

EXAMINATION REPORT OF
WELLMARK, INC
DES MOINES, IOWA
AS OF DECEMBER 31, 2021

Des Moines, Iowa
January 12, 2022

HONORABLE DOUG OMMEN
Commissioner of Insurance
State of Iowa
Des Moines, Iowa

Commissioner,

In accordance with your authorization and pursuant to Iowa statutory provisions, an examination has been made of the records, business affairs, and financial condition of

WELLMARK, INC.

DES MOINES, IOWA

AS OF DECEMBER 31, 2021

with its headquarters at 1331 Grand Avenue, Des Moines, Iowa.

INTRODUCTION

Wellmark, Inc., hereinafter referred to as the “Company”, was last examined as of December 31, 2016 by the Iowa Insurance Division (“Division”). The examination reported herein was conducted by the Division as a coordinated examination of an insurance holding company group. The coordinated examination includes the Company’s subsidiaries Wellmark Health Plan of Iowa, Inc., Wellmark Value Health Plan, Inc, and Wellmark Synergy Health, Inc.

The Company’s affiliate, Wellmark of South Dakota, Inc. was examined by the South Dakota Insurance Office as part of the coordinated examination.

SCOPE OF EXAMINATION

This is the regular comprehensive financial examination of the Company covering the intervening period from January 1, 2017 to the close of business on December 31, 2021, including any material transactions and events occurring and noted subsequent to the examination period.

The examination was conducted in accordance with the National Association of Insurance Commissioners (“NAIC”) Financial Condition Examiners Handbook (“Handbook”). The Handbook requires that the Division plan and perform the examination to evaluate the financial condition, 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.

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.

The examination report includes significant findings of fact and general information about the insurer and its financial condition.

HISTORY

Wellmark, Inc. (“Company”) was incorporated in accordance with the laws of the State of Iowa on September 19, 1939, as a non-profit hospital service plan under the name Hospital Services Incorporated. Effective May 5, 1972, the Company was reincorporated under Chapter 504A of the Code of Iowa and changed its corporate existence to perpetual. The corporate name was changed on April 24, 1973, to Blue Cross of Iowa.

Effective September 1, 1989, Blue Shield of Iowa and Blue Cross of Western Iowa and South Dakota were merged into the Company with the Company being the surviving entity. Concurrently with the merger, the name of the Company was changed to IASD Health Services Corp.

The Company merged into its operations its two indirect wholly owned health maintenance organizations (“HMOs”), Total Health Network of Iowa, Inc. and Family Health Plan, Inc., on April 1, 1991. All assets, liabilities, and contracts in force of the HMOs were assumed by the Company.

On October 1, 1991, the Company converted from a non-profit hospital service plan to a mutual insurance company under the provisions of Chapters 491 and 508 of the Code of Iowa. The authority for such conversion was granted under Chapter 514 of the Iowa Code. The Company received permission for such conversion from the Commissioner of Insurance of the State of Iowa.

The Company acquired McNerney Heintz, Inc., a health maintenance management company, in 1993. Also, in 1993, a subsidiary of the Company (Heartland Health Network Corp) purchased the Kansas City Variable Life Company. Upon the acquisition, the name was changed to Community Financial and Insurance Corporation and was redomiciled to the State of Iowa. In 1997, the name was changed to Wellmark Community Insurance, Inc. Since the acquisition, the corporate structure has been modified such that Wellmark Community Insurance, Inc. is directly and wholly owned by the Company.

The South Dakota Medical Service, Inc., which operated as Blue Shield of South Dakota, a South Dakota corporation, merged with and into the Company on July 31, 1996. The Company was the surviving entity. The requisite regulatory approvals were obtained prior to the merger. As a result of this merger, the Company formed a wholly owned subsidiary, now named Wellmark of South Dakota, Inc. (“WSD”), and ceded its Dakota business to it. WSD, a South Dakota stock insurance company uses the trade name Wellmark Blue Cross and Blue Shield of South Dakota.

Following approvals by the Board of Directors, the membership of the Company, and the Iowa Insurance Division, the name of the Company was changed on May 15, 1997, to Wellmark, Inc. It was also approved that the Company would operate in the State of Iowa under the name of Wellmark Blue Cross and Blue Shield of Iowa.

On August 24, 2009, the Company sold Wellmark Community Insurance, Inc. to GPFT Holdco, LLC.

In January 2016, the Company entered into a Joint Venture with the University of Iowa Health System to form the insurance company Wellmark Synergy Health, Inc (“WHS”). Wellmark had a 75 percent ownership interest in the joint venture for the WHS. In June 2022, the Company acquired all remaining shares of WSH for a 100 percent ownership interest.

In January of 2016, the Company also entered into a Joint Venture with Mercy Health Network, Inc. to form the insurance company Wellmark Value Health Plan, Inc. (“WVHP”). Wellmark has a fifty percent ownership interest in the joint venture for the Company.

WSH and WVHP joint ventures are licensed as HMOs in the state of Iowa and commenced business on January 1, 2017.

