

**REPORT ON EXAMINATION**  
**OF**  
**BLUE CROSS AND BLUE SHIELD OF KANSAS, INC.**  
**1133 SOUTHWEST TOPEKA BOULEVARD**  
**TOPEKA, KANSAS, 66629**  
**AS OF**  
**DECEMBER 31, 2022**

## TABLE OF CONTENTS

<u>SUBJECT</u>	<u>PAGE NUMBER</u>
SALUTATION.....	1
SCOPE OF EXAMINATION .....	1
Independent Audit Reports .....	3
Actuarial Review .....	3
SUMMARY OF SIGNIFICANT FINDINGS .....	3
COMPANY HISTORY .....	3
General .....	3
Capital Stock.....	4
Dividends and Capital Contributions .....	4
CORPORATE RECORDS.....	5
MANAGEMENT AND CONTROL.....	5
Ownership .....	5
Board of Directors .....	6
Committees .....	7
Officers.....	8
INSURANCE HOLDING COMPANY SYSTEM .....	9
TERRITORY AND PLAN OF OPERATION.....	12
SELECT FINANCIAL INFORMATION.....	13
REINSURANCE .....	14
General .....	14
Assumed Reinsurance .....	14
Ceded Reinsurance .....	14
FINANCIAL STATEMENTS .....	16
STATEMENT OF ASSETS .....	17
STATEMENT OF LIABILITIES AND SURPLUS .....	18
SUMMARY OF OPERATIONS .....	19
CAPITAL AND SURPLUS ACCOUNT .....	20
ANALYSIS OF CHANGES IN FINANCIAL STATEMENTS.....	21
COMMENTS ON FINANCIAL STATEMENTS .....	21
SUMMARY OF RECOMMENDATIONS.....	21
CONCLUSION .....	22
SUPERVISION.....	23

Topeka, Kansas  
February 6, 2024

Honorable Vicki Schmidt  
Commissioner of Insurance  
Kansas Insurance Department  
1300 SW Arrowhead Rd  
Topeka, Kansas 66604-4019

Dear Commissioner:

In accordance with your authorization and pursuant to K.S.A. 40-222, an examination has been conducted of the financial condition and business affairs of:

**BLUE CROSS AND BLUE SHIELD OF KANSAS, INC.**

with its statutory home office and main administrative office at:

**1133 SOUTHWEST TOPEKA BOULEVARD  
TOPEKA, KANSAS 66629**

hereinafter referred to as the “Company” or “BCBSKS.” The following report on such examination is respectfully submitted.

**SCOPE OF EXAMINATION**

The examiners have performed a single-state financial examination of the Company, a Kansas-domiciled health insurance company. The last examination covered the four-year period from January 1, 2015, through December 31, 2018. This examination covers the four-year period from January 1, 2019, through December 31, 2022. Concurrent financial examinations were performed as of December 31, 2022, on the Company’s wholly owned subsidiaries: BlueCross BlueShield Kansas Solutions, Inc. (“Solutions”), Advance Insurance Company of Kansas (“AICK”), and Cerulean Vega Captive, Inc. (“Vega”).

The examination was conducted in accordance with the rules, regulations, and

directives of the Kansas Insurance Department (“Department”) and the observed guidelines and procedures contained in the National Association of Insurance Commissioners (“NAIC”) *Financial Condition Examiners Handbook* (“Handbook”). The Handbook requires that the examiners 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.

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.

Those activities considered in the examination as key or critical to BCBSKS included Capital and Surplus, Claims and Reserving, Investments, Premiums and Underwriting, Reinsurance, and Related Party. The examination also included a review and evaluation of information technology general controls.

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 is documented separately following the Company’s financial statements.

This examination report includes significant findings of fact, as mentioned in K.S.A. 40-222, 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.

### **Independent Audit Reports**

Financial statements of the Company were audited by Eide Bailly LLP of Fargo, North Dakota for the years ending December 31, 2019, through December 31, 2022. In each of the years under examination, the auditors concluded that the financial statements of the Company present fairly, in all material respects, the admitted assets, liabilities and policyholders' surplus of the Company as of December 31, 2022, and the results of its operations and its cash flows for the years then ended in accordance with the statutory accounting practices prescribed or permitted by the Department.

The independent auditor's workpapers were reviewed and analyzed by the examiners. Significant reliance was placed on select workpapers during this examination.

