

STATE OF INDIANA) BEFORE THE INDIANA
) SS:
COUNTY OF MARION) COMMISSIONER OF INSURANCE

IN THE MATTER OF:)
)
UniCare Life & Health Insurance Company)
220 Virginia Avenue)
Indianapolis, Indiana 46204)

Examination of: « **UniCare Life & Health Insurance Company**

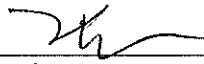
NOTICE OF ENTRY OF ORDER

Enclosed is the Final Order entered by Amy L. Beard, Commissioner of the Indiana Department of Insurance, after fully considering and reviewing the Verified Report of Examination of UniCare Life & Health Insurance Company, any relevant examination work papers, and any written submissions or rebuttals. The Verified Report of Examination, as amended by the Final Order, has been adopted by the Commissioner.

Pursuant to Ind. Code § 27-1-3.1-12(b), within thirty (30) days of receipt of the Final Order, each director of UniCare Life & Health Insurance Company, shall file an affidavit with the Indiana Department of Insurance stating that he/she has received a copy of the Verified Report of Examination and the Final Order.

The Final Order is a final administrative decision that may be appealed pursuant to Ind. Code § 4-21.5-5.

June 24, 2024
Date


Roy Eft
Chief Financial Examiner

CERTIFIED MAIL NUMBER: 7018 1130 0001 7982 6970

STATE OF INDIANA) BEFORE THE INDIANA
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COUNTY OF MARION) COMMISSIONER OF INSURANCE

IN THE MATTER OF:)
)
UniCare Life & Health Insurance Company)
220 Virginia Avenue)
Indianapolis, Indiana 46204)

Examination of: **UniCare Life & Health Insurance Company**

FINDINGS AND FINAL ORDER

The Indiana Department of Insurance conducted an examination into the affairs of the UniCare Life & Health Insurance Company (hereinafter “Company”) for the time period January 1, 2028 through December 31, 2022.

The Verified Report of Examination was filed with the Commissioner of the Department of Insurance (hereinafter “Commissioner”) by the Examiner on May 30, 2024.

A copy of the Verified Report of Examination, along with a Notice of Opportunity to Make Written Submission or Rebuttal, was mailed to the Company via Certified Mail on May 31, 2024 and was received by the Company on May 31, 2024.

On June 20, 2024 pursuant to Ind. Code § 27-1-3.1-10, the Company filed a response to the Verified Report of Examination. The Commissioner has fully considered the Company’s response.

NOW THEREFORE, based on the Verified Report of Examination and the response filed by the Company, the Commissioner hereby FINDS as follows:

1. The suggested modifications to the Verified Report of Examination submitted by the Company are reasonable and shall be incorporated into the Verified Examination Report. A copy of the Verified Report of Examination, as amended, is attached hereto.

2. The Verified Report of Examination, as amended, is true and accurate report of the financial condition and affairs of the Company as of December 31, 2022.
3. The Examiners' recommendations are reasonable and necessary in order for the Company to comply with the insurance laws of the state of Indiana.

Based on the FINDINGS, the Commissioner does hereby ORDER:

1. Pursuant to Ind. Code § 27-1-3.1-11(a)(1), the Verified Report of Examination is adopted and shall be filed. Hereafter the Verified Report of Examination, as amended, may constitute prima facie evidence of the facts contained therein in any action or proceeding taken by the Indiana Department of Insurance against the Company, its officers, directors, or agents.
2. The Company shall comply with the Examiner's Recommendations enumerated in summary form and throughout the text of the Verified Report of Examination, as amended. A written response to these recommendations should be provided to the Department within 30 days of receipt of this order.
3. Compliance with the Examiner's recommendations shall be completed on or before the filing of the subsequent annual statement. In the event it is not feasible to comply with a recommendation before the filing of the subsequent annual statement, the Company shall submit a written explanation as to why it was not feasible with the filing of the annual statement.

Signed this 24 day of
June, 2024.



Amy L. Beard
Insurance Commissioner

ABOUT AFFIRMATIONS

The following pages for affirmations need to be signed by each Board Member and returned to the Indiana Department of Insurance within thirty (30) days in accordance with I.C. §27-1-3.1-12(b).

If your affirmations list individuals that are no longer on your Board of Directors, you may simply retype the form on plain white paper with the correct names and a line to the right for signature. If the names are misspelled, you may do the same, simply re-type the corrected form with a line to the right for signature.

Should you have any questions or difficulties with these forms or you require additional time past the thirty (30) day requirement, please do not hesitate to contact this department at (317) 232-2390.

