



BEST'S COMPANY REPORT

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

AMB #: 009193

NAIC #: 70670

FEIN #: 36-1236610

Phone: +1-312-653-6000

Fax: +1-312-540-0544

Website: www.hcsc.com



Best's Credit Rating Effective Date

October 12, 2023

Analytical Contacts

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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)

| |
|---|
| A+ |
| Superior |
| Outlook: Stable Action: Upgraded |

Issuer Credit Rating (ICR)

| |
|---|
| aa- |
| Superior |
| Outlook: Stable Action: Upgraded |

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 |
|--------|------------------------------|
| 007322 | Dearborn Life Insurance Co |
| 068158 | Dearborn Natl Life Ins of NY |
| 068932 | GHS Health Maintenance Org |
| 011405 | GHS Insurance Company |

| AMB # | Rating Unit Members |
|--------|-------------------------------|
| 007048 | HCSC Insurance Services Co |
| 009193 | Health Care Service Corp |
| 068771 | Health Care Service-IL LOB |
| 068718 | Health Care Service-Texas LOB |

Rating Rationale**Balance Sheet Strength: Strongest**

- Health Care Service Corporation maintains the strongest level of risk-adjusted capitalization as measured by Best's Capital Adequacy Ratio (BCAR). In addition, capital and surplus growth is supported by strong underwriting and investment income through 2023.
- A prudent and highly diversified investment portfolio with good credit quality. Over four-fourths 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 \$2 billion in senior unsecured notes, \$1 billion line of credit with a consortium of banks and access to \$1.75 billion of borrowing capacity under the Federal Home Loan Bank of Chicago (FHLBC). Financial leverage metrics are considered low and below 10%.

Operating Performance: Adequate

- Solid overall premium growth in each of the last five years and through 2023, driven by membership across a majority of the lines of business.
- Profitability measures include a strong trend of return on equity, which exceeded 5% over the past five years as well as stable operating margins.
- Overall net income has exceeded \$2 billion annually for three of the past five years and over \$1.1 billion for the remaining two years.
- Net investment income has generally been stable and is in line with a relatively stable investment portfolio.

Business Profile: Favorable

- Health Care Service Corporation has a nationwide presence supported by strong brand recognition. The organization is a market leader in all five states in which it operates.
- The business profile is further enhanced by the offering of diversified health insurance products. Health Care Service Corporation has exhibited consistent membership growth in its main markets driven by both government and commercial segments through 2023.
- 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.

Rating Drivers

- While it is thought to be unlikely in the near-term future, positive rating movement could occur with an upwards trajectory in operating performance.
- Negative rating movement could occur if there is a sustained decline in Health Care Service Corporation's operating performance.
- Negative rating movement could occur if there is deterioration of balance sheet metrics.

Credit Analysis

Balance Sheet Strength

Health Care Service Corporation (HCSC) has the strongest level of risk-adjusted capitalization as measured by Best's BCAR model, a diversified investment portfolio with a modest exposure to higher risk asset, as well as a high degree of liquidity and a strong financial flexibility.

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 70.9% at 99.6% VaR as of year-end 2022. In addition, absolute and risk-adjusted capital experienced growth through 2022 driven by net gains. Through the second quarter 2023, HCSC reported over 5% growth of capital and surplus driven by over \$1.2 billion of earnings. Risk-adjusted capitalization has been enhanced by its solid level of operating performance, which more than offset unrealized capital losses at year-end 2022 and has supported capital growth further through the first half of 2023. AM Best expects capital growth will continue to outpace the premium expansion, resulting in further strengthening of HCSC's risk-adjusted capitalization. Capital growth significantly outpaced premium expansion during 2022 leading to further improvement of already strongest risk-adjusted capitalization metrics. Five-year compound annual growth rate of net premium written remains strong at almost 8% through 2022.

Additionally, HCSC has a history of using its capital strength to support its subsidiaries. GHS Insurance Company received total capital infusions of \$81 million over the last five years to offset operating losses. Over the past five years, HCSC contributed \$385 million to HCSC Insurance Services Company to support premium growth.

HCSC has strong financial flexibility with almost \$2 billion 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, \$1.0 billion senior unsecured revolving credit facility with a consortium of banks. Furthermore, its borrowing capacity under the FHLB remains over \$1.7 billion and there were no borrowings outstanding through the first half of 2023. AM Best notes that HCSC's financial leverage remains relatively low at 7.9% and within target levels at year-end 2022. In addition, HCSC's earnings before interest and taxes interest coverage ratio is expected to remain strong as well, at well over 20 times. Further, HCSC has reported strong operating cash flow through 2023.

