Health Care Service Corporation

a Mutual Legal Reserve Company

HEALTH CARE SERVICE CORPORATION GROUP

AMB #: 069154 **NAIC #:** N/A **FEIN #:** N/A
Phone: **Fax:** **Website:** N/A

HEALTH CARE SERVICE CORPORATION, A MUTUAL LEGAL RESERVE COMPANY A+

Domiciliary Address: 300 East Randolph Street, Chicago, Illinois 60601-5099 United States
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AMB #: 009193 **NAIC #:** 70670 **FEIN #:** 36-1236610
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AM BEST
A+
SUPERIOR
Financial Strength Rating

Best's Credit Rating Effective Date
January 15, 2026

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Information

Best's Credit Rating Methodology

Guide to Best's Credit Ratings

Market Segment Outlooks

Financial Data Presented

Financial data in this report: (i) includes data of affiliated entities that are not rating unit members where analytics benefit from inclusion; and/or (ii) excludes data of rating unit member entities if they operate in different segments or geographic areas than the Rating Unit generally. See list of companies for details of rating unit members and any such included and/or excluded entities.

The financial data in this report reflects the most current data available to the Analytical Team at the time of the rating. Updates to the financial exhibits in this report are available here: Best's Financial Report.

Health Care Service Corporation Group

AMB #: 069154
Associated Ultimate Parent: AMB # 009193 -
Health Care Service Corporation, a Mutual Legal Reserve Company

Best's Credit Ratings - for the Rating Unit Members

Financial Strength Rating (FSR)	Issuer Credit Rating (ICR)
A+	**aa-**
Superior	**Superior**
Outlook: **Stable**	Outlook: **Stable**
Action: **Affirmed**	Action: **Affirmed**

Assessment Descriptors

Balance Sheet Strength	**Strongest**
Operating Performance	**Adequate**
Business Profile	**Favorable**
Enterprise Risk Management	**Appropriate**

Rating Unit - Members

Rating Unit: Health Care Service Corp Group | AMB #: 069154

AMB #	Rating Unit Members	AMB #	Rating Unit Members
007322	Dearborn Life Insurance Co	007048	HCSC Insurance Services Co
068158	Dearborn Natl Life Ins of NY	009193	Health Care Service Corp
068932	GHS Health Maintenance Org	068771	Health Care Service-IL LOB
011405	GHS Insurance Company	068718	Health Care Service-Texas LOB

Rating Rationale

Balance Sheet Strength: Strongest

- Health Care Service Corporation Group (HCSC Group) maintains the strongest level of risk-adjusted capitalization as measured by Best's Capital Adequacy Ratio (BCAR).
- A prudent and highly diversified investment portfolio with good credit quality. Over four-fifths of invested assets are held in investment-grade fixed-income securities with an average maturity of seven years. Net cash flow from operations remains favorable.
- Favorable levels of financial flexibility give access to the debt markets. The organization has over $4 billion in senior unsecured notes, $1.25 billion line of credit with a consortium of banks and access to $2 billion of borrowing capacity under the Federal Home Loan Bank of Chicago (FHLBC). Financial leverage metrics are considered low, but they increased recently with the acquisition of the Cigna Medicare business, which resulted in a new debt issuance and FLHB borrowings to just under 20% financial leverage on a statutory basis.
- Liquidity measures remain adequate and are strengthened by access to the FHLB at the lead entity, Health Care Service Corporation.

Operating Performance: Adequate

- Favorable net premium written growth driven primarily by membership growth across a majority of the lines of business.
- Premium growth is expected to continue for most lines, partially offset by declines in Medicaid membership due to redeterminations following the end of the public health emergency, but this is expected to be a temporary decline. Additionally, minor modifications in the individual and Medicare Advantage lines could also result in temporary declines in portions of these membership bases as the organization focuses on profitability.
- Profitability measures include a strong historical trend of return on equity, which exceeded 5% in aggregate over the past five years, as well as generally favorable - yet fluctuating - operating margins pre-2025.
- While consolidated underwriting and net income trends had been favorable over the past five years, HCSC Group reported a sizable underwriting and net loss through the third quarter of 2025, driven by elevated utilization and higher-than-expected medical and pharmaceutical cost trends across the majority of its lines of business. Earnings had historically been driven primarily by strong results in the commercial segment, primarily driven by the individual exchange segment.
- Investment income has been fairly steady and generally growing, and it has meaningfully contributed to net earnings over the past several years.

Business Profile: Favorable

- HCSC Group has a nationwide presence supported by strong brand recognition. The organization is a market leader in all five states in which it operates and has expanded its market position in the Medicare Advantage and Supplemental segments with its 2025 acquisition from Cigna/Health Spring.
- The business profile is further enhanced by the offering of diversified health insurance products. HCSC Group has exhibited fairly consistent membership growth in its main markets driven by both government and commercial segments through 2024, with some attrition in membership occurring in 2025, excluding the Health Spring business.
- While competition remains strong in all lines of business, the Blue Cross Blue Shield brand provides a significant competitive advantage for both network relationships and consumer outreach.

