748	1,190,128
Current federal and foreign income tax payable and interest thereon	0	2,043,942	0	14,499,816	0
Amounts due to parent, subsidiaries and affiliates	95,109,998	18,375,651	66,708,803	83,838,734	94,667,364
Liability for amounts held under uninsured plans	38,460,367	39,894,990	38,880,017	30,969,609	43,590,071
Aggregate write-ins for other liabilities	746,576	639,263	304,007	224,877	171,408
<b>Total liabilities</b>	<b>366,950,480</b>	<b>252,817,725</b>	<b>343,909,856</b>	<b>319,841,273</b>	<b>331,196,359</b>
Aggregate write-ins for special surplus funds	0	0	29,043,776	0	25,809,433
Common capital stock	100	100	100	100	100
Gross paid in and contributed surplus	374,999,900	374,999,900	374,999,900	374,999,900	374,999,900
Unassigned funds (surplus)	(48,165,865)	59,065,321	(14,557,904)	(27,422,578)	(143,487,645)
<b>Total capital and surplus</b>	<b>326,834,135</b>	<b>434,065,321</b>	<b>389,485,872</b>	<b>347,577,422</b>	<b>257,321,788</b>
<b>Totals</b>	<b>\$ 693,784,615</b>	<b>\$ 686,883,046</b>	<b>\$ 733,395,728</b>	<b>\$ 667,418,695</b>	<b>\$ 588,518,147</b>

For Informational Purposes Only

### Comparative Statement of Income For the Year Ended December 31,

## CAAC

	2021	2020	2019	2018	2017
Net premium income	\$ 1,082,393,501	\$ 1,189,278,449	\$ 1,409,495,754	\$ 1,387,542,670	\$ 1,534,702,976
Change in unearned premium reserves and reserve for rate credits	33,157,095	(22,352,914)	(52,770,607)	(7,092,045)	(1,424,000)
Total revenues	<u>1,115,550,596</u>	<u>1,166,925,535</u>	<u>1,356,725,147</u>	<u>1,380,450,625</u>	<u>1,533,278,976</u>
Hospital/medical benefits	828,019,290	669,436,704	884,629,796	800,542,599	988,639,477
Other professional services	21,189,953	18,526,178	23,238,017	21,176,888	23,935,167
Emergency room and out-of-area	64,623,523	56,759,828	71,814,532	65,593,144	88,070,267
Prescription drugs	174,918,378	165,793,046	173,043,520	167,797,707	206,490,151
Subtotal (hospital and medical)	1,088,751,144	910,515,756	1,152,725,865	1,055,110,338	1,307,135,062
Net reinsurance recoveries	21,009,965	(1,726,202)	14,107,925	13,031,713	14,018,818
Total hospital and medical	<u>1,067,741,179</u>	<u>912,241,958</u>	<u>1,138,617,940</u>	<u>1,042,078,625</u>	<u>1,293,116,244</u>
Claims adjustment expenses, including cost containment expenses	30,884,825	39,158,851	37,786,918	48,930,412	52,172,685
General administrative expenses	139,825,277	170,679,082	152,192,476	174,469,475	162,248,099
Total underwriting deductions	<u>1,238,451,281</u>	<u>1,122,079,891</u>	<u>1,328,597,334</u>	<u>1,265,478,512</u>	<u>1,507,537,028</u>
Net underwriting gain or (loss)	<u>(122,900,685)</u>	<u>44,845,644</u>	<u>28,127,813</u>	<u>114,972,113</u>	<u>25,741,948</u>
Net investment income earned	9,267,515	9,513,583	10,460,773	9,427,025	7,114,600
Net realized capital gains or (losses)	5,181,516	4,332,583	6,052,187	(4,195,989)	396,485
Net investment gains or (losses)	14,449,031	13,846,166	16,512,960	5,231,036	7,511,085
Aggregate write-ins for other income or expenses	156,882	194,025	46,599	110,125	132,948
Net income or (loss) before federal income taxes	(108,294,772)	58,885,835	44,687,372	120,313,274	33,385,981
Federal income taxes incurred	(21,237,672)	17,056,540	9,026,178	31,748,891	11,074,650
Net income (loss)	<u>\$ (87,057,100)</u>	<u>\$ 41,829,295</u>	<u>\$ 35,661,194</u>	<u>\$ 88,564,383</u>	<u>\$ 22,311,331</u>

For Informational Purposes Only

**Comparative Statement of Capital and Surplus  
For the Year Ended December 31,**

**CAAC**

	2021	2020	2019	2018	2017
Capital and surplus, December 31, previous year	\$ 434,065,321	\$ 389,485,872	\$ 347,577,422	\$ 257,321,788	\$ 231,578,332
Net income or (loss)	(87,057,100)	41,829,295	35,661,194	88,564,383	22,311,331
Change in net unrealized capital gains and (losses)	(29,842)	(1,759)	53,479	(47,531)	(5,948)
Change in net deferred income tax	(3,826,744)	(1,252,104)	(1,978,754)	7,057,602	0
Change in nonadmitted assets	(16,317,500)	4,004,017	8,172,531	(5,318,820)	3,438,073
Net change in capital and surplus	(107,231,186)	44,579,449	41,908,450	90,255,634	25,743,456
Capital and surplus, December 31, current year	<u>\$ 326,834,135</u>	<u>\$ 434,065,321</u>	<u>\$ 389,485,872</u>	<u>\$ 347,577,422</u>	<u>\$ 257,321,788</u>

For Informational Purposes

**Comparative Statement of Cash Flow  
For the Year Ended December 31,**

## CAAC

	2021	2020	2019	2018	2017
<b>Cash from Operations</b>					
Premiums collected net of reinsurance	\$ 1,159,500,544	\$ 1,149,412,253	\$ 1,332,022,300	\$ 1,375,884,751	\$ 1,546,426,969
Net investment income	10,742,558	11,051,904	11,926,168	10,169,065	8,573,929
Total	<u>1,170,243,102</u>	<u>1,160,464,157</u>	<u>1,343,948,468</u>	<u>1,386,053,816</u>	<u>1,555,000,898</u>
Benefit and loss related payments	1,036,941,315	920,626,732	1,114,148,560	1,052,755,698	1,305,915,853
Commissions, expenses paid and aggregate write-ins for deductions	201,727,268	201,771,088	238,550,363	240,954,983	200,378,041
Federal and foreign income taxes paid (recovered)	5,103,559	9,725,384	28,655,813	15,563,641	(820,987)
Total deductions	<u>1,243,772,142</u>	<u>1,132,123,204</u>	<u>1,381,354,736</u>	<u>1,309,274,322</u>	<u>1,505,472,907</u>
Net cash from operations	<u>(73,529,040)</u>	<u>28,340,953</u>	<u>(37,406,268)</u>	<u>76,779,494</u>	<u>49,527,991</u>
<b>Cash from Investments</b>					
Proceeds from investments sold, matured or repaid:					
Bonds	292,578,294	260,983,538	344,488,320	337,533,708	294,344,521
Other invested assets	0	0	0	0	767,006
Total investment proceeds	<u>292,578,294</u>	<u>260,983,538</u>	<u>344,488,320</u>	<u>337,533,708</u>	<u>295,111,527</u>
Cost of investments acquired (long-term only):					
Bonds	309,273,805	288,425,492	339,751,757	397,082,908	306,312,702
Other invested assets	0	0	0	0	726,733
Total investments acquired	<u>309,273,805</u>	<u>288,425,492</u>	<u>339,751,757</u>	<u>397,082,908</u>	<u>307,039,435</u>
Net cash from investments	<u>(16,695,511)</u>	<u>(27,441,954)</u>	<u>4,736,563</u>	<u>(59,549,200)</u>	<u>(11,927,908)</u>
<b>Cash from Financing and Miscellaneous Sources</b>					
Cash provided (applied):					
Other cash provided or (applied)	84,235,534	(27,318,605)	30,498,149	(5,450,847)	(72,591,835)
Net cash from financing and miscellaneous sources	<u>84,235,534</u>	<u>(27,318,605)</u>	<u>30,498,149</u>	<u>(5,450,847)</u>	<u>(72,591,835)</u>
<b>Reconciliation of cash and short-term investments:</b>					
Net change in cash and short-term investments	(5,989,017)	(26,419,606)	(2,171,556)	11,779,447	(34,991,752)
Cash and short-term investments:					
Beginning of the year	8,534,049	34,953,655	37,125,211	25,345,764	60,337,516
End of the year	<u>\$ 2,545,032</u>	<u>\$ 8,534,049</u>	<u>\$ 34,953,655</u>	<u>\$ 37,125,211</u>	<u>\$ 25,345,764</u>

