

EXAMINATION REPORT OF  
WELLMARK HEALTH PLAN OF IOWA, 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 HEALTH PLAN OF IOWA, INC.

DES MOINES, IOWA

AS OF DECEMBER 31, 2021

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

#### INTRODUCTION

Wellmark Health Plan of Iowa, Inc. hereinafter referred to as the “Company” or “WHPI”, 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 ultimate parent, Wellmark, Inc., and its subsidiaries, 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 Health Plan of Iowa, Inc. was incorporated on March 13, 1996, under the name Unity Choice Health Plan, Inc. On October 15, 1996, a health maintenance organization ("HMO") certificate of authority was granted to it by the State of Iowa under Chapter 514B of the Code of Iowa. Business commenced as an HMO on January 1, 1997, when WHPI assumed a block of business from its immediate parent, Wellmark Community Insurance, Inc.

On August 3, 1997, the majority shareholder granted its written consent in lieu of a shareholder meeting to change the name of the Company to Wellmark Health Plan of Iowa, Inc.

On November 1, 2002, Wellmark, Inc. purchased the shares which were owned by Wellmark Community Insurance, Inc.

Effective October 20, 2003, WHPI's parent, Wellmark, Inc., purchased five percent of the outstanding and issued common stock of WHPI, equivalent to 120,000 shares, from Covenant Health System, Inc.

Effective October 30, 2003, WHPI's parent, Wellmark, Inc., sold five percent of the outstanding and issued common stock of WHPI, equivalent to 120,000 shares to Catholic Health Initiatives-Iowa, Corp.

On December 7, 2005, the Iowa Insurance Division approved the sale of University of Iowa Affiliated Health Providers, L.C. shares (240,000 shares.) The shares were initially offered to the other minority shareholder. If the minority shareholders did not purchase the shares, then Wellmark, Inc. had to purchase the shares. Effective December 31, 2005, Wellmark, Inc. purchased these shares.

On December 31, 2006, 85% of WHPI's outstanding stock was owned by Wellmark, Inc., with 5% owned by Genesis Health System, 5% owned by Catholic Health Initiatives-Iowa, Corp and 5% by Mercy Medical Center – Cedar Rapids.

On May 10, 2010, Wellmark, Inc. purchased the remaining shares owned by the three minority shareholders and as of December 31, 2021, currently owns 100% of the shares of WHPI.

### CAPITAL STOCK AND DIVIDENDS

The Company has authorized 100,000,000 shares of common stock with no par value. As of December 31, 2021, 2,400,000 shares of common stock were outstanding at a purchase price of \$10 per share for a value of \$24,000,000 in the annual statement.