### **Actuarial Review**

Matthew L. Burns, FSA, CERA, MAAA, an employee of BCBSKS, was appointed to perform a review of the Company's actuarial practices and reserves as of December 31, 2022. The appointed actuary's review consisted of evaluating assumptions, methodologies, and calculations utilized by the Company in its reserve setting process.

## **SUMMARY OF SIGNIFICANT FINDINGS**

There were no significant findings of fact that warranted inclusion in this Report of Examination.

## **COMPANY HISTORY**

### **General**

The Kansas Hospital Service Association, Inc., was licensed in 1942 under K.S.A.

40-1801, et seq., for the purpose of entering into contracts with hospitals to provide services to Kansans. In 1945, Kansas Physicians' Service was licensed under K.S.A. 40-1901, et seq., for the purpose of entering into contracts with physicians. In the 1970s, the Kansas Hospital Service Association, Inc., changed its name to Blue Cross of Kansas, Inc., and Kansas Physicians' Service changed its name to Blue Shield of Kansas, Inc. On May 1, 1983, the two companies merged to form one entity under the provisions of K.S.A. 40-19c01, et seq., and became Blue Cross and Blue Shield of Kansas, Inc., which was granted a certificate of authority to operate in the state of Kansas on May 1, 1983. In 1991, the Kansas Legislature enacted K.S.A. 40-19c12, which required nonprofit medical and hospital service corporations to become a mutual life or a mutual company other than life, no later than July 1, 1992. On May 14, 1992, the Company's board of directors adopted by resolution, a plan of mutualization, which set forth the conditions and requirements for becoming a not-for-profit mutual life insurance company. The Company filed a Restated Articles of Incorporation on June 11, 1992, to be effective July 1, 1992. The Company was formed as a not-for-profit mutual life insurance company.

### **Capital Stock**

As of December 31, 2022, the Company did not have any shares of capital stock issued and outstanding. The Company is a mutual insurer, and pursuant to its bylaws, it shall not have the authority to issue capital stock.

### **Dividends and Capital Contributions**

There were no capital contributions made nor dividends paid during the examination period.

## **CORPORATE RECORDS**

The Company's articles of incorporation were reviewed and were not amended during the examination period.

The bylaws were amended during the examination period on May 8, 2020, March 25, 2021, May 12, 2022, and December 8, 2022.

The May 8, 2020, amendment added language clarifying that meetings may include participation via telephone, video conferencing, or other such virtual meeting technology for special circumstances as determined by the Chairman and the President.

The March 25, 2021, amendment changed the formatting of the bylaws (font and spacing). No substantive changes were made.

The May 12, 2022, amendment updated language in Article III Section 2, which now stipulates that no more than two directors at a time may maintain their voting residence outside of Kansas counties within the Company's service area.

The December 8, 2022, amendment revised the requirements to be a member of the Board of Directors by adding language that all directors must be policyholders of the Company or the authorized representative of an entity that is a policyholder, in addition, the amendment placed limitation on the number of certain occupational make-up of the Board. The amendment also updated terms utilized throughout the bylaws to become gender inclusive or neutral.

## **MANAGEMENT AND CONTROL**

### **Ownership**

In accordance with the Company's bylaws, the members of the Company are policyholders, and each policyholder is entitled to one vote in person or by proxy. When

voting for directors, each policyholder is entitled to one vote for each director, and the policyholders have the right to cast as many votes in aggregate as shall equal the number of directors to be elected. The policyholder may cast their whole number of votes for one candidate or may split their votes among two or more candidates.

### **Board of Directors**

The Company's bylaws consist of thirteen (13) articles that provide the framework for the operation, management, and control of the Company. The Company is managed under the direction of its Board of Directors ("Board").

Pursuant to the Company's bylaws, the Board should consist of up to sixteen (16) directors that are all policyholders.