Asset Liability Management - Investments

Fixed income securities comprise over 80% 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 seven years. However, the quality of the fixed income portfolio improved in 2022. The volume of below investment grade bonds, which includes high yields, emerging market debt, private placements and lower rated corporate bonds, declined through 2022. However, the exposure to NAIC Class 2 bonds has been volatile ranging from grew from over 23% of fixed income holdings in 2018 to 30% in 2020 and over 28% in 2022. 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 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% of share in Prime, which is owned by several other Blue plans. Commercial mortgage loans are utilized for matching longer duration liabilities at Dearborn Life Insurance Company and its New York subsidiary, Dearborn National Life Insurance Company of New York. 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

HCSC has reported volatile, but consistently solid underwriting and net income over the past five years, with net income exceeding \$1 billion in each of the past five years and has produced favorable results across its diverse set of business lines and in its various core markets through the first half of 2023. Both underwriting and net income are expected to remain profitable in the near term.

Operating Performance (Continued...)

Earnings through 2023 were pressured by a faster return to pre-pandemic levels of claims utilization, including pent-up demand and the various COVID-19 variants surge in most markets. HCSC continues to monitor emerging trends in this post pandemic environment. Earnings has been impacted by higher diabetic drug and behavioral health utilization in other areas through 2023. The group market has reported strong growth because of competitive rates as well as continued solid pharmacy margins including certain ongoing initiatives for pharmacy. However, the Individual and Family line of business underwriting performance due to lower Texas ACA market risk improving margin as well as Oklahoma ACA's higher out of state behavioral health claims. Furthermore, Medicaid line of business favorability was driven by growth in membership due to the influx of new members in several states and lack of disenrollment, resulting in higher premiums as well as updated rates for the New Mexico reducing its exposure. HCSC's overall investment portfolio has generated moderate levels of realized investment losses in recent periods and through the first half of 2023.

Furthermore, HCSC has reported consistent enrollment gains in both its group and individual markets and in its government sector of business. In addition, HCSC has consisted reported premium revenue growth over the past five years and has been especially strong through the first half of 2023. Five-year compound annual growth rate of net premium written remains strong at almost 8% through 2022. In addition, good premium revenue growth has been reported across majority of the lines of business. The group segment represents the largest portion of HCSC revenue and premium growth has been reported for the line of business and across other lines of business. Furthermore, revenue growth is also attributed to both premium rate increases and higher than anticipated retention rates. In addition, expansion of participation in government programs - Medicare Advantage and Medicaid - has contributed to revenue growth over the past five years. However, these segments remain smaller compared to commercial business. In 2020, risk corridor payment of \$1.4 billion contributed to premium growth.

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.

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 Blue Card program participation. Health subsidiaries include GHS Health Maintenance Organization (OK), HCSC Insurance Services Company, GHS Managed Health Plans, Inc. 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 Blue-branded and non-branded ancillary products offered through Dearborn Life Insurance Company and Dearborn National Life Insurance Company of New York (Dearborn Group), as well as its non-insurance service entities. The Dearborn Group companies provide 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. Additionally, HCSC's portfolio includes owned and affiliated companies that provide the organization with added diversified capabilities. Among HCSC's non-insurance businesses is Trustmark Health Benefits, 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.

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 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 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 8.9 million members, who comprise of one half of HCSC's total enrollment. The Texas division has 7.2 million members and primarily serves the large local market segment. The New Mexico division has 600,000 members, the Oklahoma division has 800,000 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 Blue

Business Profile (Continued...)

Card program which accounts for approximately three million additional members. Although individual business comprises a smaller portion of HCSC's overall enrollment, this segment exhibited good enrollment gains with the ACA subsidy expansion and special enrollment period.

The company's health operations are defined by three market segments: Group, Government and Retail. The Group market segment includes Small Group, Large Group and National Accounts. 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. Small Group employers have the option of utilizing Small Business Health Options Program (SHOP) in order to provide benefits for its employees. 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. National Accounts primarily represents very large multi-state employer groups as well as the processing of Blue Card claims for members covered under other Blue Cross and Blue Shield plans. HCSC has more than 500 national accounts with over 10,000 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, however reported upward trajectory through 2023. 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 reported slower return of group in-force membership growth due to COVID.

The Government Market segment is comprised of different government plans in each state. HCSC currently participates in Medicaid programs in Illinois, New Mexico and Texas. In the over age 65 segment, products include Medicare Supplemental plans which are administered by HCSC, as well as Medicare Advantage and Medicare Part D prescription drug coverage offered by its wholly owned subsidiaries, HCSC Insurance Services Company (HISC), GHS Managed Health Plans, GHS Health Maintenance Organization and GHS Insurance Company. 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. The membership in Medicare Advantage program has experienced a large degree of volatility over the last five years. HCSC, similar to many other Blue Cross Blue Shield plans, focused on building capabilities for Medicare Advantage program much later than many plans. As a result, the organization's Medicare Advantage plans has historically had lower Star ratings which limits revenue and products enhancement opportunities leading to difficulties to attract and retain members. HCSC has invested significantly to improve the performance of both Medicaid and Medicare Advantage products. Therefore, Medicare Advantage star ratings have improved in the recent years.

