



## MISSISSIPPI INSURANCE DEPARTMENT

MIKE CHANEY  
Commissioner of Insurance  
State Fire Marshal

DAVID BROWNING  
Deputy Commissioner of Insurance

501 N. WEST STREET, SUITE 1001  
WOOLFOLK BUILDING  
JACKSON, MISSISSIPPI 39201  
www.mid.ms.gov

September 30, 2024

MAILING ADDRESS  
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Jackson, Mississippi 39205-0079  
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### CERTIFIED MAIL RETURN RECEIPT REQUESTED

Ms. Carol Pigott, President & CEO  
Blue Cross & Blue Shield of Mississippi,  
A Mutual Insurance Company  
3545 Lakeland Drive  
Flowood, MS 39232

**RE: Report of Examination as of December 31, 2022**

Dear Ms. Pigott:

In accordance with Miss. Code Ann. § 83-5-201 et seq. (Rev. 2011), an examination of your Company has been completed. Enclosed herewith is the Order adopting the report and a copy of the final report as adopted.

Pursuant to Miss. Code Ann. § 83-5-209(6)(a) (Rev. 2011), the Mississippi Department of Insurance shall continue to hold the content of said report as private and confidential for a period of ten (10) days from the date of the Order. After the expiration of the aforementioned 10-day period, the Department will open the report for public inspection.

If you have any questions or comments, please feel free to contact me.

Sincerely,

MIKE CHANEY  
COMMISSIONER OF INSURANCE

BY

  
Christina J. Kelsey  
General Counsel

MC/CJK/bs  
Encls. Order w/exhibit



**BEFORE THE COMMISSIONER OF INSURANCE  
OF THE STATE OF MISSISSIPPI**

**IN RE:   REPORT OF EXAMINATION OF  
          BLUE CROSS & BLUE SHIELD OF MISSISSIPPI,  
          A MUTUAL INSURANCE COMPANY**

**CAUSE NO. 24-7926**

**ORDER**

**THIS CAUSE** came on for consideration before the Commissioner of Insurance of the State of Mississippi ("Commissioner"), or his designated appointee, in the Offices of the Commissioner, 1001 Woolfolk Building, 501 North West Street, 10th Floor, Jackson, Hinds County, Mississippi, pursuant to Miss. Code Ann. § 83-5-201 et seq. (Rev. 2011). The Commissioner, having fully considered and reviewed the Report of Examination together with any submissions or rebuttals and any relevant portions of the examiner's work papers, makes the following findings of fact and conclusions of law, to-wit:

**JURISDICTION**

**I.**

That the Commissioner has jurisdiction over this matter pursuant to the provisions of Miss. Code Ann. § 83-5-201 et seq. (Rev. 2011).

**II.**

That Blue Cross & Blue Shield of Mississippi, A Mutual Insurance Company, is a Mississippi-domiciled company licensed to write Accident and Health coverages.

## **FINDINGS OF FACT**

### **III.**

That the Commissioner, or his appointee, pursuant to Miss. Code Ann. § 83-5-201 et seq. (Rev. 2011), called for an examination of Blue Cross & Blue Shield of Mississippi, A Mutual Insurance Company, and appointed Kimberly Strong, Examiner-In-Charge, to conduct said examination.

### **IV.**

That on or about August 28, 2024, the draft Report of Examination concerning Blue Cross & Blue Shield of Mississippi, A Mutual Insurance Company, for the period of January 1, 2018 through December 31, 2022, was submitted to the Department by the Examiner-In-Charge, Kimberly Strong.

### **V.**

That on or about September 9, 2024, pursuant to Miss. Code Ann. § 83-5-209(2) (Rev. 2011), the Department forwarded to the Company a copy of the draft report and allowed the Company a 15-day period to submit any rebuttal to the draft report. On or about September 20, 2024, the Company responded by email.

## **CONCLUSIONS OF LAW**

### **VI.**

The Commissioner, pursuant to Miss. Code Ann. § 83-5-209(3) (Rev. 2011), must consider and review the report along with any submissions or rebuttals and all relevant portions of examiner work papers and enter an Order: (1) adopting the Report of Examination as final or with modifications or corrections; (2) rejecting the Report of Examination with directions to reopen; or (3) calling for an investigatory hearing.

**IT IS, THEREFORE, ORDERED**, after reviewing the Report of Examination, the Company's rebuttal, and all relevant examiner work papers, that the Report of Examination of Blue Cross & Blue Shield of Mississippi, A Mutual Insurance Company, attached hereto as Exhibit "A", should be and same is hereby adopted as final.

**IT IS FURTHER ORDERED** that a copy of the adopted Report of Examination, accompanied with this Order, shall be served upon the Company by certified mail, postage pre-paid, return receipt requested.

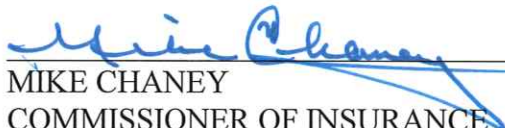
**IT IS FURTHER ORDERED** that the Mississippi Department of Insurance shall continue to hold the content of this report as private and confidential for a period of ten (10) days from the date of this Order, pursuant to Miss. Code Ann. § 83-5-209(6)(a) (Rev. 2011).

