

EXAMINATION REPORT OF
WELLMARK SYNERGY HEALTH, 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 SYNERGY HEALTH, INC.

DES MOINES, IOWA

AS OF DECEMBER 31, 2021

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

INTRODUCTION

Wellmark Synergy Health, Inc., hereinafter referred to as the “Company” or “WSH”, 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 Health Plan of Iowa, Inc., and Wellmark Value Health Plan, 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

In January 2016, Wellmark, Inc. entered into a Joint Venture with the University of Iowa Health System to form the insurance company Wellmark Synergy Health, Inc. In March 2016, Wellmark, Inc. purchased 90,000 shares and the University of Iowa Health System purchased 30,000 shares of common stock at \$100 per share of WSH. The University of Iowa Health System subsequently sold shares to other provider organizations, resulting in a 75 percent ownership interest in the joint venture for Wellmark, Inc., until June 2022, when Wellmark, Inc. purchased all remaining shares for a 100 percent ownership. (See subsequent events for additional details.) As of January 1, 2019, WSH no longer offers contracts for covered health care services.

CAPITAL STOCK AND DIVIDENDS

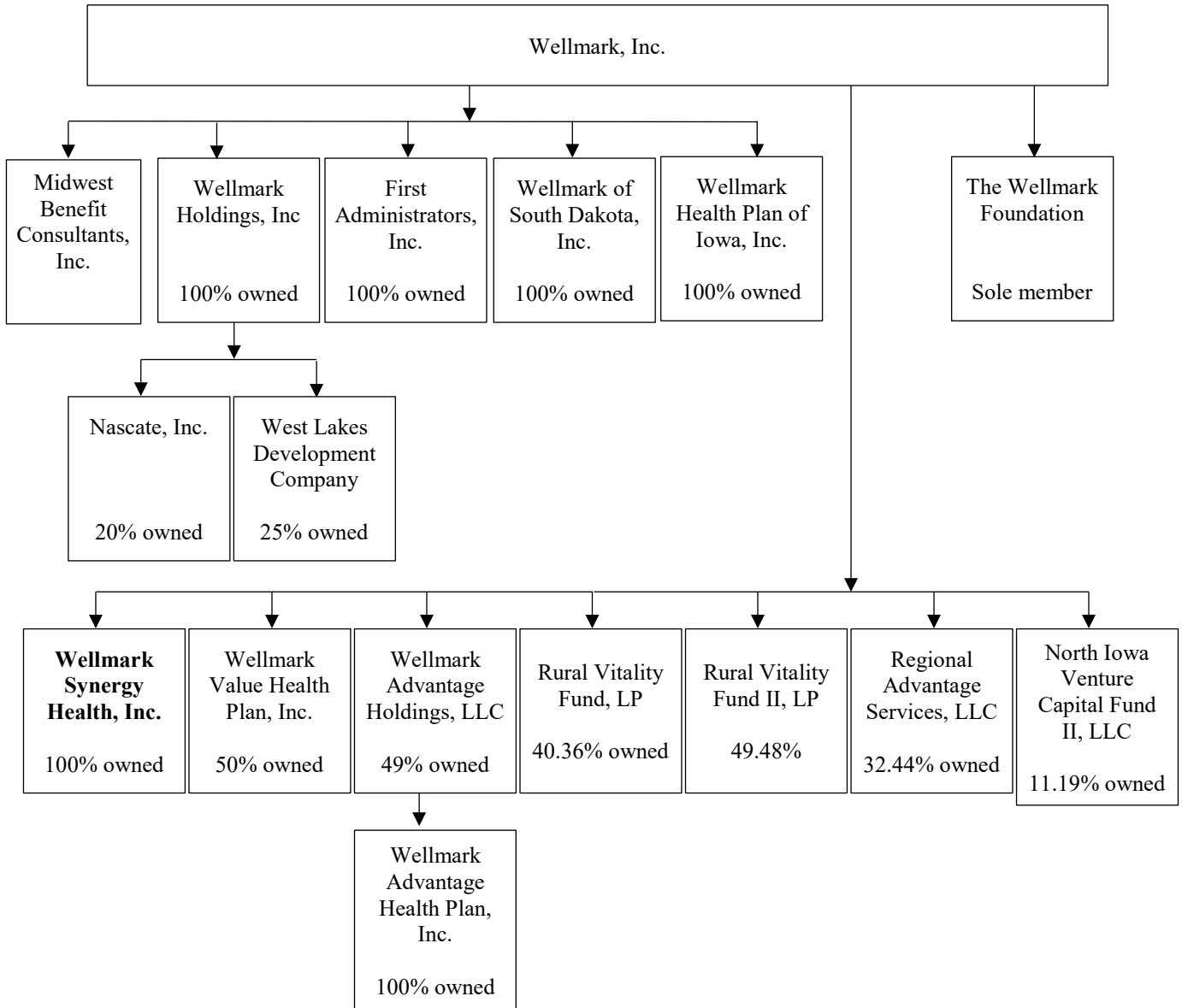
The Company has authorized 1,000,000 shares of common stock. As of December 31, 2021, 120,000 shares of common stock were outstanding at a purchase price of \$100 per share for a value of \$12,000,000 in the annual statement.