## Comparative Statement of Assets, Liabilities, Surplus and Other Funds As of December 31,

## CAIC

	2021	2020	2019	2018	2017
Bonds	\$ 63,109,309	\$ 58,103,982	\$ 43,634,903	\$ 56,250,633	\$ 56,559,342
Common stocks	366,946,809	492,609,596	453,501,068	408,959,659	326,655,630
Cash, cash equivalents and short-term investments	(4,489,219)	(6,072,453)	15,736,701	(457,348)	15,065,354
Subtotal, cash and invested assets	<u>425,566,899</u>	<u>544,641,125</u>	<u>512,872,672</u>	<u>464,752,944</u>	<u>398,280,326</u>
Investment income due and accrued	327,872	314,030	332,424	606,802	541,812
Premiums and considerations	4,988,687	6,638,723	6,232,498	2,253,214	2,096,519
Amounts recoverable from reinsurers	0	0	0	53,339	60,754
Amounts receivable relating to uninsured plans	10,705,924	16,119,659	8,010,461	6,512,199	9,350,124
Current federal and foreign income tax recoverable and interest thereon	9,169,822	0	2,103,188	1,340,629	928,251
Net deferred tax asset	0	1,092,097	0	0	1,091,359
Receivable from parent, subsidiaries and affiliates	87,112,984	110,994,290	136,275,857	160,146,405	161,669,240
Health care and other amounts receivable	12,170,521	6,446,909	6,097,365	4,134,715	5,380,597
Aggregate write-ins for other than invested assets	0	1,570,815	3,151,604	5,723,933	56,290
Total	<u>\$ 550,042,709</u>	<u>\$ 687,817,648</u>	<u>\$ 675,076,069</u>	<u>\$ 645,524,180</u>	<u>\$ 579,455,272</u>
Claims unpaid	\$ 128,329,419	\$ 105,918,666	\$ 123,948,353	\$ 59,595,673	\$ 54,686,947
Accrued medical incentive pool and bonus amounts	6,206,524	38,298	388,130	184,645	0
Unpaid claims adjustment expenses	3,442,840	2,908,807	3,327,246	1,480,557	1,350,425
Aggregate health policy reserves	1,354,452	21,601	84,618	289,974	2,789,065
Premiums received in advance	4,198	12,989	4,366	69,049	47,633
General expenses due or accrued	2,578,945	5,463,492	5,264,856	4,877,657	5,917,151
Current federal and foreign income tax payable and interest thereon	0	1,320,678	0	0	0
Amounts due to parent, subsidiaries and affiliates	53,659,090	62,896,982	76,687,549	133,554,015	130,595,731
Liability for amounts held under uninsured plans	13,226,540	10,950,585	14,143,544	9,115,047	12,077,826
Aggregate write-ins for other liabilities	8,333,010	6,106,554	5,403,912	4,776,734	4,395,452
Total liabilities	<u>217,135,018</u>	<u>195,638,652</u>	<u>229,252,574</u>	<u>213,943,351</u>	<u>211,860,230</u>
Aggregate write-ins for special surplus funds	0	0	3,497,169	0	2,657,132
Common capital stock	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000
Gross paid in and contributed surplus	577,569,311	577,569,311	577,569,311	577,569,311	577,569,311
Unassigned funds (surplus)	(245,661,620)	(86,390,315)	(136,242,985)	(146,988,482)	(213,631,401)
Total capital and surplus	<u>332,907,691</u>	<u>492,178,996</u>	<u>445,823,495</u>	<u>431,580,829</u>	<u>367,595,042</u>
Totals	<u>\$ 550,042,709</u>	<u>\$ 687,817,648</u>	<u>\$ 675,076,069</u>	<u>\$ 645,524,180</u>	<u>\$ 579,455,272</u>

**Comparative Statement of Income  
For the Year Ended December 31,**

**CAIC**

	2021	2020	2019	2018	2017
Net premium income	\$ 298,509,727	\$ 297,711,135	\$ 287,198,632	\$ 244,592,776	\$ 233,443,414
Change in unearned premium reserves and reserve for rate credits	(3,184)	(1,856)	(1,634)	(223)	3,065
Total revenues	<u>298,506,543</u>	<u>297,709,279</u>	<u>287,196,998</u>	<u>244,592,553</u>	<u>233,446,479</u>
Hospital/medical benefits	187,774,225	152,030,177	160,788,530	155,674,877	155,554,105
Other professional services	2,147,622	1,450,648	1,544,897	1,082,149	(3,664)
Emergency room and out-of-area	6,425,433	5,827,486	6,836,605	6,695,834	7,252,977
Prescription drugs	14,817,229	14,158,380	13,933,138	14,184,271	13,617,864
Aggregate write-ins for other hospital and medical	76,386,301	68,539,657	89,994,461	37,227,507	33,025,679
Incentive pool, withhold adjustments and bonus amounts	6,383,023	313,931	1,333,115	852,629	0
Subtotal (hospital and medical)	<u>293,933,833</u>	<u>242,320,279</u>	<u>274,430,746</u>	<u>215,717,267</u>	<u>209,446,961</u>
Net reinsurance recoveries	0	4,622	(43,525)	53,339	60,754
Total hospital and medical	<u>293,933,833</u>	<u>242,315,657</u>	<u>274,474,271</u>	<u>215,663,928</u>	<u>209,386,207</u>
Claims adjustment expenses, including cost containment expenses	7,522,207	6,186,267	8,110,730	7,739,063	6,956,000
General administrative expenses	28,793,706	26,413,129	26,014,204	22,430,742	29,339,817
Increase in reserves for life accident and health contracts	1,343,003	0	(71,001)	(1,878,359)	1,365,347
Total underwriting deductions	<u>331,592,749</u>	<u>274,915,053</u>	<u>308,528,204</u>	<u>243,955,374</u>	<u>247,047,371</u>
Net underwriting gain or (loss)	<u>(33,086,206)</u>	<u>22,794,226</u>	<u>(21,331,206)</u>	<u>637,179</u>	<u>(13,600,892)</u>
Net investment income earned	1,025,439	1,149,328	1,456,520	1,349,003	1,227,888
Net realized capital gains or (losses)	39,997	629,357	1,827,659	(98,482)	(7,689)
Net investment gains or (losses)	1,065,436	1,778,685	3,284,179	1,250,521	1,220,199
Aggregate write-ins for other income or expenses	(79,874)	(42,190)	(51,790)	264,207	(45,382)
Net income or (loss) before federal income taxes	<u>(32,100,644)</u>	<u>24,530,721</u>	<u>(18,098,817)</u>	<u>2,151,907</u>	<u>(12,426,075)</u>
Federal income taxes incurred	<u>(6,075,984)</u>	<u>5,947,214</u>	<u>(3,758,650)</u>	<u>688,147</u>	<u>(4,504,642)</u>
Net income (loss)	<u>\$ (26,024,660)</u>	<u>\$ 18,583,507</u>	<u>\$ (14,340,167)</u>	<u>\$ 1,463,760</u>	<u>\$ (7,921,433)</u>

For Informational Purposes Only

**Comparative Statement of Capital and Surplus  
For the Year Ended December 31,**

**CAIC**

	<b>2021</b>	<b>2020</b>	<b>2019</b>	<b>2018</b>	<b>2017</b>
Capital and surplus, December 31, previous year	\$ 492,178,996	\$ 445,823,495	\$ 431,580,829	\$ 367,595,042	\$ 348,963,390
Net income or (loss)	(26,024,660)	18,583,507	(14,340,167)	1,463,760	(7,921,433)
Change in net unrealized capital gains and (losses)	(129,696,974)	32,841,878	24,534,302	63,350,027	25,640,882
Change in net deferred income tax	(1,129,491)	1,129,491	0	(1,091,359)	(169,151)
Change in nonadmitted assets	(2,420,180)	(6,199,375)	4,048,531	263,359	1,081,354
Net change in capital and surplus	(159,271,305)	46,355,501	14,242,666	63,985,787	18,631,652
Capital and surplus, December 31, current year	<u>\$ 332,907,691</u>	<u>\$ 492,178,996</u>	<u>\$ 445,823,495</u>	<u>\$ 431,580,829</u>	<u>\$ 367,595,042</u>