On February 16, 2021, Wellmark, Inc. entered into a joint venture agreement with Blue Cross Blue Shield of Michigan to establish a new legal entity, Wellmark Advantage Holdings, LLC (WAH). WAH was established as a

holding company which wholly owns Wellmark Advantage Health Plan, Inc. (WAHP), an Iowa stock insurance company licensed in Iowa and South Dakota to sell Medicare Advantage health plans. Wellmark, Inc. has a 49% ownership interest in WAH.

DIVIDENDS

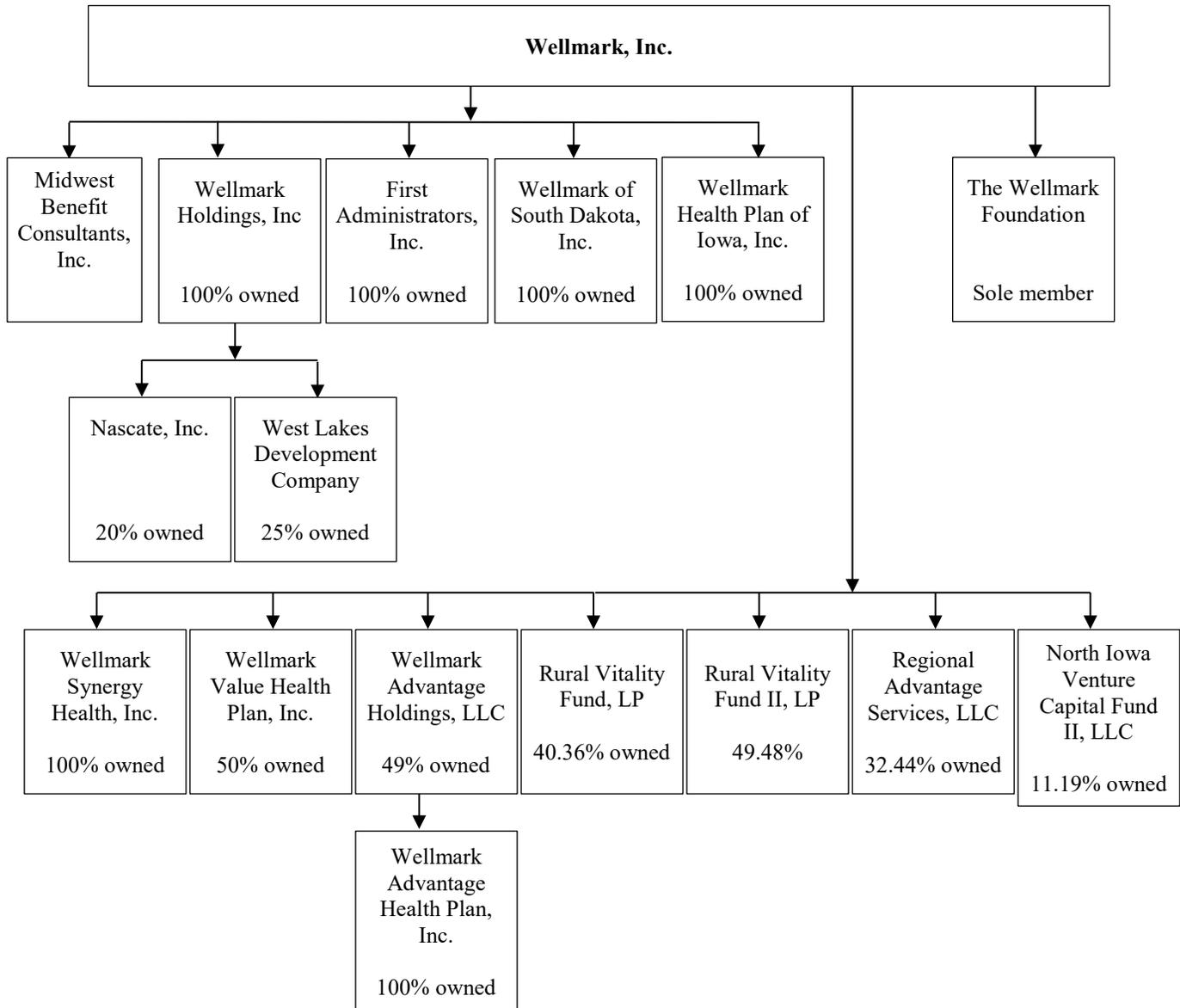
Dividends received during the examination period were as follows:

<u>Year</u>	<u>Amount</u>
2021	\$43,000,000
2020	\$105,000,000
2019	\$83,500,000
2018	\$68,000,000
2017	\$0

MUTUAL INSURANCE HOLDING COMPANY SYSTEM

The Company is a member of a Mutual Insurance Holding Company System as defined by Chapter 521A, Code of Iowa. The Company is the ultimate controlling person for the group. An Insurance Holding Company System Registration Statement was filed annually with the Iowa Insurance Division for each year of the examination period.