The directors elected and serving as of December 31, 2022, were as follows:

<b><u>Name</u></b>	<b><u>Principal Occupation and Business Affiliation</u></b>
Matthew D. All	President and Chief Executive Officer Blue Cross Blue Shield of Kansas, Inc.
Rick D. Baden	President and Chief Financial Officer Watco Companies, LLC
Carolyn R. Banning	CPA/PFS – CWS (Retired) Smoll & Banning, CPAs, LLC
Gregory V. Binns	President and Chief Operating Officer (Retired) First National Bank of Hutchinson
Jennifer L. Brull, M.D.	Chief Executive Officer and Owner Prairie Star Family Practice
James H. Gilbaugh, M.D.	Urologist Wichita Urology Group
Leonard R. Hernandez	President and Chief Executive Officer Susan B. Allen Memorial Hospital
Amanda D. Huelskamp	Vice President, Human Resources Global Parts, Inc.
Rick C. Jackson	Executive Vice President and Chief Lending Officer Capitol Federal Savings Bank
Megan L. Jones	Founder and President Jones Advisory Group



James A. Klausman	President and Chief Executive Officer Midwest Health, Inc.
Jena K. Lysen	Director, Human Resources Martin, Pringle, Oliver, Wallace & Bauer, LLP
Jeffrey D. Mullen	President and Chief Executive Officer Ritchie Associates, LLC
Jeffrey R. Thompson	Chief Financial Officer Salina Votex Corporation
Angela N. Wilson D.D.S.	Founding Partner Southwind Periodontics & Dental Implants, P.A.
Kenneth W. Winter	General Manager Lariat Feeders, LLC

## **Committees**

The Company's bylaws stipulate that the Board may designate one (1) or more committees of the Board. The established committees and the members elected and serving as of December 31, 2022, were as follows:

<b><u>Governance Committee</u></b>	<b><u>Finance Committee</u></b>	<b><u>Audit and Compliance Committee</u></b>
Rick C. Jackson*	Jeffrey D. Mullen*	Jeffrey R. Thompson*
Leonard R. Hernandez	Rick D. Baden	Jennifer L. Brull, M.D.
Megan L. Jones	Gregory V. Binns	Rick D. Baden
James A. Klausman	Rick C. Jackson	Rick C. Jackson
Jeffrey R. Thompson	Jennifer L. Brull, M.D.	Gregory V. Binns
	Jeffrey R. Thompson	Jeffrey D. Mullen
<b><u>Compensation Committee</u></b>	<b><u>Investment Committee</u></b>	<b><u>Hospital Advisory Committee</u></b>
Leonard R. Hernandez*	Megan L. Jones*	Leonard R. Hernandez*
Amanda D. Huelskamp	Carolyn R. Banning	
Megan L. Jones	James H. Gilbaugh, M.D.	
James A. Klausman	James A. Klausman	
Jena K. Lysen	Jeffrey D. Mullen	
Jeffrey R. Thompson	Kenneth W. Winter	
Angela N. Wilson, D.D.S.		

**Medical Advisory  
Committee**

Jennifer L. Brull, M.D., # James H. Gilbaugh, M.D.

**Dental Advisory  
Committee**

Angela N. Wilson, D.D.S.\*

\*Chair, #Interim Chair

**Officers**

Pursuant to the bylaws, the officers of the Company shall consist of a Chair, a President, a Vice-Chair, one or more Vice-Presidents, a Secretary, an Assistant Secretary, and a Treasurer. The Chair and Vice-Chair are to be elected from the membership of the Board. The President, Treasurer, Secretary, and Assistant Secretary are to be elected by the Board. The Vice-Presidents are to be appointed by the President. All officers except the President, Treasurer, Vice-Presidents, Secretary, and Assistant Secretary shall be elected for terms of one year by the Board at the annual meeting of the Board. The following is a listing of officers and their position(s) held as of December 31, 2022:

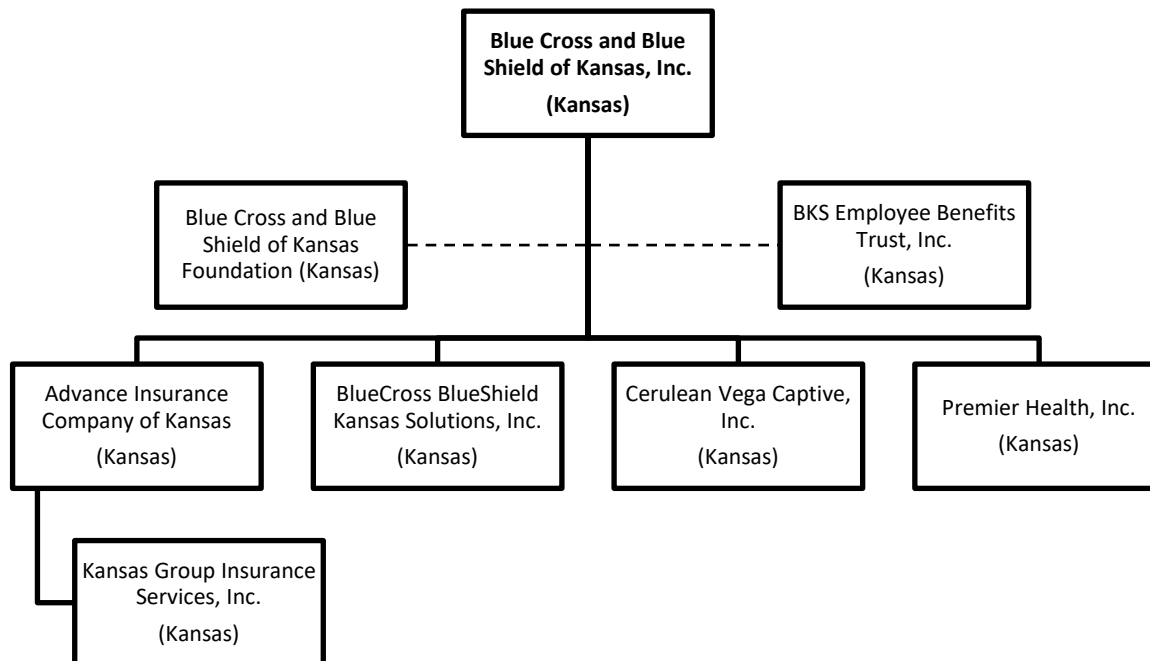
<b><u>Name</u></b>	<b><u>Office</u></b>
Rick C. Jackson	Chair
Matthew D. All	President and Chief Executive Officer
Megan L. Jones	Vice Chair
Jeffrey C. Bergman	Vice President, Treasurer and Chief Financial Officer
David C. Britton, III	Secretary, Vice President Legal and Compliance Services
Nicole J. Flanagan	Vice President, Chief Human Resources Officer
John K. Fong, M.D., MBA	Senior Vice President, Provider & Government Affairs
Michael J. Gerrish	Vice President, Marketing and Customer Experience
Holly S. Graves	Vice President, Operations and CMS Programs
Matthew C. Langdon	Vice President, Information Technology and Services
Treena S. Mason	Senior Vice President, Sales and Operations
Suneetra N. Mickle	Vice President, Government and Community Relations
Angelene R. Strecker	Vice President, Provider Relations & Medical Economics

## **INSURANCE HOLDING COMPANY SYSTEM**

K.S.A. 40-3305 requires a domestic insurer that is part of an insurance holding company system to file appropriate registration statements with the Commissioner of Insurance. The Company has submitted Forms “B” and “C” registration statements to the Department for each of the years under examination. A review of the registration statements indicated that the items and events pertaining to the Company were properly reported as required by statute.

BCBSKS, the ultimate controlling person of the insurer holding company system, has three direct wholly owned insurance subsidiaries: Solutions, AICK, and Vega. BCBSKS directly owns Premier Health, Inc., a Kansas non-profit entity that is currently inactive, and indirectly owns Kansas Group Insurance Services, Inc., which is a wholly owned subsidiary of AICK. The Company is indirectly associated with Blue Cross and Blue Shield of Kansas Foundation, Inc., a charitable organization with a mission to promote health and well-being in the state of Kansas. BCBSKS has no ownership interest in the Foundation. BCBSKS sponsors the BKS Employee Benefits Trust, Inc., a voluntary employee beneficiary association, which provides medical, prescription drug, and dental coverage to eligible members. Vega was established to insure the risks of BCBSKS.

The abbreviated organizational chart below illustrates the identities and intercompany relationships among insurance and non-insurance companies and the controlling entities thereof, as of December 31, 2022. All entities are wholly owned by the parent, BCBSKS. The Kansas domiciled insurer is bolded below.



### ***Intercompany/Cost Sharing Agreements***

The following is a brief description of significant agreements executed with affiliated entities that were in effect as of December 31, 2022.