**IT IS FURTHER ORDERED**, pursuant to Miss. Code Ann. § 83-5-209(4) (Rev. 2011), that within thirty (30) days of the issuance of the adopted report, Blue Cross & Blue Shield of Mississippi, A Mutual Insurance Company, shall file affidavits executed by each of its directors stating under oath that they have received a copy of the adopted report and related orders.

**IT IS FURTHER ORDERED** that Blue Cross & Blue Shield of Mississippi, A Mutual Insurance Company, take the necessary actions and implement the necessary procedures to ensure that all recommendations contained in the Report of Examination are properly and promptly complied with.

**SO ORDERED**, this the 30<sup>th</sup> day of September 2024.



  
MIKE CHANEY  
COMMISSIONER OF INSURANCE  
STATE OF MISSISSIPPI



### CERTIFICATE OF MAILING

I hereby certify that a true and correct copy of the above and foregoing Order and a copy of the final Report of Examination, as adopted by the Mississippi Department of Insurance, was sent by certified mail, postage pre-paid, return receipt requested, on this the 30<sup>th</sup> day of September 2024, to:

**Ms. Carol Pigott, President & CEO  
Blue Cross & Blue Shield of Mississippi,  
A Mutual Insurance Company  
3545 Lakeland Drive  
Flowood, MS 39232**



---

Christina J. Kelsey  
General Counsel

Christina J. Kelsey  
General Counsel  
Counsel for the Mississippi Department of Insurance  
Post Office Box 79  
Jackson, MS 39205-0079  
(601) 359-3577  
Miss. Bar No. 9853



# **MISSISSIPPI INSURANCE DEPARTMENT**

## **Report of Examination**

**of**

**Blue Cross & Blue Shield of Mississippi, A Mutual  
Insurance Company**

**as of**

**December 31, 2022**

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**EXAMINER'S AFFIDAVIT AS TO STANDARDS AND  
PROCEDURES USED IN AN EXAMINATION**

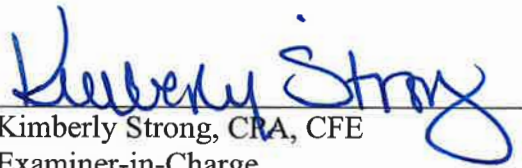
State of Mississippi,

County of Madison,

Kimberly Strong, being duly sworn, states as follows:

1. I have authority to represent the Mississippi Insurance Department in the examination of Blue Cross & Blue Shield of Mississippi, A Mutual Insurance Company as of December 31, 2022.
2. The Mississippi Insurance Department is accredited under the National Association of Insurance Commissioners Financial Regulation Standards and Accreditation.
3. I have reviewed the examination work papers and examination report, and the examination of Blue Cross & Blue Shield of Mississippi, A Mutual Insurance Company was performed in a manner consistent with the standards and procedures required by the National Association of Insurance Commissioners and the Mississippi Insurance Department.

The affiant says nothing further.

  
Kimberly Strong, CRA, CFE  
Examiner-in-Charge

Subscribed and sworn before me by Kimberly Strong on this 27<sup>th</sup> day of

September 20, 2024  
  
  
Notary Public

My commission expires Oct 29, 2025 [date].



**MIKE CHANEY**  
Commissioner of Insurance  
State Fire Marshal

**David Browning**  
Deputy Commissioner of  
Insurance

## MISSISSIPPI INSURANCE DEPARTMENT

501 N. WEST STREET, SUITE 1001  
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September 20, 2024

Honorable Mike Chaney  
Commissioner of Insurance  
Mississippi Insurance Department  
1001 Woolfolk Building  
501 North West Street  
Jackson, Mississippi 39201

Dear Commissioner Chaney:

Pursuant to your instructions and authorization and in compliance with statutory provisions, an examination has been conducted, as of December 31, 2022, of the affairs and financial condition of:

### **BLUE CROSS & BLUE SHIELD OF MISSISSIPPI, A MUTUAL INSURANCE COMPANY**

3545 Lakeland Drive  
Flowood, MS 39232

| License # | NAIC Group # | NAIC # | FEETS#          | MATS        |
|-----------|--------------|--------|-----------------|-------------|
| 7700147   | 1126         | 60111  | 60111-MS-2022-8 | MS-MS099-46 |

This examination was commenced in accordance with Miss. Code Ann. § 83-5-201 et seq. and was performed in Flowood, Mississippi, at the statutory home office of the Company. The report of examination is herewith submitted.

## **SCOPE OF EXAMINATION**

We have performed our single-state examination of Blue Cross & Blue Shield of Mississippi, A Mutual Insurance Company ("Company" or "BCBSMS"). The last exam was completed as of December 31, 2017. This examination covers the period January 1, 2018 through December 31, 2022.

We conducted our examination in accordance with the NAIC *Financial Condition Examiners Handbook*. The Handbook requires that we plan and perform the examination to evaluate the financial condition and identify prospective risks of the Company by obtaining information about the Company, including corporate governance, identifying and assessing inherent risks within the company, and evaluating system controls and procedures used to mitigate those risks. An examination also includes assessing the principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation, management's compliance with Statutory Accounting Principles and annual statement instructions, when applicable to domestic state regulations.

All accounts and activities of the Company were considered in accordance with the risk-focused examination process.

## **COMMENTS AND RECOMMENDATIONS OF PREVIOUS EXAMINATION**

There were no comments or recommendations contained within the examination report as of December 31, 2017.