For Informational Purposes Only

## Comparative Statement of Cash Flow For the Year Ended December 31,

## CAIC

	2021	2020	2019	2018	2017
<b>Cash from Operations</b>					
Premiums collected net of reinsurance	\$ 300,102,636	\$ 297,193,660	\$ 283,056,765	\$ 243,847,457	\$ 233,808,428
Net investment income	1,381,428	1,431,652	2,478,203	1,987,742	1,942,207
Total	<u>301,484,064</u>	<u>298,625,312</u>	<u>285,534,968</u>	<u>245,835,199</u>	<u>235,750,635</u>
Benefit and loss related payments	272,529,820	263,436,134	208,765,419	210,556,050	200,495,664
Commissions, expenses paid and aggregate write-ins for deductions	27,322,580	41,920,915	25,313,637	36,222,098	28,852,712
Federal and foreign income taxes paid (recovered)	4,360,677	2,463,367	(3,037,971)	1,067,370	(3,381,117)
Total deductions	<u>304,213,077</u>	<u>307,820,416</u>	<u>231,041,085</u>	<u>247,845,518</u>	<u>225,967,259</u>
Net cash from operations	<u>(2,729,013)</u>	<u>(9,195,104)</u>	<u>54,493,883</u>	<u>(2,010,319)</u>	<u>9,783,376</u>
<b>Cash from Investments</b>					
Proceeds from investments sold, matured or repaid:					
Bonds	9,557,264	18,848,718	67,631,293	17,538,071	20,885,431
Total investment proceeds	<u>9,557,264</u>	<u>18,848,718</u>	<u>67,631,293</u>	<u>17,538,071</u>	<u>20,885,431</u>
Cost of investments acquired (long-term only):					
Bonds	14,892,411	32,952,371	53,935,209	18,031,573	23,740,173
Stocks	0	10,000,000	19,000,000	17,500,000	8,000,000
Total investments acquired	<u>14,892,411</u>	<u>42,952,371</u>	<u>72,935,209</u>	<u>35,531,573</u>	<u>31,740,173</u>
Net cash from investments	<u>(5,335,147)</u>	<u>(24,103,653)</u>	<u>(6,303,916)</u>	<u>(17,993,502)</u>	<u>(10,854,742)</u>
<b>Cash from Financing and Miscellaneous Sources</b>					
Cash provided (applied):					
Other cash provided or (applied)	9,647,393	11,489,603	(32,995,919)	4,481,119	12,028,009
Net cash from financing and miscellaneous sources	<u>9,647,393</u>	<u>11,489,603</u>	<u>(32,995,919)</u>	<u>4,481,119</u>	<u>12,028,009</u>
<b>Reconciliation of cash and short-term investments:</b>					
Net change in cash and short-term investments	1,583,233	(21,809,154)	16,194,048	(15,522,702)	10,956,643
Cash and short-term investments:					
Beginning of the year	(6,072,454)	15,736,700	(457,348)	15,065,354	4,108,711
End of the year	<u>\$ (4,489,221)</u>	<u>\$ (6,072,454)</u>	<u>\$ 15,736,700</u>	<u>\$ (457,348)</u>	<u>\$ 15,065,354</u>

**Comparative Statement of Assets, Liabilities, Surplus and Other Funds  
As of December 31,**

**Capital**

	2021	2020	2019	2018	2017
Bonds	\$ 250,498,102	\$ 286,938,595	\$ 278,011,995	\$ 252,941,928	\$ 240,360,233
Common stocks	536,180,355	695,622,279	623,285,565	595,369,713	544,972,580
Real estate	32,566,635	30,432,326	28,173,232	28,227,954	28,473,038
Cash, cash equivalents and short-term investments	44,437,755	19,662,634	43,901,283	26,488,301	75,451,126
Other invested assets	111,370,430	146,338,411	96,179,391	90,058,017	86,243,395
Subtotal, cash and invested assets	975,053,277	1,178,994,245	1,069,551,466	993,085,913	975,500,372
Investment income due and accrued	3,475,423	3,124,986	3,054,654	4,211,859	3,921,727
Premiums and considerations	3,078,079	3,756,274	3,213,437	3,324,130	4,745,212
Amounts receivable relating to uninsured plans	283,044	191,949	124,916	32,259	70,205
Current federal and foreign income tax recoverable and interest thereon	0	5,034,411	0	7,479,593	459,186
Net deferred tax asset	14,037,777	16,461,199	16,642,228	10,577,178	9,008,133
Electronic data processing equipment and software	2,524,645	1,317,647	1,707,348	1,976,197	3,312,048
Receivable from parent, subsidiaries and affiliates	99,732,283	20,937,792	70,715,404	86,579,062	97,680,509
Health care and other amounts receivable	56,551,454	46,384,939	46,018,771	34,248,607	35,441,487
Aggregate write-ins for other than invested assets	255,483	231,889	2,032,635	1,525,609	1,346,809
Total	<u>\$ 1,154,991,465</u>	<u>\$ 1,276,435,331</u>	<u>\$ 1,213,060,859</u>	<u>\$ 1,143,040,407</u>	<u>\$ 1,131,485,688</u>
Claims unpaid	\$ 40,981,620	\$ 30,735,438	\$ 37,322,062	\$ 21,906,534	\$ 23,623,175
Unpaid claims adjustment expenses	1,506,927	1,202,840	1,242,276	931,448	916,529
Aggregate health policy reserves	0	6,619,436	250	599	474
Premiums received in advance	21,304	13,788	3,934	510,998	2,589,426
General expenses due or accrued	72,187,367	78,370,180	69,223,717	67,991,190	72,219,759
Current federal and foreign income tax payable and interest thereon	16,831,864	0	6,899,926	0	0
Amounts withheld or retained for the account of others	5,718,282	5,721,372	145,205	295,395	1,944,202
Borrowed money and interest thereon	50,000,000	0	0	0	0
Amounts due to parent, subsidiaries and affiliates	97,697,945	112,937,226	135,717,603	156,667,919	159,289,107
Liability for amounts held under uninsured plans	27,383	20,392	3,311	4,425	1,092
Aggregate write-ins for other liabilities	223,230,116	286,822,291	244,858,596	194,743,424	194,063,593
Total liabilities	<u>508,202,808</u>	<u>522,442,963</u>	<u>495,416,880</u>	<u>443,051,932</u>	<u>454,647,357</u>
Aggregate write-ins for special surplus funds	0	0	7,000,669	0	4,777,435
Unassigned funds (surplus)	646,788,656	753,992,367	710,643,311	699,988,475	672,060,895
Total capital and surplus	<u>646,788,656</u>	<u>753,992,367</u>	<u>717,643,980</u>	<u>699,988,475</u>	<u>676,838,330</u>
Totals	<u>\$ 1,154,991,464</u>	<u>\$ 1,276,435,330</u>	<u>\$ 1,213,060,860</u>	<u>\$ 1,143,040,407</u>	<u>\$ 1,131,485,687</u>

For Informational Purposes

## Comparative Statement of Income For the Year Ended December 31,

### Capital

	2021	2020	2019	2018	2017
Net premium income	\$ 354,454,650	\$ 333,740,328	\$ 345,355,559	\$ 318,654,351	\$ 292,472,626
Change in unearned premium reserves and reserve for rate credits	6,619,436	250	(1)	225	3,121
Total revenues	<u>361,074,086</u>	<u>333,740,578</u>	<u>345,355,558</u>	<u>318,654,576</u>	<u>292,475,747</u>
Hospital/medical benefits	301,653,520	268,434,744	290,890,717	257,355,101	242,421,807
Other professional services	2,605,653	2,055,265	2,231,261	1,712,700	1,733,089
Emergency room and out-of-area	31,805,524	30,995,594	33,905,285	27,841,568	27,348,064
Prescription drugs	4,162,622	4,993,740	168,198	4,456,388	4,341,681
Subtotal (hospital and medical)	<u>340,227,319</u>	<u>306,479,343</u>	<u>327,195,461</u>	<u>291,365,757</u>	<u>275,844,641</u>
Total hospital and medical	<u>340,227,319</u>	<u>306,479,343</u>	<u>327,195,461</u>	<u>291,365,757</u>	<u>275,844,641</u>
Claims adjustment expenses, including cost containment expenses	7,612,599	6,829,149	6,332,048	7,610,419	6,425,627
General administrative expenses	11,944,813	23,815,841	16,129,795	22,289,297	17,009,675
Total underwriting deductions	<u>359,784,731</u>	<u>337,124,333</u>	<u>349,657,304</u>	<u>321,265,473</u>	<u>299,279,943</u>
Net underwriting gain or (loss)	<u>1,289,355</u>	<u>(3,383,755)</u>	<u>(4,301,746)</u>	<u>(2,610,897)</u>	<u>(6,804,196)</u>
Net investment income earned	10,029,955	11,814,281	13,433,709	13,835,528	11,970,626
Net realized capital gains or (losses)	66,210,234	4,262,991	34,047,275	1,803,744	22,045,728
Net investment gains or (losses)	76,240,189	16,077,272	47,480,984	15,639,272	34,016,354
Aggregate write-ins for other income or expenses	(1,573,895)	(789,604)	(12,485,981)	(600,174)	(828,362)
Net income or (loss) before federal income taxes	<u>75,955,649</u>	<u>11,903,913</u>	<u>30,693,257</u>	<u>12,428,201</u>	<u>26,383,796</u>
Federal income taxes incurred	26,478,278	10,046,358	14,173,785	2,258,038	11,651,500
Net income (loss)	<u>\$ 49,477,371</u>	<u>\$ 1,857,555</u>	<u>\$ 16,519,472</u>	<u>\$ 10,170,163</u>	<u>\$ 14,732,296</u>