STATE OF INDIANA
Department of Insurance
REPORT OF EXAMINATION

OF

UNICARE LIFE & HEALTH INSURANCE COMPANY

NAIC Co. CODE 80314
NAIC GROUP CODE 0671

As of

December 31, 2022

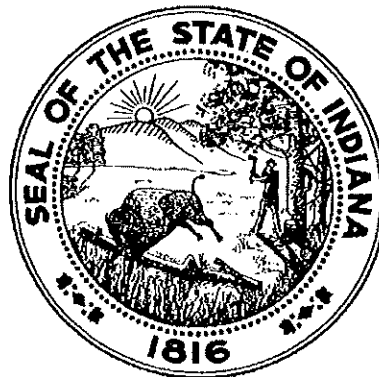


TABLE OF CONTENTS

| | |
|---|----|
| SALUTATION | 3 |
| SCOPE OF EXAMINATION | 2 |
| HISTORY | 3 |
| CAPITAL AND SURPLUS | 3 |
| DIVIDENDS TO STOCKHOLDERS | 3 |
| TERRITORY AND PLAN OF OPERATION | 3 |
| GROWTH OF THE COMPANY | 4 |
| MANAGEMENT AND CONTROL | 4 |
| Directors | 4 |
| Officers | 4 |
| CONFLICT OF INTEREST | 5 |
| OATH OF OFFICE | 5 |
| CORPORATE RECORDS | 5 |
| Articles of Incorporation | 5 |
| Bylaws | 5 |
| Minutes | 5 |
| AFFILIATED COMPANIES | 6 |
| Organizational Structure | 6 |
| Affiliated Agreements | 6 |
| FIDELITY BOND AND OTHER INSURANCE | 7 |
| PENSION, STOCK OWNERSHIP, AND INSURANCE PLANS | 7 |
| SPECIAL AND STATUTORY DEPOSITS | 8 |
| REINSURANCE | 9 |
| Ceded Reinsurance – Affiliates | 9 |
| Assumed Reinsurance - Affiliates | 9 |
| Assumed Reinsurance – Non-Affiliates | 10 |
| ACCOUNTS AND RECORDS | 10 |
| FINANCIAL STATEMENTS | 11 |
| Assets | 11 |
| Liabilities, Surplus, and Other Funds | 12 |
| Summary of Operations | 13 |
| Capital and Surplus Account Reconciliation | 14 |
| COMMENTS ON THE FINANCIAL STATEMENTS | 15 |
| OTHER SIGNIFICANT ISSUES | 15 |
| SUBSEQUENT EVENTS | 15 |
| AFFIDAVIT | 16 |



STATE OF INDIANA

ERIC J. HOLCOMB, GOVERNOR

Indiana Department of Insurance

Amy L. Beard, Commissioner
311 W. Washington Street, Suite 103
Indianapolis, Indiana 46204-2787
Telephone: 317-232-2385
Fax: 317-234-2103
Website: in.gov/idoi

May 30, 2024

Honorable Amy L. Beard, Commissioner
Indiana Department of Insurance
311 West Washington Street, Suite 300
Indianapolis, Indiana 46204-2787

Dear Commissioner:

Pursuant to the authority vested in Appointment Number 4116, an examination has been made of the affairs and financial condition of:

UniCare Life & Health Insurance Company
220 Virginia Avenue
Indianapolis, Indiana 46204

hereinafter referred to as the "Company," or "ULH," an Indiana domestic stock, life, accident, and health company. The examination was conducted remotely with assistance from the Company in Indianapolis, Indiana.

The Report of Examination, reflecting the status of the Company as of December 31, 2022, is hereby respectfully submitted.

ACCREDITED BY THE NATIONAL ASSOCIATION OF INSURANCE COMMISSIONERS

AGENCY SERVICES 317-232-2389 COMPANY COMPLIANCE 317-232-3495 CONSUMER SERVICES 317-232-2395/1-800-622-4461 FINANCIAL SERVICES 317-232-2390 MEDICAL MALPRACTICE 317-232-5253 COMPANY RECORDS 317-232-2383 STATE HEALTH INSURANCE PROGRAM 1-800-452-4800

SCOPE OF EXAMINATION

The Company was last examined by representatives of the Indiana Department of Insurance (INDOI) and covered the period from January 1, 2014, through December 31, 2017. The present risk-focused examination was conducted by Noble Consulting Services, Inc., and covered the period from January 1, 2018, through December 31, 2022, and included any material transactions and/or events occurring subsequent to the examination date and noted during the course of this examination.

The examination was conducted in accordance with the NAIC *Financial Condition Examiners Handbook* (Handbook). The Handbook requires that we plan and perform the examination to evaluate the financial condition, assess corporate governance, identify current and prospective risks of the Company, and evaluate system controls and procedures used to mitigate those risks. An examination also includes identifying and evaluating significant risks that could cause an insurer's surplus to be materially misstated both currently and prospectively.

The examinations of the Indiana domestic insurance companies of Elevance Health, Inc. (Elevance Health) were called by the INDOI in accordance with the Handbook guidelines, through the NAIC's Financial Examination Electronic Tracking System. The INDOI served as the lead state on the examination. The following Departments of Insurance accepted the invitation to participate on the coordinated examination of the Elevance Health Group, serving in the capacity of participating states.

| | | | | |
|-------------|----------------------|-------------|--------------|---------------|
| Arizona | District of Columbia | Maryland | New York | Washington |
| Arkansas | Iowa | Mississippi | Ohio | West Virginia |
| California | Kentucky | Missouri | Pennsylvania | Wisconsin |
| Colorado | Louisiana | Nebraska | Texas | |
| Connecticut | Maine | New Jersey | Virginia | |

Several other insurers within the holding company system did not participate in this coordinated examination due to various reasons including having been recently examined, having been recently acquired, the desire to stay on their current exam cycles, and similar other reasons.