### ***Administrative Services Agreement***

Effective July 1, 2014, the Company and its subsidiary, AICK, entered into an Agreement for Services and Reimbursement of Costs. The Company agrees to render certain administrative services, including but not limited to, marketing, underwriting, accounting, budgeting, mailroom, information systems, billing, legal counsel, communications network, investment services, personnel records and services, and auditing. The Company is reimbursed monthly based on pre-set annual budgeted amounts for services rendered. Reimbursement for services provided by the Company to AICK during each year under examination, 2019 to 2022, amounted to \$3,418,908; \$3,564,575; \$3,668,067; and \$3,703,500, respectively.

Effective April 20, 2021, the Company and its subsidiary, Solutions, entered an

Amended and Restated Medicare Advantage and Medicare Part D Administrative Services Agreement to provide certain administrative services. The Company agrees to provide Medicare Services with respect to Medicare Advantage and Medicare Part D Prescription Drug plans, including but not limited to, eligibility, enrollment, and disenrollment, marketing, care management, provider network and relations, claims processing, customer service, information services, financial and actuarial services, and corporate services. The agreement consolidates the Administrative Services Agreement entered into on April 8, 2014, the Provider Network Rental Agreement entered into on April 9, 2014, and a Medicare Advantage Addendum entered into on February 8, 2019, where the Company agreed to provide Solutions administrative and provider network services according to the terms of those service agreements. The Company is reimbursed monthly for the cost of services provided to Solutions. Reimbursement for services provided by the Company to Solutions during each year under examination, 2019 to 2022, amounted to \$218,345; \$4,885,892; \$7,459,298; and \$8,974,920, respectively.

### ***Tax Sharing Agreement***

Effective December 31, 2014, the Company entered into a Tax Sharing Agreement with its subsidiary Solutions. BCBSKS computes estimated taxes in an amount not to exceed the liability computed under Article II of the Internal Revenue Code, and requests the Company pay their estimated share, as applicable. Upon filing the consolidated tax return, the Company is required to pay its balance due of any tax liability to BCBSKS within thirty (30) days of the determination of the tax liability. Any tax refunds or overpayments of estimated taxes are credited first to unpaid estimated taxes for the succeeding year, if any, and the remainder paid by BCBSKS to the Company within thirty

(30) days of the receipt of such refund or determination of overpayment. Any additional tax due as a result of the IRS audit is payable to BCBSKS within thirty (30) days of notification of the amount due from the Company. Refunds due as a result of an audit are remitted the same as refunds for non-audited tax statements. Tax liabilities and refunds are computed for each as if such corporation had paid tax on a stand-alone basis. During the examination period, BCBSKS received payment from Solutions in the amounts of \$841,505; \$609,310; \$170,795; and \$266,667 in 2019 to 2022, respectively.

Subsequent to the period of examination, effective January 1, 2023, the Company entered into a separate Tax Sharing Agreement with its subsidiary Vega, however, there has been no tax return filing or transaction pursuant to this agreement as of the date of this report.

In addition, subsequent to the period of examination, effective January 1, 2023, the Company entered into a stop loss reinsurance contract with Vega, effective January 1, 2023. Under the agreement, BCBSKS cedes its net liability from all medical stop-loss insurance policies issued to individual employers that have administrative services only (“ASO”) contracts with BCBSKS to Vega.

### **TERRITORY AND PLAN OF OPERATION**

As of December 31, 2022, the Company was authorized to transact business in all counties in the state of Kansas but in accordance with the Blue Cross license agreement, its service area excludes overlapping areas of Johnson and Wyandotte counties, which are marketed and serviced by Blue Cross and Blue Shield of Kansas City, Inc.

BCBSKS is the leading health insurer in Kansas and serves a membership of approximately one-third (1/3) of the health insurance market in Kansas. Market segments

include large group (more than 50 lives), small group (under 50 lives), non-group over 65 (Medicare Supplement), non-group under 65 ancillary, and Blue Card products. Product offerings include a wide range of individual plans including low-cost plans, comprehensive major medical, catastrophic coverage, short-term medical coverage, health savings accounts, and prescription health plans.

BCBSKS administers benefits available for federal employees in Kansas under the Federal Employees Health Benefits Program in accordance with a contract between the Blue Cross and Blue Shield Association and the United States Office of Personnel Management. Under this contract, the Company assumes the risk of providing benefits with values in excess of the funds available for reimbursement.

The Company also provides administrative services only services to various corporate and governmental entities who wish to self-insure their employees. The Company administers group benefit plans designed by the various entities for a fee, in addition to amounts reimbursed for all claims paid. The Company assumes no underwriting risk for this business.