For Informational Purposes Only

**Comparative Statement of Capital and Surplus  
For the Year Ended December 31,**

**Capital**

	2021	2020	2019	2018	2017
Capital and surplus, December 31, previous year	\$ 753,992,367	\$ 717,643,980	\$ 699,988,475	\$ 676,838,330	\$ 703,357,624
Net income or (loss)	49,477,371	1,857,555	16,519,472	10,170,163	14,732,296
Change in net unrealized capital gains and (losses)	(227,495,903)	31,889,342	10,715,509	20,259,655	18,371,601
Change in net deferred income tax	(9,897,028)	4,675,381	8,768,996	(5,130,659)	(17,382,710)
Change in nonadmitted assets	2,513,780	28,098,209	(9,891,343)	(18,042,011)	(10,312,859)
Aggregate write-ins for gains or (losses) in surplus	78,198,069	(30,172,100)	(8,457,129)	15,892,997	(31,927,622)
Net change in capital and surplus	(107,203,711)	36,348,387	17,655,505	23,150,145	(26,519,294)
Capital and surplus, December 31, current year	<u>\$ 646,788,656</u>	<u>\$ 753,992,367</u>	<u>\$ 717,643,980</u>	<u>\$ 699,988,475</u>	<u>\$ 676,838,330</u>

For Informational Purposes

## Comparative Statement of Cash Flow For the Year Ended December 31,

### Capital

	2021	2020	2019	2018	2017
<b>Cash from Operations</b>					
Premiums collected net of reinsurance	\$ 355,051,861	\$ 339,787,031	\$ 344,956,146	\$ 318,000,297	\$ 291,410,223
Net investment income	10,762,242	12,685,860	15,046,656	13,916,001	11,498,397
Total	<u>365,814,103</u>	<u>352,472,891</u>	<u>360,002,802</u>	<u>331,916,298</u>	<u>302,908,620</u>
Benefit and loss related payments	329,543,237	330,886,551	319,613,850	294,821,836	277,270,117
Commissions, expenses paid and aggregate write-ins for deductions	22,978,619	(15,099,970)	164,478	21,901,344	5,991,605
Federal and foreign income taxes paid (recovered)	4,635,597	21,975,796	(179,161)	9,339,179	15,542,261
Total deductions	<u>357,157,453</u>	<u>337,762,377</u>	<u>319,599,167</u>	<u>326,062,359</u>	<u>298,803,983</u>
Net cash from operations	<u>8,656,650</u>	<u>14,710,514</u>	<u>40,403,635</u>	<u>5,853,939</u>	<u>4,104,637</u>
<b>Cash from Investments</b>					
Proceeds from investments sold, matured or repaid:					
Bonds	138,934,351	103,196,582	221,188,197	90,363,326	62,220,144
Stocks	98,108,609	7,019,143	39,039,442	9,793,167	48,948,760
Other invested assets	0	5,641,374	7,747,688	4,209,024	6,972,340
Miscellaneous proceeds	10,185,801	0	0	0	0
Total investment proceeds	<u>247,228,761</u>	<u>115,857,099</u>	<u>267,975,327</u>	<u>104,365,517</u>	<u>118,141,244</u>
Cost of investments acquired (long-term only):					
Bonds	99,801,289	109,891,961	231,200,248	104,373,771	87,799,971
Stocks	38,739,964	7,786,589	9,681,351	10,444,134	9,516,447
Real estate	3,074,062	3,073,631	723,859	518,623	677,194
Other invested assets	25,499,033	71,178,185	48,900,981	49,906,004	59,886,946
Total investments acquired	<u>167,114,348</u>	<u>191,930,366</u>	<u>290,506,439</u>	<u>165,242,532</u>	<u>157,880,558</u>
Net cash from investments	<u>80,114,413</u>	<u>(76,073,267)</u>	<u>(22,531,112)</u>	<u>(60,877,015)</u>	<u>(39,739,314)</u>
<b>Cash from Financing and Miscellaneous Sources</b>					
Cash provided (applied):					
Borrowed funds	50,000,000	0	0	0	0
Other cash provided or (applied)	(113,995,941)	37,124,104	(459,541)	6,060,251	66,894,994
Net cash from financing and miscellaneous sources	<u>(63,995,941)</u>	<u>37,124,104</u>	<u>(459,541)</u>	<u>6,060,251</u>	<u>66,894,994</u>
<b>Reconciliation of cash and short-term investments:</b>					
Net change in cash and short-term investments	24,775,122	(24,238,649)	17,412,982	(48,962,825)	31,260,317
Cash and short-term investments:					
Beginning of the year	19,662,634	43,901,283	26,488,301	75,451,126	44,190,809
End of the year	<u>\$ 44,437,756</u>	<u>\$ 19,662,634</u>	<u>\$ 43,901,283</u>	<u>\$ 26,488,301</u>	<u>\$ 75,451,126</u>

For Informational Purposes Only

## Comparative Statement of Assets, Liabilities, Surplus and Other Funds As of December 31,

### KHPC

	2021	2020	2019	2018	2017
Bonds	\$ 43,379,470	\$ 41,064,160	\$ 38,911,052	\$ 38,324,121	\$ 37,984,159
Cash, cash equivalents and short-term investments	2,236,798	2,626,000	11,167,236	13,725,633	17,592,465
Subtotal, cash and invested assets	45,616,268	43,690,160	50,078,288	52,049,754	55,576,624
Investment income due and accrued	260,742	271,582	306,477	311,918	287,729
Premiums and considerations	8,509,573	10,900,534	6,756,205	6,125,947	6,675,807
Amounts recoverable from reinsurers	132,785	56,590	165,592	251,710	1,041,250
Amounts receivable relating to uninsured plans	13,283,823	12,065,707	12,009,937	12,446,211	14,843,577
Current federal and foreign income tax recoverable and interest thereon	4,054,550	0	0	1,196,181	2,473,898
Receivable from parent, subsidiaries and affiliates	3,124,531	11,395,007	6,848,024	3,833,233	2,006,393
Health care and other amounts receivable	6,630,181	6,820,227	6,279,231	4,557,190	5,422,730
Aggregate write-ins for other than invested assets	59,377	0	32,881	280,330	46,735
Total	<u>\$ 81,671,830</u>	<u>\$ 85,199,807</u>	<u>\$ 82,476,636</u>	<u>\$ 81,052,474</u>	<u>\$ 88,374,743</u>
Claims unpaid	\$ 31,123,943	\$ 25,921,170	\$ 24,837,234	\$ 22,189,287	\$ 23,403,831
Accrued medical incentive pool and bonus amounts	7,820,578	82,289	475,740	287,226	44,031
Unpaid claims adjustment expenses	757,600	652,686	601,615	474,155	530,897
Aggregate health policy reserves	3,420,373	4,541,997	4,448,963	4,626,393	4,098,394
Premiums received in advance	16,960	21,151	18,302	18,275	49,642
General expenses due or accrued	1,010,147	1,588,822	1,099,870	1,182,368	1,059,726
Current federal and foreign income tax payable and interest thereon	0	1,660,754	372,999	0	0
Amounts due to parent, subsidiaries and affiliates	14,228,998	9,810,053	7,751,714	7,996,464	5,328,723
Liability for amounts held under uninsured plans	1,062,832	824,979	2,637,880	1,230,186	3,987,004
Aggregate write-ins for other liabilities	102,411	289,051	274,575	272,189	271,416
Total liabilities	<u>59,543,842</u>	<u>45,392,952</u>	<u>42,518,892</u>	<u>38,276,543</u>	<u>38,773,664</u>
Aggregate write-ins for special surplus funds	0	0	5,581,607	0	4,179,673
Common capital stock	40,000	40,000	40,000	40,000	40,000
Gross paid in and contributed surplus	11,160,000	11,160,000	11,160,000	11,160,000	11,160,000
Unassigned funds (surplus)	10,927,988	28,606,855	23,176,137	31,575,931	34,221,406
Total capital and surplus	<u>22,127,988</u>	<u>39,806,855</u>	<u>39,957,744</u>	<u>42,775,931</u>	<u>49,601,079</u>
Totals	<u>\$ 81,671,830</u>	<u>\$ 85,199,807</u>	<u>\$ 82,476,636</u>	<u>\$ 81,052,474</u>	<u>\$ 88,374,743</u>