No dividends were paid during the examination period.

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 for the election of directors and for the transaction of such other business as may properly come before the meeting, shall be held at such place, time and date as the Board of Directors ("Board") shall fix, which date shall be within the earlier of the first six months after the end of the Company's fiscal year or fifteen months after the shareholder's last annual meeting.

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 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.

A majority of the votes entitled to be cast on the matter by a voting group constitutes a quorum of that voting group for action on that matter, unless the representation of a different number is required by law, and in that case, the representation of the number so required shall constitute a quorum.

Every shareholder entitled to vote may vote in person or by proxy. The shareholders having right to vote shares at any meeting shall be only those of record on the stock books of the Company.

BOARD OF DIRECTORS

According to the Bylaws, no director is required to be an officer or employee or a shareholder of the Company or a resident of the State of Iowa. The business and affairs of the Company shall be managed under the direction of the Board of Directors. The Board of Directors may authorize any officer or officers, agent or agents, to enter into any contract or to execute and deliver any instrument in the name and on behalf of the Company.

The number of directors shall be not fewer than three (3) and no more than sixteen (16), with the number determined by resolution of the Board of Directors. The Board of Directors shall include director nominees of Wellmark, Inc., director nominees of the University of Iowa Health System ("UIHS"), and enrollee directors. Each director shall hold office until the next succeeding annual meeting and until his or her successor shall have been elected and qualifies, or until his or her death, resignation or removal. Thirty percent of the directors shall be enrollee representatives who are adult enrollees of the Company's products and who are not health care providers or are not associated with a health care provider (enrollee directors).

The Board of Directors may hold its meetings at such place or places within or outside of the State of Iowa, as the Board may from time to time determine. 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. Regular meetings of the Board of Directors shall be held at such place and at such times as the Board of Directors shall by resolution fix and determine from time to time. Special meetings of the Board of Directors shall be held whenever called by direction of the President, or one-third (1/3) of the directors at the time being in office.

A quorum of the Board of Directors consists of a majority of the number of directors prescribed, provided, however that a quorum shall require the presence of at least one director nominated by Wellmark, Inc., one director nominated from UIHS, and one enrollee director.