An abbreviated organizational chart identifying the Companies within the Holding Company System follows:



MANAGEMENT AND CONTROL

MEMBERSHIP

The Amended and Substituted Articles of Incorporation, as of January 12, 2018, specify that the holder of each contract of insurance issued by the Company shall be a member of this Company and entitled to the privileges of membership as provided in the Articles, in the Bylaws or in the contract of insurance as long as the contract of insurance remains in force and has not matured or been surrendered. Notwithstanding the foregoing, for purposes of voting on matters only, the term "Member" shall be as defined in the Bylaws. The Bylaws state the membership of the Company shall consist of two classes (1) any person who holds a contract of insurance issued by the Company or by any wholly-owned subsidiary of the Company which operates under the assumed or trade name "Wellmark Blue Cross and Blue Shield of South Dakota" on an individual basis. Such Members are hereinafter called "Individual Policyholders" (2) The holder of the contract of insurance issued by the Company or by any wholly-owned subsidiary of the Company which operates under the assumed or trade name "Wellmark Blue Cross and Blue Shield of South Dakota" on a group basis. For the purposes of this subsection, the term "group policy" shall include any agreement entered into by the Company with an employer or group whereby the Company agrees to furnish administrative services in support of such employers' or group's benefit program. Such Members are hereinafter called "Group Policyholders."

Meetings of the Members shall be as set forth in the Bylaws. The Bylaws state that the annual meeting of the Members of the Company shall be held each year, on such date and at such hour as the Board of Directors ("Board") may determine, for the election of directors and transaction of any other business which may properly come before the meeting. The annual meeting shall be held at Des Moines, Iowa, or at such other location as may be specified by the Board of Directors in which the Company is actively conducting its business.

Special meetings of the members may be called at any time by the Board of Directors or upon written request of ten percent of the members. Notice of any special meeting shall specify the matters to be presented to the meeting.

Notice stating the place, day and hour of each meeting and, in the case of a special meeting, the matters to be presented at the meeting shall be published at least once in a newspaper of general circulation in the city of Des Moines, Iowa, and at least once in a newspaper of general circulation in the city of Sioux Falls, South Dakota, not less than thirty nor more than ninety days prior to the date of the meeting. In the case of an annual meeting, the names of all nominees for director and the manner of voting for directors shall be set forth in the notice.

Following the publication of the notice of the meeting, the Company will give or mail a ballot to each member making a request therefore, and shall, if the Board of Directors so directs, mail a ballot to each member. Each ballot shall be signed by such member and personally delivered or returned by mail with a postmark not less than ten days prior to the meeting of the Company. No member shall be entitled to vote by proxy at any meeting of the members. The members present at any meeting thereof shall constitute a quorum.

At every annual or special meeting, each Member shall be entitled to vote in the manner and to the extent set forth in the Bylaws. Voting on (i) all matters which under the Articles of Incorporation require a two-thirds (2/3) majority vote for approval, (ii) the election of directors, (iii) amendments to the Articles of Incorporation, and (iv) any matter specified by the Board of Directors in the notice of the meeting, shall be by ballot and not in person. On each matter on which voting by ballot occurs, each Group Policyholder with more than (a) one hundred (100) employees eligible to enroll; or (b) one hundred (100) plan members enrolled in a group's benefit program ("Large Group Policyholder") shall have one (1) vote, and each Individual Policyholder and each Group Policyholder with (a) one hundred (100) or less employees eligible to enroll; or (b) one hundred (100) or less plan members enrolled in a group's benefit program ("Small Group Policyholder") shall have a number of votes or a partial vote to be determined after each vote is taken by dividing the number of votes legally cast by Large Group Policyholders by the number of votes legally cast by Individual Policyholders and Small Group

Policyholders. A Member may not divide or cumulate votes on any single issue. Any issue which is adopted by a majority of the votes cast, weighted in the case of a ballot vote as above provided, shall be the act of Members, unless the vote of a greater number is required by the Articles of Incorporation, the Bylaws or by law.

BOARD OF DIRECTORS

According to the Amended and Substituted Articles of Incorporation, the number of directors, their respective terms of office, nominating process, and the qualifications prescribed for holding office shall be as set forth in the Bylaws. The terms of office of the directors shall be so staggered as to cause the terms of approximately one-third of the directors to expire in each year. A director may be removed from office at any time, with or without cause, by the action of a two-thirds majority of the members of the Board of Directors, excluding the director subject to removal.

The Bylaws stipulate all corporate powers shall be exercised by or under the authority of, and the business affairs of the Company shall be managed under the direction of, the Board of Directors. All directors, except ex-officio, shall be elected, and have such privileges, duties and responsibilities as are set forth in the Bylaws. The number of elected directors shall be no fewer than eight and no greater than thirteen with the exact number within such range determined by the Board of Directors.

