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ANNUAL STATEMENT

For the Year Ending DECEMBER 31, 2018

OF THE CONDITION AND AFFAIRS OF THE

Health Care Service Corporation, a Mutual Legal Reserve Company

NAIC Group Code 0917 (Current Period), 0917 (Prior Period) NAIC Company Code 70670 Employer's ID Number 36-1236610

Organized under the Laws of Illinois, State of Domicile or Port of Entry IL

Country of Domicile United States of America

Licensed as business type: Life, Accident & Health[X] Property/Casualty[ ] Hospital, Medical & Dental Service or Indemnity[ ]
Dental Service Corporation[ ] Vision Service Corporation[ ] Health Maintenance Organization[ ]
Other[ ] Is HMO Federally Qualified? Yes[ ] No[X] N/A[ ]

Incorporated/Organized 10/01/1936 Commenced Business 01/01/1937

Statutory Home Office 300 East Randolph Street (Street and Number), Chicago, IL, US 60601-5099 (City or Town, State, Country and Zip Code)

Main Administrative Office 300 East Randolph Street (Street and Number)
Chicago, IL, US 60601-5099 (City or Town, State, Country and Zip Code) (312)653-6000 (Area Code) (Telephone Number)

Mail Address 300 East Randolph Street (Street and Number or P.O. Box), Chicago, IL, US 60601-5099 (City or Town, State, Country and Zip Code)

Primary Location of Books and Records 300 East Randolph Street (Street and Number)
Chicago, IL, US 60601-5099 (City or Town, State, Country and Zip Code) (312)653-6000 (Area Code) (Telephone Number)

Internet Website Address www.hcsc.net

Statutory Statement Contact James Edward Walsh (Name) (312)653-7443 (Area Code)(Telephone Number)(Extension)
James_Walsh@bcbsil.com (E-Mail Address) (312)653-1103 (Fax Number)

OFFICERS

Name	Title
Paula Amy Steiner	President & Chief Executive Officer
Eric Ansel Feldstein	SVP & Chief Financial Officer
Blair Williams Todt	SVP Legal, Compliance, Bus Perf Officer & Secty

OTHERS

Steven Betts, Senior Vice President
Opella Finley Ernest, M.D., Senior Vice President
Michael Eugene Frank, Senior Vice President
Michael Ted Haynes, President- Oklahoma Division
James Lawrence Kadela, Senior Vice President
Douglas Lynch, Senior Vice President & Chief Actuary
Carl Raymond McDonald, Treasurer
Nazneen Razi, Senior Vice President
Maurice Shena Smith, President-Illinois Division
Kevin MacKenzie Cassidy, President- Employer Solutions
Joel Mark Farran, Senior Vice President
Stephen Farrell Hamman, Senior Vice President
Robert Todd Hitchcock, President- Govt & Consumer Solutions
Thomas Charles Lubben, Senior Vice President
Danny Ken McCoy, M.D., President- Texas Division
Andre Antonio Napoli, Senior Vice President
Kurt Bryce Shipley, President- New Mexico Division
Jeffrey Richard Tikkanen, SVP, President Plan Solutions & Market Development

DIRECTORS OR TRUSTEES

Timothy Lee Burke
Dennis Joseph Gannon
Marlin Ray Perryman, Ph.D.
Milton Carroll
Dianne Brewer Gasbarra, M.D.
Paula Amy Steiner
Michelle Lynn Collins
David John Lesar
Gregory David Wasson
Monte Eric Ford
Elaine Marie Mendoza

State of Illinois
County of Cook ss

The officers of this reporting entity being duly sworn, each depose and say that they are the described officers of the said reporting entity, and that on the reporting period stated above, all of the herein described assets were the absolute property of the said reporting entity, free and clear from any liens or claims thereon, except as herein stated, and that this statement, together with related exhibits, schedules and explanations therein contained, annexed or referred to, is a full and true statement of all the assets and liabilities and of the condition and affairs of the said reporting entity as of the reporting period stated above, and of its income and deductions therefrom for the period ended, and have been completed in accordance with the NAIC Annual Statement Instructions and Accounting Practices and Procedures manual except to the extent that: (1) state law may differ; or, (2) that state rules or regulations require differences in reporting not related to accounting practices and procedures, according to the best of their information, knowledge and belief, respectively. Furthermore, the scope of this attestation by the described officers also includes the related corresponding electronic filing with the NAIC, when required, that is an exact copy (except for formatting differences due to electronic filing) of the enclosed statement. The electronic filing may be requested by various regulators in lieu of or in addition to the enclosed statement.

(Signature)	(Signature)	(Signature)
Paula Amy Steiner	Eric Ansel Feldstein	Blair Williams Todt
(Printed Name)	(Printed Name)	(Printed Name)
1.	2.	3.
President & Chief Executive Officer	SVP & Chief Financial Officer	SVP Legal, Compliance, Bus Perf Officer & Secty
(Title)	(Title)	(Title)

Subscribed and sworn to before me this 26th day of February, 2019

a. Is this an original filing? Yes[X] No[ ]
b. If no, 1. State the amendment number
2. Date filed
3. Number of pages attached

(Notary Public Signature)

ASSETS

	Current Year 1 Assets	2 Nonadmitted Assets	3 Net Admitted Assets (Cols.1-2)	Prior Year 4 Net Admitted Assets
1. Bonds (Schedule D)	10,558,079,081		10,558,079,081	9,276,153,567
2. Stocks (Schedule D):				
2.1 Preferred stocks				
2.2 Common Stocks	1,942,178,920		1,942,178,920	2,223,330,565
3. Mortgage loans on real estate (Schedule B):				
3.1 First liens				
3.2 Other than first liens				
4. Real estate (Schedule A):				
4.1 Properties occupied by the company (less $..............0 encumbrances)	788,888,685		788,888,685	810,110,597
4.2 Properties held for the production of income (less $..............0 encumbrances)				
4.3 Properties held for sale (less $..............0 encumbrances)				
5. Cash ($...(534,001,422), Schedule E Part 1), cash equivalents ($.....201,737,123, Schedule E Part 2) and short-term investments ($......14,703,392, Schedule DA)	(317,560,855)		(317,560,855)	(654,879,064)
6. Contract loans (including $..............0 premium notes)				
7. Derivatives (Schedule DB)				
8. Other invested assets (Schedule BA)	230,153,313		230,153,313	233,652,350
9. Receivables for securities	4,664,668		4,664,668	11,613,093
10. Securities Lending Reinvested Collateral Assets (Schedule DL)				
11. Aggregate write-ins for invested assets				
12. Subtotals, cash and invested assets (Lines 1 to 11)	13,206,403,811		13,206,403,811	11,899,981,107
13. Title plants less $..............0 charged off (for Title insurers only)				
14. Investment income due and accrued	77,399,819		77,399,819	63,018,356
15. Premiums and considerations:				
15.1 Uncollected premiums and agents' balances in the course of collection	926,848,037		926,848,037	728,206,952
15.2 Deferred premiums, agents' balances and installments booked but deferred and not yet due (Including $..............0 earned but unbilled premiums)	1,530,785,314		1,530,785,314	1,550,274,872
15.3 Accrued retrospective premiums ($......23,796,627) and contracts subject to redetermination ($.....672,256,342)	700,152,969	4,100,000	696,052,969	367,393,563
16. Reinsurance:				
16.1 Amounts recoverable from reinsurers	1,040,713		1,040,713	49,612,662
16.2 Funds held by or deposited with reinsured companies				
16.3 Other amounts receivable under reinsurance contracts				
17. Amounts receivable relating to uninsured plans	5,128,543,068	544,388,241	4,584,154,827	4,008,297,590
18.1 Current federal and foreign income tax recoverable and interest thereon	1,574,366,277		1,574,366,277	
18.2 Net deferred tax asset	2,684,154,443	507,834,308	2,176,320,135	1,547,921,005
19. Guaranty funds receivable or on deposit	45,259,681		45,259,681	44,394,173
20. Electronic data processing equipment and software	119,031,056	74,858,840	44,172,216	14,619,637
21. Furniture and equipment, including health care delivery assets ($..............0)	112,411,318	112,411,318		
22. Net adjustment in assets and liabilities due to foreign exchange rates				
23. Receivables from parent, subsidiaries and affiliates	420,403,252	9,726,939	410,676,313	372,663,088
24. Health care ($.....864,224,698) and other amounts receivable	1,964,136,838	1,083,743,440	880,393,398	820,169,030
25. Aggregate write-ins for other than invested assets	881,414,625	309,723,899	571,690,727	561,604,395
26. TOTAL assets excluding Separate Accounts, Segregated Accounts and Protected Cell Accounts (Lines 12 to 25)	29,372,351,220	2,646,786,984	26,725,564,236	22,028,156,429
27. From Separate Accounts, Segregated Accounts and Protected Cell Accounts				
28. TOTAL (Lines 26 and 27)	29,372,351,220	2,646,786,984	26,725,564,236	22,028,156,429
DETAILS OF WRITE-INS				
1101.				
1102.				
1103.				
1198. Summary of remaining write-ins for Line 11 from overflow page				
1199. TOTALS (Lines 1101 through 1103 plus 1198) (Line 11 above)				
2501. PREPAID PENSION ASSET AND INTANGIBLE ASSET	515,285,776	137,750,544	377,535,232	343,111,214
2502. PREPAID ASSETS	171,973,355	171,973,355		
2503. GOODWILL	134,297,629		134,297,629	166,951,682
2598. Summary of remaining write-ins for Line 25 from overflow page	59,857,866		59,857,866	51,541,499
2599. TOTALS (Lines 2501 through 2503 plus 2598) (Line 25 above)	881,414,625	309,723,899	571,690,727	561,604,395

LIABILITIES, CAPITAL AND SURPLUS

		Current Year 1 Covered	Current Year 2 Uncovered	Current Year 3 Total	Prior Year 4 Total
1.	Claims unpaid (less $......18,047,000 reinsurance ceded)	2,981,074,887		2,981,074,887	2,981,721,680
2.	Accrued medical incentive pool and bonus amounts	311,699,000		311,699,000	218,771,800
3.	Unpaid claims adjustment expenses	160,263,000		160,263,000	150,263,000
4.	Aggregate health policy reserves, including the liability of $......83,893,500 for medical loss ratio rebate per the Public Health Service Act	1,718,670,655		1,718,670,655	1,772,456,681
5.	Aggregate life policy reserves				
6.	Property/casualty unearned premium reserves				
7.	Aggregate health claim reserves				
8.	Premiums received in advance	540,993,371		540,993,371	348,629,199
9.	General expenses due or accrued	1,853,616,230		1,853,616,230	1,956,081,039
10.1	Current federal and foreign income tax payable and interest thereon (including $...............0 on realized capital gains (losses))				121,812,132
10.2	Net deferred tax liability				
11.	Ceded reinsurance premiums payable	459,554		459,554	1,318,795
12.	Amounts withheld or retained for the account of others	175,730,917		175,730,917	179,975,220
13.	Remittances and items not allocated	723,343,197		723,343,197	570,108,994
14.	Borrowed money (including $.....872,667,574 current) and interest thereon $.......1,476,134 (including $.......1,476,134 current)	874,143,708		874,143,708	1,063,439,351
15.	Amounts due to parent, subsidiaries and affiliates	72,100,788		72,100,788	10,957,784
16.	Derivatives				
17.	Payable for securities	23,257,000		23,257,000	76,990,370
18.	Payable for securities lending				
19.	Funds held under reinsurance treaties (with $...............0 authorized reinsurers, $...............0 unauthorized reinsurers and $...............0 certified reinsurers)				
20.	Reinsurance in unauthorized and certified ($...............0) companies				
21.	Net adjustments in assets and liabilities due to foreign exchange rates				
22.	Liability for amounts held under uninsured plans	89,776,864		89,776,864	92,182,808
23.	Aggregate write-ins for other liabilities (including $.....313,870,571 current)	341,095,993		341,095,993	434,481,881
24.	TOTAL Liabilities (Lines 1 to 23)	9,866,225,164		9,866,225,164	9,979,190,736
25.	Aggregate write-ins for special surplus funds	XXX	XXX		577,828,765
26.	Common capital stock	XXX	XXX		
27.	Preferred capital stock	XXX	XXX		
28.	Gross paid in and contributed surplus	XXX	XXX		
29.	Surplus notes	XXX	XXX		
30.	Aggregate write-ins for other than special surplus funds	XXX	XXX	876,267	931,834
31.	Unassigned funds (surplus)	XXX	XXX	16,858,462,806	11,470,205,094
32.	Less treasury stock, at cost:				
	32.1 ....0 shares common (value included in Line 26 $...............0)	XXX	XXX		
	32.2 ....0 shares preferred (value included in Line 27 $...............0)	XXX	XXX		
33.	TOTAL Capital and Surplus (Lines 25 to 31 minus Line 32)	XXX	XXX	16,859,339,073	12,048,965,693
34.	TOTAL Liabilities, Capital and Surplus (Lines 24 and 33)	XXX	XXX	26,725,564,236	22,028,156,429
DETAILS OF WRITE-INS					
2301.	UNCLAIMED PROPERTY AND UNCASHED CHECKS	93,191,844		93,191,844	87,856,320
2302.	PAYABLE TO OTHER PLANS AND PROGRAMS	198,413,125		198,413,125	222,021,072
2303.	COST SHARE REDUCTION LIABILITY	10,591,057		10,591,057	124,604,489
2398.	Summary of remaining write-ins for Line 23 from overflow page	38,899,966		38,899,966	
2399.	TOTALS (Lines 2301 through 2303 plus 2398) (Line 23 above)	341,095,993		341,095,993	434,481,881
2501.	2018 HEALTH INSURER FEE ESTIMATE	XXX	XXX		577,828,765
2502.		XXX	XXX		
2503.		XXX	XXX		
2598.	Summary of remaining write-ins for Line 25 from overflow page	XXX	XXX		
2599.	TOTALS (Lines 2501 through 2503 plus 2598) (Line 25 above)	XXX	XXX		577,828,765
3001.	HMO RESTRICTED SURPLUS FUND	XXX	XXX	876,267	931,834
3002.		XXX	XXX		
3003.		XXX	XXX		
3098.	Summary of remaining write-ins for Line 30 from overflow page	XXX	XXX		
3099.	TOTALS (Lines 3001 through 3003 plus 3098) (Line 30 above)	XXX	XXX	876,267	931,834

STATEMENT OF REVENUE AND EXPENSES

		Current Year 1 Uncovered	Current Year 2 Total	Prior Year 3 Total
1.	Member Months	X X X	105,450,910	102,063,636
2.	Net premium income (including $...............0 non-health premium income)	X X X	35,971,137,177	32,717,620,999
3.	Change in unearned premium reserves and reserve for rate credits	X X X	(43,940,482)	(114,079,732)
4.	Fee-for-service (net of $...............0 medical expenses)	X X X		
5.	Risk revenue	X X X		
6.	Aggregate write-ins for other health care related revenues	X X X		
7.	Aggregate write-ins for other non-health revenues	X X X		
8.	TOTAL Revenues (Lines 2 to 7)	X X X	35,927,196,695	32,603,541,267
Hospital and Medical:				
9.	Hospital/medical benefits		24,050,764,070	22,479,430,696
10.	Other professional services			
11.	Outside referrals			
12.	Emergency room and out-of-area			
13.	Prescription drugs		4,843,209,926	4,645,002,203
14.	Aggregate write-ins for other hospital and medical			
15.	Incentive pool, withhold adjustments and bonus amounts		356,834,958	286,008,657
16.	Subtotal (Lines 9 to 15)		29,250,808,954	27,410,441,556
Less:				
17.	Net reinsurance recoveries		60,839,343	114,628,341
18.	TOTAL Hospital and Medical (Lines 16 minus 17)		29,189,969,611	27,295,813,215
19.	Non-health claims (net)			
20.	Claims adjustment expenses, including $...1,060,811,626 cost containment expenses		1,293,440,274	1,060,838,589
21.	General administrative expenses		3,099,221,947	2,459,284,914
22.	Increase in reserves for life and accident and health contracts (including $...............0 increase in reserves for life only)		(149,129,010)	230,883,000
23.	TOTAL Underwriting Deductions (Lines 18 through 22)		33,433,502,822	31,046,819,718
24.	Net underwriting gain or (loss) (Lines 8 minus 23)	X X X	2,493,693,873	1,556,721,549
25.	Net investment income earned (Exhibit of Net Investment Income, Line 17)		422,733,072	323,447,954
26.	Net realized capital gains (losses) less capital gains tax of $...............0		(506,301,753)	(122,391,972)
27.	Net investment gains (losses) (Lines 25 plus 26)		(83,568,681)	201,055,982
28.	Net gain or (loss) from agents' or premium balances charged off [(amount recovered $...............0) (amount charged off $...............0)]			
29.	Aggregate write-ins for other income or expenses		3,968,297	(28,264,612)
30.	Net income or (loss) after capital gains tax and before all other federal income taxes (Lines 24 plus 27 plus 28 plus 29)	X X X	2,414,093,489	1,729,512,919
31.	Federal and foreign income taxes incurred	X X X	(1,700,626,509)	466,921,697
32.	Net income (loss) (Lines 30 minus 31)	X X X	4,114,719,998	1,262,591,222
DETAILS OF WRITE-INS				
0601.		X X X		
0602.		X X X		
0603.		X X X		
0698.	Summary of remaining write-ins for Line 6 from overflow page	X X X		
0699.	TOTALS (Lines 0601 through 0603 plus 0698) (Line 6 above)	X X X		
0701.		X X X		
0702.		X X X		
0703.		X X X		
0798.	Summary of remaining write-ins for Line 7 from overflow page	X X X		
0799.	TOTALS (Line 0701 through 0703 plus 0798) (Line 7 above)	X X X		
1401.				
1402.				
1403.				
1498.	Summary of remaining write-ins for Line 14 from overflow page			
1499.	TOTALS (Lines 1401 through 1403 plus 1498) (Line 14 above)			
2901.	OTHER INCOME		43,694,372	7,255,015
2902.	OTHER EXPENSES		(39,726,075)	(35,519,627)
2903.				
2998.	Summary of remaining write-ins for Line 29 from overflow page			
2999.	TOTALS (Line 2901 through 2903 plus 2998) (Line 29 above)		3,968,297	(28,264,612)

STATEMENT OF REVENUE AND EXPENSES (Continued)

		1 Current Year	2 Prior Year
	CAPITAL & SURPLUS ACCOUNT		
33.	Capital and surplus prior reporting year	12,048,965,693	9,535,944,774
34.	Net income or (loss) from Line 32	4,114,719,998	1,262,591,222
35.	Change in valuation basis of aggregate policy and claim reserves		
36.	Change in net unrealized capital gains (losses) less capital gains tax of $....(66,105,390)	147,368,033	370,883,112
37.	Change in net unrealized foreign exchange capital gain or (loss)		
38.	Change in net deferred income tax	(1,134,262,585)	3,186,758,408
39.	Change in nonadmitted assets	1,706,983,806	(2,344,549,088)
40.	Change in unauthorized and certified reinsurance		
41.	Change in treasury stock		
42.	Change in surplus notes		
43.	Cumulative effect of changes in accounting principles		
44.	Capital Changes:		
	44.1 Paid in		
	44.2 Transferred from surplus (Stock Dividend)		
	44.3 Transferred to surplus		
45.	Surplus adjustments:		
	45.1 Paid in		
	45.2 Transferred to capital (Stock Dividend)		
	45.3 Transferred from capital		
46.	Dividends to stockholders		
47.	Aggregate write-ins for gains or (losses) in surplus	(24,435,873)	37,337,265
48.	Net change in capital and surplus (Lines 34 to 47)	4,810,373,379	2,513,020,919
49.	Capital and surplus end of reporting year (Line 33 plus 48)	16,859,339,073	12,048,965,692
DETAILS OF WRITE-INS			
4701.	CHANGE IN BENEFIT PLAN	(24,380,305)	37,574,320
4702.	CHANGE IN HMO RESERVES	(55,568)	(237,115)
4703.	OTHER ADJUSTMENTS		60
4798.	Summary of remaining write-ins for Line 47 from overflow page		
4799.	TOTALS (Lines 4701 through 4703 plus 4798) (Line 47 above)	(24,435,873)	37,337,265

CASH FLOW

			1 Current Year	2 Prior Year
		Cash from Operations		
1.	Premiums collected net of reinsurance		35,677,000,775	32,513,570,476
2.	Net investment income		399,288,901	337,466,134
3.	Miscellaneous income			
4.	TOTAL (Lines 1 through 3)		36,076,289,676	32,851,036,611
5.	Benefit and loss related payments		29,236,200,108	26,832,935,882
6.	Net transfers to Separate Accounts, Segregated Accounts and Protected Cell Accounts			
7.	Commissions, expenses paid and aggregate write-ins for deductions		4,849,271,611	3,685,571,034
8.	Dividends paid to policyholders			
9.	Federal and foreign income taxes paid (recovered) net of $..............0 tax on capital gains (losses)		(42,665,796)	452,117,544
10.	TOTAL (Lines 5 through 9)		34,042,805,923	30,970,624,460
11.	Net cash from operations (Line 4 minus Line 10)		2,033,483,753	1,880,412,151
		Cash from Investments		
12.	Proceeds from investments sold, matured or repaid:			
	12.1	Bonds	3,187,977,982	5,315,254,124
	12.2	Stocks	524,333,055	666,113,795
	12.3	Mortgage loans		
	12.4	Real estate		
	12.5	Other invested assets	4,162,218	21,303,892
	12.6	Net gains or (losses) on cash, cash equivalents and short-term investments		
	12.7	Miscellaneous proceeds	2,354,120	58,072,405
	12.8	TOTAL Investment proceeds (Lines 12.1 to 12.7)	3,718,827,375	6,060,744,216
13.	Cost of investments acquired (long-term only):			
	13.1	Bonds	4,574,385,639	7,530,027,694
	13.2	Stocks	555,805,181	965,670,065
	13.3	Mortgage loans		
	13.4	Real estate	11,121,826	21,069,675
	13.5	Other invested assets	71,668,000	21,357,657
	13.6	Miscellaneous applications	49,407,193	2,229,090
	13.7	TOTAL Investments acquired (Lines 13.1 to 13.6)	5,262,387,840	8,540,354,181
14.	Net increase (decrease) in contract loans and premium notes			
15.	Net cash from investments (Line 12.8 minus Line 13.7 minus Line 14)		(1,543,560,464)	(2,479,609,964)
		Cash from Financing and Miscellaneous Sources		
16.	Cash provided (applied):			
	16.1	Surplus notes, capital notes		
	16.2	Capital and paid in surplus, less treasury stock		
	16.3	Borrowed funds	(201,537,104)	487,906,381
	16.4	Net deposits on deposit-type contracts and other insurance liabilities		
	16.5	Dividends to stockholders		
	16.6	Other cash provided (applied)	48,932,024	(13,524,363)
17.	Net cash from financing and miscellaneous sources (Lines 16.1 to 16.4 minus Line 16.5 plus Line 16.6)		(152,605,080)	474,382,018
		RECONCILIATION OF CASH, CASH EQUIVALENTS AND SHORT-TERM INVESTMENTS		
18.	Net change in cash, cash equivalents and short-term investments (Line 11, plus Lines 15 and 17)		337,318,209	(124,815,796)
19.	Cash, cash equivalents and short-term investments:			
	19.1	Beginning of year	(654,879,064)	(530,063,268)
	19.2	End of year (Line 18 plus Line 19.1)	(317,560,855)	(654,879,064)

Note: Supplemental Disclosures of Cash Flow Information for Non-Cash Transactions:

20.0001	Stocks and other invested assets contributed to subsidiaries		3,020,034
20.0002	Tax assets received as return of capital from subsidiaries	31,890,524	
20.0003	Bonds contributed to subsidiaries	371,719	

ANALYSIS OF OPERATIONS BY LINES OF BUSINESS

		1 Total	2 Comprehensive (Hospital & Medical)	3 Medicare Supplement	4 Dental Only	5 Vision Only	6 Federal Employees Health Benefits Plan	7 Title XVIII Medicare	8 Title XIX Medicaid	9 Other Health	10 Other Non-Health
1.	Net premium income	35,971,137,177	23,948,696,130	1,613,857,003	293,865,643		5,171,891,211	1,305,856,248	2,814,587,682	822,383,260	
2.	Change in unearned premium reserves and reserve for rate credit	(43,940,482)	(117,295,598)	(7,231,927)	970,003		90,255,559	(598,391)		(10,040,128)	
3.	Fee-for-service (net of $..............0 medical expenses)										XXX
4.	Risk revenue										XXX
5.	Aggregate write-ins for other health care related revenues										XXX
6.	Aggregate write-ins for other non-health care related revenues		XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	
7.	TOTAL Revenues (Lines 1 to 6)	35,927,196,695	23,831,400,532	1,606,625,076	294,835,646		5,262,146,770	1,305,257,857	2,814,587,682	812,343,132	
8.	Hospital/medical benefits	24,050,764,058	14,604,948,688	1,278,835,931	194,964,721		3,787,686,432	1,154,707,604	2,410,709,418	618,911,264	XXX
9.	Other professional services										XXX
10.	Outside referrals										XXX
11.	Emergency room and out-of-area										XXX
12.	Prescription drugs	4,843,209,926	3,304,898,495	2,165,408			1,088,407,563	92,098,139	350,705,550	4,934,771	XXX
13.	Aggregate write-ins for other hospital and medical										XXX
14.	Incentive pool, withhold adjustments and bonus amounts	356,834,958	316,562,958				7,200,660	32,679,015	392,325		XXX
15.	Subtotal (Lines 8 to 14)	29,250,808,942	18,226,410,141	1,281,001,339	194,964,721		4,883,294,655	1,279,484,758	2,761,807,293	623,846,035	XXX
16.	Net reinsurance recoveries	60,839,343	55,428,373					324,489	(1,691,691)	6,778,172	XXX
17.	TOTAL Hospital and Medical (Lines 15 minus 16)	29,189,969,599	18,170,981,768	1,281,001,339	194,964,721		4,883,294,655	1,279,160,269	2,763,498,984	617,067,863	XXX
18.	Non-health claims (net)		XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	
19.	Claims adjustment expenses including $...1,060,811,626 cost containment expenses	1,293,440,273	721,888,231	49,849,675	21,767,454		112,911,880	89,171,530	249,082,124	48,769,379	
20.	General administrative expenses	3,099,221,947	2,386,422,567	179,424,200	27,713,462		249,455,240	94,494,824	163,811,577	(2,099,923)	
21.	Increase in reserves for accident and health contracts	(149,129,010)						(12,754,000)	(134,300,000)	(2,075,010)	XXX
22.	Increase in reserves for life contracts		XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	
23.	TOTAL Underwriting Deductions (Lines 17 to 22)	33,433,502,809	21,279,292,566	1,510,275,214	244,445,637		5,245,661,775	1,450,072,623	3,042,092,685	661,662,309	
24.	Net underwriting gain or (loss) (Line 7 minus Line 23)	2,493,693,886	2,552,107,966	96,349,862	50,390,009		16,484,995	(144,814,766)	(227,505,003)	150,680,823	
DETAILS OF WRITE-INS											
0501.											XXX
0502.											XXX
0503.											XXX
0598.	Summary of remaining write-ins for Line 5 from overflow page										XXX
0599.	TOTALS (Lines 0501 through 0503 plus 0598) (Line 5 above)										XXX
0601.			XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	
0602.			XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	
0603.			XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	
0698.	Summary of remaining write-ins for Line 6 from overflow page		XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	
0699.	TOTALS (Lines 0601 through 0603 plus 0698) (Line 6 above)		XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	
1301.											XXX
1302.											XXX
1303.											XXX
1398.	Summary of remaining write-ins for Line 13 from overflow page										XXX
1399.	TOTALS (Lines 1301 through 1303 plus 1398) (Line 13 above)										XXX

UNDERWRITING AND INVESTMENT EXHIBIT
PART 1 - PREMIUMS

Line of Business	1 Direct Business	2 Reinsurance Assumed	3 Reinsurance Ceded	4 Net Premium Income (Columns 1 + 2 - 3)
1. Comprehensive (hospital and medical)	24,011,977,380	2,325,856	65,602,405	23,948,700,831
2. Medicare Supplement	1,613,857,003			1,613,857,003
3. Dental only	293,865,643			293,865,643
4. Vision only				
5. Federal Employees Health Benefits Plan	5,171,891,211			5,171,891,211
6. Title XVIII - Medicare	1,306,273,647		417,399	1,305,856,248
7. Title XIX - Medicaid	2,811,720,398	2,867,284		2,814,587,682
8. Other health	824,150,535		1,767,275	822,383,260
9. Health subtotal (Lines 1 through 8)	36,033,735,817	5,193,140	67,787,078	35,971,141,879
10. Life				
11. Property/casualty				
12. TOTALS (Lines 9 to 11)	36,033,735,817	5,193,140	67,787,078	35,971,141,879

UNDERWRITING AND INVESTMENT EXHIBIT

PART 2 - CLAIMS INCURRED DURING THE YEAR

	1 Total	2 Comprehensive (Hospital & Medical)	3 Medicare Supplement	4 Dental Only	5 Vision Only	6 Federal Employees Health Benefits Plan	7 Title XVIII Medicare	8 Title XIX Medicaid	9 Other Health	10 Other Non-Health
1. Payments during the year:										
1.1 Direct	28,972,856,309	18,026,621,068	1,271,144,339	194,286,721		4,820,025,130	1,263,114,923	2,743,717,331	653,946,797	
1.2 Reinsurance assumed	2,658,623	1,811,932						846,691		
1.3 Reinsurance ceded	111,096,912	105,381,251					317,489		5,398,172	
1.4 Net	28,864,418,020	17,923,051,749	1,271,144,339	194,286,721		4,820,025,130	1,262,797,434	2,744,564,022	648,548,625	
2. Paid medical incentive pools and bonuses	263,907,758	251,508,758				942,660	11,317,015	139,325		
3. Claim liability December 31, current year from Part 2A:										
3.1 Direct	2,997,631,887	1,654,607,694	137,795,000	13,786,000		524,180,193	239,334,000	360,828,000	67,101,000	
3.2 Reinsurance assumed	1,490,000	112,000						1,378,000		
3.3 Reinsurance ceded	18,047,000	184,000					7,000		17,856,000	
3.4 Net	2,981,074,887	1,654,535,694	137,795,000	13,786,000		524,180,193	239,327,000	362,206,000	49,245,000	
4. Claim reserve December 31, current year from Part 2D:										
4.1 Direct										
4.2 Reinsurance assumed										
4.3 Reinsurance ceded										
4.4 Net										
5. Accrued medical incentive pools and bonuses, current year	311,699,000	278,952,000				6,578,000	25,620,000	549,000		
6. Net healthcare receivables (a)	79,208,533	118,218,261				1,253,967	(25,127,821)	(15,386,637)	250,763	
7. Amounts recoverable from reinsurers December 31, current year	1,040,713	1,040,713								
8. Claim liability December 31, prior year from Part 2A:										
8.1 Direct	2,997,305,680	1,653,163,319	127,938,000	13,108,000		466,857,361	280,771,000	358,517,000	96,951,000	
8.2 Reinsurance assumed	892,000	359,000						533,000		
8.3 Reinsurance ceded	16,476,000								16,476,000	
8.4 Net	2,981,721,680	1,653,522,319	127,938,000	13,108,000		466,857,361	280,771,000	359,050,000	80,475,000	
9. Claim reserve December 31, prior year from Part 2D:										
9.1 Direct										
9.2 Reinsurance assumed										
9.3 Reinsurance ceded										
9.4 Net										
10. Accrued medical incentive pools and bonuses, prior year	218,771,800	213,897,800				320,000	4,258,000	296,000		
11. Amounts recoverable from reinsurers December 31, prior year	49,612,659	49,612,659								
12. Incurred benefits:										
12.1 Direct	28,893,973,983	17,909,847,182	1,281,001,339	194,964,721		4,876,093,995	1,246,805,744	2,761,414,968	623,846,034	
12.2 Reinsurance assumed	3,256,623	1,564,932						1,691,691		
12.3 Reinsurance ceded	64,095,966	56,993,305					324,489		6,778,172	
12.4 Net	28,833,134,640	17,854,418,809	1,281,001,339	194,964,721		4,876,093,995	1,246,481,255	2,763,106,659	617,067,862	
13. Incurred medical incentive pools and bonuses	356,834,958	316,562,958				7,200,660	32,679,015	392,325		

(a) Excludes $..............0 loans or advances to providers not yet expensed.

UNDERWRITING AND INVESTMENT EXHIBIT
PART 2A - CLAIMS LIABILITY END OF CURRENT YEAR

	1 Total	2 Compre-hensive (Hospital & Medical)	3 Medicare Supplement	4 Dental Only	5 Vision Only	6 Federal Employees Health Benefits Plan	7 Title XVIII Medicare	8 Title XIX Medicaid	9 Other Health	10 Other Non-Health
1. Reported in Process of Adjustment:										
1.1 Direct	541,792,694	354,025,694	8,432,000	1,608,000		89,733,000	39,759,000	21,177,000	27,058,000	
1.2 Reinsurance assumed	51,000	51,000								
1.3 Reinsurance ceded	17,202,000	46,000					1,000		17,155,000	
1.4 Net	524,641,694	354,030,694	8,432,000	1,608,000		89,733,000	39,758,000	21,177,000	9,903,000	
2. Incurred but Unreported:										
2.1 Direct	2,455,839,193	1,300,582,000	129,363,000	12,178,000		434,447,193	199,575,000	339,651,000	40,043,000	
2.2 Reinsurance assumed	1,439,000	61,000						1,378,000		
2.3 Reinsurance ceded	845,000	138,000					6,000		701,000	
2.4 Net	2,456,433,193	1,300,505,000	129,363,000	12,178,000		434,447,193	199,569,000	341,029,000	39,342,000	
3. Amounts Withheld from Paid Claims and Capitations:										
3.1 Direct										
3.2 Reinsurance assumed										
3.3 Reinsurance ceded										
3.4 Net										
4. TOTALS										
4.1 Direct	2,997,631,887	1,654,607,694	137,795,000	13,786,000		524,180,193	239,334,000	360,828,000	67,101,000	
4.2 Reinsurance assumed	1,490,000	112,000						1,378,000		
4.3 Reinsurance ceded	18,047,000	184,000					7,000		17,856,000	
4.4 Net	2,981,074,887	1,654,535,694	137,795,000	13,786,000		524,180,193	239,327,000	362,206,000	49,245,000	

UNDERWRITING AND INVESTMENT EXHIBIT

PART 2B - ANALYSIS OF CLAIMS UNPAID-PRIOR YEAR-NET OF REINSURANCE

	Claims Paid During the Year		Claim Reserve and Claim Liability December 31 of Current Year		5	6
Line of Business	1 On Claims Incurred Prior to January 1 of Current Year	2 On Claims Incurred During the Year	3 On Claims Unpaid December 31 of Prior Year	4 On Claims Incurred During the Year	Claims Incurred in Prior Years (Columns 1 + 3)	Estimated Claim Reserve and Claim Liability December 31 of Prior Year
1. Comprehensive (hospital and medical)	26,584,969	17,945,038,726	37,501,000	1,617,034,694	64,085,969	1,653,522,319
2. Medicare Supplement	127,735,157	1,143,409,182	1,981,000	135,814,000	129,716,157	127,938,000
3. Dental only	11,441,906	182,844,815	256,000	13,530,000	11,697,906	13,108,000
4. Vision only						
5. Federal Employees Health Benefits Plan	327,184,097	4,492,841,034	6,546,000	517,634,193	333,730,097	466,857,361
6. Title XVIII - Medicare	157,515,246	1,105,282,187	32,446,000	206,881,000	189,961,246	280,771,000
7. Title XIX - Medicaid	334,473,737	2,410,090,286	21,308,000	340,898,000	355,781,737	359,050,000
8. Other health	60,629,615	587,919,010	1,562,000	47,683,000	62,191,615	80,475,000
9. Health subtotal (Lines 1 to 8)	1,045,564,727	27,867,425,240	101,600,000	2,879,474,887	1,147,164,727	2,981,721,680
10. Healthcare receivables (a)	39,597,550	1,560,693,206			39,597,550	1,521,082,223
11. Other non-health						
12. Medical incentive pool and bonus amounts	187,599,999	76,307,759	45,191,000	266,508,000	232,790,999	218,771,800
13. TOTALS (Lines 9 - 10 + 11 + 12)	1,193,567,176	26,383,039,793	146,791,000	3,145,982,887	1,340,358,176	1,679,411,257

(a) Excludes $.....117,244,097 loans or advances to providers not yet expensed.