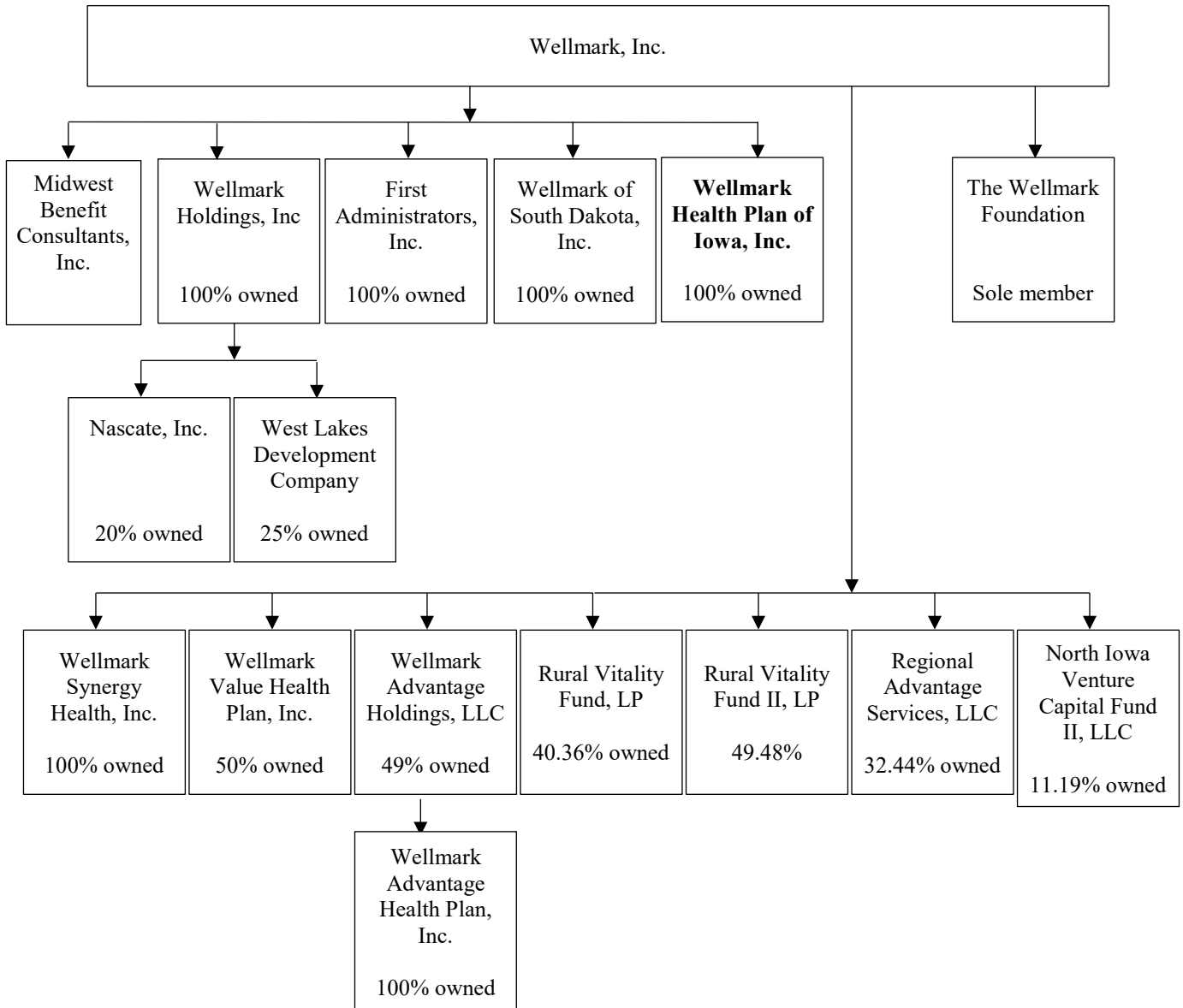
Dividends paid during the examination period were as follows:

<u>Year</u>	<u>Amount</u>
2021	\$0
2020	\$49,000,000
2019	\$35,000,000
2018	\$28,000,000

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 ultimate controlling person for the group is Wellmark, Inc. 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

### SHAREHOLDERS

The Bylaws specify that the annual meeting of the shareholders shall be each year at such place, time, and date as the Board of Directors ("Board") shall determine. At each annual meeting the election of the directors shall take place and such other business shall be transacted as may be properly presented to such meeting. If the election of directors shall not be held on the day designated herein for any annual meeting, or at any adjournment thereof, the Board of Directors shall cause the election to be held at a meeting of the shareholders as soon thereafter as conveniently may be.

Special meetings of the shareholders may be called by the President or the Board of Directors and shall be called by the Board of Directors upon the written demand, signed, dated, and delivered to the Secretary, of the holders of at least ten percent of all the votes entitled to be cast on any issue proposed to be considered at the proposed special meeting. Such written demand shall state the purpose or purposes for which such meeting is to be called. The time date and place of any special meeting shall be determined by the Board of Directors or by the President. Unless otherwise provided in the Articles of Incorporation, a written demand for a special meeting may be revoked by a writing to the effect received by the Company prior to the receipt by the Company of demands sufficient in number to require the holding of a special meeting.

Written notice stating the date, time and place of the meeting and, in the case of a special meeting, a description of the purpose or purposes for which the meeting is called, shall be communicated, unless oral notice is reasonable under the circumstances, not fewer than ten nor more than sixty days before the date of the meeting, by or at the direction of the President, the Secretary, or the officer or persons calling the meeting to each shareholder of record entitled to vote at the meeting.

A majority of the votes entitled to be cast by a voting group, represented in person or by proxy, shall constitute a quorum of that voting group at a meeting of shareholders.