## **HISTORY OF THE COMPANY**

On November 13, 1947, the Company was formed under the laws of the State of Mississippi as Mississippi Hospital and Medical Service for the primary purpose of engaging in the business of a hospital and surgical service corporation. The following items include the amendments to the Company's Articles of Incorporation that were deemed noteworthy for examination purposes.

- On October 19, 1948, the Company was converted to a non-profit hospital, medical and surgical service membership corporation with a perpetual existence.
- On March 30, 1973, the Company changed its name from Mississippi Hospital and Medical Service to Blue Cross & Blue Shield of Mississippi, Inc.
- On January 1, 1996, the Company converted from a non-profit membership corporation to a mutual insurance company, and the name of the Company was changed to its current title, Blue Cross & Blue Shield of Mississippi, A Mutual Insurance Company.

## **CORPORATE RECORDS**

The minutes of the meetings of the policyholders and Board, prepared during the period under examination, were reviewed and appeared to be complete with regard to the matters brought up at the meetings for deliberation, which included approval of the Company's investment portfolio and actions of the Company's officers.

## **MANAGEMENT AND CONTROL**

### **Ownership**

The Company is a mutual insurance company and is owned by its policyholders. No dividends were paid to policyholders during the examination period. Additionally, the Company has available lines of credit with commercial banks totaling \$25,000,000. Amounts drawn under these agreements will bear interest at no more than the related banks' prime rate and will be due on demand. No amounts were borrowed under these agreements during the examination period.

### **Board of Directors**

The Articles of Association and Bylaws vest the management and control of the Company's business affairs with the Board of Directors ("Board"). The members of the duly elected Board, along with their place of residence and principal occupation, at December 31, 2022, were as follows:

| <b>Name and Residence</b>                                   | <b>Principal Occupation</b>   |
|---|---|
| Richard John Hale, Chairman<br>Madison, Mississippi         | Owner, RJ Farms   |
| James Herbert Finley, Vice Chairman*<br>Morton, Mississippi | Owner, Finley Services, LLC   |
| Arthur Claiborne Kelly<br>Starkville, Mississippi           | Owner, Kelly Consulting Group   |
| Carol Puckett Palmer<br>West Point, Mississippi             | Former owner and President of the Everyday Gourmet and Everyday Gardener        |
| Mary Carol Pigott<br>Madison, Mississippi                   | President and Chief Executive Officer – Blue Cross & Blue Shield of Mississippi |
| Robin Young McCormick<br>West Point, Mississippi            | Partner, Watkins, Ward and Stafford, CPAs, PLLC                                 |
| Judson Harrold Skelton<br>Starkville, Mississippi           | Sr. Director of Real Estate Service, Mississippi State University               |
| Dorothy Henderson Roberts,<br>Pass Christian, Mississippi   | Owner, Robin's Nest in the Pass   |

\*Subsequent to the examination date, Mr. Finley retired from the Board and William Brevard Breckenridge III and Joey Fail Garner were installed on the Board.

## **Committees**

The following directors served on the Company's Finance Committee:

| Name               | Title    |
|--------------------|----------|
| Robin Y. McCormick | Chairman |
| James H. Finley    | Member   |
| Richard J. Hale    | Member   |
| Carol P. Palmer    | Member   |
| Dorothy Roberts    | Member   |
| Arthur C. Kelly    | Member   |
| M. Carol Pigott    | Member   |
| Judson Skelton     | Member   |

The following directors served on the Company's Governance and Organization Committee:

| Name               | Title             |
|--------------------|-------------------|
| Arthur C. Kelly    | Chairman          |
| James H. Finley    | Member            |
| Richard Hale       | Member            |
| Dorothy H. Roberts | Member            |
| Judson H. Skelton  | Member            |
| Robin Y. McCormick | Member            |
| Carol P. Palmer    | Member            |
| M. Carol Pigott    | Non-Voting Member |

The following directors served on the Company's Public Accountability Committee:

| Name               | Title             |
|--------------------|-------------------|
| Carol P. Palmer    | Chairman          |
| James H. Finley    | Member            |
| Richard J. Hale    | Member            |
| Robin Y. McCormick | Member            |
| Dorothy H. Roberts | Member            |
| Judson H. Skelton  | Member            |
| Arthur C. Kelly    | Member            |
| M. Carol Pigott    | Non-voting Member |

## **Officers**

| Name                          | Title  |
|-------------------------------|--|
| Mary Carol Pigott             | President and Chief Executive Officer              |
| Jennifer Jay Allen            | Executive Vice President & Chief Financial Officer |
| Cheri Denise Green            | General Counsel & Corporate Secretary              |
| Thomas Carroll Fenter, M.D. * | Chief Medical Officer                              |
| Bryan Arthur Lagg             | Senior VP of Consumer Marketing and Sales          |
| Ugandhar Adari                | Senior VP of Innovation & Development              |
|                               |  |

\*Subsequent to the examination date, Dr. Fenter's title was changed to Strategic Medical Advisor