Directors ex-officio shall be appointed by resolution duly adopted by the Board from time to time based upon their special relationship to the Board or the Company and shall have such privileges, duties and responsibilities as stated in the resolution. The privileges, duties and responsibilities awarded by the Board may vary among the directors ex-officio. Nevertheless, the Chief Executive Officer, if not serving as a director on the Board of Directors of this Company, shall serve on the Board of Directors as a director ex-officio while holding the office of Chief Executive Officer of the Company and shall have all rights and duties of other Board members (including the right to vote) and shall be counted for the purpose of determining a quorum of members.

All directors, except ex-officio or those elected to fill vacancies, shall be elected at the annual meeting of the Members for designated terms of one (1), two (2) or three (3) years. The terms of office of the directors shall be so staggered as to cause the terms of approximately one-third (1/3) of the directors to expire in each year. Each director shall serve his or her term and until his or her successor has been elected or until his or her death, resignation, or removal as provided by the Bylaws.

Nominations for directors shall only be made by the Board of Directors solely from the recommendations of the Governance Committee of the Board of Directors as established in Article V of the Bylaws.

The Bylaws provide that the annual meeting of the Board shall be held immediately following the annual meeting of the members and without notice other than this provision of the Bylaws for the election of the officers of the Company, the designation of committees of directors, and the transaction of such other business as may properly come before the meeting. The Board may provide the time and place, either within or without the states of Iowa or South Dakota, for the holding of regular meetings. Special meetings of the Board of Directors may be called by the Board Chair, the Lead Director, the Vice Chair of the Board, if one is elected, the Chief Executive Officer, or any three directors. Notice of any regular or special meeting shall be given at least five days previous thereto by written notice delivered personally or mailed to each director at his or her business address or at least three days previous thereto by electronic mail, or express mail or delivery, or facsimile transmission.

A majority of the Board of Directors holding office shall constitute a quorum for the transaction of business at any meeting of the Board of Directors.

The members of the Board of Directors, duly elected and qualified, as of December 31, 2021, were as follows:

<u>Name and Address</u>	<u>Principal Business Affiliation</u>	<u>Term Expires</u>
Cory R. Harris Urbandale, IA	President and Chief Executive Officer Wellmark, Inc.	Continuous
Daryl K. Henze* Urbandale, IA	Retired-CPA Partner KPMG	2024
William C. Hunter Concord, North Carolina	Dean Emeritus Henry B. Tippie College of Business University of Iowa	2024
Paul E. Larson Waukee, IA	Retired ING Equitable Life of Iowa	2024
Timothy J. Theriault Oak Brook, IL	Retired Chief Information Officer Retail Pharmacy	2024
Angeline M. Lavin Sioux Falls, SD	Financial Advisor RBC Wealth Management	2022
David G. Neil La Porte City, IA	Retired Labor Commissioner State of Iowa	2022
Therese M. Vaughan West Des Moines, IA	Former Insurance Industry and Retired Dean Drake University	2022
David A. Vaudt West Des Moines, IA	Prior Chairman, GASB Former Auditor State of Iowa	2023
Melanie C. Dreher PhD, RN Chicago, IL	Dean Emeritus, School of Nursing Rush University Medical Center	2023

*Chair

According to the Bylaws, compensation may be paid to any person who is a member of the Board by resolution of the Board and be reimbursed for out-of-pocket expenses for attendance at meetings or otherwise incurred in the proper discharge of duties. Remuneration for 2021 was at \$86,000 annually for each director except the Independent Board Chair, who also serves as the Chair of the Governance Committee, whose retainer was set at an additional \$90,000 annually. The Chair of the Audit Committee and the Chair of the Compliance Committee each receive an additional \$12,500, the Chair of the Finance Committee receives an additional \$10,000, and the Chair of the Human Resource Committee receives an additional \$10,000.

The CEO serves on the Board and is an ex-officio member with all rights and privileges (except for compensation as a director).

COMMITTEES

The Amended and Substituted Articles of Incorporation provide that the Board of Directors is authorized to provide in the Bylaws for the creation of one or more committees, each committee to consist of two or more directors, which shall have and may exercise the powers of the Board in the management of the business and affairs of the Company.

As stated in the Bylaws, the Board of Directors shall create the following standing committees: Finance and Investment, Audit, Compliance, Human Resources, and Governance. The Board may create such other special committees as it shall determine. A Committee shall consist of the number of members named in the resolution or Committee Charter. The members of a Committee and the Chair of each Committee shall be appointed by the Board of Directors at its annual meeting following the annual meeting of the Members. Minutes of all proceedings of a committee shall be maintained.

OFFICERS

The Bylaws provide that the officers of the Company shall consist of a Board Chair, a Lead Director (when the office of Board Chair is held by the CEO or another inside director, that is, an employee of the Company), or a Vice Chair of the Board, if one is elected, a Chief Executive Officer, who may also be designated to serve as Board Chair, one or more Vice Presidents, a Corporate Governance Officer or Secretary, a Treasurer and such Assistant Treasurers, and Assistant Secretaries, or other officers as may be designated by the Board of Directors or appointed by the Chief Executive Officer. Any two or more offices may be held by the same person.