### BOARD OF DIRECTORS

According to the Amended and Restated Articles of Incorporation, the directors of the Company shall not be personally liable to the Company or its shareholders except to the extent allowed under Iowa law as amended.

The Bylaws stipulate all corporate powers shall be exercised by or under the authority of, and the business and affairs of the Company managed under the direction of the Board of Directors. The number of directors shall be not fewer than three (3) nor more than nine (9), with the exact number determined from time to time by the Shareholder. The Board of Directors shall consist of director nominees of Wellmark, Inc. and enrollee director nominees. "Enrollee director" shall mean an adult individual serving on the Board of Directors who is enrolled in a product offered by the Company under an enrollment contract or other evidence of coverage and is not a provider of health care services or associated with a provider of health care services. Enrollee directors shall be residents of the state of Iowa. Not more than two enrollee directors shall be employees of the same employer. At no time shall less than thirty percent (30%) of the directors be enrollee directors.

Immediately after the final adjournment of each annual meeting of the shareholders for the election of directors, the Board of Directors shall meet, at the same place where said meeting of shareholders finally adjourned, for the purpose of organization, the election of officers and the transaction of other business. Notice of such meeting need not be given. Such meeting may be held at any other time or place as shall be specified in a notice given as hereinafter provided for special meetings of the Board of Directors or in a consent and waiver of notice thereof signed by all the directors, at which meeting the same matters shall be acted upon as is above provided. The Board of Directors or Secretary may designate the time and place, either in or out of the state of Iowa, for the holding of

additional regular meetings without notice other than such designation. Special meetings of the Board of Directors may be called by or at the request of the President or any two (2) directors. Special meetings of the Board of Directors shall be preceded by at least two (2) days written notice, unless oral notice is reasonable under the circumstances, of the date, time, and place of the meeting communicated to each director.

A majority of the number of the directors then holding office shall constitute a quorum for the transaction of business; provided, however, that if less than a majority of such number of directors are present at said meeting, a majority of the directors present may adjourn the meeting from time to time without further notice.

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 West Des Moines, Iowa	President, Chief Executive Officer, Wellmark, Inc.	2023
*Ron J. Corbett Cedar Rapids, Iowa	Vice President Economic Development Cedar Rapids Metro Economic Alliance	2025
Douglas D. Laird Cedar Rapids, Iowa	Broker, Skogman Commercial Realty	2023

\*Enrollee director

The Board of Directors, irrespective of any personal interest of any of its members, shall have the authority to establish reasonable compensation for all directors. The directors may be paid their expenses, if any, of attendance at each meeting of the Board of Directors.

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. The Board has adopted a director compensation program including the following: the independent Board Chair receives \$7,500 annually; directors, other than directors who are also employees of the shareholder, may receive \$2,500 per in-person meeting attended and \$1,000 per telephonic meeting attended. At the November 5, 2021 meeting, the Board approved changes to director compensation which compensates directors, other than any employed by the shareholder, at an annual rate of \$12,500 plus reimbursement for travel and other related expenses.

## COMMITTEES

The Bylaws provide that the Board of Directors may, by resolution, create one or more committees and appoint members of the Board of Directors to serve on them. Each committee may have one (1) or more members, who serve at the pleasure of the Board of Directors. Each committee shall have the power and duties delegated to it by the Board of Directors.

Each committee shall record minutes of its proceedings. Each committee shall report to the Board of Directors concerning all matters upon which it has acted. Each committee shall hold such regular meetings at such time and place as it may determine. Reasonable notice of any committee meeting shall be given to the members thereof. A majority of the members of a committee shall constitute a quorum for the transaction of business. The act of a majority of the members present at a meeting at which a quorum is present shall be the act of a committee.

The Board of Directors may, by resolution, create one or more advisory committees whose membership can consist of such number of persons who are not officers, directors or employees of the Corporation as may be determined by the Board of Directors. The Board of Directors may, by like action, abolish any advisory committee at any time. Persons appointed to an advisory committee shall be appointed for such terms as may be specified upon their appointment by the Board of Directors. An advisory committee shall have such duties and accountabilities as may be specified by the Board of Directors from time to time.

During the examination period, the Wellmark Inc. Audit Committee and Finance and Investment Committee served as the Company's committees.