UNDERWRITING AND INVESTMENT EXHIBIT

PART 2C - DEVELOPMENT OF PAID AND INCURRED HEALTH CLAIMS ($000 Omitted)

Grand Total

Section A - Paid Health Claims

Year in Which Losses Were Incurred	Cumulative Net Amounts Paid 1 2014	2 2015	3 2016	4 2017	5 2018
1. Prior	19,239,350	19,232,878	19,232,586	19,226,329	19,226,329
2. 2014	22,797,594	23,757,340	23,755,797	23,752,843	23,749,678
3. 2015	XXX	27,313,551	28,189,790	28,059,083	28,055,176
4. 2016	XXX	XXX	25,378,081	26,594,614	26,600,085
5. 2017	XXX	XXX	XXX	25,960,045	27,194,812
6. 2018	XXX	XXX	XXX	XXX	27,943,733

Section B - Incurred Health Claims

Year in Which Losses Were Incurred	Sum of Cumulative Net Amount Paid and Claim Liability, Claim Reserve and Medical Incentive Pool and Bonuses Outstanding at End of Year 1 2014	2 2015	3 2016	4 2017	5 2018
1. Prior	19,281,225	19,235,457	19,232,586	19,226,329	19,226,329
2. 2014	25,262,910	23,815,347	23,764,251	23,752,843	23,749,678
3. 2015	XXX	30,021,707	28,270,214	28,065,731	28,055,176
4. 2016	XXX	XXX	28,109,732	26,658,774	26,612,781
5. 2017	XXX	XXX	XXX	29,089,730	27,328,907
6. 2018	XXX	XXX	XXX	XXX	31,089,716

Section C - Incurred Year Health Claims and Claims Adjustment Expense Ratio

Years in Which Premiums were Earned and Claims were Incurred	1 Premiums Earned	2 Claims Payments	3 Claim Adjustment Expense Payments	4 (Col. 3/2) Percent	5 Claim and Claim Adjustment Expense Payments (Col. 2 + 3)	6 (Col. 5/1) Percent	7 Claims Unpaid	8 Unpaid Claims Adjustment Expenses	9 Total Claims and Claims Adjustment Expense Incurred (Col. 5 + 7 + 8)	10 (Col. 9/1) Percent
1. 2014	27,705,480	23,749,678	1,029,044	4.333	24,778,722	89.436			24,778,722	89.436
2. 2015	31,185,324	28,055,176	1,083,088	3.861	29,138,264	93.436			29,138,264	93.436
3. 2016	30,335,796	26,600,085	1,039,097	3.906	27,639,182	91.111	12,696	1,322	27,653,200	91.157
4. 2017	32,603,542	27,194,812	1,149,343	4.226	28,344,155	86.936	134,095	6,843	28,485,093	87.368
5. 2018	35,927,198	27,943,733	1,089,062	3.897	29,032,795	80.810	3,145,983	152,098	32,330,876	89.990

UNDERWRITING AND INVESTMENT EXHIBIT

PART 2C - DEVELOPMENT OF PAID AND INCURRED HEALTH CLAIMS ($000 Omitted)

Hospital and Medical

Section A - Paid Health Claims

Year in Which Losses Were Incurred	Cumulative Net Amounts Paid 1 2014	2 2015	3 2016	4 2017	5 2018
1. Prior	13,781,693	13,777,736	13,778,947	13,776,187	13,776,187
2. 2014	17,092,768	17,480,537	17,468,366	17,466,695	17,464,144
3. 2015	X X X	20,247,925	20,454,141	20,314,119	20,310,282
4. 2016	X X X	X X X	17,430,335	17,824,808	17,799,062
5. 2017	X X X	X X X	X X X	17,013,461	17,255,232
6. 2018	X X X	X X X	X X X	X X X	18,013,495

Section B - Incurred Health Claims

Year in Which Losses Were Incurred	Sum of Cumulative Net Amount Paid and Claim Liability, Claim Reserve and Medical Incentive Pool and Bonuses Outstanding at End of Year 1 2014	2 2015	3 2016	4 2017	5 2018
1. Prior	13,815,456	13,779,330	13,778,947	13,776,187	13,776,187
2. 2014	18,763,625	17,524,216	17,473,393	17,466,695	17,464,144
3. 2015	X X X	22,027,734	20,501,067	20,315,571	20,310,282
4. 2016	X X X	X X X	19,069,182	17,858,125	17,800,262
5. 2017	X X X	X X X	X X X	18,846,112	17,324,948
6. 2018	X X X	X X X	X X X	X X X	19,881,391

Section C - Incurred Year Health Claims and Claims Adjustment Expense Ratio

Years in Which Premiums were Earned and Claims were Incurred	1 Premiums Earned	2 Claims Payments	3 Claim Adjustment Expense Payments	4 (Col. 3/2) Percent	5 Claim and Claim Adjustment Expense Payments (Col. 2 + 3)	6 (Col. 5/1) Percent	7 Claims Unpaid	8 Unpaid Claims Adjustment Expenses	9 Total Claims and Claims Adjustment Expense Incurred (Col. 5 + 7 + 8)	10 (Col. 9/1) Percent
1. 2014	20,474,122	17,464,144	760,456	4.354	18,224,600	89.013			18,224,600	89.013
2. 2015	22,457,969	20,310,282	758,705	3.736	21,068,987	93.815			21,068,987	93.815
3. 2016	20,549,678	17,799,062	567,244	3.187	18,366,306	89.375	1,200	182	18,367,688	89.382
4. 2017	21,848,679	17,255,232	629,801	3.650	17,885,033	81.859	69,716	1,453	17,956,202	82.184
5. 2018	23,831,401	18,013,495	614,745	3.413	18,628,240	78.167	1,867,896	64,705	20,560,841	86.276

UNDERWRITING AND INVESTMENT EXHIBIT

PART 2C - DEVELOPMENT OF PAID AND INCURRED HEALTH CLAIMS ($000 Omitted)

Medicare Supplement

Section A - Paid Health Claims

Year in Which Losses Were Incurred	Cumulative Net Amounts Paid 1 2014	2 2015	3 2016	4 2017	5 2018
1. Prior	934,832	937,000	936,884	936,896	936,896
2. 2014	897,617	1,007,304	1,008,302	1,009,040	1,010,047
3. 2015	XXX	984,890	1,101,525	1,105,107	1,105,989
4. 2016	XXX	XXX	1,025,603	1,154,767	1,156,649
5. 2017	XXX	XXX	XXX	1,093,090	1,217,054
6. 2018	XXX	XXX	XXX	XXX	1,143,409

Section B - Incurred Health Claims

Year in Which Losses Were Incurred	Sum of Cumulative Net Amount Paid and Claim Liability, Claim Reserve and Medical Incentive Pool and Bonuses Outstanding at End of Year 1 2014	2 2015	3 2016	4 2017	5 2018
1. Prior	935,933	937,175	936,884	936,896	936,896
2. 2014	1,031,490	1,008,659	1,008,446	1,009,040	1,010,047
3. 2015	XXX	1,113,110	1,102,621	1,105,333	1,105,989
4. 2016	XXX	XXX	1,157,203	1,155,522	1,156,912
5. 2017	XXX	XXX	XXX	1,220,047	1,218,772
6. 2018	XXX	XXX	XXX	XXX	1,279,223

Section C - Incurred Year Health Claims and Claims Adjustment Expense Ratio

Years in Which Premiums were Earned and Claims were Incurred	1 Premiums Earned	2 Claims Payments	3 Claim Adjustment Expense Payments	4 (Col. 3/2) Percent	5 Claim and Claim Adjustment Expense Payments (Col. 2 + 3)	6 (Col. 5/1) Percent	7 Claims Unpaid	8 Unpaid Claims Adjustment Expenses	9 Total Claims and Claims Adjustment Expense Incurred (Col. 5 + 7 + 8)	10 (Col. 9/1) Percent
1. 2014	1,366,302	1,010,047	43,452	4.302	1,053,499	77.106			1,053,499	77.106
2. 2015	1,404,492	1,105,989	40,430	3.656	1,146,419	81.625			1,146,419	81.625
3. 2016	1,494,618	1,156,649	46,664	4.034	1,203,313	80.510	263	11	1,203,587	80.528
4. 2017	1,586,984	1,217,054	48,986	4.025	1,266,040	79.776	1,718	64	1,267,822	79.889
5. 2018	1,606,625	1,143,409	42,670	3.732	1,186,079	73.824	135,814	5,039	1,326,932	82.591

UNDERWRITING AND INVESTMENT EXHIBIT

PART 2C - DEVELOPMENT OF PAID AND INCURRED HEALTH CLAIMS ($000 Omitted)

Dental Only

Section A - Paid Health Claims

Year in Which Losses Were Incurred	Cumulative Net Amounts Paid 1 2014	2 2015	3 2016	4 2017	5 2018
1. Prior	152,559	152,771	152,781	152,781	152,781
2. 2014	151,224	160,988	161,200	161,208	161,203
3. 2015	XXX	157,304	167,349	167,585	167,600
4. 2016	XXX	XXX	150,680	160,992	161,253
5. 2017	XXX	XXX	XXX	157,261	168,432
6. 2018	XXX	XXX	XXX	XXX	182,845

Section B - Incurred Health Claims

Year in Which Losses Were Incurred	Sum of Cumulative Net Amount Paid and Claim Liability, Claim Reserve and Medical Incentive Pool and Bonuses Outstanding at End of Year 1 2014	2 2015	3 2016	4 2017	5 2018
1. Prior	152,740	152,823	152,781	152,781	152,781
2. 2014	163,187	161,274	161,212	161,208	161,203
3. 2015	XXX	167,295	167,573	167,613	167,600
4. 2016	XXX	XXX	160,749	161,258	161,274
5. 2017	XXX	XXX	XXX	170,075	168,667
6. 2018	XXX	XXX	XXX	XXX	196,375

Section C - Incurred Year Health Claims and Claims Adjustment Expense Ratio

Years in Which Premiums were Earned and Claims were Incurred	1 Premiums Earned	2 Claims Payments	3 Claim Adjustment Expense Payments	4 (Col. 3/2) Percent	5 Claim and Claim Adjustment Expense Payments (Col. 2 + 3)	6 (Col. 5/1) Percent	7 Claims Unpaid	8 Unpaid Claims Adjustment Expenses	9 Total Claims and Claims Adjustment Expense Incurred (Col. 5 + 7 + 8)	10 (Col. 9/1) Percent
1. 2014	264,363	161,203	10,053	6.236	171,256	64.781			171,256	64.781
2. 2015	283,252	167,600	10,649	6.354	178,249	62.929			178,249	62.929
3. 2016	261,299	161,253	20,498	12.712	181,751	69.557	21		181,772	69.565
4. 2017	252,061	168,432	19,399	11.517	187,831	74.518	235	8	188,074	74.614
5. 2018	294,836	182,845	18,934	10.355	201,779	68.438	13,530	508	215,817	73.199

UNDERWRITING AND INVESTMENT EXHIBIT

PART 2C - DEVELOPMENT OF PAID AND INCURRED HEALTH CLAIMS ($000 Omitted)

Vision Only

Section A - Paid Health Claims

NONE

Year in Which Losses Were Incurred	Cumulative Net Amounts Paid 1 2014	2 2015	3 2016	4 2017	5 2018
1. Prior					
2. 2014					
3. 2015					
4. 2016		XXX			
5. 2017		XXX	XXX		
6. 2018	XXX	XXX	XXX	XXX	

Section B - Incurred Health Claims

NONE

Year in Which Losses Were Incurred	Sum of Cumulative Net Amount Paid and Claim Liability, Claim Reserve and Medical Incentive Pool and Bonuses Outstanding at End of Year 1 2014	2 2015	3 2016	4 2017	5 2018
1. Prior					
2. 2014					
3. 2015					
4. 2016		XXX			
5. 2017		XXX	XXX		
6. 2018	XXX	XXX	XXX	XXX	

Section C - Incurred Year Health Claims and Claims Adjustment Expense Ratio

NONE

Years in Which Premiums were Earned and Claims were Incurred	1 Premiums Earned	2 Claims Payments	3 Claim Adjustment Expense Payments	4 (Col. 3/2) Percent	5 Claim and Claim Adjustment Expense Payments (Col. 2 + 3)	6 (Col. 5/1) Percent	7 Claims Unpaid	8 Unpaid Claims Adjustment Expenses	9 Total Claims and Claims Adjustment Expense Incurred (Col. 5 + 7 + 8)	10 (Col. 9/1) Percent
1. 2014										
2. 2015										
3. 2016										
4. 2017										
5. 2018										

UNDERWRITING AND INVESTMENT EXHIBIT

PART 2C - DEVELOPMENT OF PAID AND INCURRED HEALTH CLAIMS ($000 Omitted)

Federal Employees Health Benefits Plan Premiums

Section A - Paid Health Claims

Year in Which Losses Were Incurred	Cumulative Net Amounts Paid 1 2014	2 2015	3 2016	4 2017	5 2018
1. Prior	3,854,985	3,849,433	3,847,914	3,844,262	3,844,262
2. 2014	3,897,729	4,173,525	4,168,179	4,165,328	4,162,139
3. 2015	XXX	4,149,997	4,448,537	4,442,067	4,436,938
4. 2016	XXX	XXX	4,289,178	4,574,250	4,571,307
5. 2017	XXX	XXX	XXX	4,364,124	4,703,513
6. 2018	XXX	XXX	XXX	XXX	4,492,841

Section B - Incurred Health Claims

Year in Which Losses Were Incurred	Sum of Cumulative Net Amount Paid and Claim Liability, Claim Reserve and Medical Incentive Pool and Bonuses Outstanding at End of Year 1 2014	2 2015	3 2016	4 2017	5 2018
1. Prior	3,858,823	3,849,639	3,847,914	3,844,262	3,844,262
2. 2014	4,323,567	4,175,764	4,168,643	4,165,328	4,162,139
3. 2015	XXX	4,590,046	4,452,149	4,442,841	4,436,938
4. 2016	XXX	XXX	4,714,013	4,577,596	4,571,712
5. 2017	XXX	XXX	XXX	4,827,181	4,709,656
6. 2018	XXX	XXX	XXX	XXX	5,011,727

Section C - Incurred Year Health Claims and Claims Adjustment Expense Ratio

Years in Which Premiums were Earned and Claims were Incurred	1 Premiums Earned	2 Claims Payments	3 Claim Adjustment Expense Payments	4 (Col. 3/2) Percent	5 Claim and Claim Adjustment Expense Payments (Col. 2 + 3)	6 (Col. 5/1) Percent	7 Claims Unpaid	8 Unpaid Claims Adjustment Expenses	9 Total Claims and Claims Adjustment Expense Incurred (Col. 5 + 7 + 8)	10 (Col. 9/1) Percent
1. 2014	4,574,900	4,162,139	170,666	4.100	4,332,805	94.708			4,332,805	94.708
2. 2015	4,836,413	4,436,938	152,013	3.426	4,588,951	94.883			4,588,951	94.883
3. 2016	4,941,748	4,571,307	107,984	2.362	4,679,291	94.689	405	14	4,679,710	94.697
4. 2017	4,838,359	4,703,513	109,846	2.335	4,813,359	99.483	6,143	208	4,819,710	99.615
5. 2018	5,262,147	4,492,841	96,651	2.151	4,589,492	87.217	518,886	17,511	5,125,889	97.411

UNDERWRITING AND INVESTMENT EXHIBIT

PART 2C - DEVELOPMENT OF PAID AND INCURRED HEALTH CLAIMS ($000 Omitted)

Title XVIII - Medicare

Section A - Paid Health Claims

Year in Which Losses Were Incurred	Cumulative Net Amounts Paid 1 2014	2 2015	3 2016	4 2017	5 2018
1. Prior	37,735	37,599	37,764	37,791	37,791
2. 2014	231,064	309,008	319,405	319,875	320,623
3. 2015	XXX	729,537	836,749	845,240	847,482
4. 2016	XXX	XXX	879,774	995,539	1,008,418
5. 2017	XXX	XXX	XXX	1,228,163	1,373,275
6. 2018	XXX	XXX	XXX	XXX	1,113,134

Section B - Incurred Health Claims

Year in Which Losses Were Incurred	Sum of Cumulative Net Amount Paid and Claim Liability, Claim Reserve and Medical Incentive Pool and Bonuses Outstanding at End of Year 1 2014	2 2015	3 2016	4 2017	5 2018
1. Prior	37,925	37,601	37,764	37,791	37,791
2. 2014	309,211	316,597	321,525	319,875	320,623
3. 2015	XXX	896,861	855,668	846,599	847,482
4. 2016	XXX	XXX	1,086,114	1,005,803	1,016,714
5. 2017	XXX	XXX	XXX	1,501,569	1,409,199
6. 2018	XXX	XXX	XXX	XXX	1,333,861

Section C - Incurred Year Health Claims and Claims Adjustment Expense Ratio

Years in Which Premiums were Earned and Claims were Incurred	1 Premiums Earned	2 Claims Payments	3 Claim Adjustment Expense Payments	4 (Col. 3/2) Percent	5 Claim and Claim Adjustment Expense Payments (Col. 2 + 3)	6 (Col. 5/1) Percent	7 Claims Unpaid	8 Unpaid Claims Adjustment Expenses	9 Total Claims and Claims Adjustment Expense Incurred (Col. 5 + 7 + 8)	10 (Col. 9/1) Percent
1. 2014	319,580	320,623	13,537	4.222	334,160	104.562			334,160	104.562
2. 2015	886,194	847,482	53,901	6.360	901,383	101.714			901,383	101.714
3. 2016	1,104,235	1,008,418	104,360	10.349	1,112,778	100.774	8,296	936	1,122,010	101.610
4. 2017	1,511,143	1,373,275	112,849	8.218	1,486,124	98.344	35,924	2,972	1,525,020	100.918
5. 2018	1,305,258	1,113,134	76,663	6.887	1,189,797	91.154	220,727	24,500	1,435,024	109.942

UNDERWRITING AND INVESTMENT EXHIBIT

PART 2C - DEVELOPMENT OF PAID AND INCURRED HEALTH CLAIMS ($000 Omitted)

Title XIX - Medicaid

Section A - Paid Health Claims

Year in Which Losses Were Incurred	Cumulative Net Amounts Paid				
	1 2014	2 2015	3 2016	4 2017	5 2018
1. Prior	46,252	46,738	46,663	46,663	46,663
2. 2014	81,139	117,326	120,939	121,176	121,856
3. 2015	XXX	580,306	660,445	661,422	663,247
4. 2016	XXX	XXX	1,139,990	1,358,882	1,376,140
5. 2017	XXX	XXX	XXX	1,644,682	1,959,533
6. 2018	XXX	XXX	XXX	XXX	2,410,090

Section B - Incurred Health Claims

Year in Which Losses Were Incurred	Sum of Cumulative Net Amount Paid and Claim Liability, Claim Reserve and Medical Incentive Pool and Bonuses Outstanding at End of Year				
	1 2014	2 2015	3 2016	4 2017	5 2018
1. Prior	46,257	46,764	46,663	46,663	46,663
2. 2014	127,346	119,061	120,989	121,176	121,856
3. 2015	XXX	675,785	669,269	663,424	663,247
4. 2016	XXX	XXX	1,369,769	1,374,241	1,377,796
5. 2017	XXX	XXX	XXX	1,986,667	1,979,185
6. 2018	XXX	XXX	XXX	XXX	2,751,537

Section C - Incurred Year Health Claims and Claims Adjustment Expense Ratio

Years in Which Premiums were Earned and Claims were Incurred	1 Premiums Earned	2 Claims Payments	3 Claim Adjustment Expense Payments	4 (Col. 3/2) Percent	5 Claim and Claim Adjustment Expense Payments (Col. 2 + 3)	6 (Col. 5/1) Percent	7 Claims Unpaid	8 Unpaid Claims Adjustment Expenses	9 Total Claims and Claims Adjustment Expense Incurred (Col. 5 + 7 + 8)	10 (Col. 9/1) Percent
1. 2014	142,337	121,856	9,770	8.018	131,626	92.475			131,626	92.475
2. 2015	717,484	663,247	45,890	6.919	709,137	98.837			709,137	98.837
3. 2016	1,362,910	1,376,140	153,762	11.173	1,529,902	112.253	1,656	179	1,531,737	112.387
4. 2017	1,924,450	1,959,533	189,531	9.672	2,149,064	111.672	19,652	2,124	2,170,840	112.803
5. 2018	2,814,588	2,410,090	207,023	8.590	2,617,113	92.984	341,447	36,608	2,995,168	106.416

UNDERWRITING AND INVESTMENT EXHIBIT

PART 2C - DEVELOPMENT OF PAID AND INCURRED HEALTH CLAIMS ($000 Omitted)

Other

Section A - Paid Health Claims

Year in Which Losses Were Incurred	Cumulative Net Amounts Paid 1 2014	2 2015	3 2016	4 2017	5 2018
1. Prior	431,294	431,601	431,633	431,749	431,749
2. 2014	446,053	508,652	509,406	509,521	509,666
3. 2015	XXX	463,592	521,044	523,543	523,638
4. 2016	XXX	XXX	462,521	525,376	527,256
5. 2017	XXX	XXX	XXX	459,264	517,773
6. 2018	XXX	XXX	XXX	XXX	587,919

Section B - Incurred Health Claims

Year in Which Losses Were Incurred	Sum of Cumulative Net Amount Paid and Claim Liability, Claim Reserve and Medical Incentive Pool and Bonuses Outstanding at End of Year 1 2014	2 2015	3 2016	4 2017	5 2018
1. Prior	434,091	432,125	431,633	431,749	431,749
2. 2014	544,484	509,776	510,043	509,521	509,666
3. 2015	XXX	550,876	521,867	524,350	523,638
4. 2016	XXX	XXX	552,702	526,229	528,111
5. 2017	XXX	XXX	XXX	538,079	518,480
6. 2018	XXX	XXX	XXX	XXX	635,602

Section C - Incurred Year Health Claims and Claims Adjustment Expense Ratio

Years in Which Premiums were Earned and Claims were Incurred	1 Premiums Earned	2 Claims Payments	3 Claim Adjustment Expense Payments	4 (Col. 3/2) Percent	5 Claim and Claim Adjustment Expense Payments (Col. 2 + 3)	6 (Col. 5/1) Percent	7 Claims Unpaid	8 Unpaid Claims Adjustment Expenses	9 Total Claims and Claims Adjustment Expense Incurred (Col. 5 + 7 + 8)	10 (Col. 9/1) Percent
1. 2014	563,876	509,666	21,110	4.142	530,776	94.130			530,776	94.130
2. 2015	599,520	523,638	21,500	4.106	545,138	90.929			545,138	90.929
3. 2016	621,308	527,256	38,585	7.318	565,841	91.073	855		566,696	91.210
4. 2017	641,866	517,773	38,931	7.519	556,704	86.732	707	14	557,425	86.844
5. 2018	812,343	587,919	32,376	5.507	620,295	76.359	47,683	3,227	671,205	82.626

UNDERWRITING AND INVESTMENT EXHIBIT

PART 2D - AGGREGATE RESERVE FOR ACCIDENT AND HEALTH CONTRACTS ONLY

		1	2	3	4	5	6	7	8	9
		Total	Compre-hensive (Hospital & Medical)	Medicare Supplement	Dental Only	Vision Only	Federal Employees Health Benefits Plan	Title XVIII Medicare	Title XIX Medicaid	Other
1.	Unearned premium reserves	1,204,991,663	52,861,973	153,541,511			984,622,314	2,396,737		11,569,128
2.	Additional policy reserves (a)	256,701,000							222,690,000	34,011,000
3.	Reserve for future contingent benefits									
4.	Reserve for rate credits or experience rating refunds (including $..............0 for investment income)	238,744,500	238,744,500							
5.	Aggregate write-ins for other policy reserves	43,792,492	43,792,492							
6.	TOTALS (Gross)	1,744,229,655	335,398,965	153,541,511			984,622,314	2,396,737	222,690,000	45,580,128
7.	Reinsurance ceded	25,559,000								25,559,000
8.	TOTALS (Net) (Page 3, Line 4)	1,718,670,655	335,398,965	153,541,511			984,622,314	2,396,737	222,690,000	20,021,128
9.	Present value of amounts not yet due on claims									
10.	Reserve for future contingent benefits									
11.	Aggregate write-ins for other claim reserves									
12.	TOTALS (Gross)									
13.	Reinsurance ceded									
14.	TOTALS (Net) (Page 3, Line 7)									
DETAILS OF WRITE-INS										
0501.	ACA RISK ADJUSTMENT LIABILITIES	43,792,492	43,792,492							
0502.										
0503.										
0598.	Summary of remaining write-ins for Line 5 from overflow page									
0599.	TOTALS (Lines 0501 through 0503 plus 0598) (Line 5 above)	43,792,492	43,792,492							
1101.										
1102.										
1103.										
1198.	Summary of remaining write-ins for Line 11 from overflow page									
1199.	TOTALS (Lines 1101 through 1103 plus 1198) (Line 11 above)									

(a) Includes $.....222,690,000 premium deficiency reserve.

UNDERWRITING AND INVESTMENT EXHIBIT
PART 3 - ANALYSIS OF EXPENSES

	Claim Adjustment Expenses		3	4	5
	1 Cost Containment Expenses	2 Other Claim Adjustment Expenses	General Administrative Expenses	Investment Expenses	Total
1. Rent ($......86,953,143 for occupancy of own building)	16,670,414	27,192,173	78,056,368	168,499	122,087,454
2. Salaries, wages and other benefits	613,132,576	622,035,869	1,115,550,271	2,794,242	2,353,512,959
3. Commissions (less $...............0 ceded plus $...............0 assumed)			923,673,274		923,673,274
4. Legal fees and expenses	20,112,499	(170,487)	13,492,398	0	33,434,409
5. Certifications and accreditation fees					
6. Auditing, actuarial and other consulting services	16,966	1,766	3,588,590		3,607,322
7. Traveling expenses	8,113,324	8,527,728	36,604,897	60,074	53,306,022
8. Marketing and advertising	211,855	174,230	41,853,080	384	42,239,548
9. Postage, express and telephone	9,566,239	74,650,734	2,402,242	34,138	86,653,353
10. Printing and office supplies	4,335,680	54,236,729	95,842,964	24,679	154,440,052
11. Occupancy, depreciation and amortization	3	1,759	40,980,702	0	40,982,464
12. Equipment	996,265	98,906,012	17,547,224	0	117,449,501
13. Cost or depreciation of EDP equipment and software	51,618,642	54,559,695	23,243,164	84,026	129,505,527
14. Outsourced services including EDP, claims, and other services	149,984,292	469,715,029	706,824,286	318,194	1,326,841,801
15. Boards, bureaus and association fees	963,045	434,307	21,704,437	21,217	23,123,005
16. Insurance, except on real estate			7,926,571		7,926,571
17. Collection and bank service charges		9,040	10,754,748		10,763,789
18. Group service and administration fees	453,773,878	253,370,611	21	(21)	707,144,488
19. Reimbursements by uninsured plans	(268,853,822)	(1,440,934,514)	(1,441,821,286)	(4,251,670)	(3,155,861,292)
20. Reimbursements from fiscal intermediaries					
21. Real estate expenses			32,158,268		32,158,268
22. Real estate taxes			0	21,751,254	21,751,254
23. Taxes, licenses and fees:					
23.1 State and local insurance taxes					
23.2 State premium taxes			286,358,263		286,358,263
23.3 Regulatory authority licenses and fees		9,820,965	822,151	0	10,643,115
23.4 Payroll taxes			121,318,493		121,318,493
23.5 Other (excluding federal income and real estate taxes)			822,819,236		822,819,236
24. Investment expenses not included elsewhere					
25. Aggregate write-ins for expenses	169,770	97,004	137,521,588	45,916,623	183,704,984
26. TOTAL Expenses Incurred (Lines 1 to 25)	1,060,811,626	232,628,648	3,099,221,947	66,921,639	(a)4,459,583,861
27. Less expenses unpaid December 31, current year		160,263,000	1,829,853,259	23,762,971	2,013,879,230
28. Add expenses unpaid December 31, prior year		150,263,000	1,934,173,971	21,907,068	2,106,344,039
29. Amounts receivable relating to uninsured plans, prior year	666,718,865	999,372,397	2,342,206,328		4,008,297,590
30. Amounts receivable relating to uninsured plans, current year	798,912,277	1,025,502,824	2,759,739,726		4,584,154,827
31. TOTAL Expenses Paid (Lines 26 minus 27 plus 28 minus 29 plus 30)	1,193,005,039	248,759,075	3,621,076,057	65,065,736	5,127,905,907
DETAILS OF WRITE-INS					
2501. SUNDRY EXPENSES	169,770	97,004	137,521,588	45,916,623	183,704,984
2502.					
2503.					
2598. Summary of remaining write-ins for Line 25 from overflow page					
2599. TOTALS (Lines 2501 through 2503 plus 2598) (Line 25 above)	169,770	97,004	137,521,588	45,916,623	183,704,984

(a) Includes management fees of $...............0 to affiliates and $...............0 to non-affiliates.

EXHIBIT OF NET INVESTMENT INCOME

		1 Collected During Year	2 Earned During Year
1.	U.S. Government bonds	(a) 37,743,129	38,518,165
1.1	Bonds exempt from U.S. tax	(a)	
1.2	Other bonds (unaffiliated)	(a) 271,147,413	284,992,349
1.3	Bonds of affiliates	(a)	
2.1	Preferred stocks (unaffiliated)	(b)	
2.11	Preferred stocks of affiliates	(b)	
2.2	Common stocks (unaffiliated)	24,168,441	24,168,441
2.21	Common stocks of affiliates	52,880,946	52,880,946
3.	Mortgage loans	(c)	
4.	Real estate	(d) 87,852,259	87,852,259
5.	Contract loans		
6.	Cash, cash equivalents and short-term investments	(e) 11,325,668	11,088,984
7.	Derivative instruments	(f)	
8.	Other invested assets	15,128,209	15,128,209
9.	Aggregate write-ins for investment income	20,217,962	20,217,962
10.	TOTAL gross investment income	520,464,027	534,847,315
11.	Investment expenses		(g) 66,921,639
12.	Investment taxes, licenses and fees, excluding federal income taxes		(g)
13.	Interest expense		(h) 12,835,879
14.	Depreciation on real estate and other invested assets		(i) 32,356,725
15.	Aggregate write-ins for deductions from investment income		
16.	TOTAL Deductions (Lines 11 through 15)		112,114,243
17.	Net Investment income (Line 10 minus Line 16)		422,733,072
DETAILS OF WRITE-INS			
0901.	FEP INVESTMENT INCOME	20,071,585	20,071,585
0902.	OTHER INTEREST INCOME	146,377	146,377
0903.			
0998.	Summary of remaining write-ins for Line 9 from overflow page		
0999.	TOTALS (Lines 0901 through 0903 plus 0998) (Line 9 above)	20,217,962	20,217,962
1501.	AMORTIZATION OF DISCOUNT - BONDS		
1502.			
1503.			
1598.	Summary of remaining write-ins for Line 15 from overflow page		
1599.	TOTALS (Lines 1501 through 1503 plus 1598) (Line 15 above)		

(a) Includes $.......8,448,024 accrual of discount less $......42,127,547 amortization of premium and less $......20,781,372 paid for accrued interest on purchases.
(b) Includes $...............0 accrual of discount less $...............0 amortization of premium and less $...............0 paid for accrued dividends on purchases.
(c) Includes $...............0 accrual of discount less $...............0 amortization of premium and less $...............0 paid for accrued interest on purchases.
(d) Includes $......86,953,143 for company's occupancy of its own buildings; and excludes $...............0 interest on encumbrances.
(e) Includes $.......1,174,458 accrual of discount less $.......2,275,678 amortization of premium and less $.........170,630 paid for accrued interest on purchases.
(f) Includes $...............0 accrual of discount less $...............0 amortization of premium.
(g) Includes $...............0 investment expenses and $...............0 investment taxes, licenses and fees, excluding federal income taxes, attributable to segregated and Separate Accounts.
(h) Includes $...............0 interest on surplus notes and $...............0 interest on capital notes.
(i) Includes $......32,356,725 depreciation on real estate and $...............0 depreciation on other invested assets.