As of December 31, 2022, the largest lines of business were group accident and health at 74% of direct premiums written at other accident and health at 26%. The Company utilizes a combination of an internal sales team, independent agents, and commercial brokers to generate premium.

### **SELECT FINANCIAL INFORMATION**

The exhibit below shows the Company's financial results for the period of December 31, 2019, through December 31, 2022. The financial amounts were obtained from annual statements filed by the Company.

	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>
<i>(\$000 omitted)</i>				
Admitted Assets	\$1,929,373	\$2,209,673	\$2,276,993	\$2,109,570
Liabilities	952,759	1,311,089	1,191,226	922,602
Capital and Surplus	976,614	898,583	1,085,767	1,186,968
Net Income (Loss)	65,480	32,825	77,916	(130,297)
Net Premium Written	\$2,367,687	\$2,426,810	\$2,323,014	\$2,271,022

## REINSURANCE

### General

The Company's premium activity on a direct written, assumed, and ceded basis for the period under examination is detailed below:

<i>(000s omitted)</i>		<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>
<b>Premium Type</b>					
Direct Premiums Written	\$	2,392,822	\$ 2,447,580	\$ 2,342,810	\$ 2,287,762
Reinsurance Assumed		0	0	0	0
Reinsurance Ceded		(25,135)	(20,769)	(19,795)	(16,741)
<b>Net Premiums Written</b>	<b>\$</b>	<b>2,367,687</b>	<b>\$ 2,426,811</b>	<b>\$ 2,323,015</b>	<b>\$ 2,271,021</b>

### Assumed Reinsurance

The Company did not assume any business during the period under examination.

### Ceded Reinsurance

The Company entered into a Medicare Part D Reinsurance Agreement with Anthem Insurance Companies, Inc. ("Anthem"), effective August 15, 2005, ceding 100% of the Medicare Part D administration to Anthem. In accordance with the agreement, the Company assigned all rights and title to the reimbursement paid by the Centers for Medicare and Medicaid Services under the Prescription Drug Plan Contract. Anthem agreed to accept such reimbursement as payment in full for the services irrespective of the actual cost incurred.



The Company has a long-term care proportional share reinsurance contract with LifeSecure Insurance Company effective April 15, 2008, ceding 100% of the long-term care business sold after January 1, 2008.

Effective October 1, 2022, the Company and Solutions entered a fully insured & self-funded medical excess of loss reinsurance contract with Odyssey Reinsurance Company. This agreement applies on a risk attaching basis. The Contract reinsures individual, and group fully insured medical policies, medical excess of loss policies issued to self-funded group health plans, and Medicare Advantage business.

All reinsurance agreements in effect during the examination contained insolvency and cancellation clauses as required by K.S.A. 40-221a. All reinsurance agreements reviewed provided for the transfer of risk. However, the Company is contingently liable for all reinsurance losses ceded to others. This contingent liability would become an actual liability in the event an assuming reinsurer fails to perform its obligations under the reinsurance contract.

## **FINANCIAL STATEMENTS**

The following financial statements are based on the statutory financial statements filed by the Company with the Department and present the financial condition of the Company for the period ending December 31, 2022. There were no adjustments to the Company's filed statutory financial statements as a result of this examination.

**BLUE CROSS AND BLUE SHIELD OF KANSAS, INC.**  
**STATEMENT OF ASSETS**  
**AS OF DECEMBER 31, 2022**

	Assets	Assets Nonadmitted	Net Admitted Assets
Bonds	\$981,324,509	\$ -	\$981,324,509
Preferred stocks	51,492,777	1,513,711	49,979,066
Common stocks	365,901,755	5,750,001	360,151,754
Real Estate: Properties occupied by the company	31,526,980	-	31,526,980
Cash and cash equivalent and short-term investments	93,316,534	170,347	93,146,187
Other invested assets	290,173,096	-	290,173,096
Receivables for securities	44,723,880	-	44,723,880
Investment income due and accrued	6,944,119	-	6,944,119
Uncollected premiums and agents' balances in the course of collection	6,880,261	4,909	6,875,352
Current federal and foreign income tax recoverable and interest thereon	7,469,049	-	7,469,049
Net deferred tax asset	24,132,093	-	24,132,193
Electronic data processing equipment and software	24,670,124	20,026,547	4,643,577
Furniture and equipment, including health care delivery assets	2,201,613	2,201,613	-
Receivables from parent, subsidiaries and affiliates	1,252,058	-	1,252,058
Health care and other amounts Receivable	110,825,189	7,544,808	103,280,381
Aggregate write-ins for other-than invested assets	137,087,136	33,138,874	103,948,262
<b>Total</b>	<b>\$2,179,921,273</b>	<b>\$70,350,810</b>	<b>\$2,109,570,463</b>