## OFFICERS

The Bylaws provide that the officers of the Company shall consist of a Chair of the Board of Directors, a President, one or more Vice Presidents (the number of which the President shall determine), a Secretary, and a Treasurer, and such Assistant Treasurers, Assistant Secretaries, or other officers as may be elected or appointed by the President. Any two (2) or more offices may be held by the same person.

The Chairman of the Board shall be elected annually by the Board of Directors at the first meeting of the Board of Directors held after each annual meeting of the shareholders. The Chair of the Board of Directors shall be a Director designated by Wellmark, Inc. The Chairman shall preside at all meetings of the Board of Directors and of the shareholders. The Chairman shall regularly advise and consult with the President and officers of the Company so that the President may supervise and control the business and affairs of the Company. The President shall be selected by Wellmark, Inc. and shall be the Chief Executive Officer of the Company and shall have general and active supervision and direction over the day-to-day operations of the Company and over its other officers and employees. The President shall select all officers of the Company except the Chairman and President.

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

<u>Name</u>	<u>Title</u>
Cory R. Harris	President, Chairman, and Chief Executive Officer
David S. Brown	Executive Vice President, Chief Financial Officer and Treasurer
Scott A. Sundstrom	Secretary
John T. Clendenin	Senior Vice President - Chief Legal Officer
Laura J. Jackson	Executive Vice President – Chief Health Officer

## CONFLICT OF INTEREST

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

## CORPORATE RECORDS

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

The minutes of the August 3, 2018 Board of Directors meeting indicated that the Board of Directors approved the Examination Report of the Iowa Insurance Division for the period ending December 31, 2016.

The Bylaws were amended on May 5, 2017. The noteworthy changes are (1) the elimination of section 4.3 of Article IV Committees of the Board of Directors to remove language referencing Advisory Committees, and (2) added Article X Indemnification of Officers and Directors.

## FIDELITY BONDS AND OTHER INSURANCE

The Company is covered under the various policies of its ultimate parent. 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

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, including Wellmark Health Plan of Iowa, Inc.

### 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 WHPI 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.

### 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.

## REINSURANCE

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

## TERRITORY AND PLAN OF OPERATION

At December 31, 2021, the Company sells only in the state of Iowa serving over 146,392 members.

The Company operates solely in Iowa and provides health care and financing to policyholders and enrollees through contracts with health care providers.



### 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&amp;H Reserves</u>	<u>Surplus</u>	<u>A&amp;H Premiums</u>	<u>A&amp;H Claims</u>	<u>Investment Income</u>	<u>Realized Capital Gains</u>	<u>Net Income</u>
2021	\$ 447,434	\$ 39,227	\$ 267,601	\$ 779,923	\$ 630,007	\$ 7,261	\$ 4,597	\$ 43,525
2020	363,143	24,616	211,412	537,747	403,499	7,189	6,790	46,797
2019	347,437	25,895	209,045	505,384	366,737	7,151	(939)	49,346
2018	286,099	8,025	191,150	420,248	319,243	6,502	28	35,050
2017	283,076	7,559	189,621	384,066	286,991	5,538	666	28,140

### 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.

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	\$ 181,746,052	\$ 0	\$ 181,746,052
Common stocks	108,167,234		108,167,234
Cash, cash equivalents and short-term investments	6,820,423		6,820,423
Other invested assets	8,459,551		8,459,551
Receivables for securities	168,607		168,607
Investment income due and accrued	1,501,131		1,501,131
Uncollected premiums and agents' balances in the course of collection	685,347		685,347
Accrued retrospective premiums and contracts			
Subject to redetermination	373,000		373,000
Amounts receivable relating to uninsured plans	57,446,000	3,760,000	53,686,000
Receivable from parent, subsidiaries and affiliates	63,962,242		63,962,242
Health care and other amounts receivable	24,692,952	2,828,913	21,864,039
Prepaid expenses	7,662,418	7,662,418	0
	<hr/>	<hr/>	<hr/>
Total Assets	\$ 461,684,957	\$ 14,251,331	\$ 447,433,626