EXHIBIT OF CAPITAL GAINS (LOSSES)

		1 Realized Gain (Loss) on Sales or Maturity	2 Other Realized Adjustments	3 Total Realized Capital Gain (Loss) (Columns 1 + 2)	4 Change in Unrealized Capital Gain (Loss)	5 Change in Unrealized Foreign Exchange Capital Gain (Loss)
1.	U.S. Government bonds	(8,238,142)		(8,238,142)	281,468	
1.1	Bonds exempt from U.S. tax					
1.2	Other bonds (unaffiliated)	(12,617,237)	(4,164,650)	(16,781,887)	(47,936,440)	
1.3	Bonds of affiliates					
2.1	Preferred stocks (unaffiliated)					
2.11	Preferred stocks of affiliates					
2.2	Common stocks (unaffiliated)	87,968,926	(1,788,905)	86,180,021	(189,344,831)	
2.21	Common stocks of affiliates	(3,749,581)	(567,043,490)	(570,793,071)	392,621,791	
3.	Mortgage loans					
4.	Real estate					
5.	Contract loans					
6.	Cash, cash equivalents and short-term investments	(79,052)		(79,052)	(139)	
7.	Derivative instruments					
8.	Other invested assets				(70,772,879)	
9.	Aggregate write-ins for capital gains (losses)	3,410,379		3,410,379	(3,410,379)	
10.	TOTAL Capital gains (losses)	66,695,293	(572,997,045)	(506,301,752)	81,438,591	
DETAILS OF WRITE-INS						
0901.	Release Deferred Gain-Related Party Transaction (Other Invested Assets)	3,410,379		3,410,379	(3,410,379)	
0902.						
0903.						
0998.	Summary of remaining write-ins for Line 9 from overflow page					
0999.	TOTALS (Lines 0901 through 0903 plus 0998) (Line 9 above)	3,410,379		3,410,379	(3,410,379)	

EXHIBIT OF NONADMITTED ASSETS

		1 Current Year Total Nonadmitted Assets	2 Prior Year Total Nonadmitted Assets	3 Change in Total Nonadmitted Assets (Col. 2 - Col. 1)
1.	Bonds (Schedule D)			
2.	Stocks (Schedule D):			
	2.1 Preferred stocks			
	2.2 Common stocks			
3.	Mortgage loans on real estate (Schedule B):			
	3.1 First liens			
	3.2 Other than first liens			
4.	Real estate (Schedule A):			
	4.1 Properties occupied by the company			
	4.2 Properties held for the production of income			
	4.3 Properties held for sale			
5.	Cash (Schedule E-Part 1), cash equivalents (Schedule E-Part 2) and short-term investments (Schedule DA)			
6.	Contract loans			
7.	Derivatives (Schedule DB)			
8.	Other invested assets (Schedule BA)			
9.	Receivables for securities			
10.	Securities lending reinvested collateral assets (Schedule DL)			
11.	Aggregate write-ins for invested assets			
12.	Subtotals, cash and invested assets (Lines 1 to 11)			
13.	Title plants (for Title insurers only)			
14.	Invested income due and accrued			
15.	Premium and considerations:			
	15.1 Uncollected premiums and agents' balances in the course of collection			
	15.2 Deferred premiums, agents' balances and installments booked but deferred and not yet due			
	15.3 Accrued retrospective premiums and contracts subject to redetermination	4,100,000		(4,100,000)
16.	Reinsurance:			
	16.1 Amounts recoverable from reinsurers			
	16.2 Funds held by or deposited with reinsured companies			
	16.3 Other amounts receivable under reinsurance contracts			
17.	Amounts receivable relating to uninsured plans	544,388,241	590,530,495	46,142,254
18.1	Current federal and foreign income tax recoverable and interest thereon			
18.2	Net deferred tax asset	507,834,308	2,197,909,792	1,690,075,484
19.	Guaranty funds receivable or on deposit			
20.	Electronic data processing equipment and software	74,858,840	79,764,605	4,905,765
21.	Furniture and equipment, including health care delivery assets	112,411,318	126,028,212	13,616,895
22.	Net adjustment in assets and liabilities due to foreign exchange rates			
23.	Receivables from parent, subsidiaries and affiliates	9,726,939	8,428,962	(1,297,977)
24.	Health care and other amounts receivable	1,083,743,440	1,057,899,254	(25,844,187)
25.	Aggregate write-ins for other than invested assets	309,723,899	293,209,470	(16,514,428)
26.	TOTAL Assets excluding Separate Accounts, Segregated Accounts and Protected Cell Accounts (Lines 12 to 25)	2,646,786,984	4,353,770,790	1,706,983,806
27.	From Separate Accounts, Segregated Accounts and Protected Cell Accounts			
28.	TOTAL (Lines 26 and 27)	2,646,786,984	4,353,770,790	1,706,983,806
DETAILS OF WRITE-INS				
1101.				
1102.				
1103.				
1198.	Summary of remaining write-ins for Line 11 from overflow page			
1199.	TOTALS (Lines 1101 through 1103 plus 1198) (Line 11 above)			
2501.	PREPAID PENSION ASSET AND INTANGIBLE ASSET	137,750,544	113,563,440	(24,187,104)
2502.	PREPAID ASSETS	171,973,355	179,646,030	7,672,676
2503.				
2598.	Summary of remaining write-ins for Line 25 from overflow page			
2599.	TOTALS (Lines 2501 through 2503 plus 2598) (Line 25 above)	309,723,899	293,209,470	(16,514,428)

EXHIBIT 1 - ENROLLMENT BY PRODUCT TYPE FOR HEALTH BUSINESS ONLY

		Total Members at End of					6
		1	2	3	4	5	Current Year
		Prior	First	Second	Third	Current	Member
	Source of Enrollment	Year	Quarter	Quarter	Quarter	Year	Months
1.	Health Maintenance Organizations	1,085,910	1,061,080	1,037,958	1,028,362	1,023,093	12,505,569
2.	Provider Service Organizations						
3.	Preferred Provider Organizations	3,476,600	3,524,231	3,510,717	3,524,138	3,590,125	42,423,481
4.	Point of Service	52,811	88,785	83,658	79,537	75,680	1,002,900
5.	Indemnity Only	646,335	648,233	646,563	646,901	644,242	7,769,308
6.	Aggregate write-ins for other lines of business	3,175,418	3,440,979	3,499,326	3,475,063	3,484,071	41,749,652
7.	TOTAL	8,437,074	8,763,308	8,778,222	8,754,001	8,817,211	105,450,910
DETAILS OF WRITE-INS							
0601.	Dental	766,685	817,139	816,881	834,608	859,417	9,980,576
0602.	Stop Loss	1,842,317	2,033,253	2,062,740	2,052,410	2,065,950	24,613,465
0603.	Long Term Care	1,314	1,487	1,467	1,446	1,423	17,481
0698.	Summary of remaining write-ins for Line 6 from overflow page	565,102	589,100	618,238	586,599	557,281	7,138,130
0699.	TOTALS (Lines 0601 through 0603 plus 0698) (Line 6 above)	3,175,418	3,440,979	3,499,326	3,475,063	3,484,071	41,749,652

Notes to Financial Statements

1. Summary of Significant Accounting Policies and Going Concern

A. Accounting Practices

The financial statements of Health Care Service Corporation, a Mutual Legal Reserve Company (the Corporation) are presented in conformity with accounting practices and procedures of the National Association of Insurance Commissioners as prescribed or permitted by the Illinois Department of Insurance.

The Illinois Department of Insurance recognizes only statutory practices prescribed or permitted by the State of Illinois for determining and reporting the financial condition and results of operations of an insurance company, and for determining its solvency under Illinois Insurance Law. The National Association of Insurance Commissioners' (NAIC) Accounting Practices and Procedures Manual, (SAP), has been adopted as a component of prescribed or permitted practices by the State of Illinois.

For both 2018 and 2017, the Corporation did not have any prescribed or permitted practice exceptions.

	SSAP #	F/S Page #	F/S Line #	2018	2017
NET INCOME					
(1) The Corporation state basis (Pg. 4, Line 32, Columns 2 & 3)	XXX	XXX	XXX	$ 4,114,719,998	$ 1,262,591,222
(2) State Prescribed Practices that are an increase/(decrease) NAIC SAP:				-	-
(3) State Permitted Practices that are an increase/(decrease) NAIC SAP:				-	-
(4) NAIC SAP (1-2-3=4)	XXX	XXX	XXX	$ 4,114,719,998	$ 1,262,591,222
SURPLUS					
(5) The Corporation state basis (Page 3, Line 33, Columns 3 & 4)	XXX	XXX	XXX	$ 16,859,339,073	$ 12,048,965,692
(6) State Prescribed Practices that are an increase/(decrease) NAIC SAP:				-	-
(7) State Permitted Practices that are an increase/(decrease) NAIC SAP:				-	-
(8) NAIC SAP (5-6-7=8)	XXX	XXX	XXX	$ 16,859,339,073	$ 12,048,965,692

B. Use of Estimates in the Preparation of the Financial Statements

The preparation of financial statements in conformity with SAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities. It also requires disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the period. Actual results could differ from those estimates.

C. Accounting Policies

Investments

Investments are stated at values prescribed or permitted by the NAIC as follows:

(1) Cash and cash equivalents, including money market mutual funds, are investments with original maturities of three months or less. Cash and cash equivalents are principally stated at amortized cost, which approximates fair value. All money market mutual funds are stated at fair value. Short term investments are those investments that, when purchased, have a maturity between three months and one year and are stated at amortized cost, which approximates fair value.

(2) Bonds not backed by other loans are stated at amortized cost using the interest rate method, except for those bonds with a NAIC 3-6 designation, which are carried at the lower of amortized cost or fair value. All NAIC Securities Valuation Office (SVO) identified bond exchange traded funds (ETF) held by the Corporation are reported at fair value.

Fair values are calculated based on the market prices published by the NAIC SVO. If there is no market price published by the SVO, the fair value is calculated based on market prices provided by the custodian. If there are no market prices published by the SVO or provided by the custodian, the fair value is calculated by the Corporation in conjunction with its investment advisors.

(3) Common stocks of nonaffiliates and bond and stock mutual funds are stated at fair value. Fair values are based on valuations as prescribed by the SVO. If there is no market price published by the SVO, the fair value is calculated based on market prices provided by third-party pricing services.

(4) Preferred stocks. Not Applicable.

(5) Mortgage loans. Not Applicable.

(6) Loan-backed securities are carried at amortized cost, except for those loan backed securities with a NAIC 3-6 designation, which are carried at the lower of amortized cost or fair value. Certain residential

mortgage backed securities and commercial mortgage backed securities are stated at the carrying value method prescribed in Statement of Statutory Accounting Principles (SSAP) No. 43R, Loan-Backed and Structured Securities.

Prepayment assumptions for loan-backed securities are obtained from Bloomberg L.P., and the retrospective adjustment method is used. Once a loan-backed security is other-than temporarily impaired (OTTI) the security is prospectively accreted over its remaining life to the undiscounted estimate of principal recovery.

(7) Investments in the Corporation’s unconsolidated insurance subsidiaries are reported in the accompanying balance sheets as common stocks based on their underlying statutory capital and surplus. Investments in the Corporation’s unconsolidated noninsurance subsidiaries are reported in the accompanying balance sheets based on their underlying GAAP equity, with certain valuation adjustments. Changes in investments in unconsolidated subsidiaries are recorded as a direct addition or reduction to policyholders’ surplus. Investments in the Corporation’s limited liability companies (LLC) and limited partnerships (LP) subsidiaries are reported as other invested assets.

Dividends received from unconsolidated subsidiaries are recorded as investment income in the statements of revenues and expenses.

(8) Investments in LLC and LP are initially recorded at cost on the funding date. Carrying value of these investments will be equal to cost plus subsequent capital contributions to the investee, plus the Corporation’s proportional share of audited U.S. generally accepted accounting principles (GAAP) basis earnings or losses of the investee after the date of acquisition adjusted for any distributions received.

(9) Derivatives. Not Applicable

Other Investment Accounting Policies:

The net unrealized capital gains (losses) on investments carried at fair value are reported in policyholders’ surplus and are not recognized in income, unless there is deemed to be an OTTI decline in value, in which case the loss is charged to income.

Realized gains and losses are determined on a specific lot identification basis. Security transactions are accounted for on a trade-date basis, with any unsettled transactions recorded as due to or due from investment broker and included in receivables for securities and payable for securities in the balance sheets.

Impairments are recognized for investments where the decline in fair value is determined to be other-than-temporary. Investments in bonds not backed by other loans, common stocks, or preferred stocks are written down to fair value as the new cost basis. Investments in bonds backed by other loans are written down to the present value of cash flows expected to be collected, discounted at the loan-backed securities’ effective yield immediately preceding the OTTI determination. In all cases, the amount of the write-down is accounted for as a realized loss in the Corporation’s statements of revenues and expenses. In addition, unrealized losses would be considered realized for interest-related declines in fair value should the Corporation lack the intent and ability to hold these securities.

Other Accounting Policies

(10) Premium Deficiency Reserves (PDR)

The Corporation assesses the underwriting gains of contracts providing insurance coverage to members, further examining segments of business where current operating results and forecasts indicate probable future losses. The Corporation establishes a PDR in current operations to the extent that the sum of expected future claims and incurred costs, including claims adjustment expenses and administration costs, exceed related future premiums. For purposes of determining premium deficiencies, contracts are grouped in a manner consistent with the method in which the Corporation manages, prices and markets such contracts.

As of December 31, 2018, and 2017, the Corporation had liabilities of $222,690,000 and $369,851,000, respectively, related to PDRs. The PDRs established in 2018 related to Medicaid while in 2017 the PDRs were mainly related to Medicaid, but also related to Medicare Advantage and standalone Medicare Part D business. The PDR was established for policies the Corporation was committed to for 2019 and 2018, and was driven by a higher anticipated risk and associated cost of claims and expenses than were anticipated in the premium rates. The Corporation did not consider anticipated investment income when calculating PDRs.

Notes to Financial Statements

(11) Claims Unpaid, Unpaid Claims Adjustment Liability, and Accident and Health Policy Reserves

Claims unpaid and unpaid claims adjustment liabilities on insured policies represent management's best estimate of the ultimate net cost to process and pay all reported and unreported claims incurred through December 31. The Corporation does not discount unpaid claims and claims adjustment liabilities. Although such amounts are based on estimates, management believes that the reserves are reasonable and adequate.

These estimates are continually reviewed, and, as adjustments to these liabilities become necessary, such adjustments are reflected in current operations. Changes in assumptions for such items as medical cost, as well as changes in actual experience, could cause these estimates to change in the near term.

Reserves for unearned premium income (including deferred Federal Employee Program (FEP) premiums disclosed in the FEP accounting policy); liabilities for experience rating refunds; PDRs; risk adjustment payables, and the accrual for customer rebates, pursuant to the Public Health Service Act, are shown as accident and health policy reserves on the balance sheets.

An estimate of future claim payments is not recorded for uninsured plans.

(12) Changes in Capitalization Policy.

The Corporation has not made any significant changes to its capitalization policy from the prior period.

(13) Pharmacy Rebate Receivables

The Corporation contracts mainly with Prime Therapeutics, LLC (Prime), an affiliated Pharmacy Benefit Manager (PBM), for the administration of pharmaceutical drug claims. Pharmacy rebate receivables are based on the PBM's estimate of the actual amounts due to the Corporation and an estimated amount calculated by the Corporation. The Corporation's estimated amount is based on the claims processed by the PBM in the prior quarter multiplied by a contractual rate based on utilization. Pharmacy rebate receivables are included in amounts receivable related to self-funded groups and health care receivables in the balance sheets depending on the type of business.

Premium Revenue

Insurance premiums are recorded on the accrual basis of accounting and are recognized as income during the period of coverage.

Uninsured plans

The Corporation charges uninsured plans an administrative fee, which is usually calculated on a per subscriber basis, for processing claims and administering the plan. Administrative fee revenue is shown as a reduction of claims adjustment expenses and general and administrative expenses in the statements of revenues and expenses, while the claims processed, and associated claims reimbursements received from uninsured plans are excluded from the statements of revenues and expenses. The type of uninsured plan contracts for which the Corporation receives an administrative fee for providing services is Administrative Services Contracts (ASC). ASC includes business where the Corporation pays benefits on behalf of employers using the Corporation's check stock.

Health Care Receivables

Health care receivables, generally representing amounts due from contracted medical providers, are recorded on an incurred basis. Consistent with prescribed accounting practices, these health care receivables have been included in the Corporation's balance sheets. The portion of these receivables related to insured plans is reported as health care receivables, while the portion related to uninsured plans is reported in the Corporation's balance sheets as amounts receivable relating to uninsured plans.

Electronic Data Processing Equipment and Software

The Corporation capitalizes the cost of electronic data processing equipment, including operating system software. At December 31, 2018 and 2017, operating system software classified as electronic data processing equipment had an admitted asset balance of $44,172,216 and $14,619,637, respectively. Electronic data processing equipment is depreciated on a straight-line basis over the lesser of three years or its remaining useful life. Nonoperating system software is depreciated on a straight-line basis over the lesser of five years or its remaining useful life, with the remaining undepreciated balance being nonadmitted. Depreciation expense for electronic data processing equipment, nonoperating system software, and operating system software was $64,260,088 and $66,422,477 for 2018 and 2017,

Notes to Financial Statements

respectively. Accumulated depreciation was $729,623,363 and $665,409,042 at year end 2018 and 2017, respectively.

The Corporation capitalizes internally developed software which is all nonoperating system software. Development costs for internally developed software are capitalized if the total capitalizable internal and external development costs are expected to exceed $2,500,000 per project. Once operational, internally developed software is depreciated on a straight-line basis over the lesser of five years or its remaining useful life, with the remaining undepreciated balance being nonadmitted. At December 31, 2018 and 2017, capitalized internally developed software was $52,474,431 and $79,764,605, respectively, with the net carrying amounts being nonadmitted. The related depreciation expense was $23,821,951 and $24,705,104 for 2018 and 2017, respectively, and is reported as general and administrative expenses in the statements of revenues and expenses.

Furniture, Equipment, and Leasehold Improvements

The Corporation capitalizes the cost of furniture and equipment and depreciates these assets on a straight-line basis generally over a five-year life. The capitalization threshold for furniture and equipment is $5,000 per item. Depreciation expense was $6,522,246 and $6,314,853 for 2018 and 2017, respectively.

The Corporation also capitalizes the cost of leasehold improvements and amortizes that cost over the shorter of the life of the lease or the economic useful life of the leasehold improvements. Amortization expense for leasehold improvements was $7,201,076 and $6,522,338 for 2018 and 2017, respectively. The remaining net carrying amounts of furniture, equipment, and leasehold improvements are nonadmitted.

Real Estate

The Corporation’s real estate primarily consists of its headquarters buildings and corporate data center. All the real estate is categorized as properties occupied by the company and is carried at depreciated cost. There are no mortgages. The buildings and building components are being depreciated over their useful lives, which range from 5 to 40 years.

Under statutory accounting practices, insurance companies are required to calculate imputed rental income and rental expense for owner-occupied real estate. The method for calculating imputed rental income and expense is based on estimated current market value per square foot multiplied by rentable square feet. These imputed amounts are reported as both investment income and general and administrative expenses in the statements of revenues and expenses as if the Corporation had paid itself rent of $86,953,143 and $86,946,357 in 2018 and 2017, respectively.

Federal Employee Program (FEP)

The FEP is a national contract between Blue Cross Blue Shield plans (participating plans) and the U.S. Office of Personnel Management under which participating plans provide health coverage to U.S. government employees. The contract is underwritten on an insured basis by the participating plans. The Corporation provides insurance coverage for FEP members in Illinois, Montana, New Mexico, Oklahoma, and Texas. The Blue Cross Blue Shield Association (BCBSA) acts as the agent for the various participating plans. In its capacity as agent, BCBSA coordinates billing, claims processing, and investment activity, and reports the financial results to each participating plan.

The Corporation reports revenues, expenses, assets, and liabilities related to its share of the contract in its financial statements.

Deferred FEP premiums, which are reported in the accompanying balance sheets as accident and health policy reserves, represent funds being held in a letter of credit account maintained specifically for FEP benefits. As claim payments clear its bank account, the Corporation reimburses itself by drawing funds from the FEP letter of credit account.

Pension and Postretirement Benefits

The Corporation measures the postretirement benefits liability using the accumulated postretirement benefit obligation (APBO) and measures the pension liability using the projected benefit obligation (PBO).

The valuation for both pension and postretirement benefit obligations includes non-vested individuals, including not-yet eligible employees. In addition, the difference between the APBO and the fair value of plan assets for the postretirement benefits plan, and the PBO and the fair value of plan assets for the pension plans, are recorded as an asset or liability, with the corresponding change recorded as a direct addition or reduction to policyholders’ surplus.

Income Taxes

Deferred income taxes are provided for differences between the financial statement and the tax bases of assets and liabilities. Changes in deferred tax assets and liabilities are recorded as an addition or reduction to policyholders' surplus. Deferred taxes do not include amounts for state taxes. The application of SSAP No. 101—Income Taxes (SSAP No. 101) requires a company to evaluate the recoverability of deferred tax assets and to establish a valuation allowance if necessary to reduce the deferred tax asset to an amount that is more likely than not to be realized. The admissibility of deferred tax assets is limited to (1) the amount of federal income taxes paid in prior years that can be recovered through loss carrybacks for existing temporary differences that reverse within three years of the balance sheet date; plus (2) the lesser of the remaining gross deferred tax assets expected to be realized within three years of the balance sheet date, or an amount that is no greater than the applicable percentage of policyholders' surplus as required to be shown on the statutory balance sheet of the reporting entity for the current reporting period's statement filed with the domiciliary state commissioner adjusted to exclude any net deferred tax assets, electronic data processing equipment and operating system software, and any net positive goodwill; plus (3) the amount of remaining gross deferred tax assets that can be offset against existing gross deferred tax liabilities. The remaining deferred tax assets are nonadmitted.

Income Tax Accounting Implications of the Tax Cuts and Jobs Act

On December 22, 2017, the U.S. government enacted comprehensive tax legislation commonly referred to as the Tax Cuts and Jobs Act (the Tax Act). The Tax Act made broad and complex changes to the U.S. tax code, including, but not limited to, (1) reducing the U.S. federal corporate tax rate from 35 percent to 21 percent; (2) eliminating the corporate alternative minimum tax (AMT) and changing how existing AMT credits can be realized; (3) creating a new limitation on deductible interest expense; and (4) changing rules related to uses and limitations of net operating loss carryforwards created in tax years beginning after December 31, 2017. The Corporation was required to recognize the effect of the tax law changes in the period of enactment. In February 2018, the National Association of Insurance Commissioners adopted INT 18-01: Updated Tax Estimates under the Tax Cuts and Jobs Act (INT 18-01), which allows reporting entities to record provisional amounts during a measurement period not to extend beyond December 31, 2018, the date the interpretation will be automatically nullified. The Corporation applied the guidance in INT 18-01 when accounting for the enactment-date effects of the Tax Act in 2017 and throughout 2018. During 2018 the Corporation completed its accounting for all of the enactment-date income tax effects of the Tax Act. See Footnote 9 for additional information.

Accounting for the Risk Adjustment Program of the Affordable Care Act

The permanent risk adjustment program transfers funds from qualified individual and small group insurance plans with lower risk to those respective plans with higher risk in the same risk pool within a state. Based on the risk of the Corporation's qualified plan members compared to the risk of members of other qualified plans in comparable markets, the Corporation estimates its risk adjustment receivable or payable and reports the year-to-date impact as an adjustment to premium income. The risk adjustment receivable and payable is reported in premiums and considerations receivable and aggregate health policy reserves, respectively.

The process for deriving receivables and payables related to the risk adjustment program requires management to make estimates and assumptions, which could change in the future as more information becomes known. This could affect the amounts reported and disclosed. The Corporation will perform a final reconciliation with HHS of the current year risk adjustment programs in the subsequent year. Estimated receivables for the risk adjustment are to be recorded on the balance sheets as they are due from the federal government program.

The impact of risk sharing provisions of the Patient Protection and Affordable Care Act, as amended by the Health Care and Education Reconciliation Act of 2010 (ACA), on admitted assets, liabilities, revenue, and expenses for the current year is outlined in Note 24E.

Medicare Standalone Part D and Medicare Advantage Prescription Drug

The Corporation offers standalone Medicare Part D prescription drug insurance coverage and Medicare Advantage and Prescription Drug (MAPD) under contracts with CMS. These contracts consist of an insurance component where the insurance company assumes the risk for individuals in exchange for a fixed premium that is paid in part by CMS and in part by the covered individual. These amounts are reported as insurance premiums and claims. After the end of each calendar year, for the standalone Medicare Part D and the Medicare Part D portion of the MAPD contract (Part D), the net gain or loss on each Part D contract is calculated and a settlement amount is determined. Based upon the agreed upon formula, a portion of any gains in excess of the target are returned to CMS and are reported as a reduction to premium revenues. Any losses outside the agreed upon target result in an additional premium payment from CMS to the Corporation and are reported as an increase to premium revenues.

CMS also pays 80% of all Part D net claim costs in excess of a predetermined threshold per person, per year. Amounts received from CMS are reported as deposits and are not included in the statements of revenues and expenses. Instead, they are reported as uninsured payments pursuant to SSAP No. 47, Uninsured Plans which pertains to accounting for uninsured business. The claim amounts over the threshold are reported as receivables due from CMS, and payments received from CMS are reported as collection of the receivable. Lastly, for certain low-income members, CMS is responsible for part or all of the members' cost sharing amounts, such as deductibles. This program is known as Low Income Member Cost share. CMS pays the Corporation each month an amount that is expected to cover these cost sharing amounts. The Corporation pays these claims on behalf of CMS and then settles with CMS based on actual experience after the end of the contract year. Revenues and claims under this arrangement are reported as deposits, and, as such, are excluded from the statements of revenues and expenses.

In addition, CMS implemented the Coverage GAP Discount Program, in which the drug manufacturers provide a 50% discount on brand drugs to Part D members in the coverage gap. CMS pays monthly cash advances to the Corporation and then on a quarterly basis, after the manufacturers have reimbursed the Corporation for the actual cost of the 50% discount, nets the actual cost against the next advance. Revenues and claims under this arrangement are reported as deposits and, as such, are excluded from the statements of revenues and expenses.

ACA Cost Sharing Subsidies

CMS paid the Corporation a portion of the health care costs for low-income individual members that CMS is responsible for, in accordance with the ACA, for the 2014 through 2017 benefit years. The Corporation accounted for the Cost Sharing Reduction (CSR) as a deposit in the accompanying balance sheets. The Corporation did not recognize premium revenues or benefit expenses for the CSRs. The Corporation and CMS performed a reconciliation in 2018 and settlement in 2019 following the 2017 benefit year. In October 2017, an executive order to discontinue federal funding of these CSR benefits was issued.

ACA Advance Premium Tax Credit (APTC)

CMS pays some portion of all of the member's monthly premiums to the Corporation on the member's behalf for qualifying low-income members who purchased Qualified Health Plans. The Corporation accounts for these APTCs as premium revenues, which are recognized as income during the period of coverage. The Corporation recognized $3,649,214,670 and $2,575,021,358 of APTCs for the year ended December 31, 2018 and 2017. Under ACA, these members have a three-month grace period to pay their premiums. During the first month of the grace period, insurers are entitled to keep the APTC and must pay for the member's claims.

D. Going Concern

Based upon its evaluation of relevant conditions and events, management did not have substantial doubt about the Corporation's ability to continue as a going concern as of December 31, 2018.

2. Accounting Changes and Correction of Errors

SSAP No. 35R, Guaranty Fund and Other Assessments, was revised effective January 1, 2017. The standard requires discounting of guaranty fund assessments, and related assets, resulting from the insolvencies of insurers that wrote long-term care contracts. In addition, the standard allows accrual of the premium tax credit asset based on in-force short-term health contract renewals in instances when retrospective-premium-based assessments are imposed on short-term health contracts for the insolvencies of insurers that wrote long-term care contracts. The Corporation adopted this guidance effective January 1, 2017. The adoption of this new guidance did not have a material impact on the Corporation's financial position or operating results. See Note 14B. Assessments

SSAP No. 26R, Bonds, and Issue Paper No. 156, Bonds, were revised effective December 31, 2017. The revisions remove SVO-identified instruments from the definition of "bond" and provide separate accounting guidance for these instruments. The revisions also incorporate the definition of "security" within the definition of "bond," and incorporate definitions for "non-bond, fixed income instruments." The adoption of this new guidance did not have a material impact on the Corporation's financial position or operating results.

SSAP No. 2R, Cash, Cash Equivalents, Drafts, and Short-Term Investments and Issue Paper No. 155, Classification of Money Market Mutual Funds as Cash Equivalents, were revised, effective December 31, 2017. These revisions reclassify money market mutual funds from short-term investments to cash equivalents and require that all money market mutual funds be reported at fair value (allowing net asset value as a practical expedient), with any unrealized gains and losses recorded as a charge to surplus. The adoption of this new guidance did not have a material impact on the Corporation's financial position or operating results.

SSAP No. 55, Unpaid Claims, Losses and Loss Adjustment Expenses, was revised, effective December 31, 2017. The revision added additional disclosures concerning significant changes in methodologies and assumptions used in calculating the liability for unpaid claims, losses and loss adjustment expenses, including reasons for the change and the effects on the financial statements for the most recent reporting period presented. The Corporation adopted this guidance effective December 31, 2017. The adoption of this new guidance did not have an impact on the Corporation's financial position or operating results.

SSAP No. 107, Risk-Sharing Provisions of the Affordable Care Act, effective for the 2018 benefit plan year. Beginning in 2018, calculations for risk adjustments and distributions under ACA included the high-cost risk pool aspects of the ACA program. The high-cost risk pooling adds a reinsurance-like element to the risk adjustment program, as the high-cost risk pools exclude a percentage of costs above a certain threshold, determined by the U.S. Department of Health and Human Services (HHS), in the calculation of enrollee-level plan liability risk scores. There are two national high-cost risk pools, one for individuals and one for small groups. For 2018, HHS established two new high-cost risk pool parameters: a $1.0 million threshold and a coinsurance rate of 60%. In the calculation of each issuer's annual risk adjustment transfer amount, the issuer will be reimbursed for a portion of actual enrollee-level claims above the threshold.

The accounting for individual and small group high-cost risk pools shall be consistent with the rest of the ACA risk adjustment program. High-cost risk pool assessment payable by the reporting entity shall be accounted for as a decrease to written premium subject to redetermination; while high-cost risk pool distributions shall be accounted for as an increase to written premium subject to redetermination. Note, risk assessments and distributions shall be reported on a net basis. The adoption of this new guidance did not have a material impact on the Corporation's financial position or operating results as of December 31, 2018.

3. Business Combinations and Goodwill

A. Statutory Purchase Method

Not Applicable.

B. Statutory Merger

Not Applicable.

C. Assumption Reinsurance

Effective May 31, 2014, the Corporation completed transactions with Lovelace Health System, Inc. and Lovelace Insurance Corporation (together, d/b/a Lovelace Health Plan) to acquire certain assets, including fully insured commercial individual and group policies, administrative service contracts and its Medicare Advantage contract, which collectively covered approximately 90,000 members. The Corporation paid $221,409,083 for the business, which was all considered goodwill. Goodwill amortization for this transaction was $22,140,908 in 2018 and 2017. The goodwill is being amortized over ten years to operations. This transaction was treated as assumption reinsurance in the financial statements.

Effective July 31, 2013, the Corporation completed an asset purchase agreement with Blue Cross Blue Shield of Montana (BCBSMT) for the insurance and ASC operations of BCBSMT. BCBSMT was a health insurer and third-party administrator with approximately 246,000 members at the close of the transaction. The Corporation paid $35,929,000 for the business, resulting in goodwill of $56,771,175. Goodwill amortization for this transaction was $9,461,863 in 2018 and 2017. The goodwill is being amortized over six years to operations. This transaction was treated as assumption reinsurance in the financial statements.

D. Impairment Loss

The Corporation did not recognize an impairment loss on the transactions described above.

4. Discontinued Operations

Not Applicable.

Notes to Financial Statements

5. Investments

A. Mortgage Loans, including Mezzanine Real Estate Loans

Not Applicable.

B. Debt Restructuring

Not Applicable.

C. Reverse Mortgages

Not Applicable.

D. Loan-Backed Securities

(1) Prepayment assumptions for loan-backed securities were obtained from Bloomberg L.P. twelve-month constant prepayment rates, twelve-month public securities association standard prepayment model (PSA) speeds, and twelve-month asset-backed securities (ABS) rates were used for single-class mortgage-backed securities (MBS), multi-class MBS, and ABS, respectively.

(2) The Corporation recognized $2,661,091 during the third and fourth quarters of 2018 in other-than-temporary impairments (OTTIs) on loan-backed securities as detailed in the following table of which $155,659 is classified as intent to sell and $2,505,432 is classified as inability or lack of intent to retain the investment in the security for a period of time sufficient to recover the amortized cost basis. The Corporation recognized no OTTIs in the first and second quarters of 2018, or in 2017.

		1 Amortized Cost Basis Before Other-than-Temporary Impairment	2 Other-than-Temporary Impairment Recognized in Loss	3 Fair Value (1-2)
OTTI recognized 3rd Quarter				
a.	Intent to Sell	$ 5,692,489	$ 155,659	$ 5,536,830
b.	Inability or lack of intent to retain the investment in the security for a period of time sufficient to recover the amortized cost basis	$ -	$ -	$ -
c.	Total 3rd Quarter	$ 5,692,489	$ 155,659	$ 5,536,830
OTTI recognized 4th Quarter				
d.	Intent to Sell	$ -	$ -	$ -
e.	Inability or lack of intent to retain the investment in the security for a period of time sufficient to recover the amortized cost basis	$ 8,137,673	$ 2,505,432	$ 5,632,241
f.	Total 4th Quarter	$ 8,137,673	$ 2,505,432	$ 5,632,241
g.	Annual Aggregate Total		$ 2,661,091	

(3) The Corporation recognized the following OTTI on loan-backed securities in 2018, and there were no OTTIs in 2017.

(1) CUSIP	(2) Book/Adjusted Carrying Value Amortized Cost Before Currrent Period OTTI	(3) Present Value of Projected Cash Flows	(4) Recognized Other-Than-Temporary Impairment	(5) Amortized Cost After Other-Than-Temporary Impairment	(6) Fair Value at time of OTTI	(7) Date of Financial Statement Where Reported
12668WAD9	$ 5,692,489	$ 5,536,830	$ 155,659	$ 5,536,830	$ 5,536,830	9/30/2018
41284LAA2	8,137,673	5,632,241	2,505,432	5,632,241	5,632,241	12/31/2018
Total	XXX	XXX	$ 2,661,091	XXX	XXX	XXX

(4) All securities with an unrealized loss (fair value is less than cost or amortized cost) for which an OTTI has not been recognized in earnings as a realized loss (including securities with a recognized OTTI for non-interest related declines when a non-recognized interest related impairment remains), segregated by the amount of time the securities have been in an unrealized loss position, are as follows:

a. The aggregate amount of unrealized losses:

1.	Less than 12 months	$ 14,991,059
2.	12 Months or Longer	$ 25,273,046

b. The aggregate related fair value of securities with unrealized losses:

1.	Less than 12 months	$ 1,033,650,748
2.	12 Months or Longer	$ 995,076,551

(5) The Corporation believes that all unrealized losses on individual securities are the result of normal price fluctuations due to market conditions and are not an indication of OTTI. Market conditions include interest rate fluctuations, credit quality, supply, and demand. This determination is made in conjunction with impairment criteria prescribed by NAIC standards.

E. Dollar Repurchase Agreements and/or Securities Lending Transactions

(1) For repurchase agreements, the Corporation requires securities with both the highest rating from a Nationally Recognized Statistical Rating Organization and a minimum market value of 102% of the cash surrendered to be maintained as collateral under the agreement. The securities received as collateral are retained by the seller in a segregated account and identified as subject to the repurchase agreement as required by applicable laws.

(2-7) Not Applicable.

F. Repurchase Agreements Transactions Accounted for as Secured Borrowing

Not Applicable.

G. Reverse Repurchase Agreements Transactions Accounted for as Secured Borrowing

Not Applicable.

H. Repurchase Agreements Transactions Accounted for as a Sale

Not Applicable.

I. Reverse Repurchase Agreements Transactions Accounted for as a Sale

Not Applicable.

J. Real Estate

(1-5) Not Applicable.

K. Low-Income Housing Tax Credits (LIHTC)

Not Applicable.

Notes to Financial Statements

L. Restricted Assets

(1) Restricted Assets (Including Pledged)

Restricted Asset Category	1 Total Gross (Admitted & Nonadmited) Restricted from Current Year	2 Total Gross (Admitted & Nonadmited) Restricted From Prior Year	3 Increase/ (Decrease) (1 minus 2)	4 Total Current Year Nonadmited Restricted	5 Total Current Year Admitted Restricted (1 minus 4)	6 Percentage Gross (Admitted & Nonadmited) Restricted to Total Assets (a)	7 Percentage Admitted Restricted to Total Admitted Assets (b)
a. Subject to contractual obligation for which liability is not shown	$ -	$ -	$ -	$ -	$ -	-	-
b. Collateral held under security lending agreements	-	-	-	-	-	-	-
c. Subject to repurchase agreements	-	-	-	-	-	-	-
d. Subject to reverse repurchase agreements	-	-	-	-	-	-	-
e. Subject to dollar repurchase agreements	-	-	-	-	-	-	-
f. Subject to dollar reverse repurchase agreements	-	-	-	-	-	-	-
g. Placed under option contracts	-	-	-	-	-	-	-
h. Letter stock or securities restricted as to sale - excluding FHLB capital stock	-	-	-	-	-	-	-
i. FHLB capital stock	18,766,000	33,842,338	(15,076,338)	-	18,766,000	0.06%	0.07%
j. On deposit with states	6,746,835	6,879,981	(133,146)	-	6,746,835	0.02%	0.03%
k. On deposit with other regulatory bodies	-	-	-	-	-	-	-
l. Pledged as collateral to FHLB (including assets backing funding agreements)	861,152,622	1,092,059,904	(230,907,282)	-	861,152,622	2.93%	3.22%
m. Pledged as collateral not captured in other categories	-	-	-	-	-	-	-
n. Other restricted assets[1]	615,064,386	392,471,406	222,592,980	-	615,064,386	2.09%	2.30%
o. Total Restricted Assets	$ 1,501,729,843	$ 1,525,253,629	$ (23,523,786)	$ -	$ 1,501,729,843	5.11%	5.62%

[1]*Related to FHLB borrowing arrangement (see note 11.B.)*

(2) Detail of Assets Pledged as Collateral Not Captured in Other Categories

Not Applicable.

(3) Detail of Other Restricted Assets (Contracts that Share Similar Characteristics, Such as Reinsurance and Derivatives, Are Reported in the Aggregate)

Description of Assets	1 Total Gross (Admitted & Nonadmited) Restricted from Current Year	2 Total Gross (Admitted & Nonadmited) Restricted from Prior Year	3 Increase/ (Decrease) (1 minus 2)	4 Total Current Year Admitted Restricted	5 Gross (Admitted & Nonadmited) Restricted to Total Assets	6 Admitted Restricted to Total Admitted Assets
Assets held in restricted accounts in excess of FHLB collateral pledge requirement[1]	615,064,386	392,471,406	222,592,980	615,064,386	2.09%	2.30%
Total (a)	615,064,386	392,471,406	222,592,980	615,064,386	2.09%	2.30%

[1]*Related to FHLB borrowing arrangement (see note 11.B.)*

(4) Collateral Received

Not Applicable.