Enterprise Risk Management: Appropriate

- The ERM program is well developed with a comprehensive risk identification, monitoring, mitigation, and oversight process. The program is evolving to expand the risk assessment process by engaging employees at all levels of the organization.
- Governance includes oversight from the executive leadership team, ERM Steering Committee and the Board of Directors of Health Care Service Corporation.
- Group-wide stress testing designed to capture significant risk events and emerging risks is constantly monitored. Further, the organization performs multiple stress scenario testing to determine the impact on risk-adjusted capitalization.
- Risk appetite and tolerances extend to various areas of the organization, including operations, strategy, execution and financial condition.
- Stress and scenario testing is performed annually, and results are included in the Own Risk and Solvency Assessment (ORSA) report.

Outlook

- The stable outlooks reflect AM Best's expectation that the group will maintain the strongest level of balance sheet strength assessment, supported by its leading market position in its core markets, and the scale and profitability of its total business will resume in the medium-term future.

Rating Drivers

- Negative rating movement could occur if there is a lack of improvement in Health Care Service Corporation Group's operating performance.
- Negative rating movement could occur if there is material deterioration of balance sheet strength metrics.
- While it is thought to be unlikely in the near-term future, positive rating movement could occur with an upwards trajectory in operating performance across all lines of business.

Credit Analysis

Balance Sheet Strength

The HCSC Group has continued its favorable balance sheet strength despite recent operating performance challenges experienced in 2025. The company's risk-adjusted capitalization remains at the strongest level, as measured by Best's Capital Adequacy Ratio (BCAR). HCSC's consistent capital and surplus growth, driven by historically favorable net income accretion, has generally outpaced premium growth and driven increased risk-adjusted capitalization. AM Best expects that HCSC's absolute capital will decline somewhat in the near-term given expected operating losses through year-end 2025; however, AM Best still expects HCSC's BCAR to remain at the strongest level.

Furthermore, HCSC has demonstrated ample contingent liquidity and strong financial flexibility through numerous sources, including its available cash position, and its five-year, $1.25 billion senior unsecured revolving credit facility with a consortium of banks along with its borrowing capacity under the Federal Home Loan Bank of Chicago (FHLB) of over $2.0 billion.

AM Best notes that HCSC's statutory financial leverage increased recently to just under 20%, due to a new debt issuance in 2024 and FHLB debt in 2025, but remains within acceptable ranges for the ratings. In addition, HCSC's earnings before interest and taxes interest coverage ratio has historically been strong prior to 2025. Further, HCSC has reported strong operating cash flows through the latter part of 2025. HCSC's invested assets are held predominantly in investment grade fixed income securities and cash/cash equivalents, and there are no material exposures, as its investment portfolio is quite liquid and has been managed with relatively low risk.

HCSC's acquisition of The Cigna Group's Medicare and CareAllies businesses closed in the first quarter of 2025. As expected, this transaction had a limited impact on HCSC's overall balance sheet strength metrics. The transaction has expanded HCSC's geographic diversification footprint, with the addition of business outside of HCSC's core Blue-branded states and added diversity within its Medicare Advantage and supplemental health lines of business. Additionally, HCSC has gained new network relationships, membership expansion and revenue growth, all of which offers additional competitive advantages, scale and capabilities.

Capitalization

Health Care Service Corporation (HCSC) has a history of maintaining more than sufficient level of both absolute and risk-adjusted capitalization and its BCAR measured strongest with the score of over 60% at 99.6% VaR as of year-end 2024 and is projected to remain fairly stable for year-end 2025. While, absolute and risk-adjusted capital experienced modest growth through 2024 driven by net gains. Through the third-quarter 2025, HCSC reported a decline in capital and surplus driven by underwriting losses, which AM Bests expects to worsen in the fourth-quarter.

Historically, consistent capital and surplus growth, driven by favorable net income accretion, has generally outpaced premium growth, driving increased risk-adjusted capitalization. AM Best expects that HCSC's capital growth will be somewhat muted in the near term, given recent operating performance challenges. Premium leverage has increased slightly, but remained lower around 3% for the past several years, this is expected to increase for year-end 2025 with the integration of the Cigna acquisition. Five-year compound annual growth rate of net premium written remained strong at 9% through 2024.

HCSC has strong financial flexibility through a combination of privately placed notes, access to Federal Home Loan Bank (FHLB) of Chicago advances, bank lines of credit and its available cash position. Additionally, HCSC has ample contingent liquidity as it has a five-year, $1.25 billion senior unsecured revolving credit facility with a consortium of banks. Furthermore, its borrowing capacity under the FHLB remains over $2.0 billion. AM Best notes that HCSC's financial leverage increased to 15%, due to a new debt issuance in 2024 and again in 2025 with its FHLB borrowings to just under 20% on a statutory basis, but remains within acceptable ranges for the ratings. Further, HCSC has reported strong operating cash flow through mid-2025.

Balance Sheet Strength (Continued...)