The Retail Markets segment is divided into two sub-segments: the under age 65 group and student health. In the under age 65 sub-segment, the company offers a variety of individual and family plans. These products are offered in all core states, both on and off health insurance exchanges. HCSC has seen growth in this line of business through 2023.

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 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.

HCS acquired the primary care medical clinic in 2023 from Sanitas USA and continues to focus on its value-based care strategy.

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

Business Profile (Continued...)

management company and Availity, LLC, an advanced Internet-based e-health exchange. Additionally, HCSC maintains strategic business relationships with its former subsidiaries TMG Health.

In 2022, HCSC acquired Trustmark Health Benefit, a TPA of health benefits from Trustco Holdings, Inc. The addition of Trustmark Health Benefit is expected to expand HCSC's capabilities to serve a broader customer base looking for flexible health benefit solutions.

In 2021, HCSC and Collective Health entered 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, through its wholly-owned subsidiary HCSC Ventures, Inc, made a capital equity investment in Collective Health and does have an ownership interest.

Dearborn Group compliments and diversifies HCSC's product portfolio with a variety of employer paid and voluntary products. Group products include group term life, accidental death and dismemberment, dental, short-term disability, long-term disability, critical illness, vision and accident. Dearborn Group also administers one of the largest dental networks in the U.S. in conjunction with its affiliates. In the past, Dearborn Group's products included individual life and fixed deferred annuity products, however the company exited this line of business over ten years ago, but continues to administer the run-off business attributable to this block. In September 2022, Dearborn Group completed a transaction to reinsure its entire deferred annuity block of business to Reinsurance Group of America, Inc. (RGA), with an effective date of July 1, 2022. As part of this transaction, Dearborn Group ceded \$458.9 million of statutory annuity reserves and \$16.6 million of Interest Maintenance Reserves (IMR) to RGA for a cash premium of \$442.4 million. The transaction resulted in a positive impact to pre-tax earnings of \$25.8 million in 2022, which includes an asset adequacy reserve release of \$17.5 million. The net ceding commission of \$24.2 million will be amortized over 20 years commencing July 1, 2022. Dearborn Group's strategic focus has remained consistent over the past five years, as the organization continues focusing on delivering an exceptional customer experience while providing value to HCSC through earnings, increased sales, and persistency. Dearborn Group's growth initiatives, which include package pricing and integrated client services with HCSC, are driving new sales and greater product penetration with existing clients. Dearborn Group's competitive position has benefited from the rebranding of its products using the BCBS brand in HCSC's five BCBS-licensed states (Illinois, Montana, New Mexico, Oklahoma, and Texas). Dearborn Group's continued alignment with HCSC is expected to result in sustained growth and profitability.

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 comprises 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 | Year End - December 31 | | | |
|---|-------------------------------|----------|------------------|----------|
| | 2022 | | 2021 | |
| | USD (000) | % | USD (000) | % |
| Cash and Short Term Investments | -496,283 | -1.3 | -36,198 | -0.1 |
| Bonds | 22,027,828 | 56.5 | 23,166,291 | 59.2 |
| Preferred and Common Stock | 2,751,474 | 7.1 | 2,525,454 | 6.5 |
| Other Invested Assets | 1,434,419 | 3.7 | 1,502,865 | 3.8 |
| Total Cash and Invested Assets | 25,717,439 | 66.0 | 27,158,412 | 69.4 |
| Premium Balances | 3,755,271 | 2.3 | 3,221,930 | 2.4 |
| Healthcare and Other Receivables | 1,708,975 | 4.4 | 1,571,625 | 4.0 |
| Other General Account Assets | 7,777,007 | 20.0 | 7,196,156 | 18.4 |
| Total General Account Assets | 38,958,692 | 100.0 | 39,148,123 | 100.0 |
| Total Assets | 38,958,692 | 100.0 | 39,148,123 | 100.0 |
| Policy and Claim Reserves | 6,986,950 | 17.9 | 6,987,493 | 17.8 |
| Liability for Deposit Contracts | 31,932 | 0.1 | 28,549 | 0.1 |
| Funds Held Under Reinsurance and Coinsurance Agreements | 27 | 999.9 | 29 | 999.9 |
| Asset Valuation Reserve | 19,110 | ... | 25,847 | 0.1 |
| Accrued Expenses and Other General Account Liabilities | 8,600,530 | 22.1 | 8,977,264 | 22.9 |
| Total General Account Liabilities | 15,638,550 | 40.1 | 16,019,182 | 40.9 |
| Total Liabilities | 15,638,550 | 40.1 | 16,019,182 | 40.9 |
| Unassigned Surplus | 23,319,229 | 59.9 | 23,128,042 | 59.1 |
| Other Surplus | 913 | ... | 899 | ... |
| Total Capital and Surplus | 23,320,142 | 59.9 | 23,128,941 | 59.1 |
| Total Liabilities, Capital and Surplus | 38,958,692 | 100.0 | 39,148,123 | 100.0 |

Source: BestLink® - Best's Financial Suite

Health Care Service Corporation Group

Operations

Last Update

November 02, 2023

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.