The following is a list of board-designated officers and their respective titles as of December 31, 2021:

<u>Name</u>	<u>Title</u>
Cory R. Harris	President and Chief Executive Officer
David S. Brown	Executive Vice President, Chief Financial Officer and Treasurer
Scott A. Sundstrom	Vice President Government Relations/Communications and Secretary
Marcelle J. Chickering	Executive Vice President – Chief Human Resource Officer
G. Paul Eddy	Executive Vice President – Chief Information & Digital Officer
Laura J. Jackson	Executive Vice President – Chief Health Officer
Sean J. McTaggart	Executive Vice President – Business Development & Client Solutions
John T. Clendenin	Senior Vice President – Chief Legal Officer
Jared B. Landin	Senior Vice President – Operations

The compensation of the Senior Management Team is shown in Exhibit A to be found immediately following the signature page of this report.

CONFLICT OF INTEREST

The Company procedure for ensuring the disclosure of any possible conflicts of interest on the part of directors, officers and key personnel consists of a form regarding the absence of any conflicts of interest to be signed annually and submitted to the Board for review. An examination review of these statements indicated there were no conflicts of interest reported during the period covered by this examination.

CORPORATE RECORDS

The minutes of the meetings of the policyholders, Board of Directors, and Board committees were read and noted. They were complete and properly attested.

The minutes of the Board of Directors meeting held July 27, 2018, acknowledged the review and receipt of the Iowa Insurance Division Financial and Market Conduct Examination Reports for the period from January 1, 2012, through December 31, 2017.

The Bylaws of the Company were amended during the examination period as follows:

October 6, 2017 – Article IV Section 4 Board of Directors: Nomination of Directors: The Governance Committee shall encourage interested persons to be nominated to serve on the Board and shall identify and evaluate incumbent and new candidates for nomination to the Board in accordance with predefined qualification criteria so as to achieve an effective Board.

The Articles of the Company were amended during the examination period as follows: (Only the significant changes are listed)

March 5, 2018 – Article II Principal Office: The Company’s principal office and place of business in the State of Iowa shall be 1331 Grand Avenue in Des Moines, Polk County. The registered office of the Company is 400 East Court Ave, Suite 110, Des Moines, Iowa 50309, and the Company’s registered agent at such office is CT Corporation System.

March 5, 2018 – Article XI Board of Directors: The number of directors, their respective terms of office, nominating process, and the qualifications prescribed for holding or remaining in office shall be set forth in the Bylaws.

FIDELITY BONDS AND OTHER INSURANCE

Under a financial institution bond, the Company is protected against loss from any fraudulent or dishonest act of any employee up to \$10,000,000 each loss occurrence and \$20,000,000 aggregate limit of liability which meets the NAIC recommended minimum amount.

The other interests of the Company appear to be adequately protected through coverages afforded by policies in force with admitted insurers.

RELATED PARTY AGREEMENTS

Parental Guarantee

Wellmark, Inc. issued a parental guarantee for Wellmark Health Plan of Iowa, Inc., (executed June 7, 1996) in the amount of \$1.1 million at the request of the Iowa Insurance Division. The guarantee remains in force.

As required by licensure agreements with the Blue Cross and Blue Shield Association, Wellmark, Inc. has executed parental guarantees pursuant to which it guarantees to the full extent of its assets, all contractual and financial obligations of its licensed controlled affiliates, Wellmark Health Plan of Iowa, Inc., Wellmark of South Dakota, Inc., Wellmark Synergy Health, Inc., and Wellmark Value Health Plan, Inc. These guarantees remain in force.

As required by license agreements with the Blue Cross and Blue Shield Association, Wellmark Inc. has executed a parental guarantee for Wellmark Advantage Health Plan, Inc., pursuant to which it guarantees to the full extent of its assets all contractual and financial obligations to members proportionate to its ownership interest in Wellmark Advantage Holdings, LLC.

Wellmark, Inc. and Wellmark Synergy Health, Inc. entered into a parental guarantee on April 4, 2016, pursuant to which Wellmark, Inc. agreed to guarantee Wellmark Synergy Health, Inc.’s compliance with Iowa capital and surplus minimum requirements for an HMO.

Wellmark, Inc. and Wellmark Value Health Plan, Inc. entered into a parental guarantee on April 4, 2016, pursuant to which Wellmark, Inc. agreed to guarantee Wellmark Value Health Plan, Inc.’s compliance with Iowa capital and surplus minimum requirements for an HMO.

Management Agreement

Wellmark, Inc. and Wellmark Health Plan of Iowa, Inc. entered into a Management Agreement, effective January 1, 2012, to provide services for which Wellmark Health Plan of Iowa, Inc. is responsible for paying all fees

and expenses required under the agreement on a monthly basis. Wellmark, Inc. provides the following services under this agreement: financial, investment, and asset management; claims processing; data processing; sales and marketing; health management and medical policy, network relations, actuarial relations, actuarial and underwriting, shared support services, and senior management services. The Agreement was amended and restated effective December 1, 2015.