Asset Liability Management - Investments

Invested assets are held predominantly in investment grade fixed income securities and cash/cash equivalents. There is no material exposure to equities, real estate or Schedule BA assets. The company's investment portfolio is quite liquid and has relatively low risk. Fixed income securities comprise 65% of invested assets with the remaining allocation mostly in equity and real estate with small amount of BA assets and mortgage loans holdings. The majority of fixed income securities are investment grade with an average duration of 6.5 - 7 years. However, the quality of the fixed income portfolio improved in 2024. The volume of below investment grade bonds, which includes high yields, emerging market debt, private placements and lower rated corporate bonds, declined through 2023 and 2024. Additionally, the exposure to NAIC Class 2 bonds has been fairly stable at between 25 - 30% for the past five-year period. Furthermore, exposure to higher-risk assets has grown due to decreased allocation to NAIC Class 3 and 4 bonds and alternative assets. These changes are in line with the organization's strategy to increase investment yields in a low interest rate environment. This strategy, along with the growth of the asset base, resulted in a more stable investment income.

Common stock holdings are below 10% of invested assets and include mutual funds, individual equities and affiliates. Vanguard Total Stock Mutual Fund accounts for a large portion of the common stock portfolio. Current investment strategy includes private investment initiatives. Real estate holdings are mainly company occupied buildings, including the company's headquarters in Chicago, IL. BA assets include a number of health related holdings owned by groups of various Blue Cross Blue Shield plans and utilized for core business. The largest of such assets is Prime Therapeutics (Prime) which provides Pharmacy Benefits Administration services to a number of Blue plans including HCSC. HCSC has close to 40% share in Prime, which is owned by several other Blue plans. Historically, commercial mortgage loans were utilized for matching longer duration liabilities at Dearborn Life Insurance Company and its New York subsidiary, Dearborn National Life Insurance Company of New York. However, mortgage loans now represent less than 1% of invested assets as the majority of these liabilities have been reinsured out of Dearborn. HCSC does not issue mortgage loans directly, but participates in lending through a partnership with Securian Asset Management.

Some investment management functions are performed internally. The company also engages the services of multiple external advisers and consultants in the management of the company's invested assets.

Operating Performance

Prior to 2025, which has been a challenging year across the industry, HCSC had reported fairly consistent revenue growth and solid operating earnings in most of its business segments, with double-digit revenue growth during 2024, even before the Cigna-HealthSpring acquisition. Operating revenue growth has been driven by both organic and external opportunities, via a combination of new business expansion, membership growth and premium rate increases. Five-year compound annual growth rate of net premium written remains strong at over 9% through 2024.The group segment has represents the largest portion of HCSC revenue in recent years and premium growth has been reported for the line of business and across other lines of business.

Significant growth has recently been driven by membership growth across most lines of business, with HCSC's commercial, individual and family enrollment gains more than offsetting the attrition that occurred in the Medicaid segment from the redetermination process and membership acquired from the Cigna-HealthSpring acquisition. Overall earnings, although solid through year-end 2024, have been impacted on an underwriting basis by higher-than-expected utilization, claims costs, and member acuity across all lines, driven by a mix of inpatient, outpatient, pharmaceutical cost trends, as well as a shift in membership mix related to Medicaid redetermination and the change in this membership population. This trend was observed during the fourth quarter of 2024, after pricing was already established for 2025.

Throughout 2025, and into the later part of that year, the organization's underwriting performance worsened, driven by a combination of factors. Revenues were equally distributed throughout the year, so with the increasing claims costs HCSC typically reports higher than targeted margins in the first half of the year and lower in the latter half. Deterioration was expected from second quarter of 2025 to the third quarter of 2025; however, not to the extent of the actual third quarter loss. The full year has been impacted by continued higher claims trends, both at HCSC and across the industry. For 2026, HCSC has repriced its business and refined strategies across its various lines, to improve operating results.

However, AM Best notes that HCSC has reported volatile, but consistently solid underwriting and net income over the past five-years prior to 2025. Overall earnings, although solid, have been impacted by higher-than-expected acuity and a shift in the mix in Medicaid membership base, related to eligibility redetermination and the change in this membership population. In more-recent years, the organization's underwriting performance has been driven primarily by strong results in the commercial segment, predominantly in the individual exchange segment, although a higher-than-expected medical cost trend across the majority of its lines of business has tempered results.

Further, the Medicaid segment was negatively impacted by members' acuity as well as members' behavior driving an increase in utilization following the end of the public health emergency and establishment of eligibility redetermination. In addition, the

Operating Performance (Continued...)

organization reported an increase in claim utilization for both its group commercial and Medicare lines of business through 2024 that significantly worsened in 2025. AM Best expects challenges in the government programs lines of business and will continue to monitor the impact this has on the Medicare Advantage and Medicaid business in 2026. Underwriting losses were offset in by investment income in 2024, but this has not been enough to offset losses in 2025. HCSC's overall investment portfolio has also generated moderate levels of realized investment losses over the past five-year period through the later part of 2025.