For Informational Purposes Only

### Comparative Statement of Income For the Year Ended December 31,

#### KHPC

	2021	2020	2019	2018	2017
Net premium income	\$ 216,845,727	\$ 250,666,812	\$ 260,733,103	\$ 250,575,932	\$ 229,130,315
Total revenues	<u>216,845,727</u>	<u>250,666,812</u>	<u>260,733,103</u>	<u>250,575,932</u>	<u>229,130,315</u>
Hospital/medical benefits	167,695,139	169,706,409	195,188,407	180,778,574	166,231,179
Other professional services	1,331,137	1,264,846	1,166,821	825,530	0
Emergency room and out-of-area	9,786,956	10,810,986	14,117,406	13,575,254	14,795,678
Prescription drugs	14,196,908	16,036,131	16,172,831	15,557,776	12,267,772
Incentive pool, withhold adjustments and bonus amounts	7,735,397	559,914	1,905,015	1,275,258	173,793
Subtotal (hospital and medical)	<u>200,745,537</u>	<u>198,378,286</u>	<u>228,550,480</u>	<u>212,012,392</u>	<u>193,468,422</u>
Net reinsurance recoveries	<u>0</u>	<u>(39,305)</u>	<u>32,898</u>	<u>225,380</u>	<u>653,325</u>
Total hospital and medical	<u>200,745,537</u>	<u>198,417,591</u>	<u>228,517,582</u>	<u>211,787,012</u>	<u>192,815,097</u>
Claims adjustment expenses, including cost containment expenses	8,029,549	9,445,968	7,606,875	9,470,072	9,368,148
General administrative expenses	30,838,895	38,344,627	31,860,875	36,248,272	27,545,658
Increase in reserves for life accident and health contracts	<u>(2,025,024)</u>	<u>952,309</u>	<u>1,072,714</u>	<u>0</u>	<u>0</u>
Total underwriting deductions	<u>237,588,957</u>	<u>247,160,495</u>	<u>269,058,046</u>	<u>257,505,356</u>	<u>229,728,903</u>
Net underwriting gain or (loss)	<u>(20,743,230)</u>	<u>3,506,317</u>	<u>(8,324,943)</u>	<u>(6,929,424)</u>	<u>(598,588)</u>
Net investment income earned	1,028,751	1,143,093	1,369,740	1,431,616	1,906,096
Net realized capital gains or (losses)	316,209	276,844	162,972	(210,602)	674,634
Net investment gains or (losses)	1,344,960	1,419,937	1,532,712	1,221,014	2,580,730
Aggregate write-ins for other income or expenses	163,167	69,177	17,661	340,281	34,947
Net income or (loss) before federal income taxes	<u>(19,235,103)</u>	<u>4,995,431</u>	<u>(6,774,570)</u>	<u>(5,368,129)</u>	<u>2,017,089</u>
Federal income taxes incurred	<u>(4,422,875)</u>	<u>2,355,371</u>	<u>(1,211,661)</u>	<u>12,357</u>	<u>379,955</u>
Net income (loss)	<u>\$ (14,812,228)</u>	<u>\$ 2,640,060</u>	<u>\$ (5,562,909)</u>	<u>\$ (5,380,486)</u>	<u>\$ 1,637,134</u>

**Comparative Statement of Capital and Surplus  
For the Year Ended December 31,**

**KHPC**

	2021	2020	2019	2018	2017
Capital and surplus, December 31, previous year	\$ 39,806,853	\$ 39,957,742	\$ 42,775,929	\$ 49,601,077	\$ 45,096,137
Net income or (loss)	(14,812,228)	2,640,060	(5,562,909)	(5,380,486)	1,637,134
Change in net unrealized capital gains and (losses)	0	0	8,155	(5,973)	(2,182)
Change in nonadmitted assets	(2,866,639)	(2,790,949)	2,736,567	(1,438,689)	2,869,988
Net change in capital and surplus	(17,678,867)	(150,889)	(2,818,187)	(6,825,148)	4,504,940
Capital and surplus, December 31, current year	<u>\$ 22,127,986</u>	<u>\$ 39,806,853</u>	<u>\$ 39,957,742</u>	<u>\$ 42,775,929</u>	<u>\$ 49,601,077</u>

For Informational Purposes Only

## Comparative Statement of Cash Flow For the Year Ended December 31,

### KHPC

	2021	2020	2019	2018	2017
<b>Cash from Operations</b>					
Premiums collected net of reinsurance	\$ 217,191,677	\$ 247,289,427	\$ 261,194,775	\$ 252,763,964	\$ 202,228,538
Net investment income	1,281,024	1,378,912	1,544,162	1,530,705	2,316,945
Total	<u>218,472,701</u>	<u>248,668,339</u>	<u>262,738,937</u>	<u>254,294,669</u>	<u>204,545,483</u>
Benefit and loss related payments	187,669,305	202,515,321	226,910,339	213,683,169	203,882,477
Commissions, expenses paid and aggregate write-ins for deductions	40,362,454	49,084,289	37,606,632	45,919,179	35,775,001
Federal and foreign income taxes paid (recovered)	1,278,960	1,053,031	(2,796,938)	(1,279,710)	(7,923,905)
Total deductions	<u>229,310,719</u>	<u>252,652,641</u>	<u>261,720,033</u>	<u>258,322,638</u>	<u>231,733,573</u>
Net cash from operations	<u>(10,838,018)</u>	<u>(3,984,302)</u>	<u>1,018,904</u>	<u>(4,027,969)</u>	<u>(27,188,090)</u>
<b>Cash from Investments</b>					
Proceeds from investments sold, matured or repaid:					
Bonds	21,651,701	13,939,566	10,409,662	38,943,684	114,484,677
Other invested assets	0	0	0	0	229,324
Total investment proceeds	<u>21,651,701</u>	<u>13,939,566</u>	<u>10,409,662</u>	<u>38,943,684</u>	<u>114,714,001</u>
Cost of investments acquired (long-term only):					
Bonds	23,892,306	16,007,856	10,994,458	39,623,448	83,186,759
Other invested assets	0	0	0	0	219,296
Total investments acquired	<u>23,892,306</u>	<u>16,007,856</u>	<u>10,994,458</u>	<u>39,623,448</u>	<u>83,406,055</u>
Net cash from investments	<u>(2,240,605)</u>	<u>(2,068,290)</u>	<u>(584,796)</u>	<u>(679,764)</u>	<u>31,307,946</u>
<b>Cash from Financing and Miscellaneous Sources</b>					
Cash provided (applied):					
Other cash provided or (applied)	12,689,421	(2,488,644)	(2,992,505)	840,901	(1,731,796)
Net cash from financing and miscellaneous sources	<u>12,689,421</u>	<u>(2,488,644)</u>	<u>(2,992,505)</u>	<u>840,901</u>	<u>(1,731,796)</u>
<b>Reconciliation of cash and short-term investments:</b>					
Net change in cash and short-term investments	(389,202)	(8,541,236)	(2,558,397)	(3,866,832)	2,388,060
Cash and short-term investments:					
Beginning of the year	2,626,000	11,167,236	13,725,633	17,592,465	15,204,405
End of the year	<u>\$ 2,236,798</u>	<u>\$ 2,626,000</u>	<u>\$ 11,167,236</u>	<u>\$ 13,725,633</u>	<u>\$ 17,592,465</u>

