

JAN 14 2023

FILED

CERTIFICATION

January 14, 2023

I, Eric Dunning, Director of Insurance of the State of Nebraska, do hereby certify that the attached is a full and correct copy of the Financial Examination Report of

BLUE CROSS BLUE SHIELD OF NEBRASKA, INC.

AS OF

DECEMBER 31, 2021

The report is now on file and forming a part of the records of this Department.

I hereto subscribe my name under the seal of my office at Lincoln, Nebraska.



A handwritten signature in blue ink, appearing to read "Eric Dunning", is written over a horizontal line.

DIRECTOR OF INSURANCE

CERTIFICATE OF ADOPTION

Notice of the proposed report for the financial examination of

BLUE CROSS AND BLUE SHIELD OF NEBRASKA, INC.

1919 AKSARBEN DRIVE

OMAHA, NEBRASKA 68180

dated as of December 31, 2021, verified under oath by the examiner-in-charge on December 15, 2022, and received by the company on December 16, 2022, has been adopted without modification as the final report pursuant to Neb. Rev. Stat. § 44-5906(3) (a).

Dated this 3rd day of January 2023.

STATE OF NEBRASKA
DEPARTMENT OF INSURANCE

A handwritten signature in black ink, appearing to read 'Justin C. Schrader', is written over a horizontal line.

Justin C. Schrader, CFE
Chief Financial Examiner

STATE OF NEBRASKA

Department of Insurance

EXAMINATION REPORT

OF

BLUE CROSS AND BLUE SHIELD OF NEBRASKA, INC.

as of

December 31, 2021

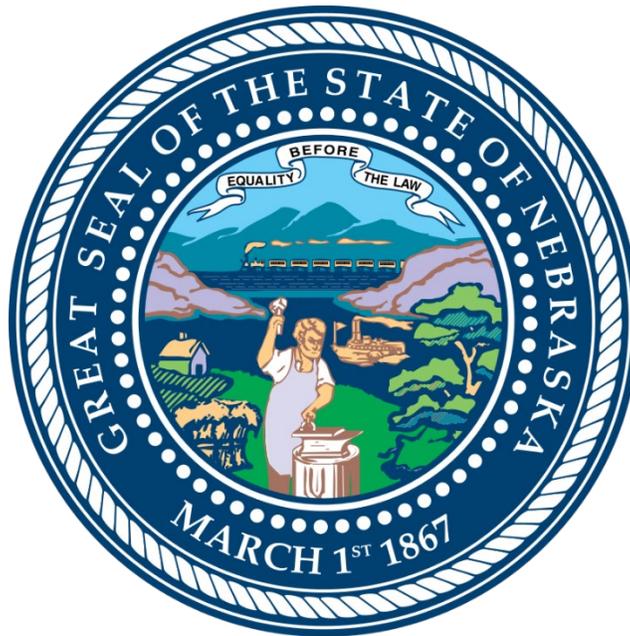


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Omaha, Nebraska
November 28, 2022

Honorable Eric Dunning
Director of Insurance
Nebraska Department of Insurance
1526 K Street, Suite 200
Lincoln, Nebraska 68508

Dear Sir:

Pursuant to your instruction and authorizations, and in accordance with statutory requirements, an examination has been conducted of the financial condition and business affairs of:

**BLUE CROSS AND BLUE SHIELD OF NEBRASKA, INC.
1919 Aksarben Drive
Omaha, Nebraska 68180**

(hereinafter also referred to as the “Company”), and the report of such examination is respectfully presented herein.

INTRODUCTION

The State of Nebraska last examined the Company as of December 31, 2017. The current financial condition examination covers the intervening period to, and includes, the close of business on December 31, 2021 and such subsequent events and transactions as were considered pertinent to this report. The State of Nebraska participated in this examination and assisted in the preparation of this report.

The same examination staff conducted a concurrent financial condition examination of the Company’s subsidiary, Sapphire Edge, Inc.

SCOPE OF EXAMINATION

The examination was conducted pursuant to and in accordance with both the NAIC Financial Condition Examiners Handbook (Handbook) and Section §44-5904(1) of the Nebraska

Insurance Statutes. The Handbook requires that examiners plan and perform the examination to evaluate the financial condition and identify prospective risks of the Company by obtaining information about the Company, including but not limited to: corporate governance, identifying and assessing inherent risks within the Company, and evaluating system controls and procedures used to mitigate those risks. The examination also includes assessing the principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation and management's compliance with Statutory Accounting Principles and Annual Statement Instructions when applicable to domestic state regulations.