Business Profile

Health Care Service Corporation (HCSC) (d/b/a Blue Cross Blue Shield of Illinois / Texas / New Mexico / Oklahoma / Montana) has a well-established geographic diversity, as the company operates Blue Cross Blue Shield plans in five states. HCSC has benefited from its strong brand name recognition and a leading market share - as measured by membership - in the majority of its states. HCSC's market leadership position in its five core Blue Cross states provides a foundation for further membership growth across multiple lines of business. HCSC's portfolio includes owned and affiliated companies that provide the organization with added diversified capabilities. HCSC can provide a comprehensive suite of solutions for complex and chronic conditions to drive down the cost of care.

The Blue branded managed care products offered includes preferred provider option (PPO), point of service (POS), health maintenance organization (HMO) and Consumer Directed Health Plan (CDHP) products to individuals and employer groups. Additional network based products are available to employer groups. Group business is provided on both a fully insured or on administrative service only (ASO) basis. For large multi-state employer groups, HCSC also provides access to the national Blue Cross and Blue Shield network through its BlueCard program participation. Health subsidiaries include GHS Health Maintenance Organization (OK), HCSC Insurance Services Company, Illinois Blue Cross Blue Shield Insurance Company and GHS Insurance Company. Lines of business are the HCSC - Illinois HMO Line of Business and HCSC - Texas HMO Line of Business. The company also offers Blue Cross and Blue Shield branded Medicaid, Medicare Supplemental, Medicare Advantage, Medicare Part D prescription drug and dental coverage directly or through its wholly owned health subsidiaries.

Furthermore, the organization continues to benefit from the growth of ancillary products offered through Dearborn Life Insurance Company which are Blue-branded in HCSC's home states. Along with its subsidiary Dearborn National Life Insurance Company of New York, as well as its non-insurance service entities the companies operate as Dearborn Group in the market.

Historically, the Dearborn Group companies provided the HCSC organization a means to offer multiple products to its customers and provide both product and geographic diversification. Supplemental health and ancillary products offered by Dearborn Group are also available to HCSC members and employer groups. In July 2025, Dearborn Life announced signing a definitive agreement on the sale of its life & disability income block via an assumption reinsurance transaction with Symetra. No legal entities were sold. HCSC also signed an exclusive long-term distribution agreement with Symetra on short-term disability/long-term disability/paid family leave and group term life products, so the organization maintains access to these products for quoting. Dearborn's future with HCSC, will include retention of its core related health products dental, vision, supplemental health all on Dearborn paper. The transaction closed in the fourth-quarter of 2025. HCSC still views these entities as strategically important - but with lower scale. Additionally, HCSC views Dearborn and the acquired Cigna supplemental businesses as highly linked as these businesses complement each other. They are expected to remain separate but cross sales are planned. The group versions of these products will be sold through Dearborn & individual through the acquired former Cigna entities.

Additionally, HCSC's portfolio includes owned and affiliated companies that provide the organization with added diversified capabilities. Among HCSC's non-insurance businesses is Luminare Health, which offers additional flexible health benefit solutions, allowing HCSC to serve a broader customer base. Through its investment in Collective Health, HCSC delivers a digital platform to help employers navigate the evolving health care ecosystem. Through its affiliation with Prime Therapeutics LLC, HCSC is able to provide pharmacy benefit management services, as well as a comprehensive suite of solutions for complex and chronic conditions to drive down the cost of care.

On January 31, 2024, HCSC announced that it had signed a definitive agreement with The Cigna Group to acquire its Medicare Advantage, Medicare Supplemental Benefits, Medicare Part D and CareAllies businesses. This acquisition closed in March 2025 and aligns to HCSC strategic priorities and offers a highly attractive opportunity to acquire a scaled Medicare-focused health plan. The acquisition increases the durability and stability of HCSC, increasing exposure to Medicare to roughly 18% of HCSC members and materially increases addressable market. The transaction expands HCSC's geographic diversification footprint, with the addition of business outside of HCSC's core Blue-branded states. Additionally, the new membership and revenues will provide additional scale and capabilities to HCSC's Medicare Advantage and related businesses.

AM Best notes that HCSC has exhibited a relatively stable strategy and the ability to meet its forecasts over the past few years. The commercial group business remains an important market segment for HCSC, driving a large portion of premiums and enrollment volume. Its government business, including Medicare Advantage and related senior products, as well as Medicaid managed care

Business Profile (Continued...)

offerings, have exhibited solid growth over the past year. Additionally, the government business comprises an increasing portion of the overall enrollment and premiums for the group.

Furthermore, HCSC has reported consistent enrollment gains the past few years, driven by the group, retail and government sector of business. The group's total membership in the five states accounts for a solid size of the US GDP. The Illinois division has over 9 million members, who comprise almost one half of HCSC's total enrollment. The Texas division has 7.8 million members and primarily serves the large local market segment. The New Mexico division has 600,000 members, the Oklahoma division has 850,000 members, and the Montana division covers around 300,000 members. The vast majority of membership is enrolled in a managed care plan (PPO/POS/HMO). Group business accounts for over four-fifths of HCSC's business. HCSC group accounts include about one half of Fortune 500 employers located in HCSC home states. HCSC also participates with the Blue Cross Blue Shield Association National BlueCard program which accounts for approximately 3.7 million additional members. The individual business comprises 2 million members and this segment exhibited strong enrollment gains with the ACA subsidy expansion.