Intercompany Services Agreement

Wellmark, Inc. and Wellmark of South Dakota, Inc. entered into an intercompany services agreement, first effective August 1, 1996, with the latest amendment effective December 1, 2015, for management services for its health insurance business. Costs are allocated either based on actual costs incurred or a proportionate share of costs based on Wellmark of South Dakota, Inc.'s proportionate enrollment or revenue, and Wellmark of South Dakota pays Wellmark, Inc. all fees and expenses required under the Agreement on a monthly basis. Wellmark Inc. provides Wellmark of South Dakota with the following services under this Agreement: financial management services, claims processing, data processing, medical management, provider relations, and senior management services.

Services Agreement

Wellmark, Inc. and First Administrators, Inc., entered into an amended and restated Services Agreement effective January 1, 2012. The services provided include: financial, investment, and asset management; sales and marketing; health management and medical policy; provider network services, relations, and payment; information technology; and shared support and corporate services. Per this agreement, Wellmark, Inc. may issue and underwrite excess loss or stop loss insurance policies to employer groups, including First Administrators, Inc. On July 3, 2018, First Administrators, Inc was granted a third-party administrator license in Iowa.

Federal Income Tax Sharing Agreement

Wellmark, Inc. and its subsidiaries entered into the Agreement to allocate, fairly among themselves, the federal tax liabilities, credits, refunds, benefits, and items related to the federal income tax return.

Investment and Management Services Agreement

Wellmark, Inc. provides investment and management services to Wellmark Synergy Health, Inc., effective April 6, 2016, with the latest amendment effective January 1, 2018. Wellmark Synergy Health, Inc. pays for all costs and expenses incurred by Wellmark, Inc. related to the performance of services in the Agreement. Wellmark, Inc. provides the following services to Wellmark Synergy Health, Inc. in accordance with the terms of this agreement: network management and contracting; product management; operations services; financial, investment, and asset management; care management; data management; distribution marketing, digital and web tools, pharmacy benefits management; and support services.

Investment and Management Services Agreement

Wellmark, Inc. provides investment and management services to Wellmark Value Health Plan, Inc. per the Agreement effective April 6, 2016, with the latest amendment effective January 1, 2020. Wellmark Value Health Plan, Inc. pays for all costs and expenses incurred by Wellmark, Inc. attributable or related to the performance of services in the Agreement. Wellmark, Inc. is paid for the services using a per enrollee per month fee. Wellmark, Inc. provides the following services to Wellmark Value Health Plan, Inc. in accordance with the terms in the agreement: network management and contracting; product management; operations services; financial, investment, and asset management; care management; data management; distribution and marketing; digital web tools; pharmacy benefits management; and support services.

Administrative Services Agreement

Wellmark, Inc. provides administrative and support services to Wellmark Advantage Health Plan, Inc. per the Agreement effective January 15, 2021. Wellmark Advantage Health Plan, Inc. pays for any services performed.

Wellmark, Inc. provides the following services to Wellmark Advantage Health Plan, Inc. for introduction in Iowa and South Dakota of Medicare Advantage products: product strategy; benefit design services; marketing and sales services; provider networking; payment and product support; drug utilization review; medication therapy management; pharmacy support services; fraud, waste & abuse services; customer relationship management services; HR services; financial performance reporting; legal and compliance reviews; information technology support; facilities; plan performance management; procurement/vendor management; and project management services.

Administrative Services Agreement

Effective January 15, 2021, Covantage Health Partners and Wellmark Advantage Holdings, LLC provide provider network strategy services to Wellmark Advantage Health Plan, Inc. for introduction in Iowa and South Dakota of Medicare Advantage Products. The service include: product strategy, preparation and filing of Medicare Advantage bid; benefit design services; marketing and sales services; payment and product support; drug utilization review; medication therapy management; pharmacy support services; fraud, waste & abuse services; HR services; financial performance reporting; legal and compliance reviews; information technology and support; facilities; plan performance management; procurement/vendor management; actuarial services; and project management services.

Support Agreement

Effective October 25, 2000, Wellmark, Inc. provides financial support and support services to the Wellmark Foundation per the agreement and the Foundation shall reimburse Wellmark, Inc. for services carried out.

EMPLOYEE WELFARE

The Company provides retirement benefits, group life, short-term disability insurance benefits, education assistance, long-term disability insurance benefits, and travel insurance to qualified employees. Group health, including dental and vision, and a savings and investment program are available on a contributory basis.

REINSURANCE

The Company did not have any reinsurance agreements during the examination period.

STATUTORY DEPOSIT

The Company had securities on deposit with the Iowa Insurance Division in excess of the minimum statutory requirement.

TERRITORY AND PLAN OF OPERATION

The Company holds certificates of authority and is authorized to transact business in Iowa and South Dakota.