**BLUE CROSS AND BLUE SHIELD OF KANSAS, INC.**  
**STATEMENT OF LIABILITIES AND SURPLUS**  
**AS OF DECEMBER 31, 2022**

Aggregate reserve for accident and health contracts	\$ 131,425,754
Contract claims:	
Accident and health	225,363,458
Premiums and annuity considerations for life and accident and health contracts received in advance	86,478,660
Contract claims not included elsewhere:	
Provision for experience rating refunds, including the liability of accident and health experience rating refunds	5,749,563
Interest maintenance reserve	19,207,961
General expenses due or accrued	192,654,298
Taxes, licenses and fees due or accrued	962,603
Amounts withheld or retained by reporting entity as agent or trustee	90,195
Remittances and items not allocated	8,068,515
Miscellaneous liabilities:	
Asset valuation reserve	69,185,825
Liability for amounts held under uninsured plans	6,121,306
Payable for securities	109,164,981
Aggregate write-ins for liabilities	68,128,926
Total liabilities	<u>922,602,045</u>
Unassigned funds (surplus)	<u>1,186,968,418</u>
Surplus	<u>1,186,968,418</u>
Totals	<u>1,186,968,418</u>
Totals liabilities, surplus and other funds	<u>\$2,109,570,463</u>

**BLUE CROSS AND BLUE SHIELD OF KANSAS, INC.**  
**SUMMARY OF OPERATIONS**  
**FOR THE YEAR ENDED DECEMBER 31, 2022**

Premiums and annuity considerations for life and accident and health contracts	\$2,271,021,592
Net investment income	38,882,771
Amortization of Interest Maintenance Reserve	4,931,964
Aggregate write-ins for miscellaneous income	15,218,605
Totals	<u>2,330,054,932</u>
Disability benefits and benefits under accident and health contracts	2,129,857,964
Increase in aggregate reserves for life and accident and health contracts	851,803
Totals	<u>2,130,709,767</u>
Commissions on premiums, annuity considerations, and deposit-type contract funds	10,709,727
General insurance expenses and fraternal expenses	252,368,645
Insurance taxes, licenses and fees, excluding federal income taxes	40,644,393
Aggregate write-ins for deductions	25,279,247
Totals	<u>2,459,711,779</u>
Net gain from operations before dividends to policyholders, refunds to members and before federal income taxes	<u>(129,656,847)</u>
Net gain from operations after dividends to policyholders, refunds to members and before federal income taxes	(129,656,847)
Federal and foreign income taxes incurred	<u>1,312,837</u>
Net gain from operations after dividends to policyholders, refunds to members and federal income taxes and before realized capital gains (losses)	(130,969,684)
Net realized capital gains (losses)	672,936
Net income	<u><u>(\$130,296,748)</u></u>

**BLUE CROSS AND BLUE SHIELD OF KANSAS, INC.**  
**CAPITAL AND SURPLUS ACCOUNT**  
**RECONCILIATION OF CAPITAL AND SURPLUS SINCE LAST EXAMINATION**

	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>
Capital and surplus, December 31, prior year	\$892,533,599	\$976,614,052	\$ 898,583,364	\$ 1,085,767,412
Net income (loss)	65,480,056	32,825,270	77,916,205	(130,296,748)
Change in net unrealized capital gains (losses)	62,562,180	52,244,601	67,340,888	(61,852,629)
Change in net unrealized foreign exchange capital gain (loss)	1,076,827	2,171,446	(3,532,369)	(121,831)
Change in net deferred income tax	(8,109,740)	62,065,924	(20,177,604)	(31,531,161)
Change in nonadmitted assets	(16,739,818)	25,035,791	21,314,533	3,052,051
Change in asset valuation reserve	(44,237,724)	(4,228,010)	(25,736,331)	77,587,899
Aggregate write-ins for gains and losses in surplus	24,048,672	(248,145,710)	70,058,726	244,363,425
Net change in capital and surplus for the year	<u>84,080,453</u>	<u>(78,030,688)</u>	<u>187,184,048</u>	<u>101,201,006</u>
Capital and surplus, December 31, current year	<u>\$976,614,052</u>	<u>\$898,583,364</u>	<u>\$1,085,767,412</u>	<u>\$1,186,968,418</u>