No action of the Board of Directors shall be effective (including any amendment to the Bylaws) with regard to any of the following matters relating to the Company if any director nominated by Wellmark, Inc. votes in the negative: (i) The adoption of any amendment to the Articles or Bylaws of the Company; (ii) Legal or trade name of the Company; (iii) Geographic operating area of the Company; (iv) The type of business activity in which the Company engages; (v) Creating or becoming liable for by way of guarantee, any indebtedness, other than indebtedness arising in the ordinary course of business; (vi) The sale of any assets, except for sales in the ordinary course of business or sales of equipment no longer used or being replaced; (vii) The making of any loans or advances except in the ordinary course of business; (viii) Any arrangement or agreement with any party directly or indirectly affiliated with any of the shareholders or persons or entities with the authority to nominate, select or appoint directors of the Company, other than Wellmark, Inc.; (ix) Conducting any business other than under the Blue Cross and Blue Shield marks and names; (x) Taking any action that Wellmark, Inc. or Blue Cross and Blue Shield Association reasonably believes will adversely affect the Blue Cross and the Blue Shield marks and names; (xi) Any action that would cause the Company to be in violation of standards adopted by Blue Cross and Blue Shield Association from time to time applicable to licensure by such association.

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>
Joseph B. Clamon Iowa City, Iowa	Assoc. Vice President, Legal Affairs & Chief Legal Counsel University of Iowa Health Care	2022
Cory R. Harris Des Moines, Iowa	President & CEO, Wellmark, Inc.	2022
Thomas T. Newton Des Moines, Iowa	Vice President, Network Engagement Wellmark, Inc.	2022
Christa D. Kuennen Des Moines, Iowa	Vice President, Controller Wellmark, Inc.	2022

According to the Bylaws, the Company is required to have 30% of their Directors be enrollee directors unless the requirement is waived by the Insurance Commissioner. The Commissioner waived this requirement for three years from the Company’s commencement of services. As of January 1, 2019, the Company no longer offered contracts for covered health care services, thus there were no enrollee directors as of December 31, 2021.

The Board of Directors shall be entitled to be reimbursed for any expenses paid by them on account of attendance at any regular or special meeting of the Board of Directors and the Board may fix the compensation of directors from time to time by resolution of the Board.

COMMITTEES

The Board of Directors may establish one or more committees, including an executive committee, each committee to consist of one or more directors appointed by the Board of Directors, except as otherwise required under the Iowa Business Corporation Act. Any such committee shall serve at the will of the Board of Directors.

There shall be a strategic management committee composed of UIHS and Wellmark, Inc. representatives.

The committee members will collaborate in management and decisions will be made with the agreement of at least one representative of both Wellmark, Inc. and UIHS. The strategic management committee is subject to the oversight of the Board of Directors and will report its actions to the Board of Directors.

The Strategic Management Committee meetings were discontinued in 2018.

OFFICERS

The Bylaws provide that the executive officers of the Company shall be a President, one or more Vice Presidents, a Secretary, a Treasurer and such other officers as may be elected or appointed by the Board of Directors. One person may hold the offices and perform the duties of any two or more of said offices. In its discretion, the Board of Directors may delegate the powers or duties of any officer to any other officer or agents, notwithstanding any provision of these Bylaws, and the Board of Directors may leave unfilled for any such period as it may fix, any office except those of President, Treasurer and Secretary. The officers of the Company shall be elected annually by the Board of Directors at the annual meeting thereof. Each such officer shall hold office until the next succeeding annual meeting of the Board of Directors and until his or her successor shall have been duly chosen and shall qualify or until his or her death or until he or she shall resign or shall have been removed.

Subject to the control of the Board of Directors, the President shall have general charge of and direct the operations of the Company and shall be the chief executive officer of the Company. The President shall, when present, preside at all meetings of the shareholders. The President shall, when present, preside at all meetings of the Board of Directors. The President shall keep the Board of Directors fully informed and shall freely consult with them concerning the business of the Company in his or her charge.

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 and Chief Executive Officer
Christa D. Kuennen	Treasurer
Peter R. Kitundu	Chief Compliance Officer
Kimberly M. Murphy	Secretary

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, 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 August 24, 2018, acknowledged the review and receipt of the Iowa Insurance Division Financial Examination Report for the period April 13, 2016 through December 31, 2016.

The Articles of Incorporation and the Bylaws were not amended during the examination period, other than to

change the name of the Company as noted above.

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 a parental guarantee pursuant to which it guarantees to the full extent of its assets, all contractual and financial obligations of Wellmark Synergy Health, Inc.