M. Working Capital Finance Investments

Not Applicable.

N. Offsetting and Netting of Assets and Liabilities

Not Applicable.

O. Structured Notes

Not Applicable.

Notes to Financial Statements

P. 5GI* Securities

Investment	Number of 5* Securities Current Year	Number of 5* Securities Prior Year	Aggregate BACV Current Year	Aggregate BACV Prior Year	Aggregate Fair Value Current Year	Aggregate Fair Value Prior Year
(1) Bonds – AC	1	-	$ 1,273,647	$ -	$ 1,277,067	$ -
(2) Bonds – FV	1	-	1,604,002	-	1,604,002	-
(3) LB&SS - AC	-	-	-	-	-	-
(4) LB&SS - FV	-	-	-	-	-	-
(5) Preferred Stock - AC	-	-	-	-	-	-
(6) Preferred Stock - FV	-	-	-	-	-	-
Total (1+2+3+4+5+6)	2	-	$ 2,877,649	$ -	$ 2,881,069	$ -

AC – Amortized Cost
FV – Fair Value
LB - Loan-backed
SS – Structured Securities

Q. Short Sales

Not Applicable.

R. Prepayment Penalty and Acceleration Fees

	2018 General Account
(1) Number of CUSIPs	139
(2) Aggregate Amount of Investment Income	$ 3,200,676

These prepayment penalties and acceleration fees are related to calls on bonds in which the Corporation had invested.

6. Joint Ventures, Partnerships and LLCs

A. The Corporation has no investments in joint ventures, partnerships or LLCs that exceed 10% of its admitted assets.

B. The Corporation did not recognize any impairment in its investments in joint ventures, partnerships and LLC companies in 2018.

7. Investment Income

A. All investment income due and accrued was included in policyholders’ surplus at December 31, 2018 and 2017.

B. Not applicable.

8. Derivative Instruments

Not applicable.

Notes to Financial Statements

9. Income Taxes

A. SSAP No. 101 Paragraph 22 Disclosure

(1) The components of the net deferred tax asset/(liability) at December 31, 2018 are as follows:

	12/31/2018		
	(1) Ordinary	(2) Capital	(3) (Col. 1+2) Total
Gross Deferred Tax Assets	$ 3,072,621,967	$ 21,176,661	$ 3,093,798,628
Statutory Valuation Allowance Adjustments	(230,230,949)	-	(230,230,949)
Adjusted Gross Deferred Tax Assets (1a - 1b)	2,842,391,018	21,176,661	2,863,567,679
Deferred Tax Assets Nonadmitted	(507,834,308)	-	(507,834,308)
Subtotal Net Admitted Deferred Tax Asset (1c - 1d)	2,334,556,710	21,176,661	2,355,733,371
Deferred Tax Liabilities	(119,869,949)	(59,543,287)	(179,413,236)
Net Admitted Deferred Tax Asset/(Net Deferred Tax Liability) (1e - 1f)	$ 2,214,686,761	$ (38,366,626)	$ 2,176,320,135

The components of the net deferred tax asset/(liability) at December 31, 2017 are as follows:

	12/31/2017		
	(4) Ordinary	(5) Capital	(6) (Col. 4+5) Total
Gross Deferred Tax Assets	$ 4,986,665,267	$ 21,280,905	$ 5,007,946,172
Statutory Valuation Allowance Adjustments	(1,012,861,621)	(16,276,308)	(1,029,137,929)
Adjusted Gross Deferred Tax Assets (1a - 1b)	3,973,803,646	5,004,597	3,978,808,243
Deferred Tax Assets Nonadmitted	(2,197,909,792)	-	(2,197,909,792)
Subtotal Net Admitted Deferred Tax Asset (1c - 1d)	1,775,893,854	5,004,597	1,780,898,451
Deferred Tax Liabilities	(107,786,058)	(125,191,388)	(232,977,446)
Net Admitted Deferred Tax Asset/(Net Deferred Tax Liability) (1e - 1f)	$ 1,668,107,796	$ (120,186,791)	$ 1,547,921,005

	Change During 2018		
	(7) (Col.1-4) Ordinary	(8) (Col.2-5) Capital	(9) (Col.7+8) Total
Gross Deferred Tax Assets	$ (1,914,043,300)	$ (104,244)	$ (1,914,147,544)
Statutory Valuation Allowance Adjustments	782,630,672	16,276,308	798,906,980
Adjusted Gross Deferred Tax Assets (1a - 1b)	(1,131,412,628)	16,172,064	(1,115,240,564)
Deferred Tax Assets Nonadmitted	1,690,075,484	-	1,690,075,484
Subtotal Net Admitted Deferred Tax Asset (1c - 1d)	558,662,856	16,172,064	574,834,920
Deferred Tax Liabilities	(12,083,891)	65,648,101	53,564,210
Net Admitted Deferred Tax Asset/(Net Deferred Tax Liability) (1e - 1f)	$ 546,578,965	$ 81,820,165	$ 628,399,130

Notes to Financial Statements

(2) Admission Calculation Components SSAP No. 101

	12/31/2018		
	(1) Ordinary	(2) Capital	(3) (Col. 1+2) Total
Admission Calculation Components SSAP No. 101			
(a) Federal Income Taxes Paid in Prior Years Recoverable Through Loss Carrybacks	$ -	$ 637,771	$ 637,771
(b) Adjusted Gross Deferred Tax Assets Expected To Be Realized (Excluding The Amount Of Deferred Tax Assets From 2(a) Above) After Application of the Threshold Limitation. (The Lesser of 2(b)1 and 2(b)2 Below)	2,175,682,364	-	2,175,682,364
1. Adjusted Gross Deferred Tax Assets Expected to be Realized Following the Balance Sheet Date	2,488,073,586	1,232,145	2,489,305,731
2. Adjusted Gross Deferred Tax Assets Allowed per Limitation Threshold	XXX	XXX	2,175,682,364
(c) Adjusted Gross Deferred Tax Assets (Excluding The Amount Of Deferred Tax Assets From 2(a) and 2(b) above) Offset by Gross Deferred Tax Liabilities	158,874,346	20,538,890	179,413,236
(d) Deferred Tax Assets Admitted as the result of application of SSAP No. 101 Total (2(a)+2(b)+2(c))	$ 2,334,556,710	$ 21,176,661	$ 2,355,733,371

	12/31/2017		
	(4) Ordinary	(5) Capital	(6) (Col. 4+5) Total
Admission Calculation Components SSAP No. 101			
(a) Federal Income Taxes Paid in Prior Years Recoverable Through Loss Carrybacks	$ -	$ -	$ -
(b) Adjusted Gross Deferred Tax Assets Expected To Be Realized (Excluding The Amount Of Deferred Tax Assets From 2(a) Above) After Application of the Threshold Limitation. (The Lesser of 2(b)1 and 2(b)2 Below)	1,547,921,005	-	1,547,921,005
1. Adjusted Gross Deferred Tax Assets Expected to be Realized Following the Balance Sheet Date	3,270,204,320	-	3,270,204,320
2. Adjusted Gross Deferred Tax Assets Allowed per Limitation Threshold	XXX	XXX	1,547,921,005
(c) Adjusted Gross Deferred Tax Assets (Excluding The Amount Of Deferred Tax Assets From 2(a) and 2(b) above) Offset by Gross Deferred Tax Liabilities	227,972,849	5,004,597	232,977,446
(d) Deferred Tax Assets Admitted as the result of application of SSAP No. 101 Total (2(a)+2(b)+2(c))	$ 1,775,893,854	$ 5,004,597	$ 1,780,898,451

Notes to Financial Statements

	Change During 2018		
	(7) (Col.1-4) Ordinary	(8) (Col.2-5) Capital	(9) (Col.7+8) Total
Admission Calculation Components SSAP No. 101			
(a) Federal Income Taxes Paid in Prior Years Recoverable Through Loss Carrybacks	$ -	$ 637,771	$ 637,771
(b) Adjusted Gross Deferred Tax Assets Expected To Be Realized (Excluding The Amount Of Deferred Tax Assets From 2(a) Above) After Application of the Threshold Limitation. (The Lesser of 2(b)1 and 2(b)2 Below)	627,761,359	-	627,761,359
1. Adjusted Gross Deferred Tax Assets Expected to be Realized Following the Balance Sheet Date	(782,130,734)	1,232,145	(780,898,589)
2. Adjusted Gross Deferred Tax Assets Allowed per Limitation Threshold	XXX	XXX	627,761,359
(c) Adjusted Gross Deferred Tax Assets (Excluding The Amount Of Deferred Tax Assets From 2(a) and 2(b) above) Offset by Gross Deferred Tax Liabilities	(69,098,503)	15,534,293	(53,564,210)
(d) Deferred Tax Assets Admitted as the result of application of SSAP No. 101 Total (2(a)+2(b)+2(c))	$ 558,662,856	$ 16,172,064	$ 574,834,920

(3) The following table provides the authorized control level risk-based capital ratio percentage and the amount of adjusted policyholders' surplus, excluding deferred tax assets, used to determine the recovery period and threshold limitation amounts under SSAP No. 101 paragraphs 11.b.i and 11.b.ii as of December 31:

	2018	2017
(a) Ratio Percentage Used To Determine Recovery Period And Threshold Limitation Amount	1118%	872%
(b) Amount Of Adjusted Capital And Surplus Used To Determine Recovery Period And Threshold Limitation in 2(b)2 Above	$ 14,683,018,938	$ 10,501,044,688

(4) Impact of Tax Planning Strategies

	12/31/2018		12/31/2017		2018 Change	
	(1) Ordinary	(2) Capital	(3) Ordinary	(4) Capital	(5) (Col 1-3) Ordinary	(6) (Col 2-4) Capital
(a) Determination of Adjusted Gross Deferred Tax Assets and Net Admitted Deferred Tax Assets, By Tax Character As a Percentage.						
1. Adjusted Gross DTAs Amount From Note 9A1(c)	$ 2,842,391,018	$ 21,176,661	$ 3,973,803,646	$ 5,004,597	$ (1,131,412,628)	$ 16,172,064
2. Percentage Of Adjusted Gross DTAs By Tax Character Attributable To The Impact Of Tax Planning Strategies	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
3. Net Admitted Adjusted Gross DTAs Amount From Note 9A1(e)	$ 2,334,556,710	$ 21,176,661	$ 1,775,893,854	$ 5,004,597	$ 558,662,856	$ 16,172,064
4. Percentage Of Net Admitted Adjusted Gross DTAs By Tax Character Admitted Because Of The Impact Of Tax Planning Strategies	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%

(b) Does the Corporation's tax-planning strategies include the use of reinsurance? Yes __ No X

Notes to Financial Statements

B. SSAP No 101 Paragraph 23 Disclosure

At December 31, 2018 and 2017, the Corporation had no unrecognized deferred tax liabilities.

C. SSAP No. 101 Paragraph 24 Disclosure

Current income taxes incurred consist of the following major components:

1. Current Income Tax

	(1) 12/31/2018	(2) 12/31/2017	(3) Col (1-2) Change
a. Federal	$ (1,700,626,509)	$ 466,921,697	$ (2,167,548,206)
b. Foreign	-	-	-
c. Subtotal	(1,700,626,509)	466,921,697	(2,167,548,206)
d. Federal income tax on net capital gains	-	(11,566,735)	11,566,735
e. Utilization of capital loss carry-forwards	-	-	-
f. Other	-	-	-
g. Federal and foreign income taxes incurred	$ (1,700,626,509)	$ 455,354,962	$ (2,155,981,471)

The tax effects of the change in temporary differences that give rise to significant portions of the deferred tax assets and deferred tax liabilities are as follows:

	(1) 12/31/2018	(2) 12/31/2017	(3) Col. (1 - 2) Change
2. Deferred Tax Assets:			
(a) Ordinary:			
(1) Discounting of unpaid losses	$ -	$ -	$ -
(2) Unearned premium reserve	-	-	-
(3) Policyholder reserves	61,797,725	83,737,677	(21,939,952)
(4) Investments	-	-	-
(5) Deferred acquisition costs	-	-	-
(6) Policyholder dividends accrual	-	-	-
(7) Fixed assets	-	-	-
(8) Compensation and benefits accrual	90,332,649	136,977,821	(46,645,172)
(9) Pension accrual	-	-	-
(10) Receivables - nonadmitted	76,009,220	73,812,327	2,196,893
(11) Net operating loss carryforward	189,835,273	195,098,269	(5,262,996)
(12) Tax credit carry-forward	30,641,641	26,767,462	3,874,179
(13) AMT credit	1,901,987,765	3,745,830,796	(1,843,843,031)
(14) Other (including items <5% of total ordinary tax assets)	60,113,624	69,753,631	(9,640,007)
(15) Contingent Liabilities	189,347,962	180,265,857	9,082,105
(16) Salvage and Subrogation Recoverable	317,383,600	328,596,764	(11,213,164)
(17) Benefit Plan AML (OCI)	94,516,612	88,035,771	6,480,841
(18) Intangible assets	60,655,896	57,788,892	2,867,004
(99) Subtotal	$ 3,072,621,967	$ 4,986,665,267	$ (1,914,043,300)
(b) Statutory valuation allowance adjustment	$ (230,230,949)	$ (1,012,861,621)	$ 782,630,672
(c) Nonadmitted	$ (507,834,308)	$ (2,197,909,792)	$ 1,690,075,484
(d) Admitted ordinary deferred tax assets (2a99 - 2b - 2c)	$ 2,334,556,710	$ 1,775,893,854	$ 558,662,856
(e) Capital:			
(1) Investments	$ 21,176,661	$ 21,280,905	$ (104,244)
(2) Net capital loss carry-forward	-	-	-
(3) Real estate	-	-	-
(4) Other (including items <5% of total capital tax assets)	-	-	-
(99) Subtotal	$ 21,176,661	$ 21,280,905	$ (104,244)
(f) Statutory valuation allowance adjustment	-	(16,276,308)	16,276,308
(g) Nonadmitted	-	-	-
(h) Admitted capital deferred tax assets (2e99 - 2f - 2g)	$ 21,176,661	$ 5,004,597	$ 16,172,064
(i) Admitted deferred tax assets (2d + 2h)	$ 2,355,733,371	$ 1,780,898,451	$ 574,834,920
3. Deferred Tax Liabilities:			
(a) Ordinary:			
(1) Investments	$ -	$ -	$ -
(2) Fixed assets	-	-	-
(3) Deferred and uncollected premium	-	-	-
(4) Policyholder reserves	-	-	-
(5) Other (including items <5% of total ordinary tax liabilities)	(11,659,936)	(11,884,381)	224,445
(6) Pension	(108,210,013)	(95,901,677)	(12,308,336)
(99) Subtotal	$ (119,869,949)	$ (107,786,058)	$ (12,083,891)
(b) Capital:			
(1) Investments	$ (59,543,287)	$ (125,191,388)	$ 65,648,101
(2) Real estate	-	-	-
(3) Other (including items <5% of total capital tax liabilties)	-	-	-
(99) Subtotal	$ (59,543,287)	$ (125,191,388)	$ 65,648,101
(c) Deferred tax liabilities (3a99 + 3b99)	$ (179,413,236)	$ (232,977,446)	$ 53,564,210
4. Net deferred tax assets/liabilities (2i - 3c)	$ 2,176,320,135	$ 1,547,921,005	$ 628,399,130

Notes to Financial Statements

Income Tax Accounting Implications of the Tax Cuts and Jobs Act

At December 31, 2017, the Corporation had not completed its accounting for all of the enactment-date income tax effects of the Tax Act and made reasonable estimates of the effects on its existing deferred tax balances. Certain deferred tax assets and liabilities were remeasured based on the rates at which they are expected to reverse in the future, which was generally 21%. The provisional amount recorded at December 31, 2017 related to the deferred tax balance was $3,700,000,000. During 2018 the Corporation completed its accounting for all of the enactment-date income tax effects of the Tax Act and made no material adjustments to its provisional amounts.

The Corporation has elected in accordance with INT 18-03, Additional Elements under the Tax Cuts and Jobs Act, to recognize its AMT credit as a deferred tax asset. In January 2019, the Internal Revenue Service ("IRS") announced that certain AMT credit refunds for taxable years beginning after December 31, 2017 will not be subject to sequestration under the Balanced Budget and Emergency Deficit Control Act of 1985, as amended. As of December 31, 2018 the Corporation has reduced the AMT credit carryforward by a valuation allowance of $104,000,000 for sequestration. The Corporation has recognized as a federal current income tax benefit $1,694,000,000 in AMT credits during the year, net of sequestration of $112,000,000. The Corporation will reverse the financial impact of sequestration in the first quarter of 2019, the period of the IRS announcement.

The change in net deferred income taxes is comprised of the following:

	12/31/2018	12/31/2017	Col. (1 - 2) Change
Total of adjusted gross deferred tax assets, including valuation allowance	$ 2,863,567,679	$ 3,978,808,243	$ (1,115,240,564)
Total of all deferred tax liabilities	(179,413,236)	(232,977,446)	53,564,210
Net deferred tax asset	$ 2,684,154,443	$ 3,745,830,797	$ (1,061,676,354)
Less: Change in unrealized capital gains/losses & benefit plan AML			(72,586,231)
Change in deferred tax asset recorded in surplus			$ (1,134,262,585)

D. SSAP No. 101 Paragraph 25 Disclosure

The provision for federal income taxes incurred is different from that which would be obtained by applying the statutory federal income tax rate to income before income taxes. The significant items causing this difference for 2018 are as follows:

	Effective Tax Rate Amount	Percentage
Provision Computed at Statutory Rate	$ 506,959,633	21.0 %
Special Deduction	(686,865,414)	(28.4)
Change in Valuation Allowance	(798,906,980)	(33.1)
Budgetary Sequestration	111,996,294	4.6
Nondeductible §162(m)(6) Expense	30,205,441	1.3
Nondeductible Health Insurer Fee	126,951,438	5.3
Other	143,295,664	5.9
Total	$ (566,363,924)	(23.4) %
Federal Income Taxes Incurred	(1,700,626,509)	(70.4)
Change in Net Deferred Income Taxes	1,134,262,585	47.0
Total Statutory Income Taxes	$ (566,363,924)	(23.4) %

E. SSAP No. 101 Paragraph 26 Disclosure

(1) At December 31, 2018, the Corporation had $891,000,000 of net operating loss carryforwards, and $31,000,000 of general business tax credits which expire in 2020 and later.

(2) The amount of federal income taxes incurred in the current year and the preceding two years, which are available for recoupment in the event of future net losses are:

2018	$ -
2017	-
2016	1,507,930
Total	$ 1,507,930

(3) The Corporation has not made any protective tax deposits under IRC §6603 of which it reasonably expects to recover in a subsequent period.

F. SSAP No. 101 Paragraph 28 Disclosure

The Corporation files a consolidated federal income tax return with the following subsidiaries:

Academic HealthPlans, Inc. (AHP)
Blue Cross and Blue Shield of New Mexico Insurance Company (NM PPO)
CMH Technology Subsidiary, LLC
CollaboraCare Consortium, LLC
Dearborn National Life Insurance Company (DNL)
Dearborn National Life Insurance Company of New York
Dental Network of America, LLC (DNoA)
Dental Solutions, Inc.
DenteMax, LLC
GHS General Insurance Agency, Inc.
GHS Health Maintenance Organization, Inc. (GHS HMO or BlueLincs)
GHS Insurance Company (GHSIC)
GHS Managed Health Care Plans, Inc. (GHS MHCP)
HCSC Insurance Services Company (HISC)
HCSC ITC, LLC
HCSC Purchasing, LLC
HCSC Ventures, Inc. (HCSCV)
HX Technologies, Inc.
Illinois Blue Cross Blue Shield Insurance Company (IL PPO)
Innovista, LLC
MEDecision, Inc. (Medecision)
MEDecision Investments, Inc.
Montana Blue Insurance Company (MT PPO)
Oklahoma Blue Insurance Company (OK PPO)
OPTIMED Medical Systems, LLC
Texas Blue Cross Blue Shield Insurance Company (TX PPO)
Unlimited Innovations, Inc.
USB HTC Fund 2017-2, LLC
USB RETC Fund 2017-2, LLC

The method of allocation between the companies is subject to a written agreement, approved by the Corporation's Board of Directors, whereby allocation is made primarily on a separate return basis, with a current credit for net operating losses or other items utilized in the consolidated return. Pursuant to this agreement, the Corporation has the enforceable right to recoup federal income taxes paid in prior years in the event of future net losses, which it may incur, or to recoup its net losses carried forward as an offset to future net income subject to federal income taxes.

G. SSAP No. 101 Paragraph 27 Disclosure

The Corporation classifies all interest and penalties related to unrecognized tax positions as income tax expense. There is $43,900,000 of interest and penalties recognized in the statutory basis balance sheets as of December 31, 2018, of which $10,500,000 is recognized in the statutory basis statements of revenues and expenses for the year ended December 31, 2018. As of December 31, 2018, there were no material positions for which management believes it is reasonably possible that the total amounts of unrecognized tax positions will significantly increase or decrease within 12 months of the reporting date. As of December 31, 2018, management considers the Corporation’s open tax years to include returns filed for 2007, 2009 through 2017, as well as the return that will be filed for 2018.

10. Information Concerning Parent, Subsidiaries, Affiliates and Other Related Parties

A. The Corporation is a mutual legal reserve company domiciled in Illinois. It is the parent organization of a group of entities, which includes wholly-owned and partially-owned subsidiary entities, and other affiliates.

B. In March 2018, the Corporation completed the sale of the stock of AHP, the Corporation’s wholly-owned subsidiary, to AHP’s founder (from which the Corporation acquired AHP in 2012). AHP is a broker of student health plans for the Corporation and third parties. The Corporation recognized a net realized capital loss of $7,971,222, which is classified as such in the statement of revenues and expenses as of December 31, 2018. As part of the transaction, the Corporation entered into new multi-year services agreements with AHP to continue providing marketing and administrative services for the Corporation’s student health insurance business. The sale of AHP received all applicable regulatory approvals.

The Corporation received cash dividend payments in 2018 and 2017 of $15,000,000 and $37,000,000, respectively, from DNoA. The Corporation received dividends from DNL in 2018 in the form of cash of $40,000,000 and dividends in 2017 in the form of cash and bonds totaling $40,000,000. The dividends were reported in net investment income.

The Corporation may make capital contributions or loans to the subsidiaries from time to time to fund subsidiary growth or meet regulatory requirements. Those transactions considered significant for the years ended December 31, 2018 and 2017 are discussed below.

The Corporation made cash capital contributions of $150,000,000 and $188,000,000 to HISC in 2018 and 2017, respectively. The contributions are reflected in the statutory carrying value of the subsidiaries.

In June 2017, the Corporation entered into a definitive stock purchase agreement with Cognizant Domestic Holdings Corporation (Cognizant) to sell TMG Health, Inc. (TMG), the Corporation’s wholly owned subsidiary. The sale of TMG was effective as of August 26, 2017. The Corporation recognized a net realized capital loss of $181,111,683, which is classified as such in the 2017 statement of revenues and expenses. On completion of the sale, the Master Service Agreement between HCSC and TMG terminated and the parties entered into a new multi-year service agreement under which TMG will continue providing government programs business process outsourcing services to HCSC and certain subsidiaries. The agreement has received all applicable regulatory approval.

C. Not Applicable

Notes to Financial Statements

D. The Corporation reported $338,575,525 and $361,705,304 as admitted amounts due from parent, subsidiaries and affiliates, net of amounts due to parents, subsidiaries and affiliates, at December 31, 2018 and 2017, respectively.

E. The Corporation has agreed to provide guarantees or undertakings, written or otherwise with a number of affiliates. The disclosures related to these guarantees are reflected within Note 14, paragraph A, (2) and (3).

F. The Corporation has administrative agreements with many of its subsidiaries whereby the Corporation may provide any combination of management, administrative, marketing, or claims processing services. Amounts billed by the Corporation to the subsidiaries under these agreements, based on actual costs incurred, were $ 223,094,915 and $173,018,333 in 2018 and 2017, respectively. The Corporation also has administrative agreements with certain subsidiaries for various services that the Corporation may receive from its subsidiaries, such as claims processing and underwriting services. Amounts billed by the subsidiaries to the Corporation under these agreements, based on actual costs incurred, were $225,550,308 and $273,099,337 in 2018 and 2017, respectively. These amounts are included in claims adjustment expenses and general and administrative expenses in the Corporation's statements of revenues and expenses. At December 31, 2018 and 2017, the Corporation had receivables from subsidiaries of $410,676,313 and $372,663,088, respectively, and payables to subsidiaries of $72,100,788 and $10,957,784, respectively.

G. Not Applicable.

H. Not Applicable.

I. Not Applicable.

J. In December 2018, the Corporation recognized realized capital losses on its wholly-owned subsidiary investments in HISC, GHSIC and BlueLincs, of $470,246,534, $55,768,315 and $41,028,640, respectively; as their future estimated earnings would not be sufficient to recover prior unrealized losses in an estimable period of time. In December 2017, the Corporation recognized a realized capital loss on its investment in TMA, a partially owned subsidiary, of $10,000,000 as TMA's future estimated earnings would not be sufficient to recover prior unrealized losses in an estimable period of time. There was no impact on policyholder' surplus from the recognition of these unrealized losses.

K. Not Applicable.

L. The Corporation utilizes the look through approach in valuing its investment in HCSCV, a non-insurance holding company, which had a carrying value of $181,339,947 and $120,348,083 as of December 31, 2018 and 2017, respectively. HCSCV's financial statements are not audited, so the Corporation limited the value of its investment in HCSCV to the underlying GAAP equity, with certain valuation adjustments, of the audited entities owned by HCSCV.

M. All SCA investments

(1) Balance Sheet Value (Admitted and Nonadmitted) All SCAs (Except 8bi Entities)

SCA Entity	Percentage of SCA Ownership	Gross Amount	Admitted Amount	Nonadmitted Amount
a. SSAP No. 97 8a Entities				
Total SSAP No. 97 8a Entities	**XXX**	**$ -**	**$ -**	**$ -**
b. SSAP No. 97 8b(ii) Entities				
Medecision	100.00%	$ 51,447,000	$ 5,143,872	$ (46,303,128)
AHP[1]	0.00%	-	-	-
DNoA	100.00%	49,009,000	21,234,400	(27,774,600)
Prime Therapeutics LLC	39.94%	222,900,747	135,255,356	(87,645,391)
Availity, LLC	21.65%	62,194,979	39,681,129	(22,513,850)
Total SSAP No. 97 8b(ii) Entities	**XXX**	**$ 385,551,726**	**$ 201,314,757**	**$ (184,236,969)**
c. SSAP No. 97 8b(iii) Entities				
HCSCV	100.00%	$ 184,453,669	$ 181,339,947	$ (3,113,722)
GHS General Insurance Agency, Inc.	100.00%	1,291,703	-	(1,291,703)
TriWest Alliance, Inc.	12.75%	30,187,444	30,187,444	-
HCSC Purchasing, LLC	100.00%	588,484	-	(588,484)
Health Intelligence Company LLC D/B/A Blue Health Intelligence	10.64%	8,679,000	8,679,000	-
Innovista, LLC	100.00%	24,756,185	24,756,185	-
TMA	35.00%	-	-	-
Total SSAP No. 97 8b(iii) Entities	**XXX**	**$ 249,956,485**	**$ 244,962,576**	**$ (4,993,909)**
d. SSAP No. 97 8b(iv) Entities				
Total SSAP No. 97 8b(iv) Entities	**XXX**	**$ -**	**$ -**	**$ -**
e. Total SSAP No. 97 8b Entities (b+c+d)	**XXX**	**635,508,211**	**446,277,333**	**(189,230,878)**
f. Aggregate Total (a+f)	**XXX**	**$ 635,508,211**	**$ 446,277,333**	**$ (189,230,878)**

[1] See Note 10B for disclosure related to sale of AHP in 2018.

Notes to Financial Statements

(2) NAIC Filing Response Information

SCA Entity (Should be same entities as shown in M(1) above.)	Type of NAIC Filing*	Date of Filing to the NAIC	NAIC Valuation Amount***	NAIC Response Received Y/N	Method Resubmission Required Y/N	Code**
a. SSAP No. 97 8a Entities						
Total SSAP No. 97 8a Entities	**XXX**	**XXX**	**$ -**	**XXX**	**XXX**	**XXX**
b. SSAP No. 97 8b(ii) Entities						
Medecision	S2	8/22/2018	$ -	Y	N	-
AHP[1]	S2	8/22/2018	5,651,667	Y	N	-
DNoA	N/A	-	-	-	-	-
Prime Therapeutics LLC	N/A	-	-	-	-	-
Availity, LLC	N/A	-	-	-	-	-
Total SSAP No. 97 8b(ii) Entities	**XXX**	**XXX**	**$ 5,651,667**	**XXX**	**XXX**	**XXX**
c. SSAP No. 97 8b(iii) Entities						
HCSCV	S2	8/30/2018	120,348,082	Y	N	-
GHS General Insurance Agency, Inc.	N/A	-	-	-	-	-
TriWest Alliance, Inc. (Legacy common shares)	S2	8/28/2018	1,692,226	Y	N	-
TriWest Alliance, Inc. (Tracking common shares)	S2	8/22/2018	23,761,225	Y	N	-
HCSC Purchasing, LLC	N/A	-	-	-	-	-
BH Assets LLC	N/A	-	-	-	-	-
Health Intelligence Company LLC D/B/A Blue Health Intelligence	N/A	-	-	-	-	-
Innovista, LLC	N/A	-	-	-	-	-
TMA	N/A	-	-	-	-	-
Total SSAP No. 97 8b(iii) Entities	**XXX**	**XXX**	**$ 145,801,533**	**XXX**	**XXX**	**XXX**
d. SSAP No. 97 8b(iv) Entities						
Total SSAP No. 97 8b(iv) Entities	**XXX**	**XXX**	**$ -**	**XXX**	**XXX**	**XXX**
e. Total SSAP No. 97 8b Entities (except 8bi entities) (b+c+d)	**XXX**	**XXX**	**$ 151,453,200**	**XXX**	**XXX**	**XXX**
f. Aggregate Total (a+e)	**XXX**	**XXX**	**$ 151,453,200**	**XXX**	**XXX**	**XXX**

[1] See Note 10B for disclosure related to the sale of AHP in 2018.
** S1 – Sub-1, S2 – Sub-2 or RDF – Resubmission of Disallowed Filing,*
N/A – NAIC Filings not required for Joint Ventures, Partnerships and Limited Liability Companies investments within the scope of SSAP 48.
*** I – Immaterial or M – Material for NAIC disallowed entities where valuation method resubmission is required.*
*** NAIC does not assign a valuation amount for Sub-1 filings

N. Investments in Insurance SCAs

Not Applicable.

O. SCA Loss Tracking

Not Applicable.

See footnote 14 for additional disclosures related to our subsidiaries, controlled or affiliated companies.

11. Debt

A. Debt and Holding Company Obligations, including Capital Notes

The Corporation renewed its five-year, $400,000,000 senior unsecured revolving credit facility with a group of eight major U.S. banks. As of December 31, 2018 and 2017, no funds have been drawn on this facility. The renewed facility will mature on October 4, 2021.

During 2018, the Corporation entered into Loan and Security Agreements with IRT Funding Trust II (the Trust), whereby the Corporation borrowed funds from the Trust secured by certain State of Illinois (the State) Medicaid receivables. Proceeds from the payment of the receivables by the State will be used to repay the borrowings from the Trust. During 2018, the Corporation borrowed $171,350,171 from the Trust. As of December 31, 2018, the Corporation had $49,367,574 in outstanding debt under these agreements. In January 2019, the State paid all receivables owed to the Corporation used to secure this borrowing, and the loan was simultaneously repaid in full. No gain or loss was reported on these transactions. (See Note 21C for additional information on the State Medicaid receivable.)

B. Federal Home Loan Bank (FHLB) Agreements

(1) The Corporation is a member of the FHLB. Through its membership, the Corporation has immediate access to short-term and long-term credit products, on a secured basis. It is part of the Corporation's strategy to utilize these funds as a source of liquidity. Maximum borrowing capacity of $1,750,000,000 is based on HCSC's borrowing resolution supported by the Corporation's current and potential acquisition of FHLB membership and activity stock. The borrowing capacity is primarily determined by collateral pledged and can be no greater than 25% of admitted assets. The maximum capacity is subject to annual review or if there is a material change in credit performance. All borrowings must be sufficiently over-collateralized per the FHLB collateral guidelines in place at the time of borrowing, and the Corporation must continue to meet FHLB credit underwriting guidelines.

As of December 31, 2018 and 2017, the Corporation had borrowed $823,300,000 and $1,062,241,901, respectively, from the FHLB. These overnight borrowings have a variable rate of interest that changes each day based on a daily rate published by the FHLB. The rate in effect on December 31, 2018 was 2.52%. Interest is paid monthly on the fifth day following each month end. For the years ended December 31, 2018 and 2017, the Company paid interest of $11,716,039 and $4,627,130 respectively.

Notes to Financial Statements

(2) FHLB Capital Stock

a. Aggregate Totals

1) Current Year-end

		Total
(a) Membership Stock - Class A	$	-
(b) Membership Stock - Class B		2,701,400
(c) Activity Stock		13,764,600
(d) Excess Stock		2,300,000
(e) Aggregate Total (a+b+c+d)	$	18,766,000
(f) Actual or estimated borrowing capacity as determined by the Insurer Corporation	$	1,750,000,000

2) Prior Year-end

		Total
(a) Membership Stock - Class A	$	-
(b) Membership Stock - Class B		1,744,700
(c) Activity Stock		32,097,638
(d) Excess Stock		-
(e) Aggregate Total (a+b+c+d)	$	33,842,338
(f) Actual or estimated borrowing capacity as determined by the Insurer Corporation	$	1,062,241,901

b. Membership Stock (Class A and B) Eligible for Redemption as of December 31, 2018

	1	2	Eligible for Redemption			
			3	4	5	6
Membership Stock	Current Year Total (2+3+4+5+6)	Not Eligible for Redemption	Less Than 6 Months	6 Months to Less than 1 Year	1 to Less than 3 Years	3 to 5 Years
1. Class A	$ -	$ -	$ -	$ -	$ -	$ -
2. Class B	$ 2,701,400	$ 2,701,400	$ -	$ -	$ -	$ -

(3) Collateral Pledged to FHLB

a. Amount Pledged as of December 31, 2018 and 2017

	Fair Value	Carrying Value	Aggregate Total Borrowing
1. Current Year Total Collateral Pledged	$ 847,701,477	$ 861,152,622	$ 823,300,000
2. Prior Year-end Total Collateral Pledged	$ 1,090,502,798	$ 1,092,059,904	$ 1,062,241,901

b. Maximum Amount Pledged during the year ended December 31, 2018 and 2017

	Fair Value	Carrying Value	Amount Borrowed at Time of Maximum Collateral
1. Current Year Total Maximum Collateral Pledged	$ 1,382,495,092	$ 1,426,521,251	$ 1,346,800,000
2. Prior Year-end Total Maximum Collateral Pledged	$ 1,284,091,493	$ 1,284,543,953	$ 1,255,091,901

As of December 31, 2018 and 2017, the Corporation held $1,476,217,008 and $1,484,531,310 in restricted accounts related to its borrowing arrangement with FHLB of which $861,152,622 and $1,092,059,904 was pledged to support borrowing at December 31, 2018 and 2017.