The Nebraska Department of Insurance made a general review of the Company's operations and the manner in which its business has been conducted in order to determine compliance with statutory and charter provisions. The Company's history was traced and has been set out in this report under the caption "Description of Company." All items pertaining to management and control were reviewed, including provisions for disclosure of conflicts of interest to the Board of Directors and the departmental organization of the Company. The Articles of Incorporation and By-Laws were reviewed, including appropriate filings of any changes or amendments thereto. The minutes of the meetings of the Shareholders, Board of Directors, and committees held during the examination period were read and noted. Attendance at meetings, proxy information, election of Directors and Officers, approval of investment transactions, and authorizations of salaries were also noted.

The fidelity bond and other insurance coverages protecting the Company's property and interests were reviewed, as were plans for employee welfare and pension. Certificates of Authority to conduct the business of insurance in the various states were inspected and a survey was made of the Company's general plan of operation.

Data reflecting the Company's growth during the period under review, as developed from the Company's filed annual statements, is reflected in the financial section of this report under the caption "Body of Report."

The Company's reinsurance facilities were ascertained and noted and have been commented upon in this report under the caption "Reinsurance." Accounting records and procedures were tested to the extent deemed necessary through the risk-focused examination process. The Company's method of claims handling and procedures pertaining to the adjustment and payment of incurred losses were also noted.

All accounts and activities of the Company were considered in accordance with the risk-focused examination process. This included a review of workpapers prepared by Eide Bailly LLP, the Company's external auditors, during their audit of the Company's accounts for the year ended December 31, 2021. Portions of the auditor's workpapers have been incorporated into the workpapers of the examiners and have been utilized in determining the scope and areas of emphasis in conducting the examination. This utilization was performed pursuant to Title 210 (Rules of the Nebraska Department of Insurance), Chapter 56, Section 013.

Any failure of items to add to the totals shown in schedules and exhibits appearing throughout this report is due to rounding.

DESCRIPTION OF COMPANY

HISTORY

Blue Cross of Nebraska was organized under the laws of the State of Nebraska on January 12, 1939 with the given name of "Associated Hospital Service of Nebraska". It commenced business in Omaha, Nebraska on February 1 of that same year as a nonprofit hospital service corporation. By appropriate amendments to its Articles of Incorporation, the

Corporation's name was changed to "Nebraska Blue Cross Hospital Service Corporation" in 1945 to "Nebraska Blue Cross" in 1969 and to "Blue Cross of Nebraska" in 1973.

Blue Shield of Nebraska was incorporated under the laws of the State of Nebraska on October 19, 1944, as the "Nebraska Surgical Plan." It commenced business in Omaha, Nebraska, on November 11 of that same year as a nonprofit assessment association. The association's name was changed to "Nebraska Surgical Service" in 1946 and to "Blue Shield of Nebraska" in 1972 by appropriate amendments to its Articles of Incorporation.

Pursuant to a contract of consolidation approved by the Nebraska Department of Insurance on October 7, 1974, and effective April 1, 1975, Blue Shield of Nebraska was merged into and became part of Blue Cross of Nebraska with the Articles of Incorporation and the By-Laws of the continuing and surviving corporation being amended to change the name thereof to "Blue Cross and Blue Shield of Nebraska".

Effective with approval from its membership, the Company became a mutual insurance company on February 9, 1987. This change was accomplished by amending the Company's Articles of Incorporation, changing its purpose from that of a Hospital Service Corporation to that of a Mutual Insurance Company. The Revised Articles of Incorporation empower the Company to transact any kind of insurance or reinsurance authorized by Section 44-201 of the Nebraska Revised Statutes.