## **Conflict of Interest**

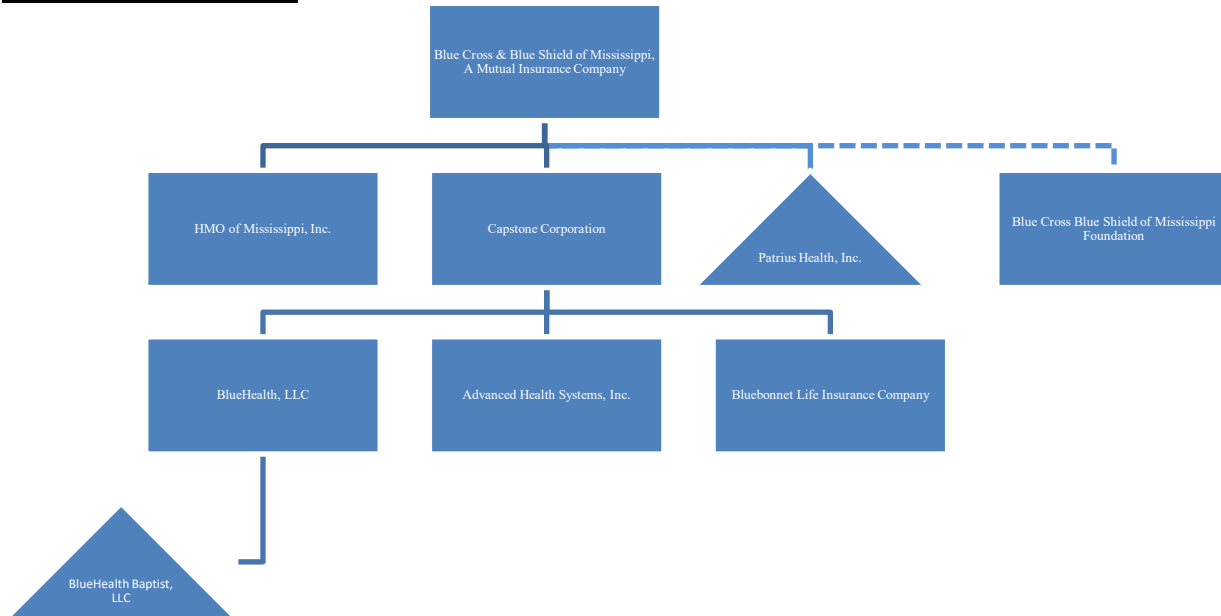
The Company had formal procedures whereby disclosure was made to the Board of any material interest or affiliation on the part of any officer or director that was, or would likely be, a conflict with the official duties of such persons. Written statements were signed annually by all officers and members of the Board of Directors.

## **HOLDING COMPANY STRUCTURE**

The Company is a member of an insurance holding company system as defined in Miss. Code Ann. § 83-6-1. The Company was required to file with the MID, Holding Company Registration Statements in accordance with Miss. Code Ann. §§ 83-6-5 and 83-6-9. These filings set forth material changes in structure, identity or relationships of affiliates and any material transactions by and between the Company and its affiliates.



## Organizational Chart



## Subsidiaries and Affiliated Companies

**BLUE CROSS & BLUE SHIELD OF MISSISSIPPI, A MUTUAL INSURANCE COMPANY (BCBSMS):** BCBSMS was the ultimate controlling entity and was incorporated in 1947 under the laws of the State of Mississippi. BCBSMS provided hospitalization and other health care benefits under contract to subscribers. This company also performed administrative services and processed claims for other Blue Cross & Blue Shield plans and for certain other programs.

**HMO OF MISSISSIPPI, INC. (HMOMS):** HMOMS, a wholly owned subsidiary of BCBSMS, was incorporated on June 21, 1995, under the laws of the State of Mississippi, as a health maintenance organization whose products are included within BCBSMS' managed care offerings.

**BLUEBONNET LIFE INSURANCE COMPANY,** a wholly owned subsidiary of BCBSMS, was incorporated on October 13, 1989 through a sale of Bluebonnet to Capstone Corporation (a wholly owned subsidiary of Blue Cross & Blue Shield of Mississippi) from the Louisiana Health Service & Indemnity Company.

**CAPSTONE CORPORATION (CAPSTONE):** Capstone, a wholly owned subsidiary of BCBSMS, was incorporated on November 2, 1984, under the laws of the State of Mississippi, as a for-profit holding company for the interests of BCBSMS.

**ADVANCED HEALTH SYSTEMS, INC. (AHS):** AHS, a wholly owned subsidiary of Capstone Corporation, was incorporated on December 14, 1984, under the laws of the State of Mississippi, as Automated Health Systems, Inc., with its business being the facilitation of electronic submission of claims by providers. The company's name was changed to Advanced Health Systems, Inc., and, in 1994, its business purposes were expanded to include utilization management, managed care services for clients, employers and groups; the development and maintenance of provider networks; providing health care provider management and consulting; and providing computerized information management.

**BLUEHEALTH LLC:** On July 6, 2020, BlueHealth, LLC was organized for the purpose of participating in all lawful business for which limited liability companies may be organized. Capstone Corporation is the sole shareholder of BlueHealth, LLC.

**BLUEHEALTH BAPTIST LLC:** On July 31, 2020, BlueHealth Baptist, LLC was organized to develop and operate a joint venture and to transact all lawful business in connection therewith. BlueHealth, LLC, is a Member of BlueHealth Baptist, LLC holding a 50% interest and Health Tech Affiliates, Inc. (a Baptist Memorial Health Care Corporation subsidiary) holding a 50% interest. BlueHealth Baptist, LLC opened BlueHealth Baptist (BHB), a primary care center in Madison, Mississippi in November 2021 focused on innovation and primary care of the future. BHB is dedicated to Blue Cross and Blue Shield Members and provides Blue Cross and Blue Shield Members access to comprehensive primary care in a novel, customer-centric setting to support healthy living and disease prevention.