**Comparative Statement of Assets, Liabilities, Surplus and Other Funds  
As of December 31,**

**VHPI**

	<b>2021</b>	<b>2020</b>
Cash, cash equivalents and short-term investments	\$ 11,065,198	\$ 14,410,942
Subtotal, cash and invested assets	11,065,198	14,410,942
Premiums and considerations	775,360	579,360
Amounts recoverable from reinsurers	0	0
Amounts receivable relating to uninsured plans	0	1,133,052
Current federal and foreign income tax recoverable and interest thereon	4,141,173	1,021,914
Electronic data processing equipment and software	39,258	75,885
Receivable from parent, subsidiaries and affiliates	20,700,552	2,240
Health care and other amounts receivable	2,690,121	1,332,709
Aggregate write-ins for other than invested assets	0	(31,286)
Total	<u>\$ 39,411,662</u>	<u>\$ 18,524,816</u>
Claims unpaid	\$ 7,446,184	\$ 5,826,963
Accrued medical incentive pool and bonus amounts	948,319	0
Unpaid claims adjustment expenses	219,059	174,365
Aggregate health policy reserves	16,128,685	1,241,060
Premiums received in advance	129,582	98,294
General expenses due or accrued	1,798,600	685,242
Amounts withheld or retained for the account of others	53,063	106,242
Amounts due to parent, subsidiaries and affiliates	98,495	171,459
Liability for amounts held under uninsured plans	864,616	0
Aggregate write-ins for other liabilities	13,063	1,848
Total liabilities	<u>27,699,666</u>	<u>8,305,473</u>
Aggregate write-ins for special surplus funds	0	0
Common capital stock	100	100
Gross paid in and contributed surplus	106,508,040	66,508,040
Unassigned funds (surplus)	(94,796,144)	(56,288,795)
Total capital and surplus	<u>11,711,996</u>	<u>10,219,345</u>
Totals	<u>\$ 39,411,662</u>	<u>\$ 18,524,818</u>

**Comparative Statement of Income  
For the Year Ended December 31,**

**VHPI**

	<b>2021</b>	<b>2020</b>
Net premium income	\$ 60,998,270	\$ 42,837,220
Total revenues	<u>60,998,270</u>	<u>42,837,220</u>
Hospital/medical benefits	63,513,123	35,616,032
Other professional services	1,237,267	613,063
Emergency room and out-of-area	1,192,304	656,284
Prescription drugs	6,980,757	3,960,104
Incentive pool, withhold adjustments and bonus amounts	<u>1,184,783</u>	<u>0</u>
Subtotal (hospital and medical)	74,108,234	40,845,483
Net reinsurance recoveries	<u>862</u>	<u>193,034</u>
Total hospital and medical	<u>74,107,372</u>	<u>40,652,449</u>
Claims adjustment expenses, including cost containment expenses	3,682,647	3,150,618
General administrative expenses	11,090,561	10,431,755
Increase in reserves for life accident and health contracts	<u>14,887,625</u>	<u>1,241,060</u>
Total underwriting deductions	<u>103,768,205</u>	<u>55,475,882</u>
Net underwriting gain or (loss)	<u>(42,769,935)</u>	<u>(12,638,662)</u>
Net investment income earned	<u>0</u>	<u>0</u>
Net investment gains or (losses)	<u>0</u>	<u>0</u>
Aggregate write-ins for other income or expenses	<u>538</u>	<u>2,830</u>
Net income or (loss) before federal income taxes	(42,769,397)	(12,635,832)
Federal income taxes incurred	<u>(5,811,173)</u>	<u>(2,542,123)</u>
Net income (loss)	<u>\$ (36,958,224)</u>	<u>\$ (10,093,709)</u>

For Informational Purposes Only

**Comparative Statement of Capital and Surplus  
For the Year Ended December 31,**

**VHPI**

	<b>2021</b>	<b>2020</b>
Capital and surplus, December 31, previous year	\$ 10,219,345	\$ 10,003,880
Net income or (loss)	(36,958,224)	(10,093,709)
Change in nonadmitted assets	(1,549,125)	(1,690,826)
Change in surplus notes	0	0
Capital changes:		
Paid in	0	0
Surplus adjustments:		
Paid in	40,000,000	12,000,000
Net change in capital and surplus	<u>1,492,651</u>	<u>215,465</u>
Capital and surplus, December 31, current year	<u>\$ 11,711,996</u>	<u>\$ 10,219,345</u>

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**Comparative Statement of Cash Flow  
For the Year Ended December 31,**

**VHPI**

	2021	2020
<b>Cash from Operations</b>		
Premiums collected net of reinsurance	\$ 60,816,904	\$ 42,362,451
Net investment income	0	0
Total	<u>60,816,904</u>	<u>42,362,451</u>
Benefit and loss related payments	73,212,369	40,710,126
Commissions, expenses paid and aggregate write-ins for deductions	12,928,818	13,370,976
Federal and foreign income taxes paid (recovered)	<u>(2,691,914)</u>	<u>(2,325,069)</u>
Total deductions	<u>83,449,273</u>	<u>51,756,033</u>
Net cash from operations	<u>(22,632,369)</u>	<u>(9,393,582)</u>
<b>Cash from Financing and Miscellaneous Sources</b>		
Cash provided (applied):		
Surplus notes, capital notes	0	0
Capital and paid in surplus, less treasury stock	20,000,000	12,000,000
Other cash provided or (applied)	<u>(713,375)</u>	<u>(281,033)</u>
Net cash from financing and miscellaneous sources	<u>19,286,625</u>	<u>11,718,967</u>
<b>Reconciliation of cash and short-term investments:</b>		
Net change in cash and short-term investments	(3,345,744)	2,325,385
Cash and short-term investments:		
Beginning of the year	14,410,942	12,085,557
End of the year	<u>\$ 11,065,198</u>	<u>\$ 14,410,942</u>

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**SUMMARY OF EXAMINATION CHANGES**

No changes or adjustments have been made to the preceding financial statements as filed with regulatory authorities over the review period as a result of this examination.

**NOTES TO FINANCIAL ITEMS****ASSETS****INVESTMENTS**

As of December 31, 2021, the companies' invested assets were distributed as follows:

**AIC**

	<b>Amount</b>	<b>Percentage</b>
Bonds	\$ 8,996,146	41.9%
Cash	10,243,108	47.7%
Cash equivalents	2,242,407	10.4%
Totals	<u>\$ 21,481,661</u>	<u>100.0%</u>

The companies' bond portfolio had the following quality and maturity profiles:

**AIC**

<b>NAIC Designation</b>	<b>Amount</b>	<b>Percentage</b>
1 - highest quality	\$ 8,996,146	100.0%
Totals	<u>\$ 8,996,146</u>	<u>100.0%</u>

<b>Years to Maturity</b>	<b>Amount</b>	<b>Percentage</b>
1 year or less	\$ 2,775,078	30.8%
2 to 5 years	4,576,515	50.9%
6 to 10 years	1,644,553	18.3%
Totals	<u>\$ 8,996,146</u>	<u>100.0%</u>

AIC's investment portfolio consists of bond investments in: U.S. states, territories and possessions; U.S. political subdivisions of states, territories, and possessions; and U.S. special revenue and special assessment obligations, with the highest quality NAIC designation, along with cash and cash equivalents. AIC has a written investment policy as required by 40 P.S. § 504.1(c) and is following the investment policy. AIC has a custodial agreement that is compliant with 31 PA Code § 148a.3.

CAAC

	Amount	Percentage
Bonds	\$ 367,755,032	99.3%
Cash	462,196	0.1%
Cash equivalents	2,082,836	0.6%
Totals	<u>\$ 370,300,064</u>	<u>100.0%</u>

The companies' bond portfolio had the following quality and maturity profiles:

NAIC Designation	Amount	Percentage
1 - highest quality	\$ 219,880,569	59.8%
2 - high quality	145,117,527	39.5%
3 - medium quality	2,756,936	0.7%
Totals	<u>\$ 367,755,032</u>	<u>100.0%</u>

Years to Maturity	Amount	Percentage
1 year or less	\$ 25,734,233	7.0%
2 to 5 years	132,456,286	36.0%
6 to 10 years	126,464,164	34.4%
11 to 20 years	41,252,407	11.2%
over 20 years	41,847,941	11.4%
Totals	<u>\$ 367,755,032</u>	<u>100.0%</u>

CAAC's investment portfolio consists of bond investments in: U.S. governments; other governments; U.S. States, territories and possessions; U.S. political subdivisions of states, territories and possessions; U.S. special revenue and special assessment obligations; industrial and miscellaneous; and hybrid securities, with highest to medium quality NAIC designations, and cash and cash equivalents. CAAC has a written investment policy as required by 40 P.S. § 504.1(c) and is following the investment policy. CAAC has a custodial agreement that is compliant with 31 PA Code § 148a.3.