Notes to Financial Statements

(4) Borrowing from FHLB

a. Amount as of December 31, 2018 and December 31, 2017

	Total	Funding Agreements
1. Current Year-end		
(a) Debt	$ 823,300,000	$ -
(b) Funding Agreements	-	-
(c) Other	-	-
(d) Aggregate Total	$ 823,300,000	$ -
2. Prior Year-end		
(a) Debt	$ 1,062,241,901	$ -
(b) Funding Agreements	-	-
(c) Other	-	-
(d) Aggregate Total	$ 1,062,241,901	$ -

b. Maximum Amount during the twelve months ended December 31, 2018

	Total
1. Debt	$ 1,346,800,000
2. Funding Agreements	-
3. Other	-
4. Aggregate Total (Lines 1+2+3)	$ 1,346,800,000

c. FHLB – Prepayment Obligations

Does the company have prepayment obligations under the following arrangements (YES/NO)?

1. Debt	NO
2. Funding Agreements	NO
3. Other	NO

12. Retirement Plans, Deferred Compensation, Postemployment Benefits and Compensated Absences and Other Postretirement Benefit Plans.

The Corporation sponsors a noncontributory defined benefit pension plan; a defined contribution plan, including an employer match; and a retiree health and life plan, including retiree cost sharing.

A. Noncontributory Defined Benefit Pension Plan

The Corporation offers a qualified defined benefit pension plan, covering the majority of eligible employees during 2018 and 2017. The plan covers the majority of the Corporation's employees (including certain Chicago based union employees in service prior to 2017) as well as employees of DNL.

Retirement benefits are primarily a function of a formula of credits and interest, the number of years of service or age and the level of compensation. The current provisions of the plan require one year of service for eligibility and three years of service for vesting. The Corporation's policy is to fund the plan as needed on a current basis to the extent that the contribution is deductible under existing federal tax law. The Corporation met regulatory (limited to required minimum contribution under Internal Revenue Service (IRS) rules) pension contribution requirements for 2018 and 2017, which were zero for both years. The Corporation made additional contributions to the HCSC Employees Pension Plan (Plan) during 2018 and 2017 totaling $120,000,000 and $120,000,000 respectively. The Corporation expects to contribute an estimated $120,000,000 to the plan during 2019 which will cover any minimum required and maintain target funded ratios, but may contribute in excess of that.

Other Benefits - Retiree Health and Life Benefit Plan

The Corporation provides certain health care benefits (including prescription drug coverage meeting the qualifications under the Medicare Act) and term life insurance benefits for certain eligible retired employees of the Corporation and certain eligible retired employees of DNL.

Notes to Financial Statements

The majority of the Corporation's active employees (excluding the majority of union employees effective November 1, 2016) as well as employees of DNL are eligible for postretirement benefits if they are at least 55 years old and have at least 10 years of service when they terminate employment. These benefits are subject to deductibles, co-payment provisions, coordination with Medicare and other coverages, and limitations. Covered employees pay for a percentage of the cost of their own health and pharmacy benefit coverage, a higher percentage of their covered dependent's health and pharmacy benefit coverage based on a schedule of age and years of service prior to retirement and if covered pay 100% of the cost of any dental benefit offering elected. The Corporation pays the cost of varying levels of term life insurance coverage provided to existing retirees as of December 31, 2015, and future retiring employees who were active, eligible, and at least 55 years old and had at least 10 years of service as of December 31, 2015. Otherwise no term life coverage is provided.

There is no pre-funding requirement for the post retirement benefit plan and the Corporation expects to contribute on a pay-as-you-go basis $30,000,000 before subsidies, retiree contributions or reimbursements to pay benefits under the Post Retirement Benefit Plan (Plan) during 2019. The Corporation did not make any contribution directly to a VEBA Trust in 2017 but made a one-time $200,000,000 contribution to the restated Retired Employees Welfare Benefit Trust (VEBA) in 2018 (based on the current proportion of liability attributable to those already retired under the Plan). Any future direct trust contributions are not yet forecasted. The Corporation paid a portion of the current cost of retiree health claims and life premiums (net of any retiree contributions) directly from corporate assets during 2018 and 2017. The Corporation elected to reimburse a portion of retiree health claims costs (net of any retiree or subsidy contributions) from trust assets during 2018 and 2017. The Corporation intends to pay a material portion of the current cost of retiree health claims and life premiums (net of any retiree contributions) directly from corporate assets during 2019. The Corporation may elect to reimburse retiree health claim costs or life premiums (net of any retiree or subsidy contributions) from trust assets for previous, current or future periods during any current or future period.

Effective January 1, 2014, the Corporation refined its retiree health rating approach based on actual retiree group experience, which increased the amounts retirees pay for any coverage option offered and, at that time, the Corporation limited the level of annual rate increase it will absorb each year going forward, effective January 1, 2018. During 2015, the Corporation introduced additional coverages available for 2016, including group insured Medicare related MAPD and Plan F/Plan D offerings. While other PPO/HMO self-funded options remain available for retirees under age 65 or currently as a coordinated benefit for those over age 65, these group insured Medicare related MAPD and Plan F/Plan D offerings or similar variations are expected to increase in use through 2020; and in 2021 become the over age 65 offering (when retirees are expected to pay the difference if traditional coverages are offered/elected). The Corporation reserves the right to amend or change provisions, eligibility, coverage type offered, rates and cost sharing related to existing or future retirees at any time.

The estimated impact of any relevant changes in Society of Actuaries Mortality Tables in 2018 and 2017 is reflected in the roll forward of PBO/APBO disclosed as of December 31, 2018. 2019 actuarial valuations and accounting expense measurement will reflect results based on any prescribed adjusted tables, methods, populations and forecasted mix of plan features or coverage offerings applicable.

Notes to Financial Statements

The following tables provide a reconciliation of the changes in the plans' benefit obligations and fair market value of the plans' assets and a statement of the plans' funded status as of December 31, 2018 and 2017:

	Overfunded		Underfunded	
	2018	2017	2018	2017
(1) Change in benefit obligation				
a. Pension Benefits				
1. Benefit obligation at beginning of year	$ 1,441,641,369	$ 1,585,920,084	$ -	$ -
2. Service Cost	66,563,580	60,967,826	-	-
3. Interest Cost	51,134,059	56,175,717	-	-
4. Contribution by plan participants	-	-	-	-
5. Actuarial (gain) loss	(71,747,084)	89,937,309	-	-
6. Foreign currency exchange rate changes	-	-	-	-
7. Benefits paid	(96,605,374)	(351,359,567)	-	-
8. Plan amendments	-	-	-	-
9. Business combinations, divestitures, curtailments, settlements and special termination benefits	-	-	-	-
10. Benefit obligation at end of year	$ 1,390,986,550	$ 1,441,641,369	$ -	$ -
b. Postretirement Benefits*				
1. Benefit obligation at beginning of year	$ -	$ -	$ 440,167,336	$ 441,592,575
2. Service Cost	-	-	8,671,595	8,167,158
3. Interest Cost	-	-	16,464,906	19,190,308
4. Contribution by plan participants	-	-	9,108,289	7,801,410
5. Actuarial (gain) loss	-	-	2,727,785	194,507
6. Foreign currency exchange rate changes	-	-	-	-
7. Benefits paid	-	-	(40,912,007)	(36,778,622)
8. Plan amendments	-	-	-	-
9. Business combinations, divestitures, curtailments, settlements and special termination benefits	-	-	-	-
10. Benefit obligation at end of year	$ -	$ -	$ 436,227,904	$ 440,167,336

* There is no "funding requirement" for the Post Retirement Benefit plan (retiree health and life plan). Any contributions remains the sole discretion of the Corporation - Sponser/Employer.

c. Special or Contractual Benefits Per SSAP No. 11

Not Applicable.

(2) Change in Plan Assets

	Pension Benefits		Postretirement Benefits	
	2018	2017	2018	2017
a. Fair value of plan assets at beginning of year	$ 1,555,204,809	$ 1,585,880,817	$ 14,790,241	$ 40,504,364
b. Actual return on plan assets	(49,862,341)	200,683,559	(231,891)	844,452
c. Foreign currency exchange rate changes	-	-	-	-
d. Reporting entity contribution	120,000,000	120,000,000	222,890,116	2,418,637
e. Plan participants' contributions	-	-	9,108,289	7,801,410
f. Benefits paid	(96,605,374)	(351,359,567)	(40,912,007)	(36,778,622)
g. Business combinations, divestitures and settlements	-	-	-	-
h. Fair value of plan assets at end of year*	$ 1,528,737,094	$ 1,555,204,809	$ 205,644,748	$ 14,790,241

*Special or Contractual Benefits per SSAP No. 11 are not applicable to the Corporation.

Notes to Financial Statements

(3) Funded Status

	Pension Benefits 2018	Pension Benefits 2017	Postretirement Benefits 2018	Postretirement Benefits 2017
a. Components:				
1. Prepaid benefit costs	$ 515,285,776	$ 456,674,654	$ -	$ -
2. Overfunded plan assets	(377,535,232)	(343,111,214)	-	-
3. Accrued benefit costs	-	-	(200,566,771)	(398,130,819)
4. Liability for pension benefits	-	-	(30,016,385)	(27,246,276)
b. Assets and liabilities recognized				
1. Assets (nonadmitted)	$ 137,750,544	$ 113,563,440	$ -	$ -
2. Liabilities recognized	-	-	230,583,156	(425,377,095)
c. Unrecognized liabilities	$ -	$ -	$ -	$ -

(4) Components of net periodic benefit cost

	Pension Benefits 2018	Pension Benefits 2017	Postretirement Benefits 2018	Postretirement Benefits 2017
a. Service cost	$ 66,563,580	$ 60,967,826	$ 8,671,595	$ 8,167,158
b. Interest cost	51,134,059	56,175,717	16,464,906	19,190,308
c. Expected return on plan assets	(79,122,853)	(86,311,274)	(739,512)	(2,025,218)
d. Transition (asset) or obligation	5,155,778	5,155,778	-	-
e. (Gains) and losses	16,190,243	25,321,218	-	-
f. Prior service cost or (credit)	1,468,071	1,473,908	929,079	929,079
g. (Gain) or loss recognized due to a settlement or curtailment[1]	-	78,992,098	-	-
h. Total net periodic benefit cost	$ 61,388,878	$ 141,775,271	$ 25,326,068	$ 26,261,327

[1] Largely related to making a higher than normal volume of lump-sum equivalent pension benefit payments for plan participants who accepted the Corporation's voluntary separation plan in 2016.

(5) Amounts in unassigned funds (surplus) recognized as components of net periodic benefit cost

	Pension Benefits 2018	Pension Benefits 2017	Postretirement Benefits 2018	Postretirement Benefits 2017
a. Items not yet recognized as a component of net periodic benefit cost – prior year	$ 343,111,214	$ 478,489,192	$ 27,246,276	$ 26,800,082
b. Net transition asset (obligation) recognized	(5,155,778)	(5,155,778)	-	-
c. Net prior service cost (credit) arising during the period	-	-	-	-
d. Net prior service (cost) credit recognized	(1,468,071)	(1,473,908)	(929,079)	(929,079)
e. Net (gain) loss arising during the period	57,238,110	(24,434,976)	3,699,188	1,375,273
f. Net gain (loss) recognized	(16,190,243)	(104,313,316)	-	-
g. Items not yet recognized as a component of net periodic cost – current year	$ 377,535,232	$ 343,111,214	$ 30,016,385	$ 27,246,276

(6) Amounts in unassigned funds (surplus) expected to be recognized in the next fiscal year as components of net periodic benefit cost

	Pension Benefits 2018	Pension Benefits 2017	Postretirement Benefits 2018	Postretirement Benefits 2017
a. Net transition (asset) obligation	$ 2,896,044	$ 5,155,778	$ -	$ -
b. Net prior service cost (credit)	$ 1,381,982	$ 1,468,072	$ 929,079	$ 929,079
c. Net recognized (gains) losses	$ 22,530,756	$ 16,154,244	$ -	$ -

Notes to Financial Statements

(7) Amounts in unassigned funds (surplus) that have not yet been recognized as components of net periodic benefit cost

	Pension Benefits		Postretirement Benefits	
	2018	2017	2018	2017
a. Net transition (asset) obligation	$ 3,070,112	$ 8,225,890	$ -	$ -
b. Net prior service cost (credit)	$ 1,384,359	$ 2,852,430	$ 8,864,356	$ 9,793,435
c. Net recognized (gains) losses	$ 373,080,761	$ 332,032,894	$ 21,152,029	$ 17,452,842

(8) The following actuarial assumptions were used at December 31 in determining the reported plan benefit obligations and net periodic benefit costs for the majority of employees:

Weighted average assumptions used to determine net periodic cost as of December 31

	Pension Benefits		Postretirement Benefits	
	2018	2017	2018	2017
a. Weighted-average discount rate	3.75%	4.25%	3.75%	4.25%
b. Expected long-term rate of return on plan assets	5.00%	6.00%	5.00%	5.00%
c. Rate of compensation increase	4.50%	4.50%	4.50%	4.50%

Weighted-average assumptions used to determine net projected benefit obligations as of December 31

	Pension Benefits		Postretirement Benefits	
	2018	2017	2018	2017
d. Weighted-average discount rate	4.25%	3.75%	4.25%	3.75%
e. Rate of compensation increase	4.50%	4.50%	4.50%	4.50%

(9) See row 10 of the table in section 12A(1)a/b of this note for PBO or APBO required for this disclosure. The relative values underlying Pension Benefits (12A(1)a.10.) represented as accumulated benefit obligations (ABO) are $1,278,412,707 and $1,316,467,448 for 2018 and 2017, respectively. The relative embedded values underlying Postretirement Benefits (12A(1)b.10) represented as APBO for "not yet fully eligible actives" are $102,827,406 and $118,969,267 for 2018 and 2017, respectively.

(10) Not Applicable.

(11) Assumed health care cost trend rates have a significant effect on the amounts reported for the health care plans. Given assumed Corporation pricing and retiree utilization rates, it is assumed that trend rates and utilization rates will have an inverse relationship. Therefore, a one-percentage change in assumed health care cost trend rates would have the following effects:

	1 Percentage Point Increase	1 Percentage Point Decrease
a. Effect on total of service and interest cost components	$ (1,266,510)	$ 1,629,217
b. Effect on postretirement benefit obligation	$ (13,723,408)	$ 17,804,943

(12) The following estimated future pension benefit payments, which reflect expected future service, as appropriate, are expected to be paid in the years indicated:

Years	Amount
a. 2019	$ 173,610,319
b. 2020	$ 107,916,321
c. 2021	$ 107,987,586
d. 2022	$ 114,757,640
e. 2023	$ 112,792,563
f. 2024 through 2028	$ 586,590,870

Notes to Financial Statements

The following estimated expected future postretirement benefit payments *net of Medicare subsidy* are expected to be paid in the years indicated:

Years		Amount
a. 2019	$	28,592,094
b. 2020	$	25,983,164
c. 2021	$	25,932,238
d. 2022	$	25,337,370
e. 2023	$	25,042,459
f. 2024 through 2028	$	121,733,513

(13) Reference section A. above for contribution information

(14) – (20)

Net periodic pension costs of approximately $61,388,878 and $141,775,271 in 2018 and 2017, respectively, include allocations to DNL of approximately $2,551,670 and $3,115,201 in 2018 and 2017, respectively.

Net periodic postretirement benefit retiree health and life costs of approximately $25,326,068 and $26,261,327 in 2018 and 2017, respectively, include allocations to DNL of approximately $1,018,648 and $1,171,092 in 2018 and 2017, respectively.

For retiree health, prior service costs are amortized over the average future lifetime of participating employees expected to receive benefits under the plan. Gains and losses are amortized to the extent they exceed 10% of the APBO, over the average remaining service period of participating employees expected to receive benefits under the plan. For measurement purposes, a 6.50% annual rate of increase in the per capita cost of covered health care benefits was assumed for 2018, grading down each year by 0.22% for 7 years reaching 5.0% for 2025 and thereafter.

(21) Not Applicable.

B. Investment Policies & Strategies

The Corporation's investment policy is to employ a suitable combination of investment risk and rate of return to support the plans' emerging obligations. The Corporation uses a long-term approach to obtain a stable level of return based upon a diversified portfolio.

The defined benefit pension plan trust asset allocation as of the measurement date, December 31, 2018 and 2017, and the target asset allocation, presented as a percentage of total plan assets were as follows:

		2018	2017	Target Allocation
a.	Debt Securities	60%	43%	30% - 50%
b.	Equity Securities	40%	57%	50% - 70%
c.	Total	100%	100%	

At December 31, 2018, the Corporation's pension plan assets were invested approximately 51% in "Return Seeking" category vehicles and 49% in "Liability Hedging" category vehicles which underpins the above surface ratio. Effective 2018 the pure equity commitment allocation has a target of 35% but is combined with a target of 10% Higher Risk Fixed Income and 10% Alternatives, such as private equity or real estate funds, equating to a combined target of 55% referred to as "Return Seeking" with the remaining target commitment to traditional fixed income, including traditional forms of debt at 45%. During periods of relative market volatility, equity commitments may fall outside this range and during periods of investment selection distributions may fall outside this range. For 2019 reporting the Target Allocation range will be adjusted to reflect the Master Pension Trust's longer-term investment strategy of Fixed Income and Return Seeking. At December 31, 2017, the Corporation held more short-term debt securities to cover near term expected benefit payments and reallocated cash, as such, the shift from equity securities to short-term debt securities skewed the allocation at December 31, 2017 to appear as 49% for debt securities and 51% for equity securities, which was still within the Corporation's target range. The 2018 and 2017 ending periods do not precisely reflect the longer-term investment strategy of the Pension Master Trust.

C. Fair Value

All investment information disclosed in the below table of assets held at December 31, 2018 represent holdings within the separate HCSC Master Pension Trust reported or derived from information supplied to the Plan administrator, certified as complete and accurate by the Trustee consistent with Employee Retirement Income Security Act (ERISA) Reporting requirements.

Investments held in the Master Trust are stated at fair value. Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date (an exit price).

To measure fair value, a hierarchy has been established that requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs. As such, the hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets and liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3).

(1) Fair Value Measurement of Pension Plan Assets at Reporting Date

Description for Each Class of Plan Assets	(Level 1)	(Level 2)	(Level 3)	Total
Corporate Debt Instruments	$ -	$ 239,315,587	$ -	$ 239,315,587
U.S. Government Securities	-	143,075,416	-	143,075,416
Registered Investment Companies	-	85,656,634	-	85,656,634
Partnership/Joint Venture Interest	-	76,542,265	-	76,542,265
Other	-	7,505,784	-	7,505,784
Subtotal	$ -	$ 552,095,686	$ -	$ 552,095,686
Investments measured at NAV as a practical expedient:				
Common/Collective Trusts[a]				964,701,143
Pooled Separate Accounts[b]				10,315,623
Total Assets at Fair Value				$ 1,527,112,452
Other				1,624,641
Total Plan Assets				$ 1,528,737,093

(a) These funds offer a range of risk/return characteristics and performance goals are to consistently outperform benchmarks, other funds, or certain indexes. The fund reserves the right to restrict contributions and withdrawals (e.g., imposing dollar limits to avoid any limitations or impact across the fund as a result of market conditions).
(b) Investments in this category seeks to add +150 basis points of annualized excess return over a broad U.S. bond market index over a full market cycle (three to five years) by emphasizing relative value based sector allocation, research-based security selection, and modest duration and yield curve positioning. Full or partial withdrawals require written request of withdrawal. At their sole discretion, the funds in this category may restrict withdrawals (e.g., requiring advance written notification and/or imposing dollar limits on the maximum amount allowed to be withdrawn).

(2) Not Applicable

(3) Common stocks are valued at the closing market prices of the principal market on which the stocks are traded. Corporate debt instruments and U.S. Government securities are valued at the last quoted bid price. Shares of registered investment companies are valued based on published market prices, which represent the net asset value (NAV) of shares held by the Master Trust at year end. Investments in common/collective trusts, and pooled separated accounts have been estimated using the NAV per share, as a practical expedient.

D. Estimates and Assumptions Used to Determine Benefit Obligations and Costs

The preparation of financial statements in conformity with accounting practices prescribed or permitted by the DOI requires various estimates and assumptions that affect the reporting of net periodic benefit cost, plan assets, and plan obligations at the date of the financial statements. Significant estimates that relate to the calculation of benefit plan obligations are the discount rate and expected long-term rate of return on plan assets. The discount rate used to determine the present value of the plan benefit obligations as of December 31 is based upon published investment grade, long-term corporate bond yields. The expected long-term rate of return on the plan assets is based on an analysis of expected plan assets and recent economic conditions with a longer-term view.

E. Defined Contribution Plans

The Corporation sponsored one primary and one secondary smaller materially identical defined contribution 401(k) plan during 2018 and during 2017 a secondary plan coexisted, together covering the majority of its employees. The primary plan covers the Illinois, Montana, Texas, New Mexico and Oklahoma based employees as well as DNL. Note, the separate but materially identical small plan currently covers Medecision and Innovista employees, which Innovista, LLC adopted effective January

2018. Chicago-based and Naperville Unit-based union employees are covered by the primary plan effective January 1, 2018 when the secondary plan was combined. The 401(k) plans allow immediate eligibility and provide an automatic enrollment feature. Participants may elect to contribute a portion of their salary, which will be matched (subject to vesting), in part, by the Corporation. The total expense incurred by the Corporation related to matching employee contributions was $49,592,247 and $45,610,000 in 2018 and 2017, respectively (excluding DNL, Medecision, Innovista and 2017 AHP portions of $2,515,038 and $3,850,000 for 2018 and 2017, respectively). At December 31, 2018 and 2017, the fair value of plan assets was $1,828,560,515 and $1,877,688,000, respectively, excluding participant account loans of $48,145,545 and $44,600,000, respectively.

The Corporation also provides a non-qualified deferred compensation plan for a select group of employees, and a non-qualified excess benefit plan (non-qualified pension benefit restoration plan) for certain highly compensated employees limited in their qualified defined benefit by IRS rules. The Corporation continues to administer-out any benefits in pay status assumed as a liability for smaller closed non-qualified benefit restoration type plans resulting from mergers or acquisitions in past.

F. Multiemployer Plans

Not Applicable.

G. Consolidated/Holding Company Plans

Not applicable.

H. Postemployment Benefits and Compensated Absence

The Corporation accrues a liability for “Paid Time Off” based on Corporate policies and procedures, until used, lost or paid (while active or at termination). The Corporation also makes a provision for full value of any unpredictable short-term liability that arises if a selected individual would be paid any salary allowance post termination.

I. Impact of Medicare Modernization Act on Postretirement Benefits (INT 04-17)

The Medicare Prescription Drug, Improvement and Modernization Act of 2003 (the Act) was signed into law in December 2003. The Act expanded Medicare to include coverage for prescription drugs. This change can affect the measurement of the APBO and the net periodic postretirement cost for the plan because this legislation will reduce the Corporation’s costs for some of the benefit programs it sponsors. The Corporation has been initially approved to claim a subsidy from the federal government for 2018 and 2017, having received approximately $1,200,000 in both years. This amount is included as a reduction to 2018 and 2017 net periodic benefit costs and is included in the plan participant contribution line item. The accrued cost result without the Medicare savings reflected at December 31, 2018, is estimated to have been approximately $260,000,000.

13. Capital and Surplus, Shareholders’ Dividend Restrictions and Quasi-Reorganizations

(1- 8) Information regarding capital stock, dividends, dividend restrictions and surplus restrictions.

Not Applicable.

(9) Special Surplus Funds.

Special surplus funds are the estimated pro-rata amount of the ACA health insurer fee payable expected to be paid in the following year. There was no health insurer fee payable as of December 31, 2018 as the *H.R. 195, Division D – Suspension of Certain Health-Related Taxes, § 4003* suspended collection of the health insurance provider fee for the 2019 calendar year. The Corporation reported special surplus funds of $577,828,765 as of December 31, 2017 as the fee was payable in 2018.

The Corporation has an HMO Restricted Surplus fund of $876,267 and $931,834 as of December 31, 2018 and 2017, respectively. The fund is to be used to improve medical care in Illinois with an emphasis on preventative health services.

(10) Portion of unassigned funds (surplus) represented by net unrealized gains.

$245,037,251 as of December 31, 2018.

(11) Surplus Notes.

Not Applicable.

Notes to Financial Statements

(12-13) Quasi-Reorganizations

Not Applicable

14. Liabilities, Contingencies and Assessments

A. (1) Contingent Commitments

The Corporation and its wholly owned subsidiary, Medecision, are parties to a Loan Agreement with a maximum aggregate loan amount of up to $30,000,000 and a maturity date of June 30, 2020. As of December 31, 2018 and 2017, Medecision had no outstanding loan balance with the Corporation. Therefore, the principal amount available for borrowing by Medecision was $30,000,000 as of December 31, 2018.

The Corporation and its wholly owned subsidiary Innovista, LLC are parties to a Loan Agreement with a maximum aggregate loan amount of up to $5,000,000 and a maturity date of April 1, 2020. As of December 31, 2018, Innovista, LLC had no outstanding loan balance with the Corporation. Therefore, the principal amount available for borrowing by Innovista, LLC was $5,000,000 as of December 31, 2018.

In acquisitions (through merger or otherwise), the Corporation has or may have agreed to pay or guarantee the obligations of the acquired entity to (a) maintain existing indemnification rights for a period of time to the current or former officers, directors or employees of the acquired entity for liabilities for acts or omissions occurring at or prior to the date of the acquisition, and (b) purchase "tail" insurance coverage on behalf of the acquired entity's officers and directors with an extended reporting period of claims from the date of acquisition. Some of these commitments may continue to be in effect and the potential for future payments is unknown. The Corporation has not recorded any liabilities to cover these types of agreements or commitments.

(2) Guarantees

1 Nature and circumstances of guarantee and key attributes, including date and duration of agreement.	2 Liability recognition of guarantee. (Include amount recognized at inception. If no initial recognition, document exception allowed under SSAP No. 5R.)	3 Ultimate financial statement impact if action under the guarantee is required.	4 Maximum potential amount of future payments (undiscounted) the guarantor could be required to make under the guarantee. If unable to develop an estimate, this should be specifically noted.	5 Current status of payment or performance risk of guarantee. Also provide additional discussion as warranted.
Under certain ASC agreements (and a small number of agreements related to insured contracts), the Corporation has provided guarantees related to its operational and financial performance. The Corporation's primary responsibilities relate to claims processing, provider discounts and trend guarantees. The Corporation recorded an estimated liability of $34,954,511 for this guarantee as of December 31, 2018.	$34,954,511	Expense	No limitation to maximum	The Corporation believes it has recognized all obligations under these agreements at December 31, 2018.

Notes to Financial Statements

The Corporation has guaranteed, to the full extent of its assets, all the contractual and financial obligations to the customers of its 14 wholly owned health insurance subsidiaries for liabilities arising while they are licensed under BCBSA. The Corporation has not recorded any liabilities to cover these types of agreements and commitments.	$ 0	Investment in SCA	No limitation to maximum	No action is anticipated under any of these guarantees.
A) The Corporation has an on-going obligation under a 100% indemnity reinsurance agreement with BlueLincs. The reinsurance agreement automatically expires without notice on December 31, 2020. B) Guarantee the payment of authorized and covered health claims in the event of the insolvency or cessation of business of BlueLincs. This guarantee does not terminate.	$ 0	Investment in SCA	No limitation to maximum	No action is anticipated under these guarantees. However, the Corporation has a $112,000 liability recorded for reinsurance payable on paid and unpaid losses as of December 31, 2018.
In acquisitions (through merger or otherwise), the Corporation has or may have agreed to pay or guarantee the obligations of the acquired entity (see accompanying disclosure). Some of these commitments may continue to be in effect and the potential for future payments is unknown.	$ 0	Expense or Investment in SCA	No limitation to maximum	No action is anticipated under any of these guarantees.
Under various vendor contracts, the vendor provides products or services to the Corporation and certain subsidiaries and affiliates, and the Corporation may explicitly or implicitly guarantee the obligations of these subsidiaries and affiliates. The Corporation has not recorded any liabilities to cover these types of agreements or commitments.	$ 0	Investment in SCA	No limitation to maximum	No future payments under these guarantees are anticipated.
Total	$ 34,954,511		$ -	XXX

(3) Aggregate Compilation of Guarantees

a. Aggregate Maximum Potential of Future Payments of All Guarantees (undiscounted) the guarantor could be required to make under guarantees. (Should equal total of Column 4 for (2) above.) $ -0-

b. Current Liability Recognized in F/S:
1. Noncontingent Liabilities $ 34,954,511
2. Contingent Liabilities $ -0-

Notes to Financial Statements

c. Ultimate Financial Statement Impact if action under the guarantee is required.

1. Investments in SCA	$	-0-
2. Joint Venture	$	-0-
3. Dividends to Stockholders (capital contribution)	$	-0-
4. Expense	$	-0-
5. Other	$	-0-
6. Total (Should equal (3)a.)	$	-0-

B. Assessments

(1) On March 1, 2017, the Commonwealth Court of Pennsylvania approved the Order of Liquidation for Network America Insurance Company and its subsidiary, American Network Insurance Company, (collectively, Penn Treaty). The Corporation and other insurers are required to pay a portion of Penn Treaty's policyholder claims through state guaranty association assessments and pursuant to applicable state laws. Based on available information, the Corporation's share of the assessment obligations on a discounted basis is approximately $39,755,000, net of $43,800,000 estimated premium tax credits, which was charged to operations in 2017. See (3) for additional information on the assessment payable and related assets.

Other Consumer Operated and Oriented Plan (Co-Op) programs and long-term care insurance companies (LTC) in various states have established premiums that may be insufficient to cover the cost of care and administrative expenses for their members, which may result in increased insolvencies covered by state insolvency or guaranty association laws. In that event, the Corporation may experience increased guaranty association assessments, the amount and timing of which is uncertain. Given this uncertainty around whether, and to what extent, there may be an increase in Co-op or LTC insolvencies, and if so, the amount and timing of any associated future guaranty fund assessments and the availability and amount of any potential premium tax credits and other offsets, the Corporation currently cannot estimate its net exposure, if any, to potential liquidations of Co-Op programs or LTC in various states. At the time of a formal order of liquidation being entered, the Corporation will assess the need to record an estimated liability and expense for the applicable reporting period, which could be material to the Corporation's operating results.

(2)

a. Assets recognized from paid and accrued premium tax offsets and policy surcharges prior year-end	$	3,923,011
b. Decreases current year:		
Credits Utilized		1,824,125
c. Increases current year:		
Accruals		2,128,230
d. Assets recognized from paid and accrued premium tax offsets and policy surcharges current year-end	$	4,227,116

(3)

a. Discount rate applied 3.50%

b. The Undiscounted and Discounted Amount of the Guaranty Fund Assessments Payables and Related Assets related to guaranty fund assessments as of December 31, 2018.

Name of the Insolvency	Guaranty Fund Assessment		Related Assets	
	Undiscounted	Discounted	Undiscounted	Discounted
Penn Treaty	$ 22,459,466	$ 18,971,752	$ 50,689,854	$ 45,259,681

c. Number of Jurisdictions, Ranges of Years Used to Discount and Weighted Average Number of Years of the Discounting Time Period for Payables and Recoverables by Insolvency as of December 31, 2018.

Name of the Insolvency	Payables			Recoverables		
	Number of Jurisdictions	Range of Years	Weighted Average Number of Years	Number of Jurisdictions	Range of Years	Weighted Average Number of Years
Penn Treaty	1	7	7	22	5 to 20	6

C. Gain Contingencies

Not Applicable

D. Claims Related Extra Contractual Obligation and Bad Faith Losses Stemming from Lawsuits

No claims related to extra contractual obligations and bad faith losses stemming from lawsuits were material, individually or in the aggregate.

E. Joint and Several Liabilities

Not Applicable

F. All Other Contingencies

In re Blue Cross Blue Shield Antitrust Litigation, Multidistrict Litigation (MDL) 2406. This matter pending in the U.S. District Court for the Northern District of Alabama relates to a series of now consolidated putative antitrust class actions filed on behalf of both an alleged provider class (Conway, et al.) and an alleged subscriber class (Galactic Funk Touring, et al.), against all Blue Cross and Blue Shield Plans, including the Corporation's five divisions, various related entities and the Association (collectively, the Defendants). The provider cases generally seek to certify two national classes: an injunction class of all providers in the country and a damages class of all providers who provided services to a Blue Plan subscriber. The subscriber class seeks to certify a nationwide class seeking injunctive relief relating to certain Blue Cross and Blue Shield Association rules and regulations, and state damages classes of subscribers who bought individual or small group health insurance from the Blues Plans operating in at least 20 different states, including BCBSTX, BCBSMT, BCBSOK, and BCBSIL. The Court denied Defendants' motions to dismiss both complaints in June 2014. Both classes filed amended complaints in late 2014 and again in April 2017. The Court denied Defendants' motion to dismiss the amended provider complaint filed in April 2017. On April 5, 2018, the Court granted Plaintiffs' motion for summary judgment and concluded that certain aspects of the Blue system in the aggregate will be reviewed under the per se standard of review. On April 16, 2018, Defendants filed a motion under 28 U.S.C. § 1292(b) seeking to have the Court amend and certify its April 5th order for immediate interlocutory appeal. The Court granted Defendants' § 1292(b) motion on June 12, 2018. Defendants subsequently filed their petition for permission to appeal the District Court ruling to the Eleventh Circuit on June 22, 2018. On July 9, 2018, Defendants filed a motion for leave to file a reply in support of their petition to the Eleventh Circuit. On December 12, 2018, the Eleventh Circuit denied Defendants' petition for permission to appeal the District Court's April 5, 2018 ruling under 28 U.S.C. § 1292(b). The Court will soon issue a scheduling order setting dates up to trial.

Piercy, Deborah and Lisa Tomazolli, on behalf of themselves and others similarly situated v. HCSC d/b/a Blue Cross Blue Shield of Illinois, Case No. 12-L-28. This is a putative class action lawsuit served in September 2012 and filed in the Circuit Court for the First Judicial Circuit, Union County, Illinois against BCBSIL. The complaint alleges violations of Illinois antitrust law and unjust enrichment, and challenges certain alleged provisions of BCBSIL provider contracts. Plaintiffs seek to certify an Illinois statewide class of persons and entities who paid health insurance premiums for individual or small group full-service commercial health insurance. The Association moved to intervene in the case as a defendant, and the Court granted the Association's motion. On January 7, 2013, BCBSIL and the Association filed a Motion to Transfer the case to the Circuit Court of Cook County, Illinois, which is pending. A joint Motion to Dismiss filed by BCBSIL and the Association remains pending in Union County. This case has not been consolidated in the Northern District of Alabama due to a lack of federal jurisdiction as currently pled. The parties have stipulated that the case will be stayed through the disposition of all pretrial proceedings in the multidistrict antitrust litigation pending in the Northern District of Alabama.

Notes to Financial Statements

Haley Murphy, Individually, and as a Class of Representatives on behalf of the Class Constituting all similarly situated citizens and residents of Oklahoma who are insured by Blue Cross Blue Shield of Oklahoma, Inc. v. Blue Cross Blue Shield of Oklahoma, Inc., Case No. CJ-2005-85. This is a putative class action lawsuit filed on February 9, 2005 in the District Court of Canadian County, State of Oklahoma. The suit alleges BCBSOK violated the Insurance Code and consumer protection statutes relating to a policy pregnancy maternity benefit waiting period. Plaintiff alleged breach of contract, unjust enrichment and bad faith claims, seeking compensatory and punitive damages and injunctive relief. This matter was stayed for several years to allow the Oklahoma Department of Insurance to address certain issues presented in the case, which were deemed by the Court to be within the Department's jurisdiction. The case reactivated in October 2013 when the Court granted plaintiff's motion to lift the stay and plaintiff filed their First Amended Petition. On April 15, 2014, the Court granted BCBSOK's motion to dismiss with regard to Plaintiff's bad faith, breach of contract, and injunctive relief claims, leaving only Plaintiff's unjust enrichment claim proceeding in the case. On July 25, 2014, BCBSOK filed a motion to reinstate the stay, which was granted on August 29, 2014. On March 16, 2016, Plaintiff filed a second motion to lift the stay, and the Corporation's response was filed April 4, 2016. On April 22, 2016, the Court granted Plaintiff's motion to lift the stay, and the case is proceeding on the remaining unjust enrichment claim.