### **ANALYSIS OF CHANGES IN FINANCIAL STATEMENTS**

No adjustments were made to surplus as a result of this examination. The capital and surplus of the Company as of December 31, 2022, was \$1,186,968,418, which was the same amount reported by the Company in its 2022 filed Annual Statement.

### **COMMENTS ON FINANCIAL STATEMENTS**

There were no significant or material findings resulting from the examination that warranted inclusion in this Report on Examination.

### **SUMMARY OF RECOMMENDATIONS**

No recommendations for the Company were identified that warranted inclusion in this Report on Examination.

## **CONCLUSION**

The assistance and cooperation by the officers of the Company during this examination is hereby acknowledged and appreciated. In addition to the undersigned, Kyra Brown, MBA, ARC, Senior Examiner; Delia Geyer, Staff Examiner; Dennis Schaeffer, CISSP, CISA, IT Supervising Senior Manager; TJ Helm, CPA, CISA, Senior IT Examiner; Chandini Kannan, IT Examiner; Neal Freedman, FSA, MAAA, Actuarial Manager; Jake Powell, Senior Actuary Consultant; Nathan Bolles, Actuary Consultant all of whom are Baker Tilly, US, LLP associates, participated in this examination.

Respectfully submitted,



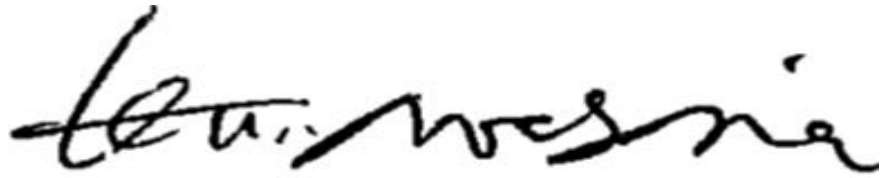
---

Kelsey Barlow, MBA, CFE, PIR  
Examiner-in-Charge  
Baker Tilly, US, LLP., representing the Kansas  
Insurance Department



## **SUPERVISION**

The examination process has been monitored and supervised by the undersigned. The examination report and supporting workpapers have been reviewed and approved. Compliance with NAIC procedures and guidelines as contained in the Handbook has been confirmed except where practices, procedures and applicable regulations of the Department and statutes of the State of Kansas prevailed.

A handwritten signature in black ink, appearing to read "Levi Nwasoria", written in a cursive style. The signature is positioned above a horizontal line.

Levi Nwasoria, CPA, CFE  
Chief Examiner  
Kansas Insurance Department

**EXHIBIT S**  
**EXAMINER'S AFFIDAVIT AS TO STANDARDS AND**  
**PROCEDURES USED IN AN EXAMINATION**

State of  Pennsylvania ,

County of  Philadelphia ,

Kelsey Barlow , being duly sworn, states as follows:

1. I have authority to represent the Kansas Insurance Department in the examination of Blue Cross and Blue Shield of Kansas, Inc.
2. The Kansas Insurance Department is accredited under the National Association of Insurance Commissioners Financial Regulation Standards and Accreditation.
3. I have reviewed the examination work papers and examination report, and the examination of Blue Cross and Blue Shield of Kansas, Inc. was performed in a manner consistent with the standards and procedures required by K.S.A 40-222.

The affiant says nothing further.

*Kelsey Barlow*

\_\_\_\_\_  
Examiner's Signature

Subscribed and sworn before me by  Kelsey Barlow  on this  22nd  day of  February, 20 24 .

(SEAL)

Commonwealth of Pennsylvania - Notary Seal  
FLORA D MICHAEL-WILSON - Notary Public  
Philadelphia County  
My Commission Expires July 18, 2024  
Commission Number 1221007

*Flora D. Michael-Wilson*

\_\_\_\_\_  
Flora D. Michael-Wilson, Notary Public

My commission expires  July 18, 2024  [date].