CAIC

	Amount	Percentage
Bonds	\$ 63,109,309	14.8%
Common stocks	366,946,809	86.2%
Cash	(8,224,042)	-1.9%
Cash equivalents	3,734,823	0.9%
Totals	<u>\$ 425,566,899</u>	<u>100.0%</u>

The companies' bond and short-term investment portfolios had the following quality and maturity profiles:

## Capital Blue Cross Group

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<b>NAIC Designation</b>	<b>Amount</b>	<b>Percentage</b>
1 - highest quality	\$ 46,991,342	74.5%
2 - high quality	16,117,967	25.5%
Totals	<u>\$ 63,109,309</u>	<u>100.0%</u>

<b>Years to Maturity</b>	<b>Amount</b>	<b>Percentage</b>
1 year or less	\$ 7,917,449	12.5%
2 to 5 years	30,410,003	48.2%
6 to 10 years	24,781,857	39.3%
Totals	<u>\$ 63,109,309</u>	<u>100.0%</u>

CAIC's investment portfolio consists of bond investments in U.S. governments; U.S. special revenue and special assessment obligations; and industrial and miscellaneous, with highest to high quality NAIC designations, and cash and cash equivalents, and subsidiary common stocks. The values of CAIC's investments in its insurance company subsidiaries are determined based upon the net capital and surplus as reported in each respective subsidiary's annual statement in accordance with the valuation standards of the Statutory Accounting Principles and the NAIC's Securities Valuation Manual. The percentage of total admitted assets invested in the subsidiaries is 67%. CAIC has a written investment policy as required by 40 P.S. § 504.1(c) and is following the investment policy. CAIC has a custodial agreement that is compliant with 31 PA Code § 148a.3.

## Capital

	<b>Amount</b>	<b>Percentage</b>
Bonds	\$ 250,498,102	25.7%
Common stocks	536,180,355	55.0%
Real estate	32,566,635	3.3%
Cash	36,573,784	3.8%
Cash equivalents	7,863,970	0.8%
Other invested assets	111,370,430	11.4%
Totals	<u>\$ 975,053,276</u>	<u>100.0%</u>

The companies' bond portfolio had the following quality and maturity profiles:

## Capital Blue Cross Group

-51-

<b>NAIC Designation</b>	<b>Amount</b>	<b>Percentage</b>
1 - highest quality	\$ 116,495,586	46.5%
2 - high quality	118,642,017	47.4%
3 - medium quality	14,220,987	5.7%
4 - low quality	1,139,512	0.4%
Totals	<u>\$ 250,498,102</u>	<u>100.0%</u>

<b>Years to Maturity</b>	<b>Amount</b>	<b>Percentage</b>
1 year or less	\$ 6,010,214	2.4%
2 to 5 years	129,159,169	51.6%
6 to 10 years	110,808,576	44.2%
11 to 20 years	4,520,143	1.8%
Totals	<u>\$ 250,498,102</u>	<u>100.0%</u>

Capital's investment portfolio consists of bond investments in: other governments; U.S. political subdivisions of states, territories and possessions; U.S. special revenue and special assessment obligations; and industrial and miscellaneous, with mostly highest to high quality NAIC designations and a smaller amount with medium to low quality designations. Common stocks include: industrial and miscellaneous; mutual funds; and subsidiaries. The values of Capital's investments in its insurance company subsidiaries are determined based upon the net capital and surplus as reported on each respective subsidiary's annual statement in accordance with the valuation standards of the Statutory Accounting Principles and the NAIC Securities Valuation Manual. The percentage of Capital's admitted assets invested in subsidiaries is 31%. Capital also has investments in joint ventures affiliated and unaffiliated, real estate, and cash and cash equivalents. Capital has a written investment policy as required by 40 P.S. § 504.1(c) and is following the investment policy. Capital has a custodial agreement that is compliant with 31 PA Code § 148a.3.

### KHPC

	<b>Amount</b>	<b>Percentage</b>
Bonds	\$ 43,379,470	95.1%
Cash equivalents	2,236,798	4.9%
Totals	<u>\$ 45,616,268</u>	<u>100.0%</u>

The companies' bond portfolio had the following quality and maturity profiles:

## Capital Blue Cross Group

-52-

<b>NAIC Designation</b>	<b>Amount</b>	<b>Percentage</b>
1 - highest quality	\$ 28,391,859	65.4%
2 - high quality	14,817,691	34.2%
4 - low quality	169,920	0.4%
Totals	<u>\$ 43,379,470</u>	<u>100.0%</u>

<b>Years to Maturity</b>	<b>Amount</b>	<b>Percentage</b>
1 year or less	\$ 4,859,186	11.2%
2 to 5 years	19,693,921	45.4%
6 to 10 years	15,056,614	34.7%
11 to 20 years	3,236,677	7.5%
over 20 years	533,073	1.2%
Totals	<u>\$ 43,379,470</u>	<u>100.0%</u>

KHPC's investment portfolio consists of bond investments in: U.S. governments; U.S. States, territories and possessions; U.S. special revenue and special assessment obligations; and industrial and miscellaneous, with mostly highest to high quality NAIC designations and a smaller amount with a low quality designation, and cash equivalents. KHPC has a written investment policy as required by 40 P.S. § 504.1(c) and is following the investment policy. KHPC has a custodial agreement that is compliant with 31 PA Code § 148a.3.

### VHPI

	<b>Amount</b>	<b>Percentage</b>
Cash	11,065,198	100.0%
Totals	<u>\$ 11,065,198</u>	<u>100.0%</u>

VHPI does not have any investments other than cash.

## LIABILITIES

### POLICYHOLDER AND CLAIM RESERVES

AIC reported reserves for Claims Unpaid of \$18,688,756 and Unpaid Claims Adjustment Expenses of \$291,255 in its December 31, 2021 Annual Statement.

CAAC reported reserves for Claims Unpaid of \$155,861,288; Unpaid Claims Adjustment Expenses of \$4,439,864; and Aggregate Health Policy Reserves of \$362,050 in its December 31, 2021 Annual Statement.

CAIC reported reserves for Claims Unpaid of \$128,329,419; Medical Incentive Pool and Bonus Amounts of \$6,206,524; Unpaid Claims Adjustment Expenses of \$3,442,840; and Aggregate Health Policy Reserves of \$1,354,452 in its December 31, 2021 Annual Statement.

Capital reported reserves for Claims Unpaid of \$40,981,620 and Unpaid Claims Adjustment Expenses of \$1,506,927 in its December 31, 2021 Annual Statement.

KHPC reported reserves for Claims Unpaid of \$31,123,943; Medical Incentive Pool and Bonus Amounts of \$7,820,578; Unpaid Claims Adjustment Expenses of \$757,600; and Aggregate Health Policy Reserves of \$3,420,373 in its December 31, 2021 Annual Statement.

VHPI reported reserves for Claims Unpaid of \$7,446,184; Medical Incentive Pool and Bonus Amounts of \$948,319; Unpaid Claims Adjustment Expenses of \$219,059; and Aggregate Health Policy Reserves of \$16,128,685 in its December 31, 2021 Annual Statement.

Mark Spitler, FSA, MAAA, Senior Director of Actuarial Services at the Company, has been the appointed actuary (“AA”) for all companies for all years in the examination period.

The AA issued a Statement of Actuarial Opinion as of December 31, 2021, for each company under examination, concluding that the Company’s reserves “make a good and sufficient provision for all unpaid claims and other actuarial liabilities of the organization under the terms of its contracts and agreements.”

Baker Tilly Actuarial Specialists (“BTAS”) assisted in the performance of examination activities related to the Company’s reserving practices and processes. Procedures were performed by the examiners to validate the amounts for reasonableness, completeness, and accuracy. No material discrepancies were noted or detected in the claim reserves reported by each of the companies under exam as of December 31, 2021. The Policyholder and Claim Reserves were accepted as reported and assessed as adequate.

## SUBSEQUENT EVENTS

The Department is monitoring the impact of the COVID-19 global pandemic. The Department recognizes that COVID-19 could have a significant financial and operational impact on all of its domestic insurers, including the Companies. As such, the Department will continue to monitor and share information with the Companies as appropriate related to COVID-19 developments.