The company's health operations are defined by three market segments: Group, Government and Individual and Family Markets (IFM/Retail). The Group market segment includes Small Group, Large Group, National Accounts and Student Health. Small Group represents employer groups with 50 or less employees. The small group market has a higher level of regulation by the state Department of Insurance than other group market segments. Policyholders in this market are more price sensitive than other markets and may change carriers frequently due to price. Large Group represents employer groups with 51-1,999 employees. Major and Special Accounts include large companies with more than 2,000 employees domiciled in one of HCSC's home states and group accounts that do not fall into the traditional group segment definition such as the Federal Employee Health Benefits Program (FEP), Illinois Labor Accounts and Illinois Municipal Accounts and Texas Public Markets. National Accounts primarily represents very large multi-state employer groups as well as the processing of BlueCard claims for members covered under other Blue Cross and Blue Shield plans. HCSC has more than 500 national accounts with over 2,000 employees and has been a source of solid enrollment growth for the company. The majority of the national accounts covered by HCSC are self-funded. Similar to national trends the growth in the group segment had been stagnant for number of years. Higher enrollment is supported by both in-group growth and winning of new accounts. In addition, record retention level contributes to growing enrollment base.

HCSC currently participates in Medicaid programs in Illinois, New Mexico and Texas. HCSC increased its participation in Medicaid programs primarily by winning contracts in several states to cover new membership under Medicaid expansion of the ACA. To provide appropriate service to Medicaid members and improve profitability of that segment, HCSC began to implement various programs to address the social determinants of care. In addition, HCSC continues to optimize the networks and provider contracts better suited to serve the members with chronic conditions and limited means to maintain the needed level of care.

HCSC’s Medicare line of business offers Medicare Supplemental plans as well as Medicare Advantage and Medicare Part D prescription drug coverage administered by HCSC and its wholly owned subsidiaries, HCSC Insurance Services Company (HISC), GHS Managed Health Plans, GHS Health Maintenance Organization and GHS Insurance Company. The membership in the Medicare Advantage program has experienced strong growth over the last five years. To support this growth, HCSC has invested in the infrastructure to improve Stars performance through expertise, care management, and data ingestion and analysis. As a result, HCSC maintained or improved Star ratings across all contracts for service year 2025. HCSC continues to focus on developing and maintaining a balanced portfolio of financially sustainable products to meet the needs of all Medicare beneficiaries within its five states.

The IFM Markets segment is divided into three sub-segments: ACA qualified health plans (QHP) sold to those under age 65, grandfathered non-ACA individual plans and dental/visions stand-alone. In the ACA sub-segment, the company offers a variety of individual and family plans in all core states, both on and off health insurance exchanges. The non-ACA sub-segment continues to provide coverage under applicable guidelines to those who had plans prior to the Affordable Care Act in both Illinois and Texas. Dental/vision stand-alone is sold in all core HCSC states. HCSC has seen growth in this line of business through 2024.

Health insurance products are sold through several distribution channels. They include general agents, brokers and consultants. Brokers and general agents mostly sell in the individual market and local small and mid-size group employers' markets. General agents also support the over 65 market. All market segments can work directly with HCSC although it is mostly seen in the individual under and over 65 markets. In all states, consultants market to the national accounts.

HCSC's historic growth was due to both organic growth as well as business combinations. HCSC was formed in 1975 through the merger of Hospital Service Corporation and Illinois Medical Service. The company began operating as Blue Cross and Blue Shield of Illinois in 1982 following a merger with Rockford Blue Cross Plan. Then in 1998, the company merged with Blue Cross and Blue Shield of Texas. In 2001, HCSC acquired the assets of Blue Cross and Blue Shield of New Mexico. HCSC completed the merger with Blue Cross and Blue Shield of Oklahoma in 2005. And then in 2013, HCSC completed the asset purchase of Blue Cross and Blue Shield of Montana. The company has maintained a strong local presence in sales, marketing, provider relations and contracting offices. Administrative functions are centrally integrated. Other past transactions include: a membership transition agreement with WellPoint, Inc., and its UniCare subsidiaries for commercial membership in Illinois and Texas, under which HCSC achieved membership transfers of over 200,000; acquisition of Lovelace Health Plan, a provider owned health plan in New Mexico adding approximately 110,000

Business Profile (Continued...)

commercial and government program members. HCSC acquired about 20,000 Medicare Advantage and commercial group members in Texas from Allegian Health Plans, a subsidiary of Tenet Healthcare in 2017.

HCSC acquired full ownership in 2023 of a joint venture formed in 2019 between Sanitas USA and HCSC to provide value-based care exclusively to over 34,000 BCBSTX members in the Dallas and Houston markets in 10 clinics. In 2024 these clinics were rebranded as Innovista Medical Center of Texas and are now operated under Innovista. HCSC continues to focus on its value-based care strategy that provides flexibility to implement strategies, optimize the performance of the clinics, and provide primary care services that are accessible, differentiated and member-focused.