Mark Alberts, FSA, MAAA, of Alberts Actuarial Consulting, LLC, and Micheal Berman, FSA, MAAA, of Davies Group, provided all actuarial services throughout the examination and conducted a review of the Company's actuarial related risks as of December 31, 2022.

All accounts and activities of the Company were considered in accordance with the risk-focused examination process. This may include assessing significant estimates made by management and evaluating management's compliance with Statutory Accounting Principles. 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 Company's financial statements.

This examination report includes significant findings of fact, as mentioned in the Indiana Code (IC) 27-1-3.1-10 and general information about the insurer and its financial condition. There may be other items identified during the examination that, due to their nature (e.g., subjective conclusions, proprietary information, etc.), are not included within the examination report but separately communicated to other regulators and/or the Company.

HISTORY

ULH was incorporated in Delaware on June 11, 1971, and commenced operations on December 16, 1980. Originally incorporated as Bay Colony Life Insurance Company of Delaware, it assumed the name of MML Pension Insurance Company in 1979. In March 1996, the name was changed to MIRUS Insurance Company. The Company's present name was adopted in May 1996. The Company became part of Anthem, Inc.'s (Anthem) insurance company holding system on November 30, 2004, as part of the WellPoint merger. ULH was re-domesticated to Indiana on June 8, 2005. Approval of the re-domestication was granted by the INDOI in October 2005.

On June 28, 2022, Anthem changed its name to Elevance Health, Inc. ULH is a wholly-owned subsidiary of UniCare National Services, Inc. (UNS), an indirect wholly-owned subsidiary of Elevance Health. On September 11, 2023, the Company changed its name to Wellpoint Life and Health Insurance Company. On February 16, 2024, UNS changed its name to Wellpoint National Services, Inc.

CAPITAL AND SURPLUS

UNS, a subsidiary of Anthem Holding Corp., owned 100% of the Company's issued and outstanding stock as of the examination date. There were 3,500,000 authorized shares of common stock with a par value of \$1 per share and 3 million shares issued and outstanding throughout the examination period.

In 2019, ULH received capital contributions from the Company's parent company, UNS, on May 13, June 28, and December 30, in the amounts of \$45 million, \$25 million, and \$75 million, respectively.

DIVIDENDS TO STOCKHOLDERS

The Company paid dividends of \$46 million to UNS during 2021. No other dividends were paid during the examination period.

In accordance with IC 27-1-23-4(h), the payment of dividends to holding companies or affiliated insurers may not exceed the greater of 10% of the prior year's surplus or the net gain from operations of such insurer of the prior year. The Company paid dividends during the examination period that were ordinary in nature and did not require prior regulatory approval. In accordance with IC 27-1-23-1.5, the Company notified the INDOI of all declared dividends to the parent during the examination period.

TERRITORY AND PLAN OF OPERATION

ULH offers life, accident, and health insurance products, Medicare Part D group products, stand-alone medical stop loss, and administrative service contracts in all fifty (50) states, the District of Columbia, and Puerto Rico. ULH also has risk revenue from a Medicaid capitation agreement. The risk is transferred from a nonaffiliated Managed Care Organization (MCO) domiciled in Minnesota. Under the agreement, the Company performs professional services for the MCO in connection with the MCO's participation in managed health care programs under a contract with the Minnesota Department of Human Services. The Company accepts 70% of the risk related to the MCO's arrangement. ULH also assumes Medicaid insurance risk from affiliated and unaffiliated insurers and provides administrative services to certain customers under self-insured agreements.

GROWTH OF THE COMPANY

The following table summarizes the financial results*, (in 000s), of the Company during the examination period:

| <u>Year</u> | <u>Admitted Assets</u> | <u>Liabilities</u> | <u>Surplus and Other Funds</u> | <u>Premiums and Annuities</u> | <u>Net Income</u> |
|-------------|----------------------------|--------------------|------------------------------------|-----------------------------------|-------------------|
| 2022 | \$ 1,141,685 | \$ 705,649 | \$ 436,035 | \$ 546,884 | \$ 139,686 |
| 2021 | 957,924 | 668,494 | 289,430 | 404,345 | 67,298 |
| 2020 | 1,033,164 | 766,888 | 266,277 | 332,666 | 45,263 |
| 2019 | 894,835 | 672,699 | 222,136 | 531,741 | 14,578 |
| 2018 | 310,602 | 250,055 | 60,547 | 353,866 | (7,170) |

*balances include immaterial rounding differences

The increase in net income for 2021 was due to the improved performance from the MCO risk revenue agreement. The increase in net income in 2022 was due to the improved performance from the MCO risk revenue agreement and South Carolina reinsurance agreement.

MANAGEMENT AND CONTROL

Directors

The Bylaws provide that the number of directors shall fall within the range prescribed by the Amended and Restated Articles of Incorporation and Redomestication. The current Board of Directors (Board) shall consist of no less than five (5) and no more than fourteen (14) directors. The shareholders, at each annual meeting, elect the members of the Board.