**PATRIUS HEALTH:** In February 2022, the Company acquired 20% interest in Patrius Health, Inc., a Mississippi corporation, through a Stock Purchase Agreement. The acquisition was approved by the Mississippi Insurance Department on May 3, 2022. Patrius Health, Inc. provides Medicare Advantage plan options in nine Mississippi counties.

**BLUE CROSS & BLUE SHIELD OF MISSISSIPPI FOUNDATION (BCBSMSFD):** incorporated in 2004 as a private, Non-Profit Corporation affiliate of Blue Cross Blue & Shield of Mississippi whose purpose is to fund and support 501(c)(3) organizations and programs that positively impact the health of Mississippians.

### **Affiliated and Related Party Transactions**

#### **Tax Sharing Agreement with Affiliates:**

BCBSMS filed consolidated federal and state income tax returns with its affiliates. Income taxes were allocated to the subsidiaries based on their proportionate share of income, deductions, and credits that were reflected within the consolidated tax returns filed by the Company.

#### **Service Agreement with Capstone Corporation:**

The Company entered into a Service Agreement on January 1, 1985, with Capstone Corporation. Under the terms of this agreement, BCBSMS agreed to provide business services as requested to Capstone Corporation. These services included accounting, printing, mailing, payroll,

purchasing, legal, and other such services as Capstone Corporation and/or any subsidiary may request. In return for provided services, BCBSMS received as compensation a prorated portion of the employee's salary that performed such services.

Property Lease with Capstone Corporation:

The Company entered into a Property Lease Agreement on January 1, 1985, with Capstone Corporation. This agreement provided for Capstone Corporation and its subsidiaries to lease certain office space, furnishings, and/or automobiles from BCBSMS.

Service and Lease Agreement with HMOMS:

Effective August 31, 1996, BCBSMS entered into a Service and Lease Agreement with HMOMS; whereby, BCBSMS provided certain business services to the Company. These services included: general management services, financial services, accounting, printing, mailing, corporate data systems and programming, public relations, personnel, payroll, purchasing, legal, and other services. BCBSMS allocated or directly charged HMOMS its portion of salaries, travel, fees, and expenses.

Insolvency Plan Agreement with HMOMS:

Effective September, 1, 1995, BCBSMS entered into an Insolvency Plan Agreement whereby, BCBSMS guaranteed the solvency of the HMOMS. Pursuant to this agreement, BCBSMS agreed to continue coverage for members of HMOMS, in the event of insolvency.

Service Agreement with BCBSMSFD:

The Company entered into a Service Agreement on January 1, 2007, with the Blue Cross & Blue Shield of Mississippi Foundation. Under the terms of this agreement, the Company shall provide employees to work on behalf of the Foundation. In return for the services provided, the Foundation shall reimburse the Company for the employees' time computed at rates by prorating the salaries paid to the employee, during their respective payroll periods, together with the cost of fringe benefits and travel expenses. In addition, the Company shall provide non-professional goods such as pencils, stationery and other incidental supplies at no charge.

Service Agreement with Advanced Health Systems, Inc. (AHS):

Each company agrees to provide or make available to the other certain business services including (but not limited to) provider networks, general management services, general provider contracting services, financial services, accounting, printing, mailing, corporate data systems and programming, public relations, purchasing, claims administrative services, managed care services and other such services.

#### Service Agreement with BlueHealth Baptist LLC

Effective July 31, 2020 BlueHealth Baptist LLC, is owned 50% by BlueHealth, LLC (a wholly owned Capstone subsidiary) with Baptist Memorial Health Care Corporation to provide Blue Cross Blue Shield members access to novel, customer-centric preventative care.

#### Service Agreement with Patrius Health Inc.

Effective February 2022, the company acquired a 20% interest in Patrius Health, Inc with Blue Cross Blue Shield of Alabama. Under the terms of the agreement BCBSMS agrees to provide the provider network and broker agents and Blue Cross Blue Shield of Alabama agrees to provide marketing, billing and other administrative services.

### **FIDELITY BOND AND OTHER INSURANCE**

The Company maintained a comprehensive corporate insurance program. This program included commercial general liability, commercial property, and cybersecurity and privacy liability, as well as other policies, as deemed appropriate by the Company's management. The Company maintained a financial institution bond with a \$5,000,000 aggregate limit of liability for the operations of BCBSMS and its subsidiaries, which exceeded the minimum fidelity coverage suggested by the NAIC for a company of this size.

### **PENSIONS, STOCK OWNERSHIP AND INSURANCE PLANS**

The Company provides a health and welfare program for its officers and employees. It appears that adequate and/or reasonable provisions were made within the financial statements for the Company's obligations under such plans. The following is a brief description of the plans offered.

Non-Contributory Retirement Program for Certain Employees: This program is a qualified, defined benefit pension plan for all employees who meet eligibility requirements. The Plan was amended to only include those employed prior to January 1, 2007. The program has a beneficial interest in the Blue Cross & Blue Shield National Retirement Trust. Contributions to the program are made by the Company upon determination of any applicable amount by the program's actuary.