Via the Company's Amended and Restated Articles of Incorporation approved by the Nebraska Department of Insurance on June 13, 2018 and effective July 1, 2018, Blue Cross and Blue Shield of Nebraska reorganized from a mutual benefit insurance company to a stock insurance company simultaneously with the creation of a mutual insurance holding company named GoodLife Partners, Inc. The stock insurance company is called Blue Cross and Blue

Shield of Nebraska, Inc. As part of the reorganization, GoodLife Solutions, Inc. was formed as a new intermediate stock holding company and is wholly owned by GoodLife Partners, Inc. Blue Cross and Blue Shield of Nebraska, Inc. is a wholly owned subsidiary of GoodLife Solutions, Inc. The members of Blue Cross and Blue Shield of Nebraska automatically became members of GoodLife Partners, Inc. on July 1, 2018, as will owners of policies issued or assumed by Blue Cross and Blue Shield of Nebraska, Inc. after July 1, 2018.

MANAGEMENT AND CONTROL

Holding Company

The Company is a member of an insurance holding company system as defined by Nebraska Statute. An organizational listing flowing from the “Ultimate Controlling Person”, as reported in the 2021 Annual Statement, is represented by the following (subsidiaries are denoted through the use of indentations, and unless otherwise indicated, all subsidiaries are 100% owned):

- GoodLife Partners, Inc.
- GoodLife Solutions, Inc.
 - Blue Cross and Blue Shield of Nebraska, Inc.
 - AmeriHealth Nebraska, Inc. (30%)
 - QuadTech II, LLC (49%)
 - Sapphire Edge, Inc.
 - TWBC TIF Holdings, LLC (49%)
 - Azure Equity Management, LLC
 - Think Nebraska, LLC (60%)

Shareholder

The business of the Company is conducted as a stock insurance company, and as noted in Article V of the Company’s Articles of Incorporation “the aggregate number of shares which the Corporation shall have authority to issue shall be 4,500,000 shares of common stock at par value \$100.00 each.” As of December 31, 2021, ten shares are issued and outstanding. Article VI of

the Company's Articles of Incorporation dictates that, "no less than 51% of the shares of common stock of the Corporation shall be owned at all times, either directly or indirectly through one or more intermediate holding companies, by Goodlife Partners, Inc."

In 2021, the Company paid a \$2,000,000 cash dividend to its parent company, GoodLife Solutions, LLC. In 2019, three dividends were paid to its parent company, GoodLife Solutions, LLC: The Company's investment in Nurture Health LLC for \$444,903, its investment in Think Nebraska, LLC for \$15,00,000, and a cash dividend of \$3,500,000. No dividends were paid in 2018 or 2020.

Article VI of the Company's Articles of Incorporation also provides that, "the Annual Meeting of Shareholders shall be held upon the last Monday of each March at the principal place of business of the Company in Omaha, Nebraska."

Board of Directors

Per Article VII of the Company's Articles of Incorporation, "the affairs and business of the Corporation shall be conducted by a Board of Directors of not less than five (5) nor more than twenty-one (21) persons."

Article II, Section 2 of the Company's By-Laws states that, "Directors shall be elected for three-year terms, so that in each year approximately one-third of the members of the Board of Directors shall be subject to election or re-election."

Per the By-Laws, Article II, Section 3, "the Regular Meetings of the Board of Directors shall be quarterly. The first meeting of the Board of Directors each year shall be in March following the Annual Meeting of Shareholders. Subsequent regular meetings shall be held in June, September, and December at a time and place to be set by the Chairperson."

The following persons were serving as Directors at December 31, 2021:

<u>Name and Residence</u>	<u>Principal Occupation</u>
Karen B. Aman Blair, Nebraska	Vice President, Mid America Computer Corporation and owner of EnSite Inc
Leslie R. Andersen Bennington, Nebraska	President and Chief Executive Officer, i3 Bank (f/k/a Bank of Bennington)
Dan E. Ernst, Ed.D Lincoln, Nebraska	Associate Executive Director, Nebraska Council of School Administrators
Anthony L. Goins Lincoln, Nebraska	Director of Economic Development, Nebraska Department of Economic Development
Steven H. Grandfield Elkhorn, Nebraska	President and Chief Executive Officer, Blue Cross and Blue Shield of Nebraska, Inc.
John Bryan Jenkins Omaha, Nebraska	Partner, Dundee Venture Capital
John C. Mitchell, II, M.D. Omaha, Nebraska	Gastroenterologist, Midwest Gastrointestinal Associates
Anthony F. Raimondo, Jr. Columbus, Nebraska	Vice Chairman of the Board and Co-President of International and Diversified Products, Behlen Mfg.
Jeffrey L. Schumacher Lincoln, Nebraska	President and Chief Executive Officer, Capitol Casualty Company
Steve W. Seline Omaha, Nebraska	President, Walnut Radio LLC and Walnut Private Equity Partners LLC
Robert E. Synowicki, Jr. Omaha, Nebraska	Former Executive Vice President – Driver Resources, Werner Enterprises, Inc. (Retired)