Products are offered to small, mid-sized, and large groups, federal employees, and individuals. The Company offers a mix of managed care products, such as PPOs and traditional indemnity benefits, as well as Medicare Supplement plans. Ancillary products are also offered in conjunction with health products including dental, vision, group life, flexible benefit administration, accidental death & dismemberment, and long-term and short-term disability. Other insurers underwrite most of the ancillary products.

The Company's products are marketed through multiple distribution channels, including brokers, direct sales representatives, telemarketers, and the Internet (including the Health Insurance Marketplace). The Company also maintains affiliation with the Iowa Farm Bureau, a distribution system that exclusively markets Wellmark insurance products.

GROWTH OF COMPANY

The growth of the Company is reflected by the following data taken from the filed annual statements for the years indicated.

(thousands omitted)

<u>Year</u>	<u>Assets</u>	<u>A&H Reserves</u>	<u>Surplus</u>	<u>A&H Premiums</u>	<u>A&H Claims</u>	<u>Investment Income</u>	<u>Realized Capital Gains</u>	<u>Net Income</u>
2021	\$3,289,274	\$64,793	\$2,317,774	\$2,553,506	\$2,212,780	\$100,490	\$29,490	\$143,344
2020	2,954,104	63,315	2,025,365	2,542,490	2,161,874	157,793	22,253	136,322
2019	2,762,241	54,980	1,853,667	2,561,042	2,172,199	140,643	(1,262)	158,692
2018	2,438,666	52,896	1,567,304	2,615,762	2,263,994	118,331	39,668	127,476
2017	2,423,523	63,023	1,524,119	2,656,090	2,275,307	44,488	14,942	43,089

ACCOUNTS AND RECORDS

Trial balances of the Company's general ledgers were taken for each year under examination and were found to be in agreement with the office copies of the filed annual statements for those years. Cash receipts and disbursements were tested to the extent deemed necessary.

During the course of the examination, no material aggregate surplus difference was identified from the amount reflected in the financial statements, as presented in the annual statement at December 31, 2021.

SUBSEQUENT EVENTS

Acquisition of Wellmark Synergy Health, Inc.

Wellmark Synergy Health, Inc. is a joint partnership between Wellmark and the University of Iowa Health System. In June, 2022, the Company acquired all remaining shares of Wellmark Synergy Health, Inc. for a 100 percent ownership interest.

Wellmark Value Health Plan, Inc.

Wellmark Value Health Plan, Inc., provided health insurance on the individual market ACA insurance exchange in 2017 in addition to writing small-group health insurance. The Company is a joint partnership between Wellmark, Inc. (50% ownership) and Mercy Health Network. The Company no longer offers contracts for covered health care services effective January 1, 2022. It currently provides administrative services to one self-insured employer group health plan.

Medicare Advantage

The Company introduced a Medicare Advantage product in 2022.

FINANCIAL STATEMENTS
AND COMMENTS THEREON

Note: The following financial statements are based on the statutory financial statements filed by the Company with the Iowa Insurance Division and present the financial condition of the Company for the period ending December 31, 2021.

ASSETS

	<u>Assets</u>	<u>Non-Admitted</u>	<u>Admitted</u>
Bonds	\$ 973,921,890	\$	\$ 973,921,890
Preferred stocks	2,442,304	808,147	1,634,157
Common stocks	1,361,180,227	29,875,905	1,331,304,322
Real estate properties occupied by the company	134,924,367	27,104,367	107,820,000
Cash, cash equivalents and short-term investments	226,025,950		226,025,950
Other invested assets	228,874,027	22,680,841	206,193,186
Receivables for securities	868,029		868,029
Investment income due and accrued	7,203,271	211,980	6,991,291
Uncollected premiums and agents' balances in the course of collection	70,208,726		70,208,726
Accrued retrospective premiums	19,059,370		19,059,370
Amounts receivable relating to uninsured plans	140,287,116	8,538,745	131,748,371
Current federal and foreign income tax recoverable and interest thereon	36,932,168		36,932,168
Net deferred tax asset	26,990,000		26,990,000
Guaranty funds receivable or on deposit	20,908,401		20,908,401
Electronic data processing equipment and software	2,081,901	40,666	2,041,235
Furniture and equipment	11,243,555	11,243,555	
Receivables from parent, subsidiaries and affiliates	51,648,482	9,463,242	42,185,240
Healthcare and other amounts receivable	117,154,056	33,235,712	83,918,344
Prepaid Premium Tax Assets	30,435,367	30,435,367	
Prepaid Pension Costs	39,169,328	39,169,328	
Other Prepaid Expenses	19,359,724	19,359,724	
Miscellaneous Assets	2,143,507	1,620,521	522,986
	<hr/>	<hr/>	<hr/>
Total Assets	\$ 3,523,061,766	\$ 233,788,100	\$ 3,289,273,666