The Qualified Pension Plan and Non-qualified Pension Plan were frozen as of December 31, 2020 and years of service will continue to be credited for purposes of determining early retirement eligibility. The plan intends to terminate the Qualified Pension Plan and the Non-qualified Pension Plan in the future and during 2020, the Board of Directors passed a resolution authorizing certain actions regarding the termination of the Qualified Pension Plan.

*Retirement Benefit Restoration Program:* This program is a non-contributory, non-qualified, defined benefit retirement plan for key executives as designated by the Company's Governance and Organization Committee. Benefits under this program are based on years of service and the participant's history of earnings. The actuarial and recorded liabilities for this plan have not been funded.

The Company also established an irrevocable Rabbi Trust for the benefit of officers and directors for which Renasant Bank serves as Trustee and the Company pays all administrative expenses and Trustee fees.

*Deferred Compensation Plan:* The Company also sponsors a defined contribution tax-favored savings program for its employees. Eligibility to participate occurs later of an employee's hire date or when they attain age 21. The program consists of two parts.

First, the program provides a 100% Company match on the first 6% of employee contributions each pay period. These contributions are immediately vested.

Second, once per year an additional contribution is made to all employees with at least one eligible year of service. The contribution is based on eligible earnings from the prior year and pays 4% to those with 1 to 4 years of service and 6% to those with 5 or more years of service. This contribution is 100% vested after 3 years of service.

In addition, the Company offered life and health insurance benefits to retired employees. Employees are eligible for this coverage if they retire after age 55 with at least 10 years of service.

## **TERRITORY AND PLAN OF OPERATION**

As of December 31, 2022, the Company was authorized to write accident and health lines of business in the State of Mississippi. BCBSMS' health operations were defined by the following segments: fully-insured group, non-group, underwritten other, cost plus, national and the State of Mississippi. The Company also had a segment for non-full service health contracts that consists mainly of dental policies.

BCBSMS used four main distribution channels; internal sales force, broker sales force, Mississippi Farm Bureau, and the internet. As of 2022, the Company was the only major health insurer to offer coverage throughout the entirety of the State.

## **GROWTH OF COMPANY**

The review of the growth of the Company was performed based on balances as reported in the annual statements filed with the MID during the period under examination.

|   | <b>2022</b>    | <b>2021</b>    | <b>2020</b>    | <b>2019</b>    | <b>2018</b>    |
|---|----------------|----------------|----------------|----------------|----------------|
| Capital and Surplus                               | \$ 803,156,181 | \$ 752,372,779 | \$ 703,830,833 | \$ 704,791,278 | \$ 676,737,726 |
| Ratio of revenue to capital and surplus           | 1.80 to 1      | 1.94 to 1      | 2.06 to 1      | 1.99 to 1      | 2.03 to 1      |
| Ratio of assets to liabilities                    | 3.01 to 1      | 2.95 to 1      | 2.88 to 1      | 2.96 to 1      | 3.09 to 1      |
| Ratio of revenue to medical and hospital expenses | 1.18 to 1      | 1.11 to 1      | 1.16 to 1      | 1.11 to 1      | 1.15 to 1      |
| Cash flows from operations                        | \$ 78,447,011  | \$ 24,441,734  | \$ 83,636,258  | \$ 49,373,645  | \$ 20,944,610  |
| Net income (loss)                                 | \$ 46,733,337  | \$ 16,968,397  | \$ 62,637,704  | \$ 20,074,574  | \$ 43,242,397  |

## **REINSURANCE**

BCBSMS participates in the ACA's risk adjustment program which includes a reinsurance component for claims in excess of \$1 million. Under the reinsurance component, the risk adjustment mechanism will reimburse insurer 60 percent of the cost above the \$1 million attachment point for insurers who incur claims in excess of \$1 million.

## **ACCOUNTS AND RECORDS**

The Company's 2022 trial balances were tied to the financial statements within the statutory annual statements filed with the MID, with no material exceptions noted. The Company was audited annually by an independent CPA firm and the Company's claims unpaid liability and health policy reserves were calculated by a consulting actuarial firm.

The Company processed all information at its home office located in Flowood, Mississippi utilizing a combination of purchased and internally-modified applications. Significant applications include NAS, CAS and RXClaim for claims processing, MABIL for membership and billing, CARMS for credit and accounts receivable and WALKER for financial reporting. The Company utilizes multiple platforms including an IBM z13s-U03 mainframe with the IBM z/OS 2.2 operating system. Mainframe and open systems data are continuously replicated to like equipment with an offsite storage service.

The Company is licensed as a single-line accident and health mutual insurance company pursuant to Miss. Code Ann. § 83-19-31(1) (d), which requires the Company to maintain surplus equal to the capital and surplus requirements of a stock company writing similar lines of



insurance. Miss. Code Ann. § 83-19-31 (1) (a) requires single-line companies to maintain combined capital and surplus of \$1,000,000. The Company is also required to file risk-based capital (RBC) reports for each of its NAIC annual statement filings pursuant to Miss. Code Ann. § 83-5-401 through § 83-5-427.