Elizabeth A. Craft; and Jane Doe, a minor, by her next friend and parent, Elizabeth A. Craft; on their own behalves and on behalf of all others similarly situated v. Health Care Service Corporation, Case No. 1:14-cv-05853. This is a putative class action filed on July 30, 2014 in the United States District Court for the Northern District of Illinois. The suit contends ERISA and federal mental health parity rule violations. Plaintiffs withdrew their motion for preliminary injunction without prejudice, but the complaint remains pending. On March 25, 2015, the Court denied the Corporation's motion to dismiss. Plaintiffs' amended complaint was filed on May 15, 2015, and the Corporation filed its motion to dismiss and motion to sever on June 12, 2015. On March 31, 2016 the Court granted in part and denied in part the motion to dismiss and granted the Corporation's motion to sever. As a result of the order on the motion to sever, new complaints were filed in Craft and the matter of Doe, et al. v. Health Care Service Corporation. See Doe, et al. v. HCSC, infra. The Corporation's answer to the new Craft complaint was filed on May 23, 2016. Discovery is proceeding. Plaintiffs filed their motion for class certification on January 13, 2017. At the request of the parties, the Court stayed additional briefing to allow the parties to discuss possible resolution. The case has now settled and a hearing on the motion for preliminary approval took place on September 20, 2017, where the Court entered the preliminary settlement approval order. The Court entered the final settlement approval order on February 26, 2018. On September 14, 2018, Plaintiffs moved to modify administration of the settlement by extending distribution deadline. On October 26, 2018, the Court granted the motion and allowed additional time to complete distributions to class members who had not yet cashed their settlement distributions.

Susan Priddy, Craig Fischer, Jan Yard, Prairie Analytical Systems, Inc., Metro Chicago Surgical Oncology, LLC, Mark Schacht, M.D., Neil Friedman, M.D., Suraj Demla, Jeffrey Rose, Ad-Libs Advertising, Inc. and Michael Biebler, individually and on behalf of all other individuals similarly situated who are beneficiaries or dependents of beneficiaries of health care coverage provided or administered by Defendant and employers or individuals who purchased on their own behalf or on behalf of their employees and their beneficiaries health insurance coverage underwritten, administered, or otherwise provided by Health Care Service Corporation, an Illinois Mutual Reserve Insurance Company d/b/a Blue Cross and Blue Shield of Illinois, Blue Cross and Blue Shield of Montana, Blue Cross and Blue Shield of New Mexico, Blue Cross and Blue Shield of Oklahoma, and Blue Cross and Blue Shield of Texas v. Health Care Service Corporation, an Illinois Mutual Reserve Insurance Company d/b/a Blue Cross and Blue Shield of Illinois, Blue Cross and Blue Shield of Montana, Blue Cross and Blue Shield of New Mexico, Blue Cross and Blue Shield of Oklahoma, and Blue Cross and Blue Shield of Texas and by and through its various affiliates and related entities, Case No. 3:14-cv-03360-SEM-TSH. This is a putative class action lawsuit filed on November 21, 2014 in the United States District Court for the Central District of Illinois. The suit alleges that the provider discounts and profits received from affiliates and subsidiaries are "benefits" that the Corporation allegedly kept for itself in violation of ERISA and state law and that such practices have allegedly resulted in excessive co-payments, coinsurance, premiums, and administration fees for Plaintiffs. Plaintiffs seek to certify five separate classes along with several kinds of relief, including compensatory damages, appointment of a receiver, an accounting, and a "reformation" of plan documents to reflect that participants and beneficiaries are required to pay coinsurance based on "the actual and eventual payment by [the Corporation]" to the Corporation-contracted providers or drug suppliers. Plaintiffs filed an amended complaint on February 10, 2015. On March 22, 2016, the Court granted in part and denied in part the Corporation's motion to dismiss, allowing certain ERISA claims and Illinois common law claims to proceed. On April 4, 2016, the Corporation filed an answer denying the material allegations in the complaint and also filed a motion for reconsideration of` a portion of the Court's ruling. On March 24, 2016, Plaintiffs filed a motion to certify the classes of the individual Plaintiffs, which was granted on October 11, 2016. On August 31, 2017, the United States District

Court for the Seventh Circuit reversed the district court's certification order, and the case was reassigned to United States District Judge Sara Darrow and Magistrate Judge Jonathan Hawley for all future proceedings in the district court. Class discovery is pending pursuant to a June 25, 2018 order and is scheduled to be complete by August 27, 2018. All discovery is to be complete by May 25, 2019, and a jury trial is currently set for November 18, 2019.

Foley & Kelly, LLC, derivatively on behalf of Health Care Service Corporation, Patricia Hemingway Hall, Colleen Reitan, and Paula Steiner, No. 15-CH-695. This is derivative action filed on October 8, 2015 in the Circuit Court of St. Clair County, Illinois. The plaintiff purports to sue derivatively on behalf of the Corporation and alleges that Hall, Reitan and Steiner breached fiduciary and other obligations by not having the Corporation share profits from subsidiaries and affiliates, including Prime Therapeutics, with owners of the Corporation. A second amended complaint was filed on March 11, 2016, substituting Foley & Kelly, LLC as plaintiff and adding Paula Steiner as a defendant. Defendants filed a motion to dismiss which was granted in part and denied in part on December 21, 2016. The Corporation and the individual defendants answered the remaining claims on February 10, 2017. A motion for leave to file a third amended complaint was filed on May 22, 2017 and granted on August 11, 2017. On May 11, 2017, Defendants filed a Motion to Transfer for Forum Non Conveniens to the Circuit Court of Cook County, Illinois. On September 1, 2017, the Corporation filed a motion to dismiss Count IV of the third amended complaint. On September 26, 2017, the Corporation filed a motion to stay discovery with respect to Count IV. On October 31, 2018, the court denied Defendants' Motion to Transfer for Forum Non Conveniens. A petition for leave to appeal that order to the Fifth District Appellate court was denied on January 3, 2019. On January 14, 2019, the Court set a discovery deadline of January 24, 2020, with dispositive motions due February 21, 2020. Trial is currently scheduled for May 2020.

The Depot, Inc., a Montana Corporation, Union Club Bar, Inc. a Montana Corporation, and Trail Head, Inc., a Montana Corporation, on behalf of themselves and all those similarly situated, v. Caring for Montanans, Inc., f/k/a Blue Cross and Blue Shield of Montana, Inc., Health Care Service Corp., and John Does I-X., Case. No. 9:16-cv-00074-DLC. This is a putative class action filed on June 13, 2016 in the United States District Court for the District of Montana. The suit alleges that BCBSMT (between 2006 and 2013) and the Corporation (between 2013 and 2014) charged employers participating in the Montana Chamber of Commerce "Chamber Choices" insurance product surcharge amounts in excess of the medical premium, which amounts were paid back to the Montana Chamber of Commerce. Plaintiffs also seek to hold the Corporation responsible for BCBSMT's actions prior to 2013. Plaintiffs assert claims under ERISA, for fraudulent inducement, constructive fraud, negligent misrepresentation, and unjust enrichment, and under the Montana Unfair Trade Practices Act. Plaintiffs seek to certify a class of "all employers who purchased Chamber Choices health insurance policies from [Defendants] and who made premium payments that included surcharges in excess of the medical premium as described herein within the applicable limitations periods." The Corporation filed a motion to dismiss and motion to stay discovery on August 11, 2016. The Court granted the motion to dismiss, without prejudice, on February 14, 2017. Plaintiffs filed an amended complaint on March 8, 2017. The Court granted Defendants' motion to dismiss that amended complaint on June 23, 2017, with prejudice. Plaintiffs appealed, and on February 6, 2019, the Ninth Circuit Court of Appeals issued a decision affirming in part and reversing in part the dismissal, and remanding the case to the district court.

Michael Sullivan, individually and as a taxpayer of Waukegan Community School District #60 and on behalf of all other individuals or other entities in Illinois similarly situated v. Health Care Service Corporation et al., Case No. 16 CH 1246. This is a putative class action filed on August 18, 2016 in the Circuit Court of the 19th Judicial Circuit, Lake County, Illinois. The suit alleges that the Corporation has collected and continues to collect unauthorized charges on billings it submits to the Waukegan Community School District #60. Plaintiff also alleges that the Corporation has improperly inflated the prices for prescription drugs supplied to Waukegan Community School District #60 employees through companies affiliated with HCSC. The Corporation was served on August 22, 2016, and its motion to dismiss was filed on October 21, 2016. The motion was due to be fully briefed by November 15, 2016, and a hearing was held on December 2, 2016. On February 3, 2017, the first amended complaint was dismissed without prejudice. Plaintiffs filed a second amended complaint on February 24, 2017 adding several individual Corporation officers and directors as defendants, and the Corporation filed its motion to dismiss on March 17, 2017. The individual defendants' motions to dismiss were filed on May 15, 2017. On September 22, 2017, the court granted the individual defendants' motion to dismiss in its entirety, and the individual defendants were dismissed with prejudice. On that same date, the court granted in part the Corporation's motion to dismiss in its entirety other than Count III of the second amended complaint. On October 20, 2017, the Corporation filed its answer in response to that count. Plaintiff filed motions for class certification, partial summary judgment and preliminary injunction on November 21, 2017. A hearing on Plaintiff's motions for partial summary judgment and preliminary injunction was held between April 16 and 18, 2018, and the Court entered orders denying these motions on May 30, 2018. On June 11, 2018, plaintiff filed a notice of interlocutory appeal of the court's May 30 orders.

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The briefing on that interlocutory appeal is complete. In the trial court, the court denied plaintiff's motion for class certification on September 14, 2018.

Laura Briscoe and Kristin Magierski, and Emily Adams, on behalf of themselves and all others similarly situated v. Health Care Service Corporation; and Blue Cross and Blue Shield of Illinois, Case No. 1:16-cv-10294. This is a putative class action filed on November 2, 2016 in the United States District Court for the Northern District of Illinois. Plaintiffs allege that the Corporation did not comply with ACA mandates by failing to establish a network of trained providers of comprehensive lactation support and counseling services, which Plaintiffs allege resulted in women either foregoing preventative services or paying more by going out-of-network to obtain the services. Plaintiffs amended the original complaint to add Plaintiff Adams and filed a Second Amended Complaint following the court's dismissal of three of the five original counts. The court also dismissed ERISA claims made on behalf of Adams. The Second Amended Complaint now contains two counts. Count I, brought on behalf of ERISA members and beneficiaries, including Briscoe, alleges a violation of ERISA for breach of fiduciary duty alleging that the Corporation has failed to "provide either in-network lactation service providers within a reasonable distance of the plan participants and/or beneficiaries or full coverage of out-of-network lactation service providers for plan participants and/or beneficiaries who do not have in-network lactation service providers within a reasonable distance." Count II, purportedly brought on behalf of non-ERISA members and beneficiaries including Magerski and Adams (whose claims were repled in this manner), alleges the Corporation violated the ACA mandate relating to comprehensive lactation support and counseling services. The Plaintiffs seek to certify two classes – one based on ERISA members and beneficiaries and one based on non-ERISA members and beneficiaries of non-Grandfathered health plans insured or administered by the Corporation since August 1, 2012 who did not receive full coverage and/or reimbursement for comprehensive lactation benefits. The close of fact discovery is scheduled for March 27, 2019, and the close of expert discovery is set for July 26, 2019. Briefing on motions for class certification is scheduled to be complete by October 18, 2019, and a hearing on class certification is set for November 7, 2019.

Nora Candelaria, and all others similarly situated under 29 USC § 216(b) v. Health Care Service Corporation, Case No. 2:17-cv-404. This is a putative class and collective action filed on April 3, 2017 in the United States District Court for the District of New Mexico. Plaintiff was formerly employed as a Member Care Coordinator at Blue Cross and Blue Shield of New Mexico. Plaintiff alleges that the Corporation misclassified the Member Care Coordinator position as exempt from overtime requirements and that she is owed unpaid overtime. On a Fair Labor Standards Act claim, Plaintiff seeks to represent a collective of all Member Care Coordinators (and other employees who perform care or utilization coordination or management job duties) employed by the Corporation since April 3, 2014, and on a New Mexico state-law claim, she seeks to represent a class of all Member Care Coordinators (and other employees who perform similar job duties) employed by the Corporation in New Mexico since April 3, 2014. The Corporation filed an answer on April 26, 2017. A number of additional former and current employees have opted in as plaintiffs since the filing of the suit. These opt-in plaintiffs hold or held several job titles other than Member Care Coordinator. Plaintiffs filed an amended complaint on August 23, 2017, to which the Corporation filed an answer on September 7, 2017. The deadline for Plaintiffs to file a motion for conditional certification of the collective action is currently stayed to permit the parties to engage in mediation.

Aperion Care, Inc, Bria Health Services, LLC, Everest Care Group, LLC, Grand Lifestyles, LLC, ICare Financial Services, Inc., Itex Company, Inc. Legacy Healthcare Financial Services, LLC, Maestro Consulting Services, LLC a/k/a Symphony Post-Acute Network, Villa Financial Services, LLC v. Illinois Department of Healthcare and Family Services, Aetna Medicaid Administrators, LLC, Meridian Health Plan, Inc., Community Care Alliance of Illinois, LLC, Illinicare Health Plan, Inc., Cook County, Cook County Health and Hospitals System, and CountyCare Health Plan, NextLevel Health Partners, Inc., WellCare Health Plans, Inc., Cigna Corporation, Humana, Inc., and Molina Healthcare of Illinois, Inc., Case No. 1:17-cv-08920. This is a putative class action filed on December 12, 2017 in the United States District Court for the Northern District of Illinois. The named plaintiffs operate long-term care (LTC) facilities in Illinois and filed on behalf of 37 Medicaid recipients against the Illinois Department of Healthcare and Family Services (HFS) and ten separate Illinois Medicaid managed care organizations (MCOs), including the Corporation. Of the 37 residents identified in the complaint, four are alleged to be Blue Cross and Blue Shield of Illinois Medicaid members. Plaintiffs allege that the defendant MCOs have failed to reimburse Medicaid claims within the time periods mandated by federal law and that such nonpayment violates the Federal Medicaid Act, the Americans with Disabilities Act (ADA), the Rehabilitation Act of 1973, and the United States Constitution. Plaintiffs seek to represent a class of Medicaid recipients at any of the plaintiff LTC facilities in obtaining a declaratory judgment ruling that the defendant MCOs are to, among other things, adhere to the federal statutes at issue. They also seek a temporary restraining order and preliminary injunctive relief. The Corporation filed a motion to dismiss on February 23, 2018, which the Court granted on August 29, 2018. Plaintiffs appealed, and the appellate briefing is scheduled to be complete by March 29, 2019.

Christina and Jeffrey Terry, husband and wife, each individually and on behalf of their minor child, G. Terry, and on behalf of all others similarly situated v. Health Care Service Corporation, a mutual legal reserve company, d/b/a Blue Cross and Blue Shield of Oklahoma, Case No. 5:18-cv-00415c. This is a putative class action filed on April 27, 2018 in the United States District Court for the Western District of Oklahoma. Plaintiffs allege that their claim for emergency air ambulance services from Rocky Mountain Holdings was improperly adjudicated. Plaintiffs allege breach of contract, bad faith, fraud, constructive fraud and misrepresentation, and also seek declaratory judgment. They seek to represent a class generally described as those who participated in BCBSOK individual policies from January 1, 2014 through the present who were balance billed for emergency services for an air ambulance provider and the claim was not retroactively made subject to the Rocky Mountain Holdings rate agreement or the balance bill exceeded the member's annual out of pocket limit. The Corporation filed a motion to dismiss on July 13, 2018, and the Court granted in part and denied in part the motion to dismiss on September 25, 2018. A scheduling conference took place on November 1, 2018. The Corporation filed a Motion for Summary Judgment and a Motion to Stay Proceedings on February 13, 2019. Discovery is to be complete by August 1, 2019, and trial is scheduled to begin on October 8, 2019.

Michael Komerski v. National Health Direct, LLC, a Florida limited liability corporation, Health Care Service Corporation, a Delaware corporation, Case No. 1:18-cv-5837. This is a putative class action filed in the Circuit Court of Cook County, Illinois on June 4, 2018. Plaintiff Michael Komerski alleges National Health Direct and the Corporation placed multiple unauthorized calls to consumers' cellular telephones. He seeks to recover damages and obtain injunctive relief under the Telephone Consumer Protection Act and seeks class status for his claims. Defendants removed the matter to federal court in August 2018, and the Plaintiff voluntarily dismissed the claim without prejudice on November 9, 2018.

J.R., by and through his parents and guardians, Ju.R. and Ja.R., individually, on behalf of similarly situated individuals, v. Blue Cross and Blue Shield of Illinois; Catholic Health Initiatives Medical Plan; and Catholic Health Initiatives, Case No. 2:18-cv-1191. This is a putative class action filed in the United States District Court for the Western District of Washington on August 14, 2018. Plaintiff J.R. alleges that the exclusion of coverage for Applied Behavior Analysis ("ABA") therapy to treat autism spectrum disorder ("ASD") in the Catholic Health Initiatives Medical Plan (the "Plan") is a violation of the Federal Mental Health Parity Act. Plaintiff seeks to represent a class of all individuals who have been, are or will be participants or beneficiaries under the Plan in effect or renewed on or after August 10, 2012 and who have received, require, or are expected to require ABA therapy for the treatment of ASD. Plaintiff, on behalf of himself and the putative class, asserts claims under ERISA and seeks, among other things, processing and reprocessing of previously excluded ABA therapy services on eligible claims on or after August 10, 2012, and an injunction to prevent any future or ongoing efforts by Defendants to enforce Plan exclusions or limitations of ABA therapy to treat ASD. The Corporation filed an answer on December 5, 2018. On January 15, 2019, the court set a deadline for completing discovery on class certification as July 19, 2019, and a deadline for Plaintiff to file a motion for class certification as August 19, 2019.

Kathleen Harper, as a Taxpayer of the City of Chicago, an Illinois Municipal Corporation and suing derivatively on behalf of the City of Chicago, an Illinois Municipal Corporation and as a Taxpayer of Cook County, Illinois, an entity of local government, and suing derivatively on behalf of the City of Chicago, an Illinois Municipal Corporation as well as Cook County, v. Health Care Service Corporation, an Illinois Corporation, Case No. 2018-L-010842. This is a putative class action filed in the Circuit Court of Cook County, Illinois on October 5, 2018. Plaintiff Kathleen Harper, as a taxpayer of the City of Chicago and Cook County, derivatively alleges that Illinois law prevents the City of Chicago and Cook County (the "City and County") from entering into a contract where the Corporation receives public funds in an amount that is not limited or disclosed to the public. She contends that the Corporation, as Third-Party Administrator for City and County employee health care plan(s), has collected and continues to collect unauthorized charges and/or imposes unauthorized surcharges on billings it submits to the City which are paid for out of public funds provided to the City and County by Plaintiff and other taxpayers similarly situated. Plaintiff further alleges the Corporation has improperly inflated charges for prescription drugs supplied to the City and County through companies it owns and/or controls. Plaintiff seeks monetary damages in an amount necessary to compensate Plaintiff, all other taxpayers of Chicago and Cook County, and on behalf of the City of Chicago and Cook County itself for the loss caused by the alleged conduct of the Corporation. On October 25, 2018, the Court granted Plaintiff leave to file a second amended complaint. The Corporation filed a motion to dismiss on January 4, 2019. A hearing is currently scheduled for February 19, 2019.

United States ex rel. Kuriyan v. Health Care Service Corporation, et al., No. 1:16-cv-01148-CG-KK (D.N.M.). On October 18, 2016, relator Jacob Kuriyan filed a complaint in the United States District Court for New Mexico on behalf of the United States and the State of New Mexico against Health Care Service Corporation, Molina Healthcare of New Mexico, Inc., Presbyterian Health Plan, Inc. and United Healthcare of New Mexico, Inc. The relator alleges that each of the defendants served as a Managed Care Organization

("MCO") for New Mexico's Medicaid program in 2014. The relator contends that each of the MCOs failed to meet the minimum 85 percent medical expense ratio in 2014 and failed to remit the balance to the state of New Mexico. The relator alleges that the MCOs, in total, owe a refund to the state of New Mexico of approximately $248 million. The relator asserts claims under the False Claims Act, the New Mexico Medicaid False Claims Act, and the New Mexico Fraud Against Taxpayers Act. On December 4, 2018, the United States and the state of New Mexico declined to intervene in the lawsuit, and the lawsuit was unsealed on December 12, 2018. HCSC has not been served.

The Corporation is also subject to legal and regulatory matters arising in the normal course of business. The Corporation believes that any liability that may result from any of these actions is unlikely to have a material adverse effect on the Corporation's financial position or results of operations.

15. Leases

A. Lessee Leasing Arrangements

Lessee operating leases are primarily for electronic data processing equipment with lease terms of one to five years and for office space with lease terms of one to fifteen years. Rental expense for 2018 and 2017 was approximately $146,310,207 and $158,981,766, respectively.

Certain rental commitments have renewal options with some of these renewals being subject to adjustments in future periods.

At December 31, 2018, the minimum aggregate rental commitments are as follows:

	Year Ending December 31	Operating Leases
1.	2019	$ 49,244,225
2.	2020	46,126,019
3.	2021	24,653,638
4.	2022	17,190,251
5.	2023	14,682,704
6.	Subsequent to 2023	28,208,617
7.	Total of all future years	$ 180,105,454

The amounts above include lease payments related to the current lease of the Corporation's former Richardson, Texas, headquarters building. These payments, which total approximately $8,302,080 from 2019 through 2020, will be paid by a third party as part of an agreement to lease a new building in Richardson, Texas, which the Corporation subsequently purchased in December 2010. The third party deposited $45,000,000 of the purchase price into an escrow fund at closing to satisfy the remaining lease obligations. The current market value of the fund is $12,854,032. However, the Corporation is still contingently liable if the third party does not make these payments.

B. Lessor Leasing Arrangements

Not Applicable.

16. Information about Financial Instruments with Off-Balance Sheet Risk and Financial Instruments with Concentrations of Credit Risk

Not Applicable.

17. Sale, Transfer and Servicing of Financial Assets and Extinguishments of Liabilities

A. Transfer of Receivables Reported as Sales

(1 - 2) See Note 21C for disclosure related to the sale of a portion of the Corporation's receivable due from the State of Illinois.

B. Transfer and Servicing of Financial Assets

See Note 11A for disclosure related to the borrowed funds secured by the Corporation's Medicaid premium receivable due from the State of Illinois.

C. Wash Sales

(1 - 2) Not Applicable.

18. Gain or Loss to the Reporting Entity from Uninsured Plans and the Uninsured Portion of Partially Insured Plans

A. Administrative Services Only Plans (ASO)

The claim payments related to MAPD's ASO uninsured plans and the uninsured portion of partially insured plans is as follows during 2018:

	ASO Uninsured Plans	**Uninsured Portion of Partially Insured Plans**	**Total ASO**
a. Net reimbursement for administrative expenses (including administrative fees) in excess of actual expenses	$ -	$ -	$ -
b. Total net other income or expenses (including interest paid to or received from plans)	-	-	-
c. Net gain or loss from operations	-	-	-
d. Total claim payment volume	135,677,911	-	135,677,911

B. ASC Plans

The loss from operations from ASC uninsured plans and the uninsured portion of partially insured plans was as follows during 2018***:***

	ASC Uninsured Plans	Uninsured Portion of Partially Insured Plans	Total ASC
a. Gross reimbursement for medical cost incurred	$ 57,695,483,461	$ -	$ 57,695,483,461
b. Gross administrative fees accrued	2,878,609,203	-	2,878,609,203
c. Other income or expenses (including interest paid to or received from plans)	-	-	-
d. Gross expenses incurred (claims and administrative)	60,617,622,862	-	60,617,622,862
e. Total net gain or loss from operations	$ (43,530,198)	$ -	$ (43,530,198)

C. Medicare or Other Similarly Structured Cost-Based Reimbursement Contracts

(1) Revenue from the Corporation's Indian Health Service contract for the year ended December 31, 2018 consisted of $14,094,583 for administrative fee income and there was no revenue for medical and hospital related services.

(2) As of December 31, 2018, the Corporation has recorded receivables from Indian Health Service of $2,344,082 and there are no receivables due from Medicare A.

(3) There were no allowances and reserves for adjustment of recorded revenues at December 31, 2018 in connection with the Corporation's Indian Health Service and Medicare A service contracts.

The Corporation has made no adjustment to revenue resulting from the audit of receivables related to revenues recorded in the prior period.

19. Direct Premium Written/Produced by Managing General Agents/Third Party Administrators

Not Applicable.

Notes to Financial Statements

20. Fair Value Measurements

A. Fair Value Measurement Techniques and Inputs

Fair values are based on quoted market prices when available. When market prices are not available, fair value is generally estimated using discounted cash flow analyses, incorporating current market inputs for similar financial instruments with comparable terms and credit quality (matrix pricing). In instances where there is little or no market activity for the same or similar instruments, the Corporation estimates fair value using methods, models, and assumptions that management believes market participants would use to determine a current transaction price. These valuation techniques involve some level of management estimation and judgment, which become significant with increasingly complex instruments or pricing models. Where appropriate, adjustments are included to reflect the risk inherent in a particular methodology, model, or input used.

The Corporation's financial assets and liabilities carried at fair value have been classified, for disclosure purposes, based on a hierarchy that gives the highest ranking to fair values determined using unadjusted quoted prices in active markets for identical assets and liabilities (Level 1) and the lowest ranking to fair values determined using methodologies and models with unobservable inputs (Level 3). An asset's or a liability's classification is based on the lowest-level input that is significant to its measurement. For example, a Level 3 fair value measurement may include inputs that are both observable (Levels 1 and 2) and unobservable (Level 3). There were no changes in valuation techniques from the prior period.

The levels of the fair value hierarchy are as follows:

Level Input	**Definition**
Level 1 –	Values are unadjusted quoted prices for identical assets and liabilities in active markets accessible at the measurement date.
Level 2 –	Inputs include quoted prices for similar assets or liabilities in active markets, quoted prices from those willing to trade in markets that are not active, or other inputs that are observable or can be corroborated by market data for the term of the instrument. Such inputs include market interest rates and volatilities, spreads, and yield curves.
Level 3 –	Certain inputs are unobservable (supported by little or no market activity) and significant to the fair value measurement. Unobservable inputs reflect the Corporation's best estimate of what hypothetical market participants would use to determine a transaction price for the asset or liability at the reporting date.
NAV –	NAV per share is the amount of net assets attributable to each share of capital stock (other than senior equity securities, that is, preferred stock) outstanding at the close of the period. It excludes the effects of assuming conversion of outstanding convertible securities, whether or not their conversion would have a diluting effect.

(1) Fair Value Measurements at Reporting Date

The following tables summarize fair value measurements by level as of December 31, 2018 for assets carried at fair value:

Description for each class of asset or liability	(Level 1)	(Level 2)	(Level 3)	NAV	Total
a. Assets at fair value					
Money Market Mutual Funds	$ -	$ -	$ -	$ 196,639,866	$ 196,639,866
Bonds					
Non-US Governments	-	65,425,037	-	-	65,425,037
Industrial and Misc	-	503,993,921	-	-	503,993,921
Hybrid Securities	-	9,863,657	-	-	9,863,657
Exchange Traded Funds as Identified by the SVO	288,019,877	-	-	-	288,019,877
Bank Loans	-	238,677,410	-	-	238,677,410
Total Bonds	288,019,877	817,960,025	-	-	1,105,979,902
Non-Affiliated Common Stock	70,522,231	26,751,286	-	867,203,550	964,477,067
Total assets at fair value	$ 358,542,108	$ 844,711,311	$ -	$ 1,063,843,416	$ 2,267,096,835
b. Liabilities at fair value	$ -	$ -	$ -	$ -	$ -
Total liabilities at fair value	$ -	$ -	$ -	$ -	$ -

(2-5) Not Applicable.

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B. Other Fair Value Disclosures

Not Applicable.

C. The following table provides the aggregate fair value for all financial instruments, excluding those accounted for under the equity method, by fair value hierarchy level as of December 31, 2018:

Type or Class of Financial Instrument	Aggregate Fair Value	Admitted Assets	(Level 1)	(Level 2)	(Level 3)	Net Value Asset (NAV)	Not Practical (Carrying Value)
Bonds							
U.S. Governments	$ 1,779,178,402	$ 1,795,105,381	$ -	$ 1,779,178,402	$ -	$ -	$ -
All Other Governments	147,994,130	147,006,627	-	147,994,130	-	-	-
U.S. States, Territories and Possessions	93,489,556	93,260,171	-	93,489,556	-	-	-
U.S. Political Subdivisions of States, Territories and Possessions	248,781,473	247,301,635	-	248,781,473	-	-	-
U.S. Special Revenue, Special Assessment	639,985,233	649,214,851	-	639,985,233	-	-	-
Industrial and Misc	6,915,945,805	7,026,762,993	-	6,915,945,805	-	-	-
Hybrid Securities	40,059,652	42,620,327	-	40,059,652	-	-	-
Exchange Traded Funds as Identified by the SVO	288,019,877	288,019,877	288,019,877	-	-	-	-
Bank Loans	268,835,841	268,787,255		268,835,841	-	-	-
Total Bonds	10,422,289,969	10,558,079,117	288,019,877	10,134,270,092	-	-	-
Non-Affiliated Common Stock	983,243,067	983,243,067	70,522,231	45,517,286	-	867,203,550	-
Other Invested Assets	518,461	539,463	-	518,461	-	-	-
Short Term Investments	14,703,447	14,703,447	-	14,703,447	-	-	-
Money Market Mutual Funds	196,639,866	196,639,866	-	-	-	196,639,866	-
Total	$ 11,617,394,810	$ 11,753,204,960	$ 358,542,108	$ 10,195,009,286	$ -	$ 1,063,843,416	$ -

D. Explanation if Fair Value is not practicable

Not Applicable.

E. Explanation if Fair Value is Measured by Using the NAV Practical Expedient

Not Applicable.

21. Other Items

A. Unusual or Infrequent Items

Not Applicable.

B. Troubled Debt Restructuring: Debtors

Not Applicable.

C. Other Disclosures

Organization

The Corporation operates as a mutual insurance company in Illinois. The Corporation is an independent licensee of the BCBSA and does business as Blue Cross and Blue Shield of Illinois (BCBSIL), Blue Cross and Blue Shield of Montana (BCBSMT), Blue Cross and Blue Shield of New Mexico (BCBSNM), Blue Cross and Blue Shield of Oklahoma (BCBSOK), and Blue Cross and Blue Shield of Texas (BCBSTX).

The Corporation underwrites and administers medical and dental insurance business through its operating divisions in the states of Illinois, Montana, New Mexico, Oklahoma, and Texas. The Corporation provides group and individual indemnity health insurance and managed health care products such as health maintenance organizations, participating provider/preferred provider options, point-of-service plans, and consumer-driven health plans. In addition, it also sells other products such as Medicare supplemental coverage, ASC, Medicaid, standalone Medicare Part D, MAPD, dual eligible, managed behavioral health, prescription drug, and vision coverages.

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Patient Protection and Affordable Care Act

The ACA created significant changes to health care coverage in the U.S., and subsequent regulatory actions and challenges to the ACA similarly had significant impact to the health care coverage market.

Consumers are protected by regulations that require a specific proportion of premium revenues be spent on clinical services and quality improvements. The ACA imposes minimum MLR for insured plans of 85% for the large group market and 80% for the individual and small group markets on an annual basis, requiring insurers to issue rebates to employers and/or members for the amount under the minimum. The ACA requires that insurers guarantee issuance of coverage to all individuals, regardless of health status, and limits how individual and small group health insurance is rated. The ACA risk adjustment program transfers funds to compensate insurers for enrolling higher risk members in the individual and small group markets. Most individuals are required under the ACA to obtain coverage or be subject to financial penalty, although such penalty has been repealed, effective in 2019. The ACA provides for premium and cost-sharing subsidies for individual health insurance to eligible persons through public exchanges. However, in October 2017, the decision to discontinue federal funding of these cost-sharing subsidies was announced. The ACA expanded Medicaid eligibility. The ACA imposes an annual fee on health insurance companies (however, the annual fee was suspended for 2017 and will be suspended for 2019).

These and other provisions of the ACA are having significant effects on the Corporation's current financial position and results of operations (particularly as the Corporation continues to offer exchange products in every county of all five states in which it operates), some effects of which are uncertain and could be material. As a result of the complexity of the ACA and its impact on the health care system, as well as the continually evolving legislative, regulatory, and litigation landscape surrounding the ACA, the Corporation continues to monitor the ACA's impact on the Corporation's financial position and results of operations, which could have a material impact on the Corporation's financial position or operating results.

Affordable Care Act Risk Adjustment

In February 2018, a U.S. District Court for the District of New Mexico ("District Court") vacated the use of statewide average premium in the 2014-2018 regulations for the Affordable Care Act's ("ACA") risk adjustment methodology in New Mexico Health Connections v. U.S. Department of Health and Human Services, et al., Case No. 1:16-cv-00878 JB/JHR ("NMHC v. HHS I"). In response, the Centers for Medicare and Medicaid Services ("CMS") suspended collections and payments under the ACA risk adjustment program for the 2017 benefit year in July 2018. However, CMS subsequently resumed risk adjustment collections and payments for the 2017 benefit year after CMS published a Final Rule ("2017 Final Rule") re-adopting the risk adjustment methodology for the 2017 benefit year (including the use of statewide average premium in that methodology). In December 2018, CMS also published a Final Rule re-adopting the risk adjustment methodology for the 2018 benefit year (including the use of state wide average premium in that methodology).

In August 2018, a separate legal action was filed in the District Court seeking to, among other things, vacate the 2017 Final Rule in New Mexico Health Connections v. U.S. Department of Health and Human Services, et al., Case No. 1:18-cv-00773 JB/KM ("NMHC v. HHS II"). In December 2018, the Defendants in NMHC v. HHS I filed a notice of appeal to the U.S. Court of Appeals for the Tenth Circuit. In February 2019, the parties in NMHC v. HHS II proposed to maintain the stay in that case until the resolution of NMHC v. HHS I in the Court of Appeals. As of December 31, 2018, the Corporation's financial statements reflect the risk adjustment balances for the rules currently in effect for the 2018 and 2017 benefit years.

State of Illinois Premium Receivables

The Corporation is a provider of health insurance coverage to the State of Illinois (the State) employees and their dependents. In 2009, the State notified the Corporation of the State's significant budget deficit. The State subsequently limited group premium payments to the Corporation based on its available cash. Additionally, the State operated without a budget from July 1, 2015 through July 5, 2017, which limited the State's Medicaid premium payments to the Corporation.

In 2017, the Corporation sold, without recourse, $397,014,443 of its receivable balance for the State employer group (group premiums). In 2018, the Corporation sold, without recourse, an additional $291,332,241 of its premium receivable balance for the group premiums. No gain or loss was reported on these transactions. (See Note 11A for information on the transfer of the State Medicaid receivable through a non-recourse loan.)

As of December 31, 2018, the Corporation has a total outstanding receivable balance from the State of $589,282,030. The total is comprised of $103,352,935 of employer group premiums, past due approximately three months, and $485,929,095 of Medicaid premiums, past due approximately two months. As of December 31, 2017, the Corporation had an outstanding receivable from the State of

$406,377,041, which was comprised of $143,336,460 of group premiums, past due approximately three months, and $263,040,581 of Medicaid premiums, past due approximately two months. The receivable is being treated as an admitted asset in its entirety in accordance with statutory accounting principles for receivables from government entities.

Comment on General Interrogatories Part 2 - Health Interrogatories 4.1 and 4.2.

The Corporation actively solicits health business in its five division states, Illinois, Montana, New Mexico, Oklahoma and Texas. To the best of its knowledge, all agreements within the scope of this question have been filed as required with the appropriate regulatory agency in Illinois, Montana, New Mexico, Oklahoma and Texas and the appropriate federal agency, with the exception of certain filings that are pending in the ordinary course of business.

With respect to individual policies, some residents of other states hold individual health policies that have not been filed in their state of residence because generally the policy was originally issued and delivered in Illinois, Montana, New Mexico, Oklahoma or Texas and the individual subsequently moved to that state after the policy was issued.