The following is a listing of persons serving as directors as of December 31, 2022, and their principal occupations as of that date:

| <u>Name and Address</u> | <u>Principal Occupation</u> |
|--|--|
| Stephen Douglas Beebe Mason, Ohio | Assistant Secretary UniCare Life and Health Insurance Company |
| Laurie Helm Benintendi Cincinnati, Ohio | Vice President and Counsel Elevance Health |
| Orlando Hiram Gonzalez Rivera San Juan, Puerto Rico | President Elevance Medicare East Elevance Health |
| Paul Christopher Nobile Fishers, Indiana | President and Chief Executive Officer UniCare Life and Health Insurance Company |
| Ronald William Penczek Zionsville, Indiana | Senior Vice President and Chief Accounting Officer Elevance Health |

Officers

The Bylaws state that the elected officers of the Company shall consist of a President, a Secretary, and a Treasurer, each of whom shall be elected by the Board. Any two (2) or more offices may be held by the same person, except that the person holding the office of Secretary shall not hold the office of President. The President shall have the

authority to appoint administrative officers such as Vice Presidents, Assistant Secretaries and Assistant Treasurers, to perform such functions and duties as prescribed and approved by the President. Each of these officers is elected by the Board and shall hold office for one (1) year or until their respective successors are duly chosen and have qualified.

The following is a list of key officers and their respective titles as of December 31, 2022:

| <u>Name</u> | <u>Office</u> |
|-------------------------------|---|
| Paul Christopher Nobile | President and Chief Executive Officer |
| Orlando Hiram Gonzalez Rivera | Vice President – State Sponsored Programs |
| Vincent Edward Scher | Treasurer |
| Kathleen Susan Kiefer | Secretary |
| Eric Kenneth Noble | Assistant Treasurer |
| Stephen Douglas Beebe | Assistant Secretary |

CONFLICT OF INTEREST

Directors and officers are required to review and sign Conflict of Interest statements annually. It was determined that all directors and officers listed in the Management and Control section of this Report of Examination have reviewed and signed their statements as of December 31, 2021. Based on this review, it was determined a review for 2022 was deemed unnecessary.

OATH OF OFFICE

IC 27-1-7-10(i) stipulates that every director, when elected, shall take and subscribe to an oath stating that he or she will faithfully, honestly, and diligently administer the affairs of the Company and will not knowingly violate any of the laws applicable to such Company. It was determined that not all directors listed in the Management and Control section of this Report of Examination have subscribed to an oath as of December 31, 2022. See the Other Significant Issues section of this Report of Examination.

CORPORATE RECORDS

Articles of Incorporation

There were no amendments made to the Articles of Incorporation during the examination period.

Bylaws

There were no amendments made to the Bylaws during the examination period.

Minutes

The Board and shareholders meeting minutes were reviewed for the period under examination through the fieldwork date. Significant actions taken during each meeting were noted.

IC 27-1-7-7(b) states an annual meeting of shareholders, members, or policyholders shall be held within five (5) months after the close of each fiscal year of the Company and at such time within that period as the Bylaws may

provide. The Company's Bylaws do not specify the date or time the annual meeting of shareholders is to be held. For each year under review, the annual meeting of shareholders was held within five (5) months following the close of each fiscal year.

The Elevance Health committee meeting minutes for the examination period, and through the fieldwork date, were reviewed for the following committees: Audit Committee, Compensation Committee, Finance Committee and Governance Committee.

AFFILIATED COMPANIES

Organizational Structure

The following abbreviated organizational chart shows the Company's parent and select affiliates as of December 31, 2022:

| | <u>NAIC Co. Code</u> | <u>Domiciliary State/Country</u> |
|---|--------------------------|--------------------------------------|
| Elevance Health, Inc. | | IN |
| Anthem Insurance Companies, Inc. | 28207 | IN |
| Associated Group, Inc. | | IN |
| Anthem Financial, Inc. | | DE |
| ATH Holding Company, LLC | | IN |
| Rocky Mountain Hospital and Medical Services, Inc. | 11011 | CO |
| Anthem Life Insurance Company | 61069 | IN |
| Anthem Holding Corp. | | IN |
| UNICARE National Services, Inc. | | DE |
| UNICARE Life & Health Insurance Company | 80314 | IN |

Affiliated Agreements

The following affiliated agreements and transactions were disclosed as part of the Form B – Holding Company Registration Statement and were filed with the INDOI, as required, in accordance with IC 27-1-23-4.

MASA Administrative Services Agreement

Effective January 1, 2005, the Company entered into an Amended and Restated Master Administrative Services Agreement (MASA) with Elevance Health and other affiliates. Under the MASA, each company provides certain administrative, consulting, and other support services for the benefit/use of the other affiliated companies. Administrative expenses for services performed under the Agreement are captured in cost centers and allocated to legal entities supported by the specific cost centers using reasonable and appropriate allocation methodologies such as weighted membership, headcount, and others.

Effective January 1, 2014, the MASA was amended to incorporate certain changes to holding company laws and regulations resulting from the NAIC's 2010 amendment of its Model Law and Regulation.

Effective July 1, 2018, a new attachment to the MASA, the Fair Market Value Attachment, (FMV Attachment) was incorporated, modifying the compensation arrangement with respect to certain of the services that may be provided to ULH. Pursuant to the FMV Attachment, the compensation to be paid by a party receiving certain specified services will be an amount up to, but no more than, fair market value of the services at the time such services are provided; and such amount will be fair and reasonable and shall not exceed what a party would pay for similar services from an unrelated third-party in an arm's length transaction.