In addition to acquisitions of health insurance companies, HCSC has investments in non-insurance business as well. HCSC acquired Medecision, a provider of healthcare information technology for case, disease and utilization management, and has developed secure health information access and exchange capabilities. HCSC also has an ownership interest in Prime Therapeutics, a pharmacy benefit management company and Availity, LLC, an advanced Internet-based e-health exchange. Additionally, HCSC maintains strategic business relationships with its former subsidiary, TMG Health.

In 2022, HCSC acquired Trustmark Health Benefit, a TPA of health benefits from Trustco Holdings, Inc. The addition of Trustmark Health Benefit (renamed, Luminare Health) expanded HCSC's capabilities to serve a broader customer base looking for flexible health benefit solutions. Luminare Health enables organizations to customize health benefits they offer and allows HCSC to curate health benefits solutions that align with client needs and deliver greater value to them and their members.

In 2021, HCSC and Collective Health entered into a strategic relationship to deliver a digital platform to help employers and members identify, navigate, understand and pay for the diverse services that meet their evolving health care needs. In connection with this strategic relationship, the company, made a capital equity investment in Collective Health and does have an ownership interest.

Enterprise Risk Management

The Enterprise Risk Management (ERM) program involves all levels of the organization including the Board of Directors and senior management establishing clearly defined accountability roles for risks and mitigation/controls. The program is managed by the Enterprise Risk Officer (ERO) with the support of dedicated staff and the ERM Steering Committee. There is regular reporting to the Board of Directors and its various committees, as well as the ERM Steering Committee, which is comprised of senior staff. HCSC's Enterprise Risk Management Framework utilizes five broad risk categories which include: Macro, Strategic, Financial, Operational and Outcomes. The program identifies inherent risks within each risks category and documents corresponding risk mitigations. Identified risks are prioritized based on impact to the business, timing and mitigation readiness. Formal risk appetite and tolerance level statements are maintained by the ERM Steering Committee and reported to the Board. The ERO has direct communication channels to senior management and the Board, as well as, linkages with corporate goal development and strategic planning.

Environmental, Social & Governance

AM Best believes that there is low risk to ESG factors at this time and that HCSC has limited exposure to ESG factors. Credit quality, investment risk, and underwriting activities are also viewed as having limited ESG risk.

Financial Statements

Balance Sheet	2024 USD (000)	2024 %	2023 USD (000)	2023 %
Cash and Short Term Investments	6,494,918	13.0	1,316,341	3.0
Bonds	21,706,592	43.6	23,029,556	52.9
Preferred and Common Stock	3,027,113	6.1	2,955,421	6.8
Other Invested Assets	2,377,565	4.8	1,990,583	4.6
Total Cash and Invested Assets	33,606,188	67.5	29,291,900	67.2
Premium Balances	3,696,826	1.9	3,565,678	1.8
Healthcare and Other Receivables	2,381,582	4.8	2,470,589	5.7
Other General Account Assets	10,104,614	20.3	8,232,128	18.9
Total General Account Assets	49,789,209	100.0	43,560,296	100.0
Total Assets	49,789,209	100.0	43,560,296	100.0
Policy and Claim Reserves	9,008,642	18.1	7,663,033	17.6
Liability for Deposit Contracts	35,966	0.1	33,937	0.1
Funds Held Under Reinsurance and Coinsurance Agreements	19	999.9	23	999.9
Asset Valuation Reserve	19,641	...	20,666	...
Accrued Expenses and Other General Account Liabilities	13,156,288	26.4	10,319,436	23.7
Total General Account Liabilities	22,220,555	44.6	18,037,095	41.4
Total Liabilities	22,220,555	44.6	18,037,095	41.4
Surplus Notes	1,600	...	1,600	...
Capital Stock	18,401	...	19,401	...
Paid-In and Contributed Surplus	3,169,295	6.4	1,304,336	3.0
Unassigned Surplus	24,378,353	49.0	24,196,904	55.5
Other Surplus	1,005	...	960	...
Total Capital and Surplus	27,568,654	55.4	25,523,201	58.6
Total Liabilities, Capital and Surplus	49,789,209	100.0	43,560,296	100.0

Year End - December 31

Source: BestLink® - Best's Financial Suite

Last Update
January 15, 2026

Identifiers
AMB #: 069154

This company is a data record that AM Best utilizes to represent the AM Best Consolidated financials for the Multi-Line business of AMB#: 009193 Health Care Service Corporation, a Mutual Legal Reserve Company.

AMB#: 009193 Health Care Service Corporation, a Mutual Legal Reserve Company has been assigned as the AMB Group Lead for this consolidation and should be used to access name, address, or other contact information for this AM Best Consolidated Group.

Financial Data Presented

See LINK for details of the entities represented by the data presented in this report.

Health Care Service Corporation Group

Operations

Domiciled: Illinois, United States

Business Type: Multi-Line
Organization Type: Mutual
Marketing Type: Independent Agency

Best's Credit Ratings

Rating Relationship

This group represents an AM Best Rating Unit. In our opinion, companies under this Rating Unit have a Superior ability to meet their ongoing insurance obligations and a Superior ability to meet their ongoing senior financial obligations.