### **STATUTORY DEPOSITS**

The Company's statutory deposits with the State of Mississippi complied with Miss. Code Ann. § 83-19-31(2) and § 83-7-21. The following chart displays the Company's deposits at December 31, 2022.

| <b>Description of Security</b> | <b>State<br/>Deposited</b> | <b>Par Value</b> |
|--------------------------------|----------------------------|------------------|
| Bond                           | Mississippi                | \$ 600,000       |

## **FINANCIAL STATEMENTS**

### **Introduction**

The following financial statements consist of a Statement of Assets, Liabilities, Capital and Surplus as of December 31, 2022, a Statement of Revenue and Expenses for examination period ended December 31, 2022, a Reconciliation of Capital and Surplus for the examination period ended December 31, 2022 and a Reconciliation of Examination Adjustments to Surplus at December 31, 2022.

# Statement of Assets, Liabilities, Capital and Surplus

## December 31, 2022

|   |                      |
|---|----------------------|
| <b>Assets</b>   |                      |
| Bonds   | \$ 811,242,411       |
| Common stocks   | 150,075,975          |
| Real estate   | 35,666,537           |
| Cash and cash equivalents   | 84,197,949           |
| Other invested assets   | 828,712              |
| Investment income due and accrued                                 | 4,916,432            |
| Uncollected premiums and agents' balances in course of collection | 42,959,538           |
| Receivables from parents, subsidiaries and affiliates             | 274,226              |
| Amounts receivable relating to uninsured plans                    | 21,897,218           |
| Net deferred tax asset  | 14,620,586           |
| Guaranty funds receivable or on deposit                           | 2,767,439            |
| Electronic data processing equipment and software                 | 2,765,875            |
| Healthcare and other amounts receivables                          | 20,900,000           |
| Miscellaneous receivables   | 6,553,804            |
| Premium tax credit  | 3,603,020            |
| <b>Total assets</b>   | <b>1,203,269,722</b> |
| <b>Liabilities, Capital and Surplus</b>                           |                      |
| Claims unpaid   | \$ 146,414,552       |
| Accrued medical incentive pool and bonus amounts                  | 3,176,699            |
| Unpaid claims adjustment expenses                                 | 2,842,675            |
| Aggregate health policy reserve                                   | 3,362,777            |
| Premiums received in advance                                      | 1,750,116            |
| General expenses due or accrued                                   | 115,663,207          |
| Current federal income tax payable                                | 7,712,323            |
| Amounts withheld or retained for the account of others            | 6,173,378            |
| Remittance and items not allocated                                | 4,202,938            |
| Amounts due to parent, subsidiaries and affiliates                | 502,700              |
| Retirement liabilities  | 91,897,766           |
| Payable for securities  | 856,124              |
| Escheat liability   | 3,338,689            |
| Other long term liability   | 2,564,637            |
| Summary of remaining write-ins                                    | 9,654,960            |
| <b>Total liabilities</b>  | <b>400,113,541</b>   |
| Unassigned funds  | 803,156,181          |
| <b>Total liabilities, capital and surplus</b>                     | <b>1,203,269,722</b> |

**Statement of Revenue and Expenses**  
**For the examination period ended December 31, 2022**

|  |                  |
|--|------------------|
| Total revenues   | \$ 1,447,810,082 |
| <b>Benefits and Expenses</b>   |                  |
| Hospital/medical benefits  | 659,385,085      |
| Emergency room and out-of-area   | 274,418,834      |
| Prescription drugs   | 284,845,077      |
| Incentive Pool   | 3,703,294        |
| Total hospital and medical   | 1,222,352,290    |
| Claims adjustment expenses,  | (12,734,614)     |
| General administrative expenses  | 195,710,597      |
| Total underwriting deductions  | 1,405,328,273    |
| Net underwriting gain  | 42,481,809       |
| Net investment income earned   | 30,370,838       |
| Net realized capital gains   | (4,338,981)      |
| Net investment gains   | 26,031,857       |
| Miscellaneous income   | 36,481           |
| Net income after capital gains tax and before all federal income taxes | 68,550,147       |
| Federal income tax in  | 21,816,810       |
| Net income   | \$46,733,337     |

**Reconciliation of Capital and Surplus  
For the Examination Period Ended December 31, 2022**

|   | 2022          | 2021          | 2020          | 2019          | 2018          |
|---|---------------|---------------|---------------|---------------|---------------|
| Capital and Surplus,<br>December 31, prior<br>year                            | \$752,372,779 | \$703,830,833 | \$704,791,278 | \$676,737,726 | \$627,605,835 |
| Net Income  | 46,733,337    | 16,968,397    | 62,637,704    | 20,074,574    | 43,242,397    |
| Change in net<br>unrealized capital gains<br>(losses)                         | (14,037,350)  | 2,213,523     | 6,469,912     | 11,737,676    | (7,664,708)   |
| Change in net deferred<br>income tax  | 6,617,729     | (1,210,065)   | 2,009,016     | (1,446,252)   | (2,469,816)   |
| Change in non-<br>admitted assets   | (78,124,228)  | (6,604,923)   | 4,664,208     | (5,015,968)   | 5,760,720     |
| Change in non-admit<br>subsidiary assets                                      | 342,277       | (41,689)      | (212,497)     | (265,897)     | 718,562       |
| Change in additional<br>pension liability in<br>excess of unrecognized<br>PSC | 89,251,637    | 37,216,703    | (76,524,663)  | 2,969,419     | 9,544,736     |
| Change in LCM<br>adjustment   | -             | -             | (4,125)       | -             | -             |
| Capital and Surplus,<br>December 31, current<br>year                          | \$803,156,181 | \$752,372,779 | \$703,830,833 | \$704,791,278 | \$676,737,726 |

**RECONCILIATION OF EXAMINATION ADJUSTMENTS TO SURPLUS  
DECEMBER 31, 2022**

There were no changes made to the admitted assets, liabilities, capital and surplus balances reported by the Company for the year ended December 31, 2022. The capital and surplus, which totaled \$803,156,181 as of the examination date, was determined to be reasonably stated and in compliance with Miss. Code Ann. §83-19-31(1)(d).