The amounts attributable to ULH pursuant to the FMV Attachment in 2022 was \$3.6 million. Total expenses for services performed under the MASA are captured in cost centers and allocated to legal entities that are supported by the specific cost centers using reasonable and appropriate allocation methodologies such as weighted membership, headcount, etc. The amount attributable to ULH under the MASA Agreement in 2022 was \$50.3 million.

Cash Concentration Agreement

Effective November 20, 2007, the Company entered into a Cash Concentration Agreement with Elevance Health and its affiliates. An addendum was added to the Agreement in 2018 which set forth additional provisions related to receivership. Under this Agreement, any one of the parties may be designated as a Cash Manager to handle the collection and/or payment of funds on behalf of one (1) or more affiliates. An affiliate acting as a Cash Manager may collect premium payments and other revenue, collect benefit and administrative expenses and accounts payable payments on behalf of one (1) or more of its affiliates. The Cash Manager shall be reimbursed for the direct and indirect costs and expenses it incurs while acting in its capacity as Cash Manager. As of December 31, 2022, the Company had an estimated net receivable of \$80.7 million pursuant to this Agreement.

Consolidated Federal Income Tax Agreement

Effective December 31, 2005, the Company entered into a Consolidated Federal Income Tax Agreement with Elevance Health whereby the allocation of federal income taxes is based upon separate return calculations with credit for net losses that can be used on a consolidated basis and is recorded as part of the federal income tax receivable or payable. Federal income tax balances are settled based on the Internal Revenue Service due dates. Amounts attributable to ULH under this Agreement in 2022 were \$31.2 million.

Beacon Master Services Agreement

Effective January 1, 2021, upon Elevance Health's acquisition of Carelon Behavioral Health, Inc. (formerly Beacon Health Options, Inc.), the Company became a party to the Beacon Master Services Agreement. Under such Agreement, the Carelon Behavioral Health companies may provide administrative, management and utilization review services in connection with mental health and substance abuse services on behalf of the Company. Amounts attributable to ULH under this Agreement in 2022 were \$23 thousand.

FIDELITY BOND AND OTHER INSURANCE

The Company protects itself against loss from any fraudulent or dishonest acts by any employees through a fidelity bond issued by Fidelity and Deposit Company of Maryland through Zurich. The bond has a single loss coverage limit of \$10 million with a \$5 million deductible. The fidelity bond is adequate to meet the prescribed minimum coverage specified by the NAIC.

The Company had additional types of coverage in-force as of December 31, 2022, including but not limited to auto liability, commercial property liability, cyber liability, management indemnity/directors' and officers' liability, professional indemnity liability, umbrella liability, and workers' compensation liability.

PENSION, STOCK OWNERSHIP, AND INSURANCE PLANS

The Company participates in a frozen non-contributory defined benefit pension plan sponsored by ATH Holding Company, LLC (ATH Holding), covering most employees of Elevance Health and its subsidiaries. ATH Holding allocates a share of the total accumulated costs of the plan to the Company based on the number of allocated employees. During 2022, the Company was allocated credits totaling \$101.4 thousand. The Company has no legal obligation for benefits under this plan.

The Company participates in a postretirement medical benefit plan, sponsored by ATH Holding, providing certain health, life, vision, and dental benefits to eligible retirees. ATH Holding allocates a share of the total accumulated costs of this plan to the Company based on the number of allocated employees. During 2022, the Company was allocated credits totaling \$63.1 thousand. The Company has no legal obligation for benefits under this plan.

The Company participates in a nonqualified deferred compensation plan sponsored by Elevance Health, which covers certain employees once the participant reaches the maximum contribution amount for the Elevance Health 401(k) Plan. The deferred amounts are payable according to the terms and subject to the conditions of the deferred compensation plan. Elevance Health allocates a share of the total accumulated costs of this plan to the Company based on the number of allocated employees subject to the deferred compensation plan. During 2022, the Company was allocated costs totaling \$9.4 thousand. The Company has no legal obligation for benefits under this plan.

The Company participates in the 401(k) Plan, sponsored by ATH Holding and covering substantially all employees. Voluntary employee contributions are matched by ATH Holding, subject to certain limitations. ATH Holding allocates a share of the total accumulated costs of the plan to the Company based on the number of allocated employees. During 2022, the Company was allocated costs totaling \$965.5 thousand. The Company has no legal obligation for benefits under this plan.

The Company participates in a stock incentive compensation plan, sponsored by Elevance Health, providing incentive awards to non-employee directors and employees, consisting of Elevance Health stock options, restricted stock, restricted stock units, stock appreciation rights, performance shares, and performance units. Elevance Health allocates a share of the total share-based compensation expense of this plan to the Company based on the number of allocated employees. During 2022, the Company was allocated costs totaling \$734.3 thousand. The Company has no legal obligation for benefits under this plan.