Best's Credit Rating Effective Date: January 15, 2026

Rating rationale and credit analysis can be found in the Best's Credit Report for AMB# 069154 - Health Care Service Corporation Group.

		Best's Credit Ratings	
AMB#	Rating Unit Members	Financial Strength Rating	Long-Term Issuer Credit Rating
007322	Dearborn Life Insurance Co	A+	aa-
068158	Dearborn Natl Life Ins of NY	A+	aa-
068932	GHS Health Maintenance Org	A+	aa-
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Last Update
January 15, 2026

Identifiers
AMB #: 009193
NAIC #: 70670
FEIN #: 36-1236610
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Financial Data Presented

The financial data in this report reflects the most current data available at the time the report was printed.

Filing Date History

November 19, 2025 (9-Month)
August 20, 2025 (6-Month)
May 27, 2025 (3-Month)
March 10, 2025 (March Annual)

Health Care Service Corporation, a Mutual Legal Reserve Company

Operations

Date Incorporated: October 01, 1936 **|** **Date Commenced:** January 01, 1937

Domiciled: Illinois, United States

Licensed: (Current since 05/06/2014). The company is licensed in the District of Columbia, AK, AZ, AR, CO, CT, DE, FL, GA, ID, IL, IN, KY, ME, MD, MA, MI, MN, MO, MT, NE, NH, NJ, NM, OH, OK, OR, PA, SC, TN, TX, UT, VA, WV and WI.

Business Type: Health - Blue Cross/Blue Shield
Organization Type: Mutual
Marketing Type: Broker
Best's Financial Size Category: XV (Greater than or Equal to USD 2.00 Billion)

Best's Credit Ratings

Best's Credit Rating History

AM Best has assigned ratings on this company since 1987. In our opinion, the company has a Superior ability to meet their ongoing insurance obligations and a Superior ability to meet their ongoing senior financial obligations.

The following are the most recent rating events, for longer history refer to Rating History in BestLink:

	Best's Financial Strength Ratings			Best's Long-Term Issuer Credit Ratings		
Effective Date	**Rating**	**Outlook**	**Action**	**Rating**	**Outlook**	**Action**
Current - Jan 15, 2026	**A+**	**Stable**	**Affirmed**	**aa-**	**Stable**	**Affirmed**
Oct 31, 2024	A+	Stable	Affirmed	aa-	Stable	Affirmed
Oct 12, 2023	A+	Stable	Upgraded	aa-	Stable	Upgraded
Oct 12, 2022	A	Stable	Affirmed	a+	Stable	Affirmed
Nov 12, 2021	A	Stable	Affirmed	a+	Stable	Affirmed

Management

David J. Lesar is the Interim Chief Executive Officer and is a Member of the Board of Directors.

Officers

CEO: David J. Lesar (Interim)
President: Maurice S. Smith (HCSC)
President: Joseph Cunningham (Oklahoma Division)
President: Stephen F. Hamman (Illinois Division)
President: Dan K. McCoy, M.D. (Texas Division)
President: Kurt B. Shipley (New Mexico Division)
SVP and Chief Information Officer: Marvin Richardson
SVP and Chief Officer: Kevin Cassidy (HCSC Growth)
SVP and Chief Officer: Andre A. Napoli (Customer Service)
SVP and Chief Actuary: Douglas Lynch
SVP and Controller: James L. Kadela
SVP: Opella F. Ernest (HCSC Operations)
SVP: Michael E. Frank (Market Enablement)
SVP: Robert T. Hitchock (Government Business Solutions)
SVP: Thomas C. Lubben (Compliance & Audit)
SVP: Jeffrey R. Tikkanen (HCSC Markets)
SVP: Blair W. Todt (Legal Compliance & Business Performance)
SVP: James Walsh (Finance)
Treasurer: Carl R. McDonald
Chief Officer: Monica Berner, M.D. (HCSC Clinical)

Directors

Timothy L. Burke
Milton Carroll
Michelle L. Collins
Monte E. Ford
Dennis J. Gannon
Dianne B. Gasbarra, M.D.
David J. Lesar (Chief Executive Officer)
Thaddeus J. Malik
Elaine M. Mendoza
R. A. Walker
Gregory D. Wasson

Professional Service Providers

Investment Managers, Advisors, Brokers/Dealers:

- Allspring Global Investments (Unaffiliated Firm)
- Ariel Investments, LLC (Unaffiliated Firm)
- BlackRock Financial Management, Inc. (Unaffiliated Firm)
- Guggenheim Partners Investment Management, LLC (Unaffiliated Firm)
- J.P. Morgan Investment Management Inc. (Unaffiliated Firm)
- Neuberger Berman Investment Advisers LLC (Unaffiliated Firm)
- PGIM, Inc. (Unaffiliated Firm)
- Securian Asset Management, Inc. (Unaffiliated Firm)
- Wellington Management Company LLP (Unaffiliated Firm)
- Lillian Michelle Sutton (Internal Employee)

State Rate Filings

Summary of Approved Filings

The table below shows the number of approved filings in the last five years. For more information, please refer to Best's State Rate Filings - 009193 - Health Care Service Corporation, a Mutual Legal Reserve Company