## **MARKET CONDUCT ACTIVITIES**

A full market conduct examination was not conducted; however, specific areas of the market conduct activities were reviewed. The specific areas reviewed included those items as indicated below.

### **Complaint Handling**

The Company maintained complaint documentation during the period under examination. Complaints appeared to have been appropriately resolved and no policyholder abuse was noted.

### **Underwriting and Rating**

Based upon procedures performed during the course of the examination, the Company appeared to be appropriately applying premium rates for insured policies based on application data. It appeared that all applicable policy forms had been appropriately approved by the MID.

### **Claims Handling**

Claim files were reviewed for general indicators of policyholder treatment concerns. No significant areas of concern were noted.

### **Producer Appointment & Licensing**

The Company appeared to have the appropriate licensure to issue its products and agents appeared to be properly licensed and appointed with only minor exceptions. No significant areas of concern were noted.

### **Privacy**

Privacy notices were sent to the Company's policyholders annually.

### **Network Adequacy**

The Company appeared to have appropriate controls to adequately monitor the effectiveness of its provider network.

### **Grievances**

The Company maintained grievance documentation during the period under examination. Grievances appeared to have been appropriately resolved and no policyholder abuse was noted.

## **COMMITMENTS AND CONTINGENT LIABILITIES**

The Plan is a defendant in multiple lawsuits, some of which were initially filed in 2012, against the Blue Cross Blue Shield Association (BCBSA) as well as Blue Cross and/or Blue Shield licensees across the country. The cases were consolidated into a single multi-district lawsuit, in re Blue Cross Blue Shield Antitrust Litigation, that is pending in the United States District Court for the Northern District of Alabama. Generally, the suits allege the BCBSA and the Blue plans have engaged in a conspiracy to horizontally allocate geographic markets through license agreements, best efforts rules (which limit the percentage of non-blue revenue of each plan), restrictions on acquisitions and other arrangements in violation of the Sherman Antitrust Act and related state laws. The cases were brought by two putative nationwide classes of plaintiffs: health plan subscribers, and providers. On August 9, 2022, the United States District Court entered a final order approving a class settlement of the Subscriber cases for payment of \$2.67 billion and the implementation of significant structural changes to the Blue Cross and Blue Shield Association's membership and licensing rules.

The Plan funded its portion of the Subscriber settlement in 2022, pursuant to the terms of the final order. On October 25, 2023, the Eleventh Circuit Court of Appeals affirmed the District Court's final order approving the settlement. Petitions for Writ of Certiorari were filed with the United States Supreme Court challenging the Eleventh Circuit Court of Appeals' Judgement upholding the Subscriber Settlement, which were denied on June 24, 2024.

As of December 31, 2022, the Plan has accrued a loss contingency of approximately \$24.9 million for all legal matters in which the incurred loss could be estimated. The accrued loss contingency was provided pursuant to ASC 450, *Contingencies*, based on management's best estimate of the loss that may be incurred to fully resolve this matter.

## **COMMENTS AND RECOMMENDATIONS**

The examination did not identify any material comments and recommendations.

## **SUBSEQUENT EVENTS**

Subsequent to the examination date, Mr. Finley retired from the Board and William Brevard Breckenridge III and Joey Fail Garner were installed on the Board. In addition, Dr. Fenter's title was changed to Strategic Medical Advisor.

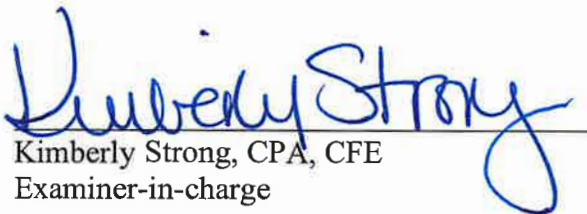
## ACKNOWLEDGMENT


The examiners representing the Mississippi Insurance Department and participating in this examination were:

|                           |   |
|---------------------------|---|
| Mitch Rayborn, CFE        | Administrative Examiner                         |
| Kimberly Strong, CPA, CFE | Examiner-in-charge, Harper, Rains, Knight & Co. |
| Steve Sartin, CISA, CRISC | IT Examiner, Harper, Rains, Knight & Co.        |
| John Mayberry, FSA, MAAA  | Examination Actuary, Lewis & Ellis              |
| Brett Davis, CPA          | Financial Examiner, Harper, Rains, Knight & Co. |
| Cameron Kaskocsak         | Financial Examiner, Harper, Rains, Knight & Co. |
| Evan Ratcliff             | Financial Examiner, Harper, Rains, Knight & Co. |

The courteous cooperation of the officers and employees responsible for assisting in the examination is hereby acknowledged and appreciated.

Respectfully submitted,

  
Kimberly Strong, CPA, CFE  
Examiner-in-charge

  
Mark Cooley, CFE  
Mississippi Insurance Department Designee