SPECIAL AND STATUTORY DEPOSITS

The Company reported the following deposits as of December 31, 2022:

| State | Book Value | Fair Value |
|-----------------------------|--------------|--------------|
| For All Policyholders: | | |
| Indiana | \$5,259,459 | \$5,167,734 |
| Arkansas | 164,471 | 164,649 |
| Georgia | 40,000 | 40,000 |
| Massachusetts | 105,000 | 105,000 |
| New Mexico | 435,657 | 426,971 |
| North Carolina | 453,621 | 430,134 |
| South Carolina | 129,847 | 128,164 |
| Virginia | 251,178 | 248,742 |
| Puerto Rico | 1,177,803 | 1,100,586 |
| Total Deposits ¹ | \$ 8,017,036 | \$ 7,811,980 |

¹ The balances include immaterial rounding differences.

REINSURANCE

Ceded Reinsurance – Affiliates

Effective October 1, 2011, the Company cedes, under a coinsurance arrangement, 100% of its individual and group life insurance contracts and certificates issued by the Company and in-force (and following any current ceding arrangements already in-force) to Anthem Life Insurance Company (ALIC). Under this agreement, ULH ceded premiums of \$11.4 million and took reserve credits of \$52.5 million in 2022.

Effective June 1, 2019, the Company entered into a quota share reinsurance agreement with Anthem Blue Cross Life and Health Insurance Company (ABCLH), an affiliated California domiciled insurance company. The agreement is in effect until amended or terminated by the parties. The Company cedes to ABCLH 100% of the Company's assumed obligations related to Arkansas and Colorado Medicaid managed care plans. Under this agreement, ULH ceded premiums of \$775.5 million and withheld \$213.0 million in funds under coinsurance in 2022.

Effective July 1, 2021, the Company entered into a quota share reinsurance agreement with ABCLH. The agreement is in effect until June 30, 2023. The Company cedes to ABCLH 100% of the Company's obligations related to North Carolina Medicaid managed care plans assumed from a nonaffiliated insurance company. Under this agreement, ULH ceded premiums of \$1.038 billion and took reserve credits of \$7.4 million in 2022.

Effective July 1, 2022, the Company entered into an amended and restated quota share reinsurance agreement with ALIC. In addition to its individual and group life insurance described above, the Company began ceding 100% of its disability and accidental death and dismemberment products to ALIC. Under this agreement, ULH ceded premiums of \$10.5 million and took reserve credits of \$12.6 million in 2022.

Assumed Reinsurance - Affiliates

Effective April 20, 2020, the Company assumes, under a quota share arrangement, 50% of the Medicare Advantage business of Group Retiree Health Solutions, Inc. Under this agreement, ULH assumed premiums of \$16.9 million in 2022.

The Company assumes, under a quota share arrangement, 100% of the liability associated with the administration and provision of APC Passe, LLC's (APC) portion of the provider-led Arkansas Shared Savings Entity program where APC serves as the provider to Medicaid members in the state of Arkansas. APC is an equity investment of the Company's ultimate parent, Elevance Health. Under this agreement, ULH assumed premiums of \$501.3 million in 2022.

The Company assumes, under a quota share arrangement, 100% of the liability associated with the administration and provision of capitated health benefits under the Medicaid state contract for the Colorado Accountable Care Collaborative Program from Colorado Community Health Alliance, LLC. Under this agreement, ULH assumed premiums of \$274.2 million in 2022.

Effective July 1, 2022, the Company entered into a quota share reinsurance agreement with ALIC. The Company began assuming 100% of the medical stop-loss business written by ALIC. Under the agreement, ULH assumed premiums of \$87.9 million in 2022.

Effective July 1, 2022, the Company entered into a quota share reinsurance agreement with Anthem Life & Disability Insurance Company. Under the agreement, ULH assumed premiums of \$7.1 million in 2022.

Assumed Reinsurance – Non-Affiliates

Effective June 1, 2008, ULH (Reinsurer) entered into a quota share reinsurance agreement with BlueChoice Healthplan of South Carolina, Inc. (Ceding Company), under which the Reinsurer has assumed 50% of certain Medicaid major medical insurance coverage. Pursuant to this agreement, ULH assumed \$344.4 million in premiums during 2022.

Effective March 1, 2016, ULH entered into a quota share reinsurance agreement with Seton Health Plan, Inc., in which ULH has assumed 50% of certain Medicaid major medical insurance coverage. Pursuant to this agreement, ULH assumed premiums of \$45.4 million.

Effective April 20, 2020, ULH entered into a quota share reinsurance agreement with Blue Cross Blue Shield of North Carolina Senior Health, in which ULH has assumed 50% of certain Medicare Advantage insurance coverage. Pursuant to this agreement, ULH assumed premiums of \$15.8 million.

Effective July 1, 2021, ULH entered into a quota share reinsurance agreement with Blue Cross Blue Shield of North Carolina. ULH assumed 50% of certain Medicaid major medical insurance coverage. Pursuant to this agreement, ULH assumed premiums of \$1 billion.

ACCOUNTS AND RECORDS

The Company's accounting procedures, practices, account records, and supporting data were reviewed and tested to the extent deemed necessary. The trial balance prepared from the Company's general ledger for the year ended December 31, 2022, was agreed to the Annual Statement. The Annual Statement for the year ended December 31, 2022, was agreed to the independent audit report without material exception. The Company's accounting procedures, practices, and account records were deemed satisfactory.