Major Line	2026	2025	2024	2023	2022
Group Health - Accident Only	...	...	1	...	...
Group Health - Dental	1	16	19	17	21
Group Health - Major Medical	3	135	87	105	133
Group Health - Vision	...	2	4	3	3
Group Health Organizations - Health Maintenance (HMO)	...	27	27	20	29
Group Medicare Supplement - Standard Plans	...	...	...	...	1
Health - Excess/Stop Loss	...	2	...	...	1
Health - Other	...	9	12	24	23
Individual Health - Dental	...	14	8	13	13
Individual Health - Hearing	...	...	1	...	...
Individual Health - Major Medical	4	51	44	70	66
Individual Health - Vision	...	1	3	3	4
Individual Health Organizations - Health Maintenance (HMO)	...	16	6	2	8
Individual Medicare Supplement - Medicare Select	6	4	6	6	5
Individual Medicare Supplement - Pre-Standardized	...	...	...	1	1
Individual Medicare Supplement - Standard Plans	13	21	24	33	39
Long-Term Care - Other	...	1	...	1	...
Medicare Supplement - Other	1	2	4	3	36
Network Adequacy	1	54	109	36	33
Student Health Insurance	...	8	7	7	5
Total	29	363	362	344	421

Source: Best's State Rate Filings

Financial Statements

Financial Statements reflected were compiled from the most recent company-filed statement available in BestLink - Best s Statement File Health, US.

Currency: US Dollars

	9-Months		Year End - December 31			
	2025		2024		2023	
Balance Sheet	**USD (000)**	**%**	**USD (000)**	**%**	**USD (000)**	**%**
Cash and Short Term Investments	-97,952	-0.2	4,675,409	11.1	167,277	0.4
Bonds	17,296,293	39.7	18,823,260	44.7	20,238,589	52.5
Preferred and Common Stock	8,592,974	19.7	3,732,109	8.9	3,656,171	9.5
Other Invested Assets	2,350,820	5.4	2,140,233	5.1	1,652,229	4.3
Total Cash and Invested Assets	28,142,135	64.6	29,371,011	69.7	25,714,266	66.7
Premium Balances	4,478,138	10.3	3,293,404	7.8	3,458,871	9.0
Healthcare and Other Receivables	1,774,436	4.1	1,574,673	3.7	1,975,256	5.1
Other Assets	9,155,124	21.0	7,915,597	18.8	7,416,469	19.2
Total Assets	43,549,834	100.0	42,154,685	100.0	38,564,862	100.0
Unpaid Claims and Claim Adjustment Expenses	6,439,698	14.8	5,644,919	13.4	4,554,683	11.8
Health Policy and Claim Reserves	1,090,975	2.5	815,186	1.9	915,818	2.4
Advance Premiums	907,045	2.1	962,408	2.3	778,630	2.0
Amounts Held for Uninsured Plans	745,786	1.7	625,254	1.5	608,184	1.6
Taxes and General Expenses	2,523,747	5.8	2,619,113	6.2	3,408,725	8.8
Debt / Borrowings	5,325,644	12.2	4,480,081	10.6	1,992,237	5.2
Other Liabilities	2,689,778	6.2	2,123,858	5.0	2,002,149	5.2
Total Liabilities	19,722,672	45.3	17,270,819	41.0	14,260,426	37.0
Unassigned Surplus	23,826,126	54.7	24,882,861	59.0	24,303,476	63.0
Other Surplus	1,036	...	1,005	...	960	...
Total Capital and Surplus	23,827,161	54.7	24,883,866	59.0	24,304,436	63.0
Total Liabilities, Capital and Surplus	43,549,834	100.0	42,154,685	100.0	38,564,862	100.0

Source: BestLink® - Best's Financial Suite

A Best's Financial Strength Rating opinion addresses the relative ability of an insurer to meet its ongoing insurance obligations. The ratings are not assigned to specific insurance policies or contracts and do not address any other risk, including, but not limited to, an insurer's claims-payment policies or procedures; the ability of the insurer to dispute or deny claims payment on grounds of misrepresentation or fraud; or any specific liability contractually borne by the policy or contract holder. A Financial Strength Rating is not a recommendation to purchase, hold or terminate any insurance policy, contract or any other financial obligation issued by an insurer, nor does it address the suitability of any particular policy or contract for a specific purpose or purchaser.

A Best's Issue/Issuer Credit Rating is an opinion regarding the relative future credit risk of an entity, a credit commitment or a debt or debt-like security.

Credit risk is the risk that an entity may not meet its contractual, financial obligations as they come due. These credit ratings do not address any other risk, including but not limited to liquidity risk, market value risk or price volatility of rated securities. The rating is not a recommendation to buy, sell or hold any securities, insurance policies, contracts or any other financial obligations, nor does it address the suitability of any particular financial obligation for a specific purpose or purchaser.

In arriving at a rating decision, AM Best relies on third-party audited financial data and/or other information provided to it. While this information is believed to be reliable, AM Best does not independently verify the accuracy or reliability of the information. Any and all ratings, opinions and information contained herein are provided "as is," without any express or implied warranty.

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