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.

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.

REINSURANCE

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

TERRITORY AND PLAN OF OPERATION

The Company received its Certificate of Authority as an HMO from the State of Iowa Insurance Division on April 13, 2016 under Chapter 514B of the Code of Iowa and commenced business on January 1, 2017. The Company is the result of a joint venture between Wellmark, Inc. and the University of Iowa Health System and offered individual policies and small group policies in a limited number of counties in the State of Iowa. University of Iowa Hospital and its affiliates are the network providers.

As of January 1, 2019, the Company no longer offers contracts for covered health care services. The Company does not anticipate offering contracts for covered health care services in the future and has no plans to expand operations.

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	\$ 14,435	\$ 0	\$ 14,433	\$ 0	\$ 0	\$ 26	\$ 0	\$ 16
2020	14,472	1	14,417	0	2	81	0	57
2019	14,406	1	14,357	(48)	(667)	341	0	763
2018	15,014	536	13,594	1,156	643	322	0	366
2017	17,344	2,013	13,242	9,186	6,327	108	0	1,375

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.

Effective June 1, 2022, Wellmark, Inc. purchased the Company's outstanding shares owned by provider organizations, resulting in Wellmark, Inc. owning 100 percent of the outstanding shares of the Company.

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>
Cash, cash equivalents and short term investments	\$ 14,435,186	\$	\$ 14,435,186
Total Assets	\$ 14,435,186	\$	\$ 14,435,186

LIABILITIES, CAPITAL AND SURPLUS

Current federal and foreign income tax payable and interest thereon	\$	1,000
Net deferred tax liability		1,000
Total Liabilities	\$	2,000
Common capital stock	\$	12,000,000
Unassigned funds (surplus)		2,433,186
Total capital and surplus	\$	14,433,186
Total liabilities, capital and surplus	\$	14,435,186

STATEMENT OF REVENUE AND EXPENSES

Member Months	0
<u>Revenues</u>	
Total revenues	\$ 0
<u>Hospital and Medical</u>	
Hospital/medical benefits	\$ (43)
<u>Less</u>	
Total hospital and medical lines	\$ (43)
General administrative expenses	4,918
Total underwriting deductions	4,875
Net underwriting gain or (loss)	(4,875)
Net investment income earned	\$ 26,330
Net investment gains (losses)	\$ 26,330
Net income or (loss) after capital gains tax and before all federal income taxes	\$ 21,455
Federal and foreign income taxes incurred	\$ 5,000
Net income (loss)	\$ 16,455

CAPITAL AND SURPLUS ACCOUNT

Capital and surplus prior reporting year	<u>\$ 14,416,731</u>
Net income	<u>\$ 16,455</u>
Net change in capital and surplus	<u>\$ 16,455</u>
Capital and surplus end of reporting period	<u>\$ 14,433,186</u>

CASH FLOW

<u>Cash from Operations</u>		
Premiums collected net of reinsurance	\$ (631)	
Net investment income	<u>26,330</u>	
Total		\$ 25,699
Benefit and loss related payments	\$ (43)	
Commissions, expenses paid and aggregate write-ins for deductions	4,918	
Federal and foreign income taxes paid (recovered)	<u>2,000</u>	
Total		<u>6,875</u>
Net cash from operations		<u>\$ 18,824</u>
<u>Cash from Investments</u>		
Net cash from investments		<u>\$ 0</u>
<u>Cash from Financing and Miscellaneous Sources</u>		
Other cash provided (applied)	<u>\$ (53,436)</u>	
Net cash from financing and miscellaneous sources		<u>\$ (53,436)</u>
<u>Reconciliation of Cash, Cash Equivalents, and Short-Term Investments</u>		
Net change in cash, cash equivalents and short-term investments		\$ (34,612)
Cash, cash equivalents and short-term investments:		
Beginning of year		<u>14,469,798</u>
End of year		<u>\$ 14,435,186</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 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
State of Iowa