FINANCIAL STATEMENTS

UNICARE LIFE & HEALTH INSURANCE COMPANY

Assets

As of December 31, 2022

(In 000s)

| | <u>Per Examination*</u> |
|---|-------------------------|
| Bonds | \$ 399,814 |
| Stocks: | |
| Common stocks | 835 |
| Cash, cash equivalents and short-term investments | 163,786 |
| Contract loans | 58 |
| Derivatives | 42 |
| Other invested assets | 67,966 |
| Receivables for securities | 1 |
| Securities lending reinvested collateral assets | 45,214 |
| Subtotals, cash and invested assets | <u>677,715</u> |
| Investment income due and accrued | 4,088 |
| Premiums and considerations: | |
| Uncollected premiums and agents' balances in course of collection | 64,140 |
| Reinsurance: | |
| Amounts recoverable from reinsurers | 426 |
| Other amounts receivable under reinsurance contracts | 1,154 |
| Amounts receivable relating to uninsured plans | 33,845 |
| Net deferred tax asset | 9,262 |
| Guaranty funds receivable or on deposit | 563 |
| Receivables from parent, subsidiaries, and affiliates | 80,690 |
| Health care and other amounts receivable | 259,014 |
| Aggregate write-ins for other than invested assets | 10,785 |
| Total assets excluding Separate Accounts, Segregated Accounts and Protected Cell Accounts | <u>1,141,685</u> |
| Totals ² | <u>\$ 1,141,685</u> |

* There were no adjustments to the as-filed financial statements, therefore the Annual Statement amounts agree to the examination amounts.

² The balances include immaterial rounding differences.

UNICARE LIFE AND HEALTH INSURANCE COMPANY
Liabilities, Surplus, and Other Funds
As of December 31, 2022
(In 000s)

| | Per Examination* |
|--|------------------|
| Aggregate reserve for accident and health contracts | \$ 5,692 |
| Liability for deposit-type contracts | 48,984 |
| Contract claims: | |
| Accident and health | 227,749 |
| Premium and annuity considerations for life and health contracts | 200 |
| Contract liabilities not included elsewhere: | |
| Provision for experience rating refunds | 1,896 |
| Other amounts payable on reinsurance | 1,026 |
| Commissions to agents due or accrued-life and annuity contracts | 99 |
| General expenses due or accrued | 9,857 |
| Taxes, licenses, and fees due or accrued | 170 |
| Current federal and foreign income taxes | 3,825 |
| Amounts withheld or retained by reporting entity as agent or trustee | 96,445 |
| Remittances and items not allocated | 24,763 |
| Miscellaneous liabilities: | |
| Asset valuation reserve | 5,012 |
| Funds held under reinsurance treaties | 213,046 |
| Liability for amounts held under uninsured plans | 9,492 |
| Derivatives | 133 |
| Payable for securities lending | 45,214 |
| Aggregate write-ins for liabilities | 12,047 |
| Total liabilities excluding Separate Accounts | 705,649 |
| Total liabilities | 705,649 |
| Common capital stock | 3,000 |
| Gross paid in and contributed surplus | 202,054 |
| Aggregate write-ins for special funds | 230,981 |
| Surplus | 433,035 |
| Total capital and surplus | 436,035 |
| Total liabilities, capital and surplus ³ | \$ 1,141,685 |

* There were no adjustments to the as-filed financial statements, therefore the Annual Statement amounts agree to the examination amounts.

³ The balances include immaterial rounding differences.

UNICARE LIFE AND HEALTH INSURANCE COMPANY
Summary of Operations
For the Year Ended December 31, 2022
(In 000s)

| | Per Examination* |
|--|------------------|
| Premiums and annuity considerations for life and accident and Health contracts | \$546,884 |
| Net investment income | 18,090 |
| Amortization of Interest Maintenance Reserve | (2,597) |
| Commissions and expense allowances on reinsurance ceded | 555 |
| Miscellaneous Income: | |
| Aggregate write-ins for miscellaneous income | 1,134,484 |
| Total | 1,697,417 |
| Disability benefits and benefits under accident and health contracts | 1,372,800 |
| Group conversions | 63 |
| Interest and adjustments on contract or deposit-type contract funds | 640 |
| Increase in aggregate reserves for life and accident and health contracts | (5,328) |
| Totals | 1,368,175 |
| Commissions on premiums, annuity considerations, and deposit-type contract funds | 931 |
| Commissions and expense allowances on reinsurance assumed | 7,953 |
| General insurance expenses and fraternal expenses | 111,569 |
| Insurance taxes, licenses, and fees, excluding federal income taxes | 28,475 |
| Aggregate write-ins for deductions | 167 |
| Totals | 1,517,271 |
| Net gain from operations before dividends to policyholders, refunds to members and federal income taxes | 180,146 |
| Net gain from operations after dividends to policyholders, refunds to members and before federal income taxes | 180,146 |
| Federal and foreign income taxes incurred | 36,758 |
| Net gain from operations after dividends to policyholders, refunds to members and federal income taxes and before realized capital gains or (losses) | 143,388 |
| Net realized capital gains (losses) | (3,702) |
| Net income ⁴ | \$ 139,686 |

* There were no adjustments to the as-filed financial statements, therefore the Annual Statement amounts agree to the examination amounts.