## LIABILITIES, CAPITAL AND SURPLUS

Claims unpaid	\$ 63,740,000
Accrued medical incentive pool and bonus amounts	6,090,912
Unpaid claims adjustment expenses	518,257
Aggregate health policy reserves	39,226,895
Premiums received in advance	17,633,598
General expenses due or accrued	3,661,749
Current federal and foreign income tax payable and interest thereon	11,766,429
Net deferred tax liability	2,358,000
Payable for securities	377,085
Liability for amounts held under uninsured plans	32,539,892
Health assessments	1,920,000
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Total Liabilities	\$ 179,832,817
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Common capital stock	\$ 24,000,000
Unassigned funds (surplus)	243,600,809
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Total Surplus and Other Funds	\$ 267,600,809
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Total Liabilities, Surplus and Other Funds	\$ 447,433,626

STATEMENT OF REVENUE AND EXPENSES

Member Months	<u>1,682,118</u>
Net premium income	\$ 779,923,090
Change in unearned premium reserves and reserves for rate credits	<u>5,259,478</u>
Total Revenues	<u>\$ 785,182,568</u>
<u>Hospital and Medical:</u>	
Hospital/medical benefits	\$ 375,117,049
Other professional services	70,375,081
Outside referrals	27,912,253
Emergency room and out-of-area	21,217,250
Prescription drugs	128,322,187
Incentive pool, withhold adjustments and bonus amounts	<u>7,063,460</u>
Total hospital and medical	<u>\$ 630,007,280</u>
<u>Less:</u>	
Claims adjustment expenses	\$ 19,531,031
General administrative expenses	<u>93,479,354</u>
Total underwriting deductions	<u>\$ 743,017,665</u>
Net underwriting gain or (loss)	<u>\$ 42,164,903</u>
Net income investment earned	\$ 7,261,435
Net realized capital gains (losses) less capital gains tax	<u>4,597,280</u>
Net investment gains (losses)	<u>\$ 11,858,715</u>
Net income or (loss) after capital gains tax and before federal income tax	<u>\$ 54,023,618</u>
Federal and foreign income taxes incurred	\$ 10,499,000
Net income (losses)	<u>\$ 43,524,618</u>

CAPITAL AND SURPLUS ACCOUNT

Capital and surplus prior reporting year	<u>\$ 211,411,977</u>
Net income	\$ 43,524,618
Change in net unrealized capital gains (losses) less capital gains tax	9,030,460
Change in net unrealized foreign exchange capital gain (loss)	(1,085,616)
Change in net deferred income tax	(884,000)
Change in non-admitted assets	<u>5,603,370</u>
Net change in capital and surplus	<u>\$ 56,188,832</u>
Capital and Surplus, December 31, 2021	<u>\$ 267,600,809</u>

## CASH FLOW

### Cash from Operations

Premiums collected net of reinsurance	\$ 799,614,749	
Net investment income	8,944,354	
Total		\$ 808,559,103
Benefit and loss related payments	\$ 619,525,720	
Commissions, expenses paid and aggregate write-ins for deductions	108,765,080	
Federal and foreign income taxes paid (recovered)	17,052,891	
Total		<u>745,343,691</u>
Net cash from operations		<u>\$ 63,215,412</u>

### Cash from Investments

Proceeds from investments sold, matured or repaid:		
Bonds	\$ 63,835,991	
Stocks	17,416,399	
Net gains or (losses) on cash, cash equivalents and short-term investments	62	
Miscellaneous proceeds	238,750	
Total investment proceeds		\$ 81,491,202
Cost of investments acquired (long-term only):		
Bonds	\$ 75,888,401	
Stocks	10,928,138	
Miscellaneous applications	1,907,261	
Total investments acquired		<u>88,723,800</u>
Net cash from investments		<u>\$ (7,232,598)</u>

### Cash from Financing and Miscellaneous Sources

Other cash provided (applied)	<u>\$ (56,922,226)</u>	
Net cash from financing and miscellaneous sources		<u>\$ (56,922,226)</u>

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

Net change in cash, cash equivalents and short-term investments		\$ (939,412)
Cash, cash equivalents and short-term investments:		
Beginning of year		<u>7,759,835</u>
End of year		<u>\$ 6,820,423</u>

## 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 system specialists, and Insurance Strategies Consulting, LLC, actuarial specialists, participated in the examination and 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  
State of Iowa