Article II, Section 12 of the Company’s By-Laws states that, “the Board of Directors shall determine at least bi-annually the amount to be paid to each Independent Director as compensation for services provided. Each Independent Director shall also be reimbursed for reasonable and necessary expenses incurred in his or her role as a Board Member.”

Officers

Per Article III, Section 1 of the Company’s By-Laws, “the Officers of the Company shall be the (1) Chief Executive Officer; (2) President; (3) Secretary; (4) Treasurer; (5) Compliance Officer; (6) any Executive Vice President appointed in accordance with these By-Laws; and (7) any Senior Vice President or Vice President appointed in accordance with these By-Laws. The Chief Executive Officer, President, Secretary, Treasurer, and Compliance Officer shall be appointed by the Board of Directors.”

The following is a listing of Senior Officers elected and serving the Company at December 31, 2021:

<u>Name</u>	<u>Office</u>
Steven H. Grandfield	President and Chief Executive Officer
Susan E. Courtney	Executive Vice President, Operations and Clinical Effectiveness
Malorie J. Maddox	Chief Marketing, Communications and Strategy Officer
Michael A. Nelson	Executive Vice President Sales and Account Management
Ron R. Rowe	Chief Revenue Officer
Gretchen L. Twohig	Secretary, Chief Compliance Officer and General Counsel
Chad J. Werner	Treasurer and Chief Financial Officer
Joni W. Wheeler	Executive Vice President Talent and Enterprise Solution

Committees

Article II, Section 11 of the Company’s By-Laws states that, “the Board of Directors shall establish such Committees of the Board of Directors as it may deem necessary or convenient for the conduct of business and may delegate to any such Committee some or all of the powers of the Directors except those which, by law or by these By-Laws, may not be delegated. The standing Committees of the Board of Directors shall be the Audit and

Compliance Committee, the Compensation Committee, the Finance Committee, and the Governance and Nominating Committee.”

The following persons were serving on the Audit and Compliance Committee at December 31, 2021:

Jeffrey Schumacher, Chair	Anthony Raimondo, Jr., Vice-Chair
Dr. John Mitchell	Steven Seline
Anthony Goins	

The following persons were serving on the Compensation Committee at December 31, 2021:

Dan Ernst, PhD., Chair	Robert Synowicki, Jr., Vice-Chair
John Jenkins	Jeffrey Schumacher
Anthony Raimondo, Jr.	

The following persons were serving on the Finance Committee at December 31, 2021:

John Jenkins, Chair	Robert Synowicki, Jr., Vice-Chair
Leslie Andersen	Anthony Goins
Steven Seline	

The following persons were serving on the Governance and Nominating Committee at December 31, 2021:

Karan Aman, Chair	Leslie Anderson, Vice-Chair
Dan Ernst, PhD.	Steven Grandfield

TRANSACTIONS WITH AFFILIATES

Management Services Agreement

Effective January 29, 2016, the Company and Sapphire Edge, Inc. (SEI) entered into a Management Services Agreement whereby the Company provides administrative services in support of SEI’s Medicare Advantage line of business. An amendment was filed on March 17, 2016 to outline the rate of compensation.

TERRITORY AND PLAN OF OPERATIONS

As evidenced by current or continuous Certificates of Authority, the Company is licensed to transact business only in the State of Nebraska.

The Company is authorized to conduct the business of insurance as defined in Section 44-201, subsections (4) Sickness and Accident Insurance, and (21) Health Maintenance Organization of the Nebraska Insurance Statutes.

The Company provides individual, group, and association health insurance to nearly 50% of the insured population of the State of Nebraska, making it the largest health insurer in the state. The majority of enrollees are covered under a preferred provider organization (PPO).

The top products are comprehensive, federal employee health benefit plans, Medicare Supplement, and other health. Traditionally, the Company focused on the large group and individual segments of the market, but that strategy has shifted towards increased penetration in the small group market.