⁴ The balances include immaterial rounding differences.

UNICARE LIFE AND HEALTH INSURANCE COMPANY
 Capital and Surplus Account Reconciliation
 (in 000s)

| | 2022 | 2021 | 2020 | 2019 | 2018 |
|---|-------------------|-------------------|-------------------|-------------------|------------------|
| Surplus as regards policyholders, December 31 prior year | \$ 289,430 | \$ 266,277 | \$ 222,136 | \$ 60,547 | \$ 70,091 |
| Net income | 139,686 | 67,298 | 45,263 | 14,578 | (7,170) |
| Change in net unrealized capital gains or (losses) less capital gains tax | 12,841 | 3,158 | 1,212 | (60) | 1 |
| Change in net deferred income tax | 1,467 | (416) | 7,499 | 7,786 | (3,995) |
| Change in nonadmitted assets | (7,203) | 570 | (8,705) | (5,503) | 1,450 |
| Change in liability for reinsurance in unauthorized and certified companies | - | - | - | 31 | 73 |
| Change in asset valuation reserve | (185) | (1,456) | (1,129) | (244) | 97 |
| Surplus adjustments: | | | | | |
| Paid in | - | - | - | 145,000 | - |
| Dividends to stockholders | - | (46,000) | - | - | - |
| Change in surplus as regards policyholders for the year | <u>146,605</u> | <u>23,153</u> | <u>44,141</u> | <u>161,589</u> | <u>(9,544)</u> |
| Surplus as regards policyholders, December 31 current year ⁵ | <u>\$ 436,035</u> | <u>\$ 289,430</u> | <u>\$ 266,277</u> | <u>\$ 222,136</u> | <u>\$ 60,547</u> |

⁵ The balances include immaterial rounding differences.

COMMENTS ON THE FINANCIAL STATEMENTS

There were no recommended adjustments to the financial statements as of December 31, 2022, based on the results of this examination.

OTHER SIGNIFICANT ISSUES

IC 27-1-7-10(i) stipulates that every director, when elected, shall take, and subscribe to an oath stating that he or she will faithfully, honestly, and diligently administer the affairs of the Company and will not knowingly violate any of the laws applicable to such Company. It was determined that one (1) director which was elected in 2022 did not sign an oath until 2023.

It is recommended that every director shall take and subscribe to an Oath of Office at the time of annual election to the Board in compliance with IC 27-1-7-10(i).

SUBSEQUENT EVENTS

ULH changed its name to Wellpoint Life and Health Insurance Company effective September 11, 2023.

The Company also converted from a life blank filer to a health blank filer effective December 31, 2023, after approval from the INDOI.

The Medicaid capitation agreement discussed in the Territory and Plan of Operations section of this report between the Company and the unaffiliated MCO domiciled in Minnesota was terminated on December 31, 2023.

UniCare National Service, Inc. changed its name to Wellpoint National Services, Inc. effective February 16, 2024.

While preparing its 2023 Annual Statement, the Company identified an error related to Georgia medical stop-loss and the Multiple Employer Welfare Arrangement (MEWA) business. Since 2019, Blue Cross Blue Shield Healthcare Plan of Georgia, Inc. recorded the business, however, an affiliated company, Anthem Life Insurance Company, Inc. (ALIC) was the appropriate party to the contracts. The Company began reinsuring this business effective July 1, 2022 from ALIC. In accordance with SSAP 3, *Accounting Changes and Corrections of Errors*, the Company recorded an \$8,577,227 increase to correct unassigned surplus (deficit) as of January 1, 2023.

AFFIDAVIT

This is to certify that the undersigned is a duly qualified Examiners-in-Charge appointed by the Indiana Department of Insurance and that they, in coordination with staff assistance from Noble Consulting Services, Inc., and actuarial assistance from Alberts Actuarial Consulting, LLC and Davies Group, performed an examination of Unicare Life & Health Insurance Company, as of December 31, 2022.

The Indiana Department of Insurance is accredited under the National Association of Insurance Commissioners Financial Regulation Accreditation Standards.

This examination was performed in accordance with those procedures required by the NAIC Financial Condition Examiners Handbook and other procedures tailored for this examination. Such procedures performed on this examination do not constitute an audit made in accordance with generally accepted auditing standards and no audit opinion is expressed on the financial statements contained in this report.

The attached Report of Examination is a true and complete report of the condition of the Unicare Life & Health Insurance Company as of December 31, 2022, as determined by the undersigned.

Lori Brock

Lori Brock, CFE, ALMI
Noble Consulting Services, Inc.

Brad Neff

Brad Neff, CFE, CFP, CPA, FLMI
Noble Consulting Services, Inc.

Under the Supervision of:

Jerry Ehlers

Jerry Ehlers, CFE, AES
Examinations Manager
Indiana Department of Insurance

State of: Indiana
County of: Marion

On this 13th day of June, 2024, before me personally appeared, Lori Brock, Brad Neff and Jerry Ehlers, to sign this document.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed my notarial seal in said County and State, the day and year last above written.

My commission expires: July 11, 2025 *Lorie A. Ellert*
Notary Public