LIABILITIES, SURPLUS AND OTHER FUNDS

Claims Unpaid		\$ 378,067,953
Accrued medical incentive pool and bonus amounts		9,909,088
Unpaid claims adjustment		3,405,415
Aggregate health policy reserves		64,793,251
Premiums received in advance		99,944,674
General expenses due or accrued		206,565,642
Amounts withheld or retained for the account of others		2,493,012
Remittances and items not allocated		17,828,236
Amounts due to parent, subsidiaries, and affiliates		68,462,453
Payable for securities		5,471,165
Liability for amounts held under uninsured plans		83,152,641
Aggregate write-in for Other Liabilities		29,272,818
Aggregate write-in for Escheat Liability		2,133,719
		<hr/>
Total Liabilities		\$ 971,500,067
		<hr/>
Unassigned funds (surplus)		\$ 2,317,773,599
		<hr/>
Total liabilities, capital and surplus		\$ 3,289,273,666

STATEMENT OF REVENUE AND EXPENSES

Member Months	13,864,371
Net premium income	\$ 2,553,505,904
Change in unearned premium reserves for rate credits	<u>(1,610,403)</u>
Total revenues	<u>\$ 2,551,895,501</u>
<u>Hospital and Medical:</u>	
Hospital/medical benefits	\$ 1,450,487,024
Other professional services	250,873,650
Outside referrals	80,213,813
Emergency room and out-of-area	89,618,191
Prescription drugs	324,387,381
Incentive pool, withhold adjustments and bonus amounts	<u>17,200,362</u>
Subtotal	<u>\$ 2,212,780,421</u>
<u>Less:</u>	
Claims adjustment expenses	\$ 89,136,809
General administrative expenses	<u>205,083,068</u>
Total underwriting deductions	<u>\$ 2,507,000,298</u>
Net underwriting gain or (loss)	<u>\$ 44,895,203</u>
Net investment income earned	\$ 100,490,401
Net realized capital gains or (losses)	<u>29,489,607</u>
Net investment gains or (losses)	\$ 129,980,008
Other income (expense)	<u>127,803</u>
Net income after capital gains tax and before all federal income taxes	\$ 175,003,014
Federal and foreign income taxes incurred	<u>31,659,000</u>
Net income	<u>\$ 143,344,014</u>

CAPITAL AND SURPLUS ACCOUNT

Capital and surplus prior reporting year	<u>\$ 2,025,364,643</u>
Net income	\$ 143,344,014
Change in net unrealized capital gains (losses) less capital gains tax	118,888,531
Change in net unrealized foreign exchange capital gain (loss)	(7,619,565)
Change in net deferred income tax	13,957,000
Change in non-admitted assets	(18,468,565)
Change in pension and other postretirement benefit obligation	<u>42,307,541</u>
Net change in capital and surplus for the year	<u>\$ 292,408,956</u>

Capital and surplus end of reporting period	\$ 2,317,773,599
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CASH FLOW

Cash from Operations

Premiums collected net of reinsurance	\$ 2,561,049,269	
Net investment income	71,560,724	
Total	\$ 2,632,609,993	
Benefit and loss related payments	\$ 2,183,494,029	
Commissions, expenses paid and aggregate write-ins for deductions	309,453,748	
Federal and foreign income taxes paid (recovered)	63,137,652	
Total	2,556,085,429	
Net cash from operations	\$ 76,524,564	

Cash from Investments

Proceeds from investments sold, matured or repaid:		
Bonds	\$ 727,127,363	
Stocks	172,250,503	
Other invested assets	1,702,474	
Net gains or (losses) on cash, cash equivalents and short- term investments	22,088	
Miscellaneous proceeds	4,244,123	
Total investment proceeds	\$ 905,346,551	
Cost of investments acquired:		
Bonds	\$ 754,589,857	
Stocks	187,976,834	
Real estate	15,054	
Other invested assets	64,828,000	
Miscellaneous applications	16,852,373	
Total investments acquired	1,024,262,118	
Net cash from investments	\$ (118,915,567)	

Cash from Financing and Miscellaneous Sources

Other cash provided (applied)	\$ 108,573,043	
Net cash from financing and miscellaneous sources	\$ 108,573,043	

Reconciliation of Cash, Cash Equivalents, and Short-Term Investments

Net change in cash, cash equivalents and short-term investments	\$ 66,182,040
Cash, cash equivalents and short-term investments:	
Beginning of year	159,843,910
End of year	\$ 226,025,950

CONCLUSION

The cooperation and assistance extended by the officers and employees of the Company during the course of this examination is hereby acknowledged.

In addition to the undersigned, examiners from the Iowa Insurance Division, INS Regulatory Insurance Services, Inc., information systems specialists, and Insurance Strategies Consulting, LLC, actuarial specialists, participated in the examination and the preparation of this report.

Respectfully submitted,

/s/ Cecilee Diamond-Houdek

Cecilee Diamond-Houdek, CFE, CPA, MCM
Examiner-in-Charge
INS Regulatory Insurance Services, Inc.
on behalf of the Iowa Insurance Division
State of Iowa

/s/ Amanda Theisen

Amanda Theisen, CFE, PIR, MCM
Assistant Chief – Examinations
Iowa Insurance Division
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