The Company also provides administrative services and stop-loss coverage to over 95 self-funded employer groups. In accordance with these types of arrangements, the Company does not underwrite any of the risk, or underwrites only the risk which is in excess of any stop-loss provisions, and is reimbursed for the administrative cost of claim processing which is either on a per member per month basis (PMPM) or a percentage of the claim cost basis.

The Company is a plan sponsor in the Centers for Medicare and Medicaid Services (CMS) Medicare Advantage program, offering PPO and Prescription Drug Coverage Part D, to the Medicare-eligible population.

REINSURANCE

Assumed

Effective January 1, 2017, the Company entered into a reinsurance agreement with its subsidiary, SEI. Subject to this agreement, the Company assumes a 60% quota share participation of the Medicare Advantage business written by SEI. The remaining 40% is ceded by SEI to Blue Cross Blue Shield of Michigan.

Ceded

Effective January 1, 1998, the Company entered into a reinsurance agreement to cede its Individual Long Term Care Program on a coinsurance basis to Genworth Life Insurance Company (Genworth), formerly General Electric Capital Assurance Company. The Company's net retention is 30%. Effective with the date of this reinsurance treaty, January 1, 1998, the Company entered into a service agreement with Genworth whereby Genworth would perform product development, underwriting, premium billing and collection, accounting, actuarial services, claim eligibility, evaluation, processing, reserving and payment, and in-force policy administration. This block is in runoff with no new business written on a primary basis.

Effective January 1, 2016, the Company entered into a reinsurance agreement with BCS Insurance Company (BCS) whereby the company cedes stop-loss business on an excess of loss basis. The Company retains \$2,000,000 of each loss with BCS assuming 100% of the amount that exceeds the Company's retention.

Effective April 1, 2020, the Company entered into a quota share and stop loss reinsurance agreement with HM Life Insurance Company (HMLIC), a subsidiary of Highmark Inc., also a Blue Cross Blue Shield association member. This contract applies to reinsured policies which are issued by BCBSNE during the term of the contract whose self-insured medical plan is

administered by the Company and categorized as “specific stop loss” and “aggregate stop loss” for self-insured medical plans. Under the terms of the contract HMLIC accepts a 50% specific stop loss quota share participation for losses paid by the Company on risks under all reinsured policies covered up to \$2,000,000 of loss per covered person, per policy. In addition, HMLIC also assumes a 50% aggregate stop loss quota share up to \$2,000,000 of loss per self-funded employer group in excess of the employer’s aggregate corridor. The Company retains 100% of the losses paid in excess of \$2,000,000 under both the specific (per person per policy) and aggregate (per self-funded employer group) stop loss coverage. Facultative exceptions may also be submitted by the Company to HMLIC for prior written approval.

General

All contracts reviewed contained standard insolvency, arbitration, errors and omissions, and termination clauses where applicable. All contracts contained the clauses necessary to assure reinsurance credits could be taken.

BODY OF REPORT

GROWTH

The following comparative data reflects the growth of the Company during the period covered by this examination:

	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>
Bonds	\$ 454,915,417	\$ 450,926,333	\$ 470,104,086	\$ 454,038,185
Admitted assets	912,251,871	908,933,075	943,169,478	974,606,908
Claims and adjustment expenses unpaid	213,041,265	212,720,962	197,190,775	205,169,436
Aggregate health policy reserves	154,572,247	134,390,739	166,947,066	147,581,441
Total liabilities	524,525,988	507,207,665	529,212,085	520,169,823
Unassigned funds (surplus)	387,725,884	375,525,410	413,957,393	454,437,085
Net premium income	1,590,003,662	1,573,655,583	1,614,431,923	1,648,509,431
Hospital and medical benefits	1,097,460,085	1,052,331,938	1,025,028,616	1,118,619,202
Prescription drug benefits	221,841,906	231,516,903	222,816,773	236,389,158
Net investment income	29,075,504	20,026,337	35,985,404	28,572,309
Net income (loss)	6,321,761	916,124	22,805,302	(5,263,624)

FINANCIAL STATEMENTS

The following financial statements are based on the statutory financial statements filed by the Company with the State of Nebraska Department of Insurance and present the financial condition of the Company for the period ending December 31, 2021. The accompanying comments on financial statements reflect any examination adjustments to the amounts reported in the annual statements and should be considered an integral part of the financial statements. A reconciliation of the capital and surplus account for the period under review is also included.