On March 28, 2022, the Department granted approval of a \$30,000,000 capital contribution to KHPC from Capital through CAIC, to be applied retroactively to December 31, 2021.

Effective April 5, 2022, Todd A. Shamash replaced Kathryn P. Taylor as a Director of KHPC.

Effective April 7, 2022, Luke M. Bernstein was elected to the Board of Directors of Capital replacing Mary D. Koken who did not stand for reelection.

Effective May 20, 2022, Capital entered into Amendment No. 4 to the Allocation of Consolidated Tax Liability Agreement with CBI, CAS, CAAC, CAIC, KHPC, AIC, DDUSA, DDSUSA, DDSNJ, DNIC, Geneia Holding, Geneia, Accenda, VHPI, and VPH. The amendment was approved by the Department on May 13, 2022.

On September 21, 2022, the Department approved a Form D Filing for termination of the Agency Appointment and Support Services Agreement involving CAAC and CBI. Under the terms of the agreement, CBI provided insurance producer services to sell dental insurance contracts underwritten by CAAC in return for commissions.

On December 8, 2022, Capital made a capital contribution in the amount of \$30,000,000 to CAIC, which in turn made a capital contribution of \$30,000,000 to AIC in the form of permanent capital. The transaction was filed in a Form D dated August 23, 2022, and was approved by the Department on September 14, 2022; however, the contribution was not made within the timeframe set forth in the Form D. The Insurance Department was notified of the delay in completing this transaction in a Form B Amendment submitted on January 13, 2023.

Geneia LLC and Geneia Holdings LLC, affiliates of Capital, are for-profit Delaware Limited Liability Companies. Capital is the sole member of Geneia Holdings, which is the sole member of Geneia. On December 30, 2022, Geneia made a return of capital in the amount of \$5,000,000 in the form of cash to Geneia Holdings, which in turn made a return of capital in the amount of \$5,000,000 in the form of cash to Capital. The Department was notified of this transaction in a Form B Amendment submitted on January 13, 2023.

Effective January 1, 2023, Capital withdrew as the insurance company member of Smart Health Innovations Lab (“iLab”), a Pennsylvania limited liability company. As a result, Capital no longer has a 25% ownership interest in iLab.

The service agreement between Capital and its subsidiary, CAS, was terminated by its terms on February 8, 2023. Notice of termination was provided to the Department on February 8, 2023.

Effective February 28, 2023, Patricia Higgins replaced Jennifer Chambers, MD, as a Director for AIC, CAAC, and CAIC.

Effective March 6, 2023, Geneia LLC, was merged with and into CAAC leaving CAAC as the surviving entity.

Effective March 7, 2023, Capital Hospital Services, Inc. and Accenda Health Company, subsidiaries of Capital and Pennsylvania For-Profit Business Corporations, merged with and into Geneia Holdings LLC, leaving Geneia Holdings LLC as the surviving entity.

On March 31, 2023, Geneia Holdings LLC made a return of capital in the amount of \$3,700,000 in the form of cash to Capital. The Department was notified of this transaction in a Form B submitted on March 31, 2023.

Effective April 6, 2023 Patricia Ann Warehime retired as a member of the Capital Board. As of the date of this report, no replacement has been named.

Effective April 11, 2023, Renae Lynn Kluk Kiehl resigned as Corporate Secretary and was replaced by Joel C. Hopkins.

Effective April 20, 2023, Toliver Ralph Woodard replaced Franklin R. Shearer Jr. as a Director of KHPC.

VHPI did not renew its Medicare contract with CMS for the 2023 plan year and will process runout through June 20, 2024.

Effective May 19, 2023, Joel Hopkins replaced Renae Kluk Kiehl as a Director of AIC, CAAC, CAIC and VHPI.

## RECOMMENDATIONS

### PRIOR EXAMINATION

The prior examination report contained no recommendations.

### CURRENT EXAMINATION

There are no recommendations being made as a result of the current examination.

### CONCLUSION

As a result of this examination, the financial condition of AIC, as of December 31, 2021, was determined to be as follows:

	<b>Amount</b>	<b>Percentage</b>
Admitted assets	\$ 43,993,045	100.0 %
Liabilities	\$ 26,008,359	59.1 %
Capital and Surplus	17,984,686	40.9 %
Total liabilities, capital and surplus	\$ 43,993,045	100.0 %

Since the previous examination, made as of December 31, 2016, AIC's assets increased by \$5,716,615, its liabilities increased by \$3,240,384, and its surplus increased by \$2,476,231.

As a result of this examination, the financial condition of CAAC, as of December 31, 2021, was determined to be as follows:

	<b>Amount</b>	<b>Percentage</b>
Admitted assets	\$ 693,784,615	100.0 %
Liabilities	\$ 366,950,480	52.9 %
Capital and Surplus	326,834,135	47.1 %
Total liabilities, capital and surplus	\$ 693,784,615	100.0 %

Since the previous examination, made as of December 31, 2016, CAAC's assets increased by \$164,665,133, its liabilities increased by \$69,409,330, and its surplus increased by \$95,255,803.

As a result of this examination, the financial condition of CAIC, as of December 31, 2021, was determined to be as follows:

## Capital Blue Cross Group

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	<b>Amount</b>	<b>Percentage</b>
Admitted assets	\$ 550,042,709	100.0 %
Liabilities	\$ 217,135,018	39.5 %
Capital and Surplus	332,907,691	60.5 %
Total liabilities, capital and surplus	\$ 550,042,709	100.0 %

Since the previous examination, made as of December 31, 2016, CAIC's assets increased by \$85,812,910, its liabilities increased by \$101,868,609, and its surplus decreased by \$16,055,699.

As a result of this examination, the financial condition of Capital, as of December 31, 2021, was determined to be as follows:

	<b>Amount</b>	<b>Percentage</b>
Admitted assets	\$ 1,154,991,465	100.0 %
Liabilities	\$ 508,202,808	44.0 %
Capital and Surplus	646,788,656	56.0 %
Total liabilities, capital and surplus	\$ 1,154,991,464	100.0 %

Since the previous examination, made as of December 31, 2016, Capital's assets increased by \$96,439,797, its liabilities increased by \$153,008,765, and its surplus decreased by \$56,568,968.

As a result of this examination, the financial condition of KHPC, as of December 31, 2021, was determined to be as follows:

	<b>Amount</b>	<b>Percentage</b>
Admitted assets	\$ 81,671,830	100.0 %
Liabilities	\$ 59,543,842	72.9 %
Capital and Surplus	22,127,988	27.1 %
Total liabilities, capital and surplus	\$ 81,671,830	100.0 %

Since the previous examination, made as of December 31, 2016, KHPC's assets decreased by \$64,458,455, its liabilities decreased by \$41,490,305, and its surplus decreased by \$22,968,150.

As a result of this examination, the financial condition of VHPI, as of December 31, 2021, was determined to be as follows:

## Capital Blue Cross Group

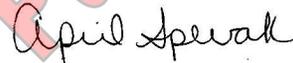
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	<b>Amount</b>	<b>Percentage</b>
Admitted assets	\$ 39,411,662	100.0 %
Liabilities	\$ 27,699,666	70.3 %
Capital and Surplus	11,711,996	29.7 %
Total liabilities, capital and surplus	\$ 39,411,662	100.0 %

Since the previous examination, made as of December 31, 2019, VHPI's assets increased by \$25,789,264, its liabilities increased by \$24,081,147, and its surplus increased by \$1,708,117.

This examination was conducted by Jessica H. Fulton, CFE, and Stephen C. Monteparte of the Department, John M. Romano, CFE, CPA, CITP, CIA, CSM, Michael C. Dubin, FCAS, FSA, MAAA, FCA, Neal I. Freedman, FSA, MAAA Felix Peysakhovich, ASA, MAAA, Jake Powell, Nathan Bolles, Russell Sommers, CPA, CISA, Dennis Schaefer, CISSP, CISA, TJ Helm, CPA, CISA, Chandini Kannan, Kelsey Barlow, CFE, PIR, MBA, Michael Skowronek, Daniel Ward and James B. Morris, CFE, CPA, CGMA, CICA, MBA of Baker Tilly US, LLP, with the latter in charge.

Respectfully submitted,



April Spevak, CFE  
Examination Manager



James B. Morris, CFE, CPA, CGMA,  
CICA, MBA  
Examiner-in-Charge

The CFE designation has been conferred by an organization not affiliated with the federal or any state government. However the CFE designation is the only designation recognized by the NAIC for the purposes of directing statutory Association examinations of insurance companies.