With respect to certificates provided to individual subscribers under agreements with group policyholders located in Illinois, Montana, New Mexico, Oklahoma or Texas, the Corporation has undertaken an initiative to file, as required by regulatory agencies of other states, certificate riders for health benefits and other patient rights mandated by such states for its residents who are insured under group insurance policies issued in Illinois, Montana, New Mexico, Oklahoma and Texas. The Corporation does not market or issue insurance policies in these other states. This filing initiative in other states is an on-going process. To date, the Corporation has focused on filing with appropriate regulatory agencies of other states certificate riders with medical benefits required for residents insured under Illinois, New Mexico, Oklahoma and Texas group policies. Other benefits or other requirements, such as medical benefits for residents insured under Montana group policies, dental, and other state mandates may require additional filings.

As the Corporation has obtained Certificates of Authority in additional states, it is in the process of filing or refiling certificate riders as required by those states, as well as filing stop loss policy forms in states where required. Either these stop loss policies are currently written by an affiliated insurance company or the Corporation had previously written these stop loss policies as an unauthorized insurer under applicable exemptions to that state’s certificate of authority requirements.

Comment on General Interrogatories Part 2 – Health Interrogatories 11.3 and 11.4 - minimum net worth of $1,500,000 required by State of Illinois

Illinois risk-based capital provisions may require substantially more net worth. Other states may also have minimum net worth requirements that apply to a foreign insurer.

D. Business Interruption Insurance Recoveries

Not Applicable.

E. State Transferable and Non-transferable Tax Credits

(1) Carrying Value of Transferable and Non-transferable State Tax Credits Gross of any Related Tax Liabilities and Total Unused Transferable and Non-transferable State Tax Credits by State and in Total.

Description of State Transferable and Non-transferable Tax Credits	State	Carrying Value	Unused Amount
Transferable State Credits	OK	$ 2,250,372	$ 2,250,372
Non-transferable state tax credits	NM	$ 4,227,116	$ 4,227,116
Total		$ 6,477,488	$ 6,477,488

(2) Method of Estimating Utilization of Remaining Transferable and Non-transferable State Tax Credits

Not Applicable.

(3) Impairment Loss

There is no impairment loss related to this asset.

(4) State Tax Credits Admitted and Nonadmitted

	Total Admitted	Total Nonadmitted
a. Transferable	$ 2,250,372	$ -
b. Non-Transferable	$ 4,227,116	$ -

F. Subprime-Mortgage-Related Risk Exposure

(1) The Corporation has defined its sub-prime related risk exposure as any investment which has exposure to underlying residential mortgage loans where the borrowers did not qualify for conventional prime rate loans because of, but not limited to, low credit ratings and/or less than conventional documentation of their income and/or net assets.

The Corporation, along with its investment advisors, regularly reviews its investments to determine its exposure to sub-prime related investments. The Corporation also holds an equity interest in its subsidiary DNL which has sub-prime mortgage related risk exposure. For all sub-prime investments, the exposure to unrealized losses consists of possible future changes in interest rates, credit spreads and other factors that could affect fair value.

The exposure to realized losses consists of changes in anticipated future cash flows or the need to recognize future OTTIs. The Corporation regularly reviews its investments and monitors changes that could affect valuation.

(2) Not Applicable - The Corporation does not engage in sub-prime mortgage lending.

(3) Direct exposure through other investments.

	Actual Cost	Book/Adjusted Carrying Value (excluding interest)	Fair Value	Other- Than-Temporary Impairment Losses Recognized
a. Residential mortgage backed securities	$ 53,718,663	$ 53,604,654	$ 52,937,375	$ -
b. Commercial mortgage backed securities	-	-	-	-
c. Collateralized debt obligations	-	-	-	-
d. Structured securities	14,567,786	14,716,351	15,928,823	-
e. Equity investment in SCAs *	4,518,175	4,564,012	4,590,815	-
f. Other assets	-	-	-	-
g. Total	$ 72,804,624	$ 72,885,017	$ 73,457,013	$ -

*The Corporation's subsidiary has investments in subprime mortgages. These investments comprise less than 0.20% of the Corporation's invested assets.

(4) Not Applicable – The Corporation does not engage in Mortgage Guaranty nor Financial Guaranty insurance coverage or underwriting

G. Retained Assets

Not Applicable.

H. Insurance-Linked Securities (ILS) Contracts

Not Applicable.

22. Events Subsequent

Management of the Corporation has evaluated all events occurring after December 31, 2018 through February 28, 2019, the date the statutory-basis financial statements were available to be issued, to determine whether any event required either recognition or disclosure in the financial statements. Based on this evaluation, no significant subsequent events occurred other than those disclosed in the financial statements.

Type I – Recognized Subsequent Events:

Not Applicable.

Type II – Non-recognized Subsequent Events:

Annual Fee Under Section 9010 of ACA

Notes to Financial Statements

On January 1, 2019, the Corporation will not be subject to an annual fee under Section 9010 of the ACA. H.R. 195, Division D – Suspension of Certain Health-Related Taxes, § 4003, suspends collection of the fee for the 2019 calendar year only. Thus, health insurance issuers are not required to pay these fees for 2019. Health insurers are required to pay these fees in 2020. This annual fee is allocated to individual health insurers based on the ratio of the amount of the entity's net premiums written during the preceding calendar year to the amount of health insurance for any U.S. health risk that is written during the preceding calendar year. A health insurance entity's portion of the annual fee becomes payable once the entity provides health insurance for any U.S. health risk for each calendar year beginning on or after January 1 of the year the fee is due. As of December 31, 2018, the Corporation has written health insurance subject to the ACA assessment and expects to conduct health insurance business in 2019, however, the Corporation will not pay this fee since it was suspended. Correspondingly, there will be no impact on special surplus or risk-based capital (RBC). Reporting the ACA assessment as of December 31, 2018, would not have triggered an RBC action level.

		2018	2017
A.	Did the reporting entity write accident and health insurance premium that is subject to Section 9010 of the federal Affordable Care Act (YES/NO)?	YES	YES
B.	ACA fee assessment payable for the upcoming year*	$ -	$ 577,828,765
C.	ACA fee assessment paid	604,530,655	-
D.	Premium written subject to ACA 9010 assessment*	-	$ 30,555,458,804
E.	Total Adjusted Capital before surplus adjustment (Five-Year Historical Line 14)	16,875,909,359	
F.	Total Adjusted Capital after surplus adjustment (Five-Year Historical Line 14 minus 22B above)	16,875,909,359	
G.	Authorized Control Level (Five-Year Historical Line 15)	1,313,396,159	
H.	Would reporting the ACA assessment as of December 31, 2018, have triggered an RBC action level (YES/NO)?	NO	

*Premium written subject to ACA 9010 assessment was calculated using the 2016 Supplemental Health Care Exhibit (SHCE). At the time of the filing of the 2017 Annual Statement, the Corporation had not filed the 2017 SHCE, therefore, the ACA fee assessment for the upcoming year was an estimate. In 2018, the Corporation reported there is no ACA fee assessment payable for the upcoming year due to the moratorium on the ACA fee for the 2019 calendar year.

Effective January 1, 2019, the Corporation entered into a reinsurance agreement with HISC, in which the Corporation shall assume 100% of HISC's total incurred medical liability for dates of service beginning January 1, 2019 under HISC's Medicaid agreement with the New Mexico Human Services Department (NM HSD). HISC shall pay a reinsurance premium in an amount equal to 93.1% of all Medicaid premiums earned under the NM HSD agreement, for the earned period beginning January 1, 2019. The agreement reprices annually.

In 2019, the Corporation will be preparing formal notices to applicable Entities' domiciliary states to seek regulatory approval of the dissolution of some of its wholly-owned or controlled insurance entities. As a result of changing business strategy, the Corporation has determined that it no longer plans to move business into some of these entities and has decided not to continue to maintain entities that no longer serve a business purpose. Those entities that no longer serve a business purpose are noted below.

BCBSIL GP HMO, NFP
BCBSNM GOVERNMENT PROGRAMS HMO, NFP
BCBSTX GOVERNMENT PROGRAMS HMO
BCBSOK GOVERNMENT PROGRAMS HMO COMPANY
OKLAHOMA BLUE INSURANCE COMPANY
MONTANA BLUE GOVERNMENT PROGRAMS HMO
MONTANA BLUE INSURANCE COMPANY

23. Reinsurance

A. Ceded Reinsurance Report

Section 1 – General Interrogatories

(1) No

(2) No

Section 2 – Ceded Reinsurance Report – Part A

(1) No

(2) No

Section 3 – Ceded Reinsurance Report – Part B

(1) As of December 31, 2018, the Corporation had $1,040,713 of paid loss recoverable due from HHS under the transitional reinsurance program. In addition, the Corporation had $17,856,000 of unpaid loss recoverable due from Genworth Life Insurance Company as of December 31, 2018 and $191,000 from EyeMed Insurance.

(2) No.

B. Uncollectible Reinsurance

Not Applicable.

C. Commutation of Ceded Reinsurance

Not Applicable.

D. Certified Reinsurer Rating Downgraded or Status Subject to Revocation

Not Applicable.

24. Retrospectively Rated Contracts & Contracts Subject to Redetermination

A. The Corporation estimates accrued retrospective premium adjustments for certain contracts such as MAPD, Medicaid, ACA in the individual and small group market and group health insurance business with experience rated contracts through using various mathematical approaches, including where allowed, an algorithm of the Corporation's underwriting rules and experience rating practices.

The ACA Risk Adjustment Program and the Part D portion of its MAPD contract and the standalone Part D are subjected to "risk share settlement" with CMS which is settled subsequent to the end of the plan year.

B. The retrospective premium and accrued risk share settlements are recorded as an adjustment to premium earned.

C. The amount of net premiums written by the Corporation at December 31, 2018 and 2017, that are subject to retrospective rating features is $ 32,956,852,257 and $29,930,142,655, respectively, which is primarily related to premiums subject to minimum MLR rebates and risk adjustment for ACA, MAPD and Medicaid premiums. This represented 92% and 91% of the total net premiums written in 2018 and 2017, respectively.

D. There were MLR rebates amounting to $83,893,500 pursuant to the Public Health Service Act that were incurred but not paid in 2018.

	1 Individual	2 Small Group Employer	3 Large Group Employer	4 Other Categories with rebates	5 Total
Current Reporting Year-to-Date					
(7) Medical loss ratio rebates incurred	$ 71,765,700	$ 12,127,800	$ -	$ -	$ 83,893,500
(8) Medical loss ratio rebates paid	-	-	-	-	-
(9) Medical loss ratio rebates unpaid	71,765,700	12,127,800	-	-	83,893,500
(10) Plus reinsurance assumed amounts	XXX	XXX	XXX	XXX	-
(11) Less reinsurance ceded amounts	XXX	XXX	XXX	XXX	-
(12) Rebates unpaid net of reinsurance	XXX	XXX	XXX	XXX	$ 83,893,500

There were no MLR rebates pursuant to the Public Health Service Act that were incurred or paid in 2017.

E. Risk - Sharing Provisions of the ACA

(1) Did the reporting entity write accident and health insurance premium that is subject to the ACA risk-sharing provisions (YES/NO)? YES

Notes to Financial Statements

(2) Impact of Risk Sharing Provisions of ACA on Admitted Assets, Liabilities and Revenue for the Current Year

a. Permanent ACA Risk Adjustment Program

	As of December 31, 2018	As of December 31, 2017
Assets		
1. Premium adjustments receivable due to ACA Risk Adjustment (including high-risk pool payments)	$ 618,380,191	$ 259,594,555
Liabilities		
2. Risk adjustment user fees payable for ACA Risk Adjustment	$ 2,789,077	$ 2,629,954
3. Premium adjustments payable due to ACA Risk Adjustment (including high-risk pool payments)	$ 43,792,492	$ -

Operations (Revenue & Expense)	For the period ended December 31, 2018	For the period ended December 31, 2017
4. Reported as revenue in premium for accident and health contracts (written/collected) due to ACA Risk Adjustment	$ 921,772,549	$ 299,349,294
5. Reported in expenses as ACA risk adjustment user fees (incurred/paid)	$ 2,793,164	$ 2,672,548

b. Transitional ACA Reinsurance Program

	As of December 31, 2018	As of December 31, 2017
Assets		
1. Amounts recoverable for claims paid due to ACA Reinsurance	$ 1,040,713	$ 49,612,659
2. Amounts recoverable for claims unpaid due to ACA Reinsurance (Contra Liability)	$ -	$ -
3. Amounts receivable relating to uninsured plans for contribution for ACA Reinsurance	$ -	$ -
Liabilities		
4. Liabilities for contributions payable due to ACA Reinsurance – not reported as ceded premium	$ -	$ -
5. Ceded reinsurance premiums payable due to ACA Reinsurance	$ -	$ -
6. Liabilities for amounts held under uninsured plans contributions for ACA Reinsurance	$ -	$ -
7. Ceded reinsurance premiums due to ACA Reinsurance	$ -	$ -

Operations (Revenue & Expense)	For the period ended December 31, 2018	For the period ended December 31, 2017
8. Reinsurance recoveries (income statement) due to ACA Reinsurance payments or expected payments, reduction to claims	$ (161)	$ (50,583,878)
9. ACA Reinsurance contributions – not reported as ceded premium	$ -	$ -
10 ACA Reinsurance contributions – not reported as ceded premium	$ -	$ -

c. Temporary ACA Risk Corridors Program

	As of December 31, 2018	As of December 31, 2017
Assets		
1. Accrued retrospective premium due to ACA Risk Corridors	$ -	$ 5,404,348
Liabilities		
2. Reserve for rate credits or policy experience rating refunds due to ACA Risk Corridors	$ -	$ -

Operations (Revenue & Expense)	For the period ended December 31, 2018	For the period ended December 31, 2017
3. Effect of ACA Risk Corridors on net premium income (paid/received)	$ (369,332)	$ (13,282,028)
4. Effect of ACA Risk Corridors on change in reserves for rate credits	$ -	$ -

(3) Roll-forward of prior year ACA risk-sharing provisions for the following asset (gross of any nonadmission) and liability balances, along with the reasons for adjustments to prior year balance.

	Accrued During the Prior Year on Business Written Before December 31 of the Prior Year		Received or Paid as of the Current Year on Business Written Before December 31 of the Prior Year		Differences		Adjustments			Unsettled Balances as of the	
					Prior Year Accrued Less Payments (Col 1 - 3)	Prior Year Accrued Less Payments (Col 2 - 4)	To Prior Year Balances	To Prior Year Balances		Cumulative Balance from Prior Years (Col 1 – 3 +7)	Cumulative Balance from Prior Years (Col 2 – 4 +8)
	1	2	3	4	5	6	7	8		9	10
	Receivable	(Payable)	Receivable	(Payable)	Receivable	(Payable)	Receivable	(Payable)	Ref*	Receivable	(Payable)
a. Permanent ACA Risk Adjustment Program											
1. Premium adjustments receivable (including high-risk pool payments)	$ 259,594,555	$ -	$ 606,952,070	$ -	$ (347,357,515)	$ -	$381,465,850	$ -	A	$ 34,108,335	$ -
2. Premium adjustments (payable) (including high-risk pool payments)	-	-	-	(172,664)	-	172,664	-	(172,665)	B	-	(1)
3. Subtotal ACA Permanent Risk Adjustment Program	259,594,555	-	606,952,070	(172,664)	(347,357,515)	172,664	381,465,850	(172,665)		34,108,335	(1)
b. Transitional ACA Reinsurance Program											
1. Amounts recoverable for claims paid	49,612,659	-	48,572,106	-	1,040,553	-	161	-	C	1,040,714	-
2. Amounts recoverable for claims unpaid (contra liability)	-	-	-	-	-	-	-	-		-	-
3. Amounts receivable relating to uninsured plans	-	-	-	-	-	-	-	-		-	-
4. Liabilities for contributions payable due to ACA Reinsurance – not reported as ceded premium	-	-	-	-	-	-	-	-		-	-
5. Ceded reinsurance premiums payable	-	-	-	-	-	-	-	-		-	-
6. Liability for amounts held under uninsured plans	-	-	-	-	-	-	-	-		-	-
7. Subtotal ACA Transitional Reinsurance Program	49,612,659	-	48,572,106	-	1,040,553	-	161	-		1,040,714	-
c. Temporary ACA Risk Corridors Program											
1. Accrued retrospective premium	5,404,348	-	5,035,017	-	369,331	-	(369,332)	-	D	(1)	-
2. Reserve for rate credits or policy experience rating refunds	-	-	-	-	-	-	-	-		-	-
3. Subtotal ACA Risk Corridors Program	5,404,348	-	5,035,017	-	369,331	-	(369,332)	-		(1)	-
d. Total for ACA Risk Sharing Provisions	$ 314,611,562	$ -	$ 660,559,193	$ (172,664)	$ (345,947,631)	$ 172,664	$ 381,096,679	$ (172,665)		$ 35,149,048	$ (1)

*Explanations of Adjustments

A. Adjustments were made to reflect the ending balance as reported in the CMS "Summary Report on Transitional Reinsurance Payments and Permanent Risk Adjustment Transfers for the 2016 Benefit Year".
B. The amount held as amounts recoverable for claims unpaid has since been considered "paid". Therefore, it is reflected in amounts recoverable for paid claims as it is no longer considered "unpaid".
C. Increase made to reflect a change in the official 2016 Reinsurance coinsurance from CMS.
D. Release of remaining Risk Corridor balance based on correspondence from CMS.

Notes to Financial Statements

(4) Roll-Forward of Risk Corridors Asset and Liability Balances by Program Benefit Year.

Risk Corridors Program Year:	Accrued During the Prior Year on Business Written Before December 31 of the Prior Year		Received or Paid as of the Current Year on Business Written Before December 31 of the Prior Year		Differences		Adjustments			Unsettled Balances as of the Reporting Date	
					Prior Year Accrued Less Payments (Col 1 - 3)	Prior Year Accrued Less Payments (Col 2 - 4)	To Prior Year Balances	To Prior Year Balances		Cumulative Balance from Prior Years (Col 1 – 3 +7)	Cumulative Balance from Prior Years (Col 2 – 4 +8)
	1	2	3	4	5	6	7	8		9	10
	Receivable	(Payable)	Receivable	(Payable)	Receivable	(Payable)	Receivable	(Payable)	Ref*	Receivable	(Payable)
a. 2014											
1. Accrued retrospective premium	$ 5,404,348	$ -	$ 5,035,017	$ -	$ 369,332	$ -	$ (369,332)	$ -	A	$ -	$ -
2. Reserve for rate credits or policy experience rating refunds	-	-	-	-	-	-	-	-		-	-
b. 2015											
1. Accrued retrospective premium	-	-	-	-	-	-	-	-		-	-
2. Reserve for rate credits or policy experience rating refunds	-	-	-	-	-	-	-	-		-	-
c. 2016										-	
1. Accrued retrospective premium	-	-	-	-	-	-	-	-		-	-
2. Reserve for rate credits or policy experience rating refunds	-	-	-	-	-	-	-	-	-	-	-
d. Total for ACA Risk Corridors	$ 5,404,348	$ -	$ 5,035,017	$ -	$ 369,332	$ -	$ (369,332)	$ -		$ -	$ -

*Explanations of Adjustments

A. Release of remaining Risk Corridor balance based on correspondence from CMS.

(5) ACA Risk Corridors Receivable as of Reporting Date

	Risk Corridors Program Year:	1 Estimated Amount to be Filed or Final Amount Filed with CMS	2 Non-Accrued Amounts for Impairment or Other Reasons	3 Amounts received from CMS	4 Asset Balance (Gross of Non-admissions) (1-2-3)	5 Non-admitted Amount	6 Net Admitted Asset (4-5)
a.	2014	$ 575,951,453	$ 479,505,784	$ 96,445,669	$ -	$ -	$ -
b.	2015	1,095,082,371	1,095,082,371	-	-	-	-
c.	2016	379,265,738	379,265,738	-	-	-	-
d.	Total	$ 2,050,299,561	$ 1,953,853,893	$ 96,445,669	$ -	$ -	$ -

25. Change in Incurred Claims & Claim Adjustment Expenses

A. Provisions for incurred claims and claim adjustment expenses attributable to insured events of prior years did not change materially in calendar year 2018, with no significant impact on surplus. Reserves for incurred claims and claims adjustment expenses attributable to insured events of prior years are periodically updated. This increase (decrease) is the result of ongoing analysis of recent loss development trends. Original estimates are increased (decreased) as additional claims related information becomes available.

B. There were no significant changes in methodologies or assumptions used in calculating the liability for unpaid losses and loss adjustment expenses.

26. Intercompany Pooling Arrangements

Not Applicable.

27. Structured Settlements

Not Applicable.

28. Health Care Receivables

A. Pharmaceutical Rebate Receivables:

The total pharmacy rebate receivable at December 31, 2018, 2017 and 2016, was $746,326,224, $583,342,533, and $522,304,882, respectively. Of these amounts, $14,483,125, $11,425,196 and $28,085,386 were nonadmitted for 2018, 2017 and 2016, respectively. The net admitted assets of $731,843,100, $571,917,337 and $494,219,496 at December 31, 2018, 2017 and 2016, respectively, are included in the amounts receivable related to uninsured plans and healthcare receivables in the statutory-basis balance sheets depending on the type of business. The billed or confirmed pharmacy rebates owed to the Corporation in 2018, 2017 and 2016, were $1,420,827,275, $1,097,889,528, and $988,966,580, respectively.

Notes to Financial Statements

In 2018, 2017 and 2016, the Corporation collected pharmacy rebates of $1,275,453,857, $1,034,653,788, and $995,892,421, respectively. The chart below contains further detail regarding pharmacy rebate receivables and collections for 2016-2018.

Quarter	Estimated Pharmacy Rebates as Reported on Financial Statements	Pharmacy Rebates as Billed or Otherwise Confirmed	Actual Rebates Received Within 90 Days of Billing	Actual Rebates Received Within 91 to 180 Days of Billing	Actual Rebates Received More Than 180 Days After Billing
12/31/2018	$ 370,597,375	$ 370,597,375	$ -	$ -	$ -
9/30/2018	370,557,121	370,557,121	529,708	-	-
6/30/2018	355,891,145	355,891,145	350,942,313	2,394,408	-
3/31/2018	323,781,633	323,781,633	318,439,853	2,294,147	42,964
12/31/2017	287,430,243	287,430,243	310,895,090	1,974,847	3,404,029
9/30/2017	287,453,697	287,453,697	283,217,484	2,455,214	559,300
6/30/2017	275,362,289	275,362,289	267,423,628	4,861,127	1,650,850
3/31/2017	247,643,298	247,643,298	237,021,033	4,709,307	4,007,880
12/31/2016	256,894,908	256,894,908	254,903,448	3,792,282	1,126,206
9/30/2016	256,699,160	256,699,160	248,014,177	2,218,553	2,902,208
6/30/2016	236,993,866	236,993,866	230,708,085	2,537,177	3,536,491
3/31/2016	238,378,646	238,378,646	228,728,041	4,375,463	4,851,650

B. Risk Sharing Receivables

The Corporation had no material risk sharing receivables, individually or in the aggregate.

29. Participating Policies

Not Applicable.

30. PDRs

1. Liability carried for PDRs as of December 31, 2018	$ 222,690,000
2. Date of the most recent evaluation of this liability	12/31/2018
3. Was anticipated investment income utilized in the calculation?	Yes p No ü

31. Anticipated Salvage and Subrogation

The Corporation took into account estimated anticipated salvage and subrogation in its determination of the net liability for unpaid losses and reduced such liability by $877,704,000.

The following table illustrates the significance of the amounts:

Gross Loss Reserves	$4,170,477,887
Offset for anticipated Salvage & Subrogation	877,704,000
Reserve for Unpaid Losses [Page 3, lines 1-2]	3,292,773,887
Net Losses Unpaid (U & I Exhibit Part 2, col. 1, lines 3-5)	$3,292,773,887

GENERAL INTERROGATORIES
PART 1 - COMMON INTERROGATORIES
GENERAL

1.1 Is the reporting entity a member of an Insurance Holding Company System consisting of two or more affiliated persons, one or more of which is an insurer? Yes[X] No[ ]
If yes, complete Schedule Y, Parts 1, 1A and 2.
1.2 If yes, did the reporting entity register and file with its domiciliary State Insurance Commissioner, Director or Superintendent or with such regulatory official of the state of domicile of the principal insurer in the Holding Company System, a registration statement providing disclosure substantially similar to the standards adopted by the National Association of Insurance Commissioners (NAIC) in its Model Insurance Holding Company System Regulatory Act and model regulations pertaining thereto, or is the reporting entity subject to standards and disclosure requirements substantially similar to those required by such Act and regulations? Yes[X] No[ ] N/A[ ]
1.3 State Regulating? Illinois
1.4 Is the reporting entity publicly traded or a member of a publicly traded group? Yes[ ] No[X]
1.5 If the response to 1.4 is yes, provide the CIK (Central Index Key) code issued by the SEC for the entity/group.

2.1 Has any change been made during the year of this statement in the charter, by-laws, articles of incorporation, or deed of settlement of the reporting entity? Yes[ ] No[X]
2.2 If yes, date of change:

3.1 State as of what date the latest financial examination of the reporting entity was made or is being made. 12/31/2017
3.2 State the as of date that the latest financial examination report became available from either the state of domicile or the reporting entity. This date should be the date of the examined balance sheet and not the date the report was completed or released. 12/31/2013
3.3 State as of what date the latest financial examination report became available to other states or the public from either the state of domicile or the reporting entity. This is the release date or completion date of the examination report and not the date of the examination (balance sheet date). 06/17/2015
3.4 By what department or departments?
State of Illinois Department of Insurance
3.5 Have all financial statement adjustments within the latest financial examination report been accounted for in a subsequent financial statement filed with departments? Yes[ ] No[ ] N/A[X]
3.6 Have all of the recommendations within the latest financial examination report been complied with? Yes[ ] No[ ] N/A[X]

4.1 During the period covered by this statement, did any agent, broker, sales representative, non-affiliated sales/service organization or any combination thereof under common control (other than salaried employees of the reporting entity) receive credit or commissions for or control a substantial part (more than 20 percent of any major line of business measured on direct premiums) of:
4.11 sales of new business? Yes[ ] No[X]
4.12 renewals? Yes[ ] No[X]
4.2 During the period covered by this statement, did any sales/service organization owned in whole or in part by the reporting entity or an affiliate, receive credit or commissions for or control a substantial part (more than 20 percent of any major line of business measured on direct premiums) of:
4.21 sales of new business? Yes[ ] No[X]
4.22 renewals? Yes[ ] No[X]

5.1 Has the reporting entity been a party to a merger or consolidation during the period covered by this statement? Yes[ ] No[X]
If yes, complete and file the merger history data file with the NAIC.
5.2 If yes, provide the name of the entity, NAIC company code, and state of domicile (use two letter state abbreviation) for any entity that has ceased to exist as a result of the merger or consolidation.

1 Name of Entity	2 NAIC Company Code	3 State of Domicile

6.1 Has the reporting entity had any Certificates of Authority, licenses or registrations (including corporate registration, if applicable) suspended or revoked by any governmental entity during the reporting period? Yes[ ] No[X]
6.2 If yes, give full information:

7.1 Does any foreign (non-United States) person or entity directly or indirectly control 10% or more of the reporting entity? Yes[ ] No[X]
7.2 If yes,
7.21 State the percentage of foreign control 0.000%
7.22 State the nationality(s) of the foreign person(s) or entity(s); or if the entity is a mutual or reciprocal, the nationality of its manager or attorney-in-fact and identify the type of entity(s) (e.g., individual, corporation, government, manager or attorney-in-fact).

1 Nationality	2 Type of Entity

8.1 Is the company a subsidiary of a bank holding company regulated by the Federal Reserve Board? Yes[ ] No[X]
8.2 If response to 8.1 is yes, please identify the name of the bank holding company.
8.3 Is the company affiliated with one or more banks, thrifts or securities firms? Yes[ ] No[X]
8.4 If response to 8.3 is yes, please provide the names and locations (city and state of the main office) of any affiliates regulated by a federal financial regulatory services agency [i.e. the Federal Reserve Board (FRB), the Office of the Comptroller of the Currency (OCC), the Federal Deposit Insurance Corporation (FDIC) and the Securities Exchange Commission (SEC) and identify the affiliate's primary federal regulator.

1 Affiliate Name	2 Location (City, State)	3 FRB	4 OCC	5 FDIC	6 SEC
		No	No	No	No

9. What is the name and address of the independent certified public accountant or accounting firm retained to conduct the annual audit?
Ernst & Young LLP., 155 North Wacker Drive Chicago, IL 60606-1787, USA

10.1 Has the insurer been granted any exemptions to the prohibited non-audit services provided by the certified independent public accountant requirements as allowed in Section 7H of the Annual Financial Reporting Model Regulation (Model Audit Rule), or substantially similar state law or regulation? Yes[ ] No[X]
10.2 If response to 10.1 is yes, provide information related to this exemption:
10.3 Has the insurer been granted any exemptions related to the other requirements of the Annual Financial Reporting Model Regulation as allowed for in Section 18A of the Model Regulation, or substantially similar state law or regulation? Yes[ ] No[X]
10.4 If response to 10.3 is yes, provide information related to this exemption:
10.5 Has the reporting entity established an Audit Committee in compliance with the domiciliary state insurance laws? Yes[X] No[ ] N/A[ ]
10.6 If the response to 10.5 is no or n/a please explain:

11. What is the name, address and affiliation (officer/employee of the reporting entity or actuary/consultant associated with an actuarial consulting firm) of the individual providing the statement of actuarial opinion/certification?
Douglas Lynch, FSA, MAAA - S.V.P and Chief Actuary of Health Care Service Corporation, 300 E. Randolph Street 15th Floor, 60601

GENERAL INTERROGATORIES (Continued)

12.1 Does the reporting entity own any securities of a real estate holding company or otherwise hold real estate indirectly? Yes[ ] No[X]
12.11 Name of real estate holding company
12.12 Number of parcels involved 0
12.13 Total book/adjusted carrying value $........................ 0
12.2 If yes, provide explanation

13. FOR UNITED STATES BRANCHES OF ALIEN REPORTING ENTITIES ONLY:
13.1 What changes have been made during the year in the United States manager or the United States trustees of the reporting entity?
13.2 Does this statement contain all business transacted for the reporting entity through its United States Branch on risks wherever located? Yes[ ] No[ ] N/A[X]
13.3 Have there been any changes made to any of the trust indentures during the year? Yes[ ] No[ ] N/A[X]
13.4 If answer to (13.3) is yes, has the domiciliary or entry state approved the changes? Yes[ ] No[ ] N/A[X]

14.1 Are the senior officers (principal executive officer, principal financial officer, principal accounting officer or controller, or persons performing similar functions) of the reporting entity subject to a code of ethics, which includes the following standards? Yes[X] No[ ]
a. Honest and ethical conduct, including the ethical handling of actual or apparent conflicts of interest between personal and professional relationships;
b. Full, fair, accurate, timely and understandable disclosure in the periodic reports required to be filed by the reporting entity;
c. Compliance with applicable governmental laws, rules and regulations;
d. The prompt internal reporting of violations to an appropriate person or persons identified in the code; and
e. Accountability for adherence to the code.
14.11 If the response to 14.1 is no, please explain:
14.2 Has the code of ethics for senior managers been amended? Yes[X] No[ ]
14.21 If the response to 14.2 is yes, provide information related to amendment(s).
The Corporation's Code of Business Ethics and Conduct is reviewed annually, typically during the fourth quarter of each year. Any amendments are approved by the Board of Directors and are distributed to all employees including senior management.
14.3 Have any provisions of the code of ethics been waived for any of the specified officers? Yes[ ] No[X]
14.31 If the response to 14.3 is yes, provide the nature of any waiver(s).

15.1 Is the reporting entity the beneficiary of a Letter of Credit that is unrelated to reinsurance where the issuing or confirming bank is not on the SVO Bank List? Yes[ ] No[X]
15.2 If the response to 15.1 is yes, indicate the American Bankers Association (ABA) Routing Number and the name of the issuing or confirming bank of the Letter of Credit and describe the circumstances in which the Letter of Credit is triggered.

1 American Bankers Association (ABA) Routing Number	2 Issuing or Confirming Bank Name	3 Circumstances That Can Trigger the Letter of Credit	4 Amount
....	....	....	....

BOARD OF DIRECTORS

16. Is the purchase or sale of all investments of the reporting entity passed upon either by the Board of Directors or a subordinate committee thereof? Yes[X] No[ ]

17. Does the reporting entity keep a complete permanent record of the proceedings of its Board of Directors and all subordinate committees thereof? Yes[X] No[ ]

18. Has the reporting entity an established procedure for disclosure to its board of directors or trustees of any material interest or affiliation on the part of any of its officers, directors, trustees or responsible employees that is in conflict or is likely to conflict with the official duties of such person? Yes[X] No[ ]

FINANCIAL

19. Has this statement been prepared using a basis of accounting other than Statutory Accounting Principles (e.g., Generally Accepted Accounting Principles)? Yes[ ] No[X]

20.1 Total amount loaned during the year (inclusive of Separate Accounts, exclusive of policy loans):
20.11 To directors or other officers $........................ 0
20.12 To stockholders not officers $........................ 0
20.13 Trustees, supreme or grand (Fraternal only) $........................ 0
20.2 Total amount of loans outstanding at end of year (inclusive of Separate Accounts, exclusive of policy loans):
20.21 To directors or other officers $........................ 0
20.22 To stockholders not officers $........................ 0
20.23 Trustees, supreme or grand (Fraternal only) $........................ 0

21.1 Were any assets reported in this statement subject to a contractual obligation to transfer to another party without the liability for such obligation being reported in the statement? Yes[ ] No[X]
21.2 If yes, state the amount thereof at December 31 of the current year:
21.21 Rented from others $........................ 0
21.22 Borrowed from others $........................ 0
21.23 Leased from others $........................ 0
21.24 Other $........................ 0

22.1 Does this statement include payments for assessments as described in the Annual Statement Instructions other than guaranty fund or guaranty association assessments? Yes[X] No[ ]
22.2 If answer is yes:
22.21 Amount paid as losses or risk adjustment $........................ 0
22.22 Amount paid as expenses $........... 40,658,185
22.23 Other amounts paid $........................ 0

23.1 Does the reporting entity report any amounts due from parent, subsidiaries or affiliates on Page 2 of this statement? Yes[X] No[ ]
23.2 If yes, indicate any amounts receivable from parent included in the Page 2 amount: $........................ 0

INVESTMENT

24.01 Were all the stocks, bonds and other securities owned December 31 of current year, over which the reporting entity has exclusive control, in the actual possession of the reporting entity on said date? (other than securities lending programs addressed in 24.03) Yes[X] No[ ]
24.02 If no, give full and complete information, relating thereto
24.03 For security lending programs, provide a description of the program including value for collateral and amount of loaned securities, and whether collateral is carried on or off-balance sheet. (an alternative is to reference Note 17 where this information is also provided)
24.04 Does the Company's security lending program meet the requirements for a conforming program as outlined in the Risk-Based Capital Instructions? Yes[ ] No[ ] N/A[X]
24.05 If answer to 24.04 is yes, report amount of collateral for conforming programs. $........................ 0
24.06 If answer to 24.04 is no, report amount of collateral for other programs. $........................ 0
24.07 Does your securities lending program require 102% (domestic securities) and 105% (foreign securities) from the counterparty at the outset of the contract? Yes[ ] No[ ] N/A[X]
24.08 Does the reporting entity non-admit when the collateral received from the counterparty falls below 100%? Yes[ ] No[ ] N/A[X]

GENERAL INTERROGATORIES (Continued)

24.09 Does the reporting entity or the reporting entity's securities lending agent utilize the Master Securities Lending Agreement (MSLA) to conduct securities lending? Yes[ ] No[ ] N/A[X]

24.10 For the reporting entity's security lending program, state the amount of the following as of December 31 of the current year:

24.101 Total fair value of reinvested collateral assets reported on Schedule DL, Parts 1 and 2. $ 0

24.102 Total book/adjusted carrying value of reinvested collateral assets reported on Schedule DL, Parts 1 and 2. $ 0

24.103 Total payable for securities lending reported on the liability page. $ 0

25.1 Were any of the stocks, bonds or other assets of the reporting entity owned at December 31 of the current year not exclusively under the control of the reporting entity, or has the reporting entity sold or transferred any assets subject to a put option contract that is currently in force? (Exclude securities subject to Interrogatory 21.1 and 24.03). Yes[X] No[ ]

25.2 If yes, state the amount thereof at December 31 of the current year:

25.21	Subject to repurchase agreements	$ 0
25.22	Subject to reverse repurchase agreements	$ 0
25.23	Subject to dollar repurchase agreements	$ 0
25.24	Subject to reverse dollar repurchase agreements	$ 0
25.25	Placed under option agreements	$ 0
25.26	Letter stock or securities restricted as to sale - excluding FHLB Capital Stock	$ 0
25.27	FHLB Capital Stock	$ 18,766,000
25.28	On deposit with states	$ 6,746,835
25.29	On deposit with other regulatory bodies	$ 0
25.30	Pledged as collateral - excluding collateral pledged to an FHLB	$ 0
25.31	Pledged as collateral to FHLB - including assets backing funding agreements	$ 861,152,622
25.32	Other	$ 615,064,386

25.3 For category (25.26) provide the following:

1 Nature of Restriction	2 Description	3 Amount

26.1 Does the reporting entity have any hedging transactions reported on Schedule DB? Yes[ ] No[X]

26.2 If yes, has a comprehensive description of the hedging program been made available to the domiciliary state? Yes[ ] No[ ] N/A[X]
If no, attach a description with this statement.