FINANCIAL STATEMENT
December 31, 2021

<u>Assets</u>	<u>Assets</u>	<u>Assets Not Admitted</u>	<u>Net Admitted Assets</u>
Bonds	\$454,038,185		\$454,038,185
Common stocks	204,411,454	\$ 108,900	204,302,554
Cash and cash equivalents	3,990,755		3,990,755
Other invested assets	82,440,931	1,983,463	80,457,468
Receivables for securities	<u>254</u>		<u>254</u>
Subtotal, cash and invested assets	\$744,881,579	\$ 2,092,363	\$742,789,216
Investment income due and accrued	2,296,263		2,296,263
Uncollected premiums and agents' balances in course of collection	57,175,326		57,175,326
Amounts recoverable from reinsurers	32,770		32,770
Funds held by or deposit with reinsured companies	7,380,000		7,380,000
Other amounts receivable under reinsurance contracts	3,258,701		3,258,701
Amounts receivable relating to uninsured plans	32,986,982		32,986,982
Current federal and foreign income tax recoverable and interest thereon	420,272		420,272
Net deferred tax asset	4,294,266		4,294,266
Guaranty funds receivable or on deposit	1,423,666		1,423,666
Electronic data processing equipment	1,194,053	206,542	987,511
Furniture and equipment	1,481,352	1,481,352	
Receivable from parent, subsidiaries and affiliates	34,989,037	32,842,765	2,146,272
Health care receivable	72,980,446	6,008,198	66,972,248
Funds held by Federal Employee Program	46,492,006		46,492,006
Prepaid expenses	9,300,580	9,300,580	
Prepaid pension assets	(5,831,497)	(5,831,497)	
Contra prepaid pension assets	5,831,497	5,831,497	
Bluecard inter plan claim receivable	4,143,794	3,774,748	369,046
Blue distinction host billing	7,502,905	3,716,139	3,786,766
Provider advancement rec	3,500,000	3,500,000	
Third party recoveries	1,945,497	507,716	1,437,781
Miscellaneous receivables	<u>357,816</u>		<u>357,816</u>
Total assets	<u>\$1,038,037,311</u>	<u>\$63,430,403</u>	<u>\$974,606,908</u>

Liabilities, Surplus, and Other Funds

Claims unpaid	\$169,158,790
Accrued medical incentive pool and bonus amounts	8,410,426
Unpaid claims adjustment expenses	36,010,646
Aggregate health policy reserves	147,581,441
Aggregate health claim reserves	7,498,061
Premiums received in advance	25,762,702
General expenses due or accrued	63,170,745
Ceded reinsurance premiums payable	3,025,322
Amounts withheld or retained for the account of others	312,860
Remittances and items not allocated	297,965
Liability for amounts held under uninsured plans	27,731,499
Litigation reserves	16,031,195
Bluecard inter plan claims payable	6,806,477
Assumed losses payable	4,153,867
Risk adjustment payable	3,400,000
Blue distinction ACO payable	370,534
Miscellaneous	263,363
Guarantee fund liability accrued	<u>183,930</u>
Total liabilities	\$520,169,823
Common capital stock	\$ 1,000
Gross paid in and contributed surplus	(1,000)
Unassigned funds	<u>454,437,085</u>
Total capital and surplus	\$454,437,085
Total liabilities, capital, and surplus	<u>\$974,606,908</u>

SUMMARY OF REVENUE AND EXPENSES – 2021

Net premium income	\$1,648,509,431
Change in unearned premium reserves and reserve for rate credits	<u>11,521,228</u>
Total revenues	<u>\$1,660,030,659</u>
Hospital and medical benefits	\$1,118,619,202
Other professional services	32,518,816
Prescription drugs	236,389,158
Incentive pool, withhold adjustments and bonus amounts	20,409,366
Net reinsurance recoveries	59,522,853
Claims adjustment expenses	87,576,686
General administrative expenses	<u>135,131,110</u>
Total underwriting deductions	<u>\$1,690,167,191</u>
Net underwriting gain	\$ (30,136,532)
Net investment income earned	28,572,309
Net realized capital gains	3,952,647
Miscellaneous income	26,000
HealthRules implementation expense	<u>(5,173,590)</u>
Net income before federal income taxes	\$ (2,759,166)
Federal income taxes incurred	<u>2,504,458</u>
Net income	<u>\$ (5,263,624)</u>