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: October 12, 2023

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

| AMB# | Rating Unit Members | Best's Credit Ratings | |
|--------|-------------------------------|---------------------------|--------------------------------|
| | | 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- |
| 011405 | GHS Insurance Company | A+ | aa- |
| 007048 | HCSC Insurance Services Co | A+ | aa- |
| 009193 | Health Care Service Corp | A+ | aa- |
| 068771 | Health Care Service-IL LOB | A+ | aa- |
| 068718 | Health Care Service-Texas LOB | A+ | aa- |

Last Update

October 12, 2023

Identifiers

AMB #: 009193

NAIC #: 70670

FEIN #: 36-1236610

LEI #: 549300TMJ1FKCKECCR148

Contact Information

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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.

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, NJ, NM, OH, OK, OR, PA, SC, 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 - | | | | | | |
| 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 |
| Mar 24, 2021 | A | Positive | Affirmed | a+ | Positive | Affirmed |
| Jun 4, 2020 | A | Positive | Affirmed | a+ | Positive | 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)

Officers (Continued...)

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. Hitchcock (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

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

| | 6-Months | | Year End - December 31 | | | |
|---|-------------------|--------------|------------------------|--------------|-------------------|--------------|
| | 2023 | | 2022 | | 2021 | |
| Balance Sheet | USD (000) | % | USD (000) | % | USD (000) | % |
| Cash and Short Term Investments | 271,969 | 0.7 | -693,501 | -1.9 | -135,345 | -0.4 |
| Bonds | 20,998,169 | 54.0 | 20,696,690 | 55.7 | 21,370,926 | 57.8 |
| Preferred and Common Stock | 3,438,038 | 8.8 | 3,366,269 | 9.1 | 3,154,578 | 8.5 |
| Other Invested Assets | 1,364,253 | 3.5 | 1,165,569 | 3.1 | 1,219,866 | 3.3 |
| Total Cash and Invested Assets | 26,072,429 | 67.0 | 24,535,027 | 66.0 | 25,610,025 | 69.2 |
| Premium Balances | 3,392,369 | 8.7 | 3,665,512 | 9.9 | 3,132,318 | 8.5 |
| Healthcare and Other Receivables | 1,664,790 | 4.3 | 1,562,091 | 4.2 | 1,430,283 | 3.9 |
| Other Assets | 7,765,633 | 20.0 | 7,404,638 | 19.9 | 6,833,092 | 18.5 |
| Total Assets | 38,895,221 | 100.0 | 37,167,269 | 100.0 | 37,005,718 | 100.0 |
| Unpaid Claims and Claim Adjustment Expenses | 4,570,711 | 11.8 | 4,674,622 | 12.6 | 4,658,123 | 12.6 |
| Health Policy and Claim Reserves | 1,123,746 | 2.9 | 1,274,574 | 3.4 | 1,002,404 | 2.7 |
| Advance Premiums | 662,386 | 1.7 | 693,730 | 1.9 | 579,318 | 1.6 |
| Amounts Held for Uninsured Plans | 629,375 | 1.6 | 550,598 | 1.5 | 432,244 | 1.2 |
| Taxes and General Expenses | 3,291,061 | 8.5 | 3,225,035 | 8.7 | 3,100,539 | 8.4 |
| Debt / Borrowings | 1,991,819 | 5.1 | 1,991,407 | 5.4 | 2,490,591 | 6.7 |
| Other Liabilities | 1,893,766 | 4.9 | 1,404,546 | 3.8 | 1,613,552 | 4.4 |
| Total Liabilities | 14,162,865 | 36.4 | 13,814,511 | 37.2 | 13,876,771 | 37.5 |
| Unassigned Surplus | 24,731,422 | 63.6 | 23,351,845 | 62.8 | 23,128,048 | 62.5 |
| Other Surplus | 934 | ... | 913 | ... | 899 | ... |
| Total Capital and Surplus | 24,732,356 | 63.6 | 23,352,758 | 62.8 | 23,128,948 | 62.5 |
| Total Liabilities, Capital and Surplus | 38,895,221 | 100.0 | 37,167,269 | 100.0 | 37,005,718 | 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.

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