27.1 Were any preferred stocks or bonds owned as of December 31 of the current year mandatorily convertible into equity, or, at the option of the issuer, convertible into equity? Yes[ ] No[X]

27.2 If yes, state the amount thereof at December 31 of the current year. $ 0

28. Excluding items in Schedule E - Part 3 - Special Deposits, real estate, mortgage loans and investments held physically in the reporting entity's offices, vaults or safety deposit boxes, were all stocks, bonds and other securities, owned throughout the current year held pursuant to a custodial agreement with a qualified bank or trust company in accordance with Section I, III - General Examination Considerations, F. Outsourcing of Critical Functions, Custodial or Safekeeping Agreements of the NAIC Financial Condition Examiners Handbook? Yes[X] No[ ]

28.01 For agreements that comply with the requirements of the NAIC Financial Condition Examiners Handbook, complete the following:

1 Name of Custodian(s)	2 Custodian's Address
Northern Trust Bank	50 South LaSalle Street, Chicago, IL 60603

28.02 For all agreements that do not comply with the requirements of the NAIC Financial Condition Examiners Handbook, provide the name, location and a complete explanation:

1 Name(s)	2 Location(s)	3 Complete Explanation(s)

28.03 Have there been any changes, including name changes, in the custodian(s) identified in 28.01 during the current year? Yes[ ] No[X]

28.04 If yes, give full and complete information relating thereto:

1 Old Custodian	2 New Custodian	3 Date of Change	4 Reason

28.05 Investment management - Identify all investment advisors, investment managers, broker/dealers, including individuals that have the authority to make investment decisions on behalf of the reporting entity. For assets that are managed internally by employees of the reporting entity, note as such. ["   that have access to the investment accounts"; "   handle securities"]

1 Name of Firm or Individual	2 Affiliation
Carl Raymond McDonald	I
Securian Asset Management, Inc.	U
Ariel Investments, LLC	U
Guggenheim Partners Investment Management, LLC	U
J.P. Morgan Investment Management Inc.	U
Longfellow Investment Management Co. LLC	U
Neuberger Berman Investment Advisers LLC	U
The Patterson Capital Corporation	U
PGIM, Inc.	U
Richmond Capital Management, Inc.	U
SKBA Capital Management, LLC	U
Wellington Management Company LLP	U
Wells Capital Management Incorporated	U
Western Asset Management Company	U

28.0597 For those firms/individuals listed in the table for Question 28.05, do any firms/individuals unaffiliated with the reporting entity (i.e. designated with a "U") manage more than 10% of the reporting entity's assets? Yes[X] No[ ]

28.0598 For firms/individuals unaffiliated with the reporting entity (i.e. designated with a "U") listed in the table for Question 28.05, does the total assets under management aggregate to more than 50% of the reporting entity's assets? Yes[ ] No[X]

GENERAL INTERROGATORIES (Continued)

28.06 For those firms or individuals listed in the table for 28.05 with an affiliation code of "A" (affiliated) or "U" (unaffiliated), provide the information for the table below.

1 Central Registration Depository Number	2 Name of Firm or Individual	3 Legal Entity Identifier (LEI)	4 Registered With	5 Investment Management Agreement (IMA) Filed
108211	Ariel Investments, LLC		SEC	DS
137432	Guggenheim Partners Investment Management, LLC	549300XWQLVNUK615E79	SEC	NO
107038	J.P. Morgan Investment Management Inc.	549300W78QHV4XMM6K69	SEC	DS
104945	Longfellow Investment Management Co. LLC	2549000QCWZH3CTEME48	SEC	DS
2908	Neuberger Berman Investment Advisers LLC	8PSZVUUKYGCPW2RDO373	SEC	NO
105507	The Patterson Capital Corporation		SEC	NO
105676	PGIM, Inc.	5493009SX8QJBZYIGB87	SEC	NO
104636	Richmond Capital Management, Inc.	2549000Y1PM6HPB5PO60	SEC	DS
109905	Securian Asset Management, Inc.	5URRAMPU5ELNW8AQJB87	SEC	NO
108542	SKBA Capital Management, LLC		SEC	NO
106595	Wellington Management Company LLP	549300YHP12TEZNLCX41	SEC	DS
104973	Wells Capital Management Incorporated	549300B3H21002L85190	SEC	DS
110441	Western Asset Management Company		SEC	NO

29.1 Does the reporting entity have any diversified mutual funds reported in Schedule D - Part 2 (diversified according to the Securities and Exchange Commission (SEC) in the Investment Company Act of 1940 [Section 5 (b)(1)])? Yes[X] No[ ]

29.2 If yes, complete the following schedule:

1 CUSIP #	2 Name of Mutual Fund	3 Book/Adjusted Carrying Value
922040407	VANGUARD INST TOTAL STOCK MKT INDX (VITPX)	44,291,383
922908355	VANGUARD TOTAL STOCK MRKT INDX (VSMPX)	566,323,885
922908801	VANGUARD TOTAL STOCK MRKT INDX (VITSX)	6,789,588
921909776	VANGUARD TOTAL INTERNATIONAL STOCK MARKET INDEX	249,798,694
29.2999 Total		867,203,550

29.3 For each mutual fund listed in the table above, complete the following schedule:

1 Name of Mutual Fund (from above table)	2 Name of Significant Holding of the Mutual Fund	3 Amount of Mutual Fund's Book/Adjusted Carrying Value Attributable to the Holding	4 Date of Valuation
VANGUARD INST TOTAL STOCK MKT INDX (VITPX)	MICROSOFT CORP	1,381,981	12/31/2018
VANGUARD INST TOTAL STOCK MKT INDX (VITPX)	APPLE INC.	1,182,580	12/31/2018
VANGUARD INST TOTAL STOCK MKT INDX (VITPX)	AMAZON.COM INC	1,098,426	12/31/2018
VANGUARD INST TOTAL STOCK MKT INDX (VITPX)	BERKSHIRE HATHAWAY INC CLASS B	682,087	12/31/2018
VANGUARD INST TOTAL STOCK MKT INDX (VITPX)	JOHNSON & JOHNSON	606,792	12/31/2018
VANGUARD TOTAL STOCK MRKT INDX (VSMPX)	MICROSOFT CORP	17,669,305	12/31/2018
VANGUARD TOTAL STOCK MRKT INDX (VSMPX)	APPLE INC.	15,177,480	12/31/2018
VANGUARD TOTAL STOCK MRKT INDX (VSMPX)	AMAZON.COM INC	14,044,832	12/31/2018
VANGUARD TOTAL STOCK MRKT INDX (VSMPX)	BERKSHIRE HATHAWAY INC CLASS B	8,664,755	12/31/2018
VANGUARD TOTAL STOCK MRKT INDX (VSMPX)	JOHNSON & JOHNSON	7,815,270	12/31/2018
VANGUARD TOTAL STOCK MRKT INDX (VITSX)	MICROSOFT CORP	211,835	12/31/2018
VANGUARD TOTAL STOCK MRKT INDX (VITSX)	APPLE INC.	181,961	12/31/2018
VANGUARD TOTAL STOCK MRKT INDX (VITSX)	AMAZON.COM INC	168,382	12/31/2018
VANGUARD TOTAL STOCK MRKT INDX (VITSX)	BERKSHIRE HATHAWAY INC CLASS B	103,881	12/31/2018
VANGUARD TOTAL STOCK MRKT INDX (VITSX)	JOHNSON & JOHNSON	93,696	12/31/2018
VANGUARD TOTAL INTERNATIONAL STOCK MARKET	NESTLE SA	2,822,725	12/31/2018
VANGUARD TOTAL INTERNATIONAL STOCK MARKET	TENCENT HOLDINGS LTC	2,647,866	12/31/2018
VANGUARD TOTAL INTERNATIONAL STOCK MARKET	NOVARTIS AG	2,148,269	12/31/2018
VANGUARD TOTAL INTERNATIONAL STOCK MARKET	ROCHE HOLDING AG	1,998,390	12/31/2018
VANGUARD TOTAL INTERNATIONAL STOCK MARKET	TAIWAN SEMICONDUCTOR MANUFACTURING CO LTD	1,998,390	12/31/2018

30. Provide the following information for all short-term and long-term bonds and all preferred stocks. Do not substitute amortized value or statement value for fair value.

GENERAL INTERROGATORIES (Continued)

		1 Statement (Admitted) Value	2 Fair Value	3 Excess of Statement over Fair Value (-), or Fair Value over Statement (+)
30.1	Bonds	10,577,879,821	10,442,090,673	(135,789,148)
30.2	Preferred stocks			
30.3	Totals	10,577,879,821	10,442,090,673	(135,789,148)

30.4 Describe the sources or methods utilized in determining the fair values:
Fair values are calculated based on the market prices published by the NAIC Securities Valuation Office (SVO). If there is no market price published by the SVO, the fair value is calculated based on market prices provided by Northern Trust Bank (The Custodian). If there are no market prices published by the SVO or provided by the Custodian, the fair value is calculated by the insurer based on the industry recognized valuation technique of determining the present value of estimated future cash flows.

31.1 Was the rate used to calculate fair value determined by a broker or custodian for any of the securities in Schedule D? Yes[X] No[ ]
31.2 If the answer to 31.1 is yes, does the reporting entity have a copy of the broker's or custodian's pricing policy (hard copy or electronic copy) for all brokers or custodians used as a pricing source? Yes[X] No[ ] N/A[ ]
31.3 If the answer to 31.2 is no, describe the reporting entity's process for determining a reliable pricing source for purposes of disclosure of fair value for Schedule D:

32.1 Have all the filing requirements of the Purposes and Procedures Manual of the NAIC Investment Analysis Office been followed? Yes[X] No[ ]
32.2 If no, list exceptions:
33. By self-designation 5GI securities, the reporting entity is certifying the following elements for each self-designated 5GI security:
a. Documentation necessary to permit a full credit analysis of the security does not exist or an NAIC CRP credit rating for an FE or PL security is not available.
b. Issuer or obligor is current on all contracted interest and principal payments.
c. The insurer has an actual expectation of ultimate payment of all contracted interest and principal.

Has the reporting-entity self-designated 5GI securities? Yes[X] No[ ]
34. By self-designating PLGI securities, the reporting entity is certifying the following elements of each self-designated PLGI security:
a. The security was purchased prior to January 1, 2018.
b. The reporting entity is holding capital commensurate with the NAIC Designation reported for the security
c. The NAIC Designation was derived from the credit rating assigned by an NAIC CRP in its legal capacity as an NRSRO which is shown on a current private letter rating held by the insurer and available for examination by state insurance regulators.
d. The reporting entity is not permitted to share this credit rating of the PL security with the SVO.

Has the reporting entity self-designated PLGI securities? Yes[ ] No[X]

OTHER

35.1 Amount of payments to Trade Associations, Service Organizations and Statistical or Rating Bureaus, if any? $ 17,322,782
35.2 List the name of the organization and the amount paid if any such payment represented 25% or more of the total payments to Trade Associations, Service Organizations and Statistical or Rating Bureaus during the period covered by this statement.

1 Name	2 Amount Paid
BLUE CROSS BLUE SHIELD ASSOCIATION	10,727,106

36.1 Amount of payments for legal expenses, if any? $ 31,783,977
36.2 List the name of the firm and the amount paid if any such payments represented 25% or more of the total payments for legal expenses during the period covered by this statement.

1 Name	2 Amount Paid
KIRKLAND & ELLIS LLP	10,222,192
REED SMITH LLP	9,947,534

37.1 Amount of payments for expenditures in connection with matters before legislative bodies, officers or department of government, if any? $ 2,332,138
37.2 List the name of firm and the amount paid if any such payment represented 25% or more of the total payment expenditures in connection with matters before legislative bodies, officers or departments of government during the period covered by this statement.

1 Name	2 Amount Paid

GENERAL INTERROGATORIES (Continued)

PART 2 - HEALTH INTERROGATORIES

1.1 Does the reporting entity have any direct Medicare Supplement Insurance in force? Yes[X] No[ ]
1.2 If yes, indicate premium earned on U.S. business only: $ 1,606,625,076
1.3 What portion of Item (1.2) is not reported on the Medicare Supplement Insurance Experience Exhibit? $ 0
1.31 Reason for excluding:
1.4 Indicate amount of earned premium attributable to Canadian and/or Other Alien not included in Item (1.2) above. $ 0
1.5 Indicate total incurred claims on all Medicare Supplement insurance. $ 1,281,001,339
1.6 Individual policies - Most current three years:
1.61 TOTAL Premium earned $ 311,264,952
1.62 TOTAL Incurred claims $ 282,226,867
1.63 Number of covered lives 164,794
All years prior to most current three years:
1.64 TOTAL Premium earned $ 1,286,488,725
1.65 TOTAL Incurred claims $ 991,895,706
1.66 Number of covered lives 470,733
1.7 Group policies - Most current three years:
1.71 TOTAL Premium earned $ 867,158
1.72 TOTAL Incurred claims $ 733,054
1.73 Number of covered lives 365
All years prior to most current three years:
1.74 TOTAL Premium earned $ 8,004,240
1.75 TOTAL Incurred claims $ 6,145,712
1.76 Number of covered lives 1,925

2. Health Test

		1 Current Year	2 Prior Year
2.1	Premium Numerator	35,971,137,177	32,717,621,002
2.2	Premium Denominator	35,971,137,177	32,717,620,999
2.3	Premium Ratio (2.1 / 2.2)	1.000	1.000
2.4	Reserve Numerator	5,011,444,542	4,972,950,162
2.5	Reserve Denominator	5,011,444,542	4,972,950,162
2.6	Reserve Ratio (2.4 / 2.5)	1.000	1.000

3.1 Has the reporting entity received any endowment or gift from contracting hospitals, physicians, dentists, or others that is agreed will be returned when, as and if the earnings of the reporting entity permits? Yes[ ] No[X]
3.2 If yes, give particulars:

4.1 Have copies of all agreements stating the period and nature of hospitals', physicians', and dentists' care offered to subscribers and dependents been filed with the appropriate regulatory agency? Yes[X] No[ ]
4.2 If not previously filed, furnish herewith a copy(ies) of such agreement(s). Do these agreements include additional benefits offered? Yes[ ] No[ ] N/A[X]

5.1 Does the reporting entity have stop-loss reinsurance? Yes[ ] No[X]
5.2 If no, explain:
HCSC maintains a very strong surplus position in addition to claim liabilities which incorporate catastrophic claim payments into underlying experience. For a Corporation of its size, in light of these statements, senior management deems that stop loss reinsurance is not needed.
5.3 Maximum retained risk (see instructions):
5.31 Comprehensive Medical $ 0
5.32 Medical Only $ 0
5.33 Medicare Supplement $ 0
5.34 Dental & Vision $ 0
5.35 Other Limited Benefit Plan $ 0
5.36 Other $ 0

6. Describe arrangement which the reporting entity may have to protect subscribers and their dependents against the risk of insolvency including hold harmless provisions, conversion privileges with other carriers, agreements with providers to continue rendering services, and any other agreements:
HMO provider contracts and certain other provider contracts contain member hold harmless provisions, which prohibit the provider from billing the member for any covered services (apart from applicable deductibles, coinsurance, or co-payments) for any reason, including non-payment due to insolvency of HCSC, or similar provisions. Transition of care provisions also appear in HMO and PPO provider contracts, as well as certain other provider contracts, which allow for transition of care to occur in accordance with the rates of the participation agreement upon termination or expiration of the participation agreement.

7.1 Does the reporting entity set up its claim liability for provider services on a service date basis? Yes[X] No[ ]
7.2 If no, give details:

8. Provide the following information regarding participating providers:
8.1 Number of providers at start of reporting year 233,241
8.2 Number of providers at end of reporting year 251,046

9.1 Does the reporting entity have business subject to premium rate guarantees? Yes[ ] No[X]
9.2 If yes, direct premium earned:
9.21 Business with rate guarantees between 15-36 months 0
9.22 Business with rate guarantees over 36 months 0

10.1 Does the reporting entity have Incentive Pool, Withhold or Bonus Arrangements in its provider contracts? Yes[X] No[ ]
10.2 If yes:
10.21 Maximum amount payable bonuses $ 0
10.22 Amount actually paid for year bonuses $ 263,907,758
10.23 Maximum amount payable withholds $ 0
10.24 Amount actually paid for year withholds $ 0

11.1 Is the reporting entity organized as:
11.12 A Medical Group/Staff Model, Yes[ ] No[X]
11.13 An Individual Practice Association (IPA), or, Yes[ ] No[X]
11.14 A Mixed Model (combination of above)? Yes[ ] No[X]
11.2 Is the reporting entity subject to Statutory Minimum Capital and Surplus Requirements? Yes[X] No[ ]
11.3 If yes, show the name of the state requiring such minimum capital and surplus.
Illinois
11.4 If yes, show the amount required. $ 1,500,000
11.5 Is this amount included as part of a contingency reserve in stockholder's equity? Yes[ ] No[X]
11.6 If the amount is calculated, show the calculation.

12. List service areas in which the reporting entity is licensed to operate:

1 Name of Service Area
See Schedule T.

13.1 Do you act as a custodian for health savings accounts? Yes[ ] No[X]
13.2 If yes, please provide the amount of custodial funds held as of the reporting date: $ 0
13.3 Do you act as an administrator for health savings accounts? Yes[ ] No[X]
13.4 If yes, please provide the balance of the funds administered as of the reporting date: $ 0

GENERAL INTERROGATORIES (Continued)

14.1 Are any of the captive affiliates reported on Schedule S, Part 3, as authorized reinsurers? Yes[ ] No[ ] N/A[X]
14.2 If the answer to 14.1 is yes, please provide the following:

1	2	3	4	Assets Supporting Reserve Credit		
				5	6	7
Company Name	NAIC Company Code	Domiciliary Jurisdiction	Reserve Credit	Letters of Credit	Trust Agreements	Other

15. Provide the following for individual ordinary life insurance* policies (U.S. business only) for the current year (prior to reinsurance assumed or ceded)
    15.1 Direct Premium Written $ 0
    15.2 Total incurred claims $ 0
    15.2 Number of covered lives 0

*Ordinary Life Insurance Includes
Term (whether full underwriting, limited underwriting, jet issue, "short form app")
Whole Life (whether full underwriting, limited underwriting, jet issue, "short form app")
Variable Life (with or without Secondary Guarantee)
Universal Life (with or without Secondary Guarantee)
Variable Universal Life (with or without Secondary Guarantee)

16. Is the reporting entity licensed or chartered, registered, qualified, eligible or writing business in at least two states? Yes[X] No[ ]
16.1 If no, does the reporting entity assume reinsurance business that covers risks residing in at least one state other than the state of domicile of the reporting entity? Yes[ ] No[X]

FIVE-YEAR HISTORICAL DATA

	1 2018	2 2017	3 2016	4 2015	5 2014
BALANCE SHEET (Pages 2 and 3)					
1. TOTAL Admitted Assets (Page 2, Line 28)	26,725,564,236	22,028,156,429	18,036,100,777	17,661,069,333	17,829,420,895
2. TOTAL Liabilities (Page 3, Line 24)	9,866,225,164	9,979,190,736	8,500,156,003	8,216,115,730	7,887,174,434
3. Statutory minimum capital and surplus requirement	1,500,000	1,500,000	1,500,000	1,500,000	1,500,000
4. TOTAL Capital and Surplus (Page 3, Line 33)	16,859,339,073	12,048,965,693	9,535,944,774	9,444,953,603	9,942,246,461
INCOME STATEMENT (Page 4)					
5. TOTAL Revenues (Line 8)	35,927,196,695	32,603,541,267	30,335,796,229	31,185,323,709	27,705,479,809
6. TOTAL Medical and Hospital Expenses (Line 18)	29,189,969,611	27,295,813,215	26,387,406,850	28,185,178,971	23,954,073,266
7. Claims adjustment expenses (Line 20)	1,293,440,274	1,060,838,589	863,559,559	866,402,450	968,881,983
8. TOTAL Administrative Expenses (Line 21)	3,099,221,947	2,459,284,914	2,984,406,738	2,986,959,977	2,772,043,829
9. Net underwriting gain (loss) (Line 24)	2,493,693,873	1,556,721,549	68,475,082	(279,652,689)	(387,245,269)
10. Net investment gain (loss) (Line 27)	(83,568,681)	201,055,982	269,149,856	228,459,432	200,310,118
11. TOTAL Other Income (Lines 28 plus 29)	3,968,297	(28,264,612)	(20,528,669)	1,558,342	13,746,551
12. Net income or (loss) (Line 32)	4,114,719,998	1,262,591,222	106,348,244	(65,881,379)	(281,884,099)
Cash Flow (Page 6)					
13. Net cash from operations (Line 11)	2,033,483,753	1,880,412,151	531,518,880	(1,138,997,820)	(66,516,082)
RISK-BASED CAPITAL ANALYSIS					
14. TOTAL Adjusted Capital	16,875,909,359	12,065,942,307	9,552,892,216	9,460,443,276	9,964,406,240
15. Authorized control level risk-based capital	1,313,396,159	1,203,946,550	1,179,613,870	1,234,760,421	1,042,487,785
ENROLLMENT (Exhibit 1)					
16. TOTAL Members at End of Period (Column 5, Line 7)	8,817,211	8,437,074	8,816,613	9,706,366	9,663,704
17. TOTAL Members Months (Column 6, Line 7)	105,450,910	102,063,636	108,505,734	118,276,416	113,187,473
OPERATING PERCENTAGE (Page 4)					
(Item divided by Page 4, sum of Lines 2, 3 and 5) x 100.0					
18. Premiums earned plus risk revenue (Line 2 plus Lines 3 and 5)	100.0	100.0	100.0	100.0	100.0
19. TOTAL Hospital and Medical plus other non-health (Lines 18 plus Line 19)	81.2	83.7	87.0	90.4	86.5
20. Cost containment expenses	3.0	2.6	2.3	2.2	2.3
21. Other claims adjustment expenses	0.6	0.7	0.5	0.5	1.2
22. TOTAL Underwriting Deductions (Line 23)	93.1	95.2	99.8	100.9	101.4
23. TOTAL Underwriting Gain (Loss) (Line 24)	6.9	4.8	0.2	(0.9)	(1.4)
UNPAID CLAIMS ANALYSIS					
(U&I Exhibit, Part 2B)					
24. TOTAL Claims Incurred for Prior Years (Line 13, Column 5)	1,340,358,176	1,097,193,537	904,003,476	949,639,301	826,034,525
25. Estimated liability of unpaid claims-[prior year (Line 13, Column 6)]	1,679,411,257	1,420,255,750	1,279,000,607	1,344,735,044	990,456,703
INVESTMENTS IN PARENT, SUBSIDIARIES AND AFFILIATES					
26. Affiliated bonds (Sch. D Summary, Line 12, Column 1)					
27. Affiliated preferred stocks (Sch. D Summary, Line 18, Column 1)					
28. Affiliated common stocks (Sch. D Summary, Line 24, Column 1)	958,935,853	921,477,957	785,349,238	785,175,997	794,811,112
29. Affiliated short-term investments (subtotal included in Sch. DA Verification, Col. 5, Line 10)					
30. Affiliated mortgage loans on real estate					
31. All other affiliated	229,606,070	233,104,289	76,737,346	68,469,469	115,824,771
32. TOTAL of Above Lines 26 to 31	1,188,541,923	1,154,582,246	862,086,584	853,645,466	910,635,883
33. TOTAL Investment in Parent Included in Lines 26 to 31 above					

NOTE: If a party to a merger, have the two most recent years of this exhibit been restated due to a merger in compliance with the disclosure requirements of SSAP No. 3 - Accounting Changes and Correction of Errors? Yes[ ] No[ ] N/A[X]

If no, please explain:

SCHEDULE T - PREMIUMS AND OTHER CONSIDERATIONS

ALLOCATED BY STATES AND TERRITORIES

	1	Direct Business Only							
		2	3	4	5	6	7	8	9
State, Etc.	Active Status (a)	Accident & Health Premiums	Medicare Title XVIII	Medicaid Title XIX	Federal Employees Health Benefits Plan Premiums	Life & Annuity Premiums & Other Considerations	Property/ Casualty Premiums	Total Columns 2 Through 7	Deposit - Type Contracts
1. Alabama (AL)	N								
2. Alaska (AK)	L	4,081,329						4,081,329	
3. Arizona (AZ)	L	4,488,896						4,488,896	
4. Arkansas (AR)	L	30,366,194						30,366,194	
5. California (CA)	N								
6. Colorado (CO)	L	1,631,339						1,631,339	
7. Connecticut (CT)	L	139,783						139,783	
8. Delaware (DE)	L	4,168,915						4,168,915	
9. District of Columbia (DC)	L	77,115						77,115	
10. Florida (FL)	L	126,296,433						126,296,433	
11. Georgia (GA)	L	987,339						987,339	
12. Hawaii (HI)	N								
13. Idaho (ID)	L	236,025						236,025	
14. Illinois (IL)	L	11,884,590,724	894,732,544	2,553,767,310	1,125,171,086			16,458,261,665	
15. Indiana (IN)	L	5,382,217						5,382,217	
16. Iowa (IA)	N								
17. Kansas (KS)	N								
18. Kentucky (KY)	L	22,453,941						22,453,941	
19. Louisiana (LA)	N								
20. Maine (ME)	L	87,123						87,123	
21. Maryland (MD)	L	11,416,356						11,416,356	
22. Massachusetts (MA)	L	297,973						297,973	
23. Michigan (MI)	L	1,401,111						1,401,111	
24. Minnesota (MN)	L	49,515,750						49,515,750	
25. Mississippi (MS)	N								
26. Missouri (MO)	L	1,871,688						1,871,688	
27. Montana (MT)	L	506,555,129	177,054,579		198,065,227			881,674,935	
28. Nebraska (NE)	L	2,852,329						2,852,329	
29. Nevada (NV)	N	26,819,272						26,819,272	
30. New Hampshire (NH)	N	6,884,504						6,884,504	
31. New Jersey (NJ)	L	229,448						229,448	
32. New Mexico (NM)	L	305,117,696	233,704,114		266,390,652			805,212,462	
33. New York (NY)	N								
34. North Carolina (NC)	N								
35. North Dakota (ND)	N								
36. Ohio (OH)	L	739,541						739,541	
37. Oklahoma (OK)	L	2,430,511,484	782,409		732,788,011			3,164,081,904	
38. Oregon (OR)	L	317,050						317,050	
39. Pennsylvania (PA)	L	1,036,389						1,036,389	
40. Rhode Island (RI)	N								
41. South Carolina (SC)	L	682,634						682,634	
42. South Dakota (SD)	N								
43. Tennessee (TN)	N	43,378,731						43,378,731	
44. Texas (TX)	L	10,326,077,597		257,953,088	2,849,476,235			13,433,506,920	
45. Utah (UT)	L	16,177,309						16,177,309	
46. Vermont (VT)	N								
47. Virginia (VA)	L	697,805						697,805	
48. Washington (WA)	N								
49. West Virginia (WV)	L	64,964						64,964	
50. Wisconsin (WI)	L	4,076,548						4,076,548	
51. Wyoming (WY)	N								
52. American Samoa (AS)	N								
53. Guam (GU)	N								
54. Puerto Rico (PR)	N								
55. U.S. Virgin Islands (VI)	N								
56. Northern Mariana Islands (MP)	N								
57. Canada (CAN)	N								
58. Aggregate other alien (OT)	XXX	922,141,879						922,141,879	
59. Subtotal	XXX	26,743,850,562	1,306,273,647	2,811,720,398	5,171,891,211			36,033,735,818	
60. Reporting entity contributions for Employee Benefit Plans	XXX								
61. TOTAL (Direct Business)	XXX	26,743,850,562	1,306,273,647	2,811,720,398	5,171,891,211			36,033,735,818	
DETAILS OF WRITE-INS									
58001. ZZZ Other Alien	XXX	922,141,879						922,141,879	
58002.	XXX								
58003.	XXX								
58998. Summary of remaining write-ins for Line 58 from overflow page	XXX								
58999. TOTALS (Lines 58001 through 58003 plus 58998) (Line 58 above)	XXX	922,141,879						922,141,879	

(a) Active Status Counts:

L - Licensed or Chartered - Licensed insurance carrier or domiciled RRG 33

E - Eligible - Reporting entities eligible or approved to write surplus lines in the state

N - None of the above - Not allowed to write business in the state 24

R - Registered - Non-domiciled RRGs

Q - Qualified - Qualified or accredited reinsurer

Explanation of basis of allocation by state, premiums by state, etc.: (1) Group and individual premiums are allocated according to the individual and group health insurance standards in the NAIC Health Annual Statement Blank Instructions and the methods on file with the Illinois DOI, which methods take into account state specific requirements. (2) The write-ins for "Other Alien" in Line 58 are the adjustment for ACA Risk Adjustment and Risk Corridor.

SCHEDULE Y - INFORMATION CONCERNING ACTIVITIES OF INSURER

MEMBERS OF A HOLDING COMPANY GROUP

PART 1 - ORGANIZATIONAL CHART

COMPANY	NAIC CODE	FEDERAL ID NUMBERS	DOMICILED STATE	PERCENTAGE OWNED BY PARENT – 12/31/2018
HEALTH CARE SERVICE CORPORATION, A MUTUAL LEGAL RESERVE COMPANY	70670	36-1236610	IL	
DEARBORN NATIONAL LIFE INSURANCE COMPANY	71129	36-2598882	IL	100.00%
DEARBORN NATIONAL LIFE INSURANCE COMPANY OF NEW YORK	85090	22-3026145	NY	100.00%
DENTAL NETWORK OF AMERICA, LLC		36-3339483	DE	100.00%
DENTEMAX, LLC		38-2612298	DE	100.00%
DENTAL SOLUTIONS, INC.		20-1067299	MI	100.00%
HCSC PURCHASING, LLC		36-4186601	DE	100.00%
HCSC INSURANCE SERVICES COMPANY	78611	73-1350270	IL	100.00%
PRIME THERAPEUTICS LLC		26-0076803	DE	39.94%
AVAILITY, LLC		59-3715944	DE	21.65%
GHS INSURANCE COMPANY	29718	73-1507369	OK	100.00%
GHS GENERAL INSURANCE AGENCY, INC.		73-1514691	OK	100.00%
GHS HEALTH MAINTENANCE ORGANIZATION, INC. D/B/A BLUELINCS HMO	11814	73-1191843	OK	100.00%
GHS MANAGED HEALTH CARE PLANS, INC.	14048	27-4183696	OK	100.00%
MEDECISION, INC.		23-2530889	PA	100.00%
COLLABORACARE CONSORTIUM, LLC		84-1683303	PA	100.00%
OPTIMED MEDICAL SYSTEMS, LLC		23-2530889	PA	100.00%
HX TECHNOLOGIES, INC.		11-3644814	DE	100.00%
UNLIMITED INNOVATIONS, INC.		33-0711280	CA	100.00%
CMH TECHNOLOGY SUBSIDIARY, LLC		82-4418148	DE	100.00%
TMA PRACTICEEDGE, LLC		20-5426675	TX	35.00%
HEALTH INTELLIGENCE COMPANY LLC D/B/A BLUE HEALTH INTELLIGENCE		27-4269034	DE	10.64%
INNOVISTA, LLC		30-0802612	DE	100.00%
GENESIS MEDICAL GROUP MANAGEMENT COMPANY, LLC.		83-2055033	TX	49.00%
VERITY HEALTHNET, LLC		45-0510673	LA	25.00%
TRIWEST ALLIANCE INC.		86-0813402	DE	12.75%
HCSC VENTURES, INC.		37-1789176	DE	100.00%
ALACURA HOLDINGS, INC.*		83-2215567	DE	20.30%
AVALON HEALTH SERVICES, LLC		46-3019902	DE	19.45%
BH ASSETS, LLC.		27-1038374	DE	35.66%
BLUECROSS BLUESHIELD VENTURES, INC.		26-2930757	DE	21.55%
BLUECROSS BLUESHIELD VENTURE PARTNERS, L.P.		26-2936839	DE	1.00%
BLUECROSS BLUESHIELD VENTURE PARTNERS, L.P.		26-2936839	DE	21.34%
COGITATIVO, INC.		47-1692551	DE	18.23%
HCSC ITC, LLC		82-1682951	DE	100.00%
USB RETC FUND 2017-2, LLC		82-1285164	DE	100.00%
USB HTC FUND 2017-2, LLC		82-3349261	DE	100.00%
HEALTHBOX CHICAGO III LLC		47-0970280	DE	36.27%
ILLINOIS BLUE CROSS BLUE SHIELD INSURANCE COMPANY	16013	61-1782332	IL	100.00%
MONTANA BLUE INSURANCE COMPANY	16022	61-1790731	MT	100.00%

SCHEDULE Y - INFORMATION CONCERNING ACTIVITIES OF INSURER

MEMBERS OF A HOLDING COMPANY GROUP

PART 1 - ORGANIZATIONAL CHART

BLUE CROSS AND BLUE SHIELD OF NEW MEXICO INSURANCE COMPANY	16359	38-3984430	NM	100.00%
OKLAHOMA BLUE INSURANCE COMPANY	15907	30-0892376	OK	100.00%
TEXAS BLUE CROSS BLUE SHIELD INSURANCE COMPANY	15941	36-4836697	TX	100.00%
HCSC GOVERNMENT PROGRAMS HOLDING COMPANY, NFP		47-4840919	IL	0.00%
BCBSIL GP HMO, NFP	16030	47-4875772	IL	0.00%
BLUE CROSS AND BLUE SHIELD OF NEW MEXICO GOVERNMENT PROGRAMS HMO, NFP		47-4862340	IL	0.00%
BCBSTX GOVERNMENT PROGRAMS HMO	15964	47-4889581	TX	0.00%
BCBSOK GOVERNMENT PROGRAMS HMO COMPANY	15851	47-5287374	OK	0.00%
MONTANA BLUE GOVERNMENT PROGRAMS HMO	15958	47-4907557	MT	0.00%
CARING FOR CHILDREN FOUNDATION OF TEXAS, INC.		75-2393811	TX	0.00%
THE OKLAHOMA CARING FOUNDATION, INC.		73-1470846	OK	0.00%
THE CARING FOUNDATION OF MONTANA, INC.		35-2613131	MT	0.00%
PLANITES CREDIT UNION		36-6057472	IL	0.00%
LIFETIME FEDERAL CREDIT UNION		75-6020171	TX	0.00%

*Includes 4.74% passive investment through a private equity entity

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