CAPITAL AND SURPLUS ACCOUNT

	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>
Capital and surplus, beginning	\$406,475,941	\$387,725,884	\$401,725,410	\$413,957,393
Net income	\$ 6,321,761	\$ 916,124	\$ 22,805,302	\$ (5,263,624)
Change in valuation basis of aggregate policy and claim reserves	(19,520,564)	(2,246,410)		
Change in net unrealized capital gains	(458,865)	33,081,008	11,364,245	36,690,491
Change in net deferred income tax	(1,994,252)	9,337,858	2,104,895	(186,686)
Change in nonadmitted assets	(4,223,052)	(6,652,758)	(14,519,006)	(3,079,888)
Capital changes: paid in	1,000			
Surplus adjustments: paid in	(1,000)			
Dividends to stockholders		(18,944,903)		(2,000,000)
Pension and post-retirement adjustment	6,417,904	(2,573,991)	(9,523,454)	5,392,364
Corelink impairment	(5,292,989)	1,082,599		
Corelink dissolution				8,927,035
Net change for the year	<u>\$ (18,750,057)</u>	<u>\$ 13,999,527</u>	<u>\$ 12,231,982</u>	<u>\$ 40,479,692</u>
Capital and surplus, ending	<u>\$387,725,884</u>	<u>\$401,725,410</u>	<u>\$413,957,393</u>	<u>\$454,437,085</u>

EXAMINATION CHANGES IN FINANCIAL STATEMENTS

Unassigned funds (surplus) in the amount of \$454,437,085, as reported in the Company's 2021 Annual Statement, has been accepted for examination purposes. Examination findings, in the aggregate, were considered to have no material effect on the Company's financial condition.

COMPLIANCE WITH PREVIOUS RECOMMENDATIONS

The recommendations appearing in the previous report of examination are reflected below together with the remedial actions taken by the Company to comply therewith:

Related Party Agreement – It is recommended that the transactions regarding the Operating Level Agreement between CoreLink and the Company should flow directly from CoreLink to the Company, or the Company should draft an agreement with Azure and file it with the Nebraska Department of Insurance accordingly.

Actions: The Company has complied with this recommendation.

COMMENTARY ON CURRENT EXAMINATION FINDINGS

There are no comments or recommendations that have been made as a result of this examination.

SUMMARY OF COMMENTS AND RECOMMENDATIONS

There are no comments or recommendations that have been made as a result of this examination.

ACKNOWLEDGMENT

The courteous cooperation extended by the Officers and employees of the Company during this examination is hereby acknowledged.

In addition to the undersigned, Joe Jacobson, CFE, John Wiatr, CFE, Santosh Ghimire, CFE, Jennifer Lindblad, Financial Examiners; Gary Evans, CISA, CFE, AES, Information Systems Specialist; and Michael Muldoon, ASA, MAAA, FCA, and Margaret Garrison, Actuarial Examiners; all with the Nebraska Department of Insurance, participated in this examination and assisted in the preparation of this report.

Respectfully submitted,



Tadd K. Wegner, CFE
Supervisory Examiner
Department of Insurance
State of Nebraska

State of Nebraska,

County of Lancaster,

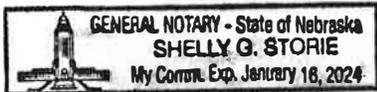
Tadd K. Wegner, being duly sworn, states as follows:

1. I have authority to represent the Department of Insurance of the State of Nebraska in the examinations of Blue Cross and Blue Shield of Nebraska, Inc. & Sapphire Edge, Inc.
2. The Department of Insurance of the State of Nebraska 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 examinations of was performed in a manner consistent with the standards and procedures required by the Department of Insurance of the State of Nebraska.

The affiant says nothing further.

Tadd K. Wegner
Examiner-in-Charge's Signature

Subscribed and sworn before me by Tadd K. Wegner on this 15th day of December, 2022.



(SEAL)

Shelly G. Storie
Notary Public

My commission expires 1/18/24 [date].