



**EXAMINATION REPORT
OF
BLUE CROSS AND BLUE SHIELD OF FLORIDA, INC.**

NAIC Company Code: 98167

**Jacksonville, Florida
as of
December 31, 2019**

**BY THE
FLORIDA
OFFICE OF INSURANCE REGULATION**

TABLE OF CONTENTS

LETTER OF TRANSMITTAL	-
SCOPE OF EXAMINATION	1
SUMMARY OF SIGNIFICANT FINDINGS	2
CURRENT EXAMINATION FINDINGS	2
PREVIOUS EXAMINATION FINDINGS	2
COMPANY HISTORY	2
GENERAL	2
DIVIDENDS	2
CAPITAL STOCK AND CAPITAL CONTRIBUTIONS.....	3
SURPLUS NOTES	3
ACQUISITIONS, MERGERS, DISPOSALS, DISSOLUTIONS	3
MANAGEMENT AND CONTROL	4
CORPORATE GOVERNANCE	4
HOLDING COMPANY SYSTEM	8
SIMPLIFIED ORGANIZATIONAL CHART	8
TAX ALLOCATION AGREEMENT.....	11
ACCOUNTS AND RECORDS	11
CUSTODIAL AGREEMENT	11
INDEPENDENT AUDITOR AGREEMENT	12
INVESTMENT MANAGEMENT AGREEMENT	12
CORPORATE RECORDS REVIEW.....	12
TERRITORY AND PLAN OF OPERATIONS	12
REINSURANCE	13
REINSURANCE ASSUMED.....	13
REINSURANCE CEDED.....	13
FINANCIAL STATEMENTS	15
ASSETS.....	16
BLUE CROSS AND BLUE SHIELD OF FLORIDA, INC.	17
LIABILITIES, CAPITAL AND SURPLUS	17
STATEMENT OF REVENUE AND EXPENSES	18
RECONCILIATION OF CAPITAL AND SURPLUS.....	20
COMMENTS ON FINANCIAL STATEMENT ITEMS	21
LIABILITIES	21
CAPITAL AND SURPLUS	21
SUBSEQUENT EVENTS	22
CONCLUSION	23

May 28, 2021

David Altmaier
Commissioner
Office of Insurance Regulation
State of Florida
Tallahassee, Florida 32399-0326

Dear Commissioner:

Pursuant to your instructions, in compliance with Section 624.316, Florida Statutes, Rule 69O-138.005, Florida Administrative Code, and in accordance with the practices and procedures promulgated by the National Association of Insurance Commissioners (“the NAIC”), we have conducted an examination as of December 31, 2019, of the financial condition and corporate affairs of

Blue Cross and Blue Shield of Florida, Inc.
4800 Deerwood Campus Parkway
Jacksonville, FL 32246

hereinafter referred to as “the Company.” Such report of examination is herewith respectfully submitted.

SCOPE OF EXAMINATION

This examination covered the period of January 1, 2015 through December 31, 2019 and the fieldwork commenced with planning with the Florida Office of Insurance Regulation (“the Office”) on October 5, 2020. The fieldwork concluded as of May 28, 2021. The Company’s last full scope exam by representatives of the Office covered the period of January 1, 2012 through December 31, 2014.

The examination was a single state holding company group examination conducted in accordance with the NAIC Financial Condition Examiners Handbook (“the Handbook”). The Handbook requires that the examination be planned and performed to evaluate the financial condition, assess corporate governance, identify current and prospective risks of the Company, and evaluate system controls and procedures used to mitigate those risks. An examination also includes identifying and evaluating significant risks that could cause an insurer’s surplus to be materially misstated both currently and prospectively. Florida is the lead state and all seven (7) companies are domiciled in Florida.

All accounts and activities of the Company were considered in accordance with the risk-focused examination process. This may include assessing significant estimates made by management and evaluating management’s compliance with the NAIC Statements of Statutory Accounting Principles (“SSAP”). The examination does not attest to the fair presentation of the financial statements included herein. If, during the course of the examination an adjustment is identified, the impact of such adjustment will be documented separately following the Company’s financial statements.

This examination report includes information obtained from the examination of the records, accounts, files and documents of or relative to the Company and other information as permitted by Section 624.319, Florida Statutes. There may be other items identified during the examination that, due to their nature (for example, subjective conclusions or proprietary information), are not included within the examination report but separately communicated to other regulators and/or the Company.

SUMMARY OF SIGNIFICANT FINDINGS

Current Examination Findings

There were no significant findings as a result of this examination.

Previous Examination Findings

There were no significant findings in the previous examination.

COMPANY HISTORY

General

The Company was incorporated in Florida on July 1, 1980 and commenced business on July 1, 1980.

Effective January 1, 2014, the Company reorganized under a policyholder owned, not-for-profit mutual insurance holding company system. The new mutual insurance holding company, GuideWell Mutual Holding Corporation (GuideWell Mutual), replaced the Company as the controlling organization and is owned by the policyholders. Under the new structure, the Company became a stock company wholly-owned by GuideWell Mutual and substantially all of the Company's investments in affiliates were transferred to GuideWell group, Inc. (GuideWell Group), a new non-insurance stock company wholly owned by GuideWell Mutual.

Dividends

In accordance with Section 628.371, Florida Statutes, the Company declared and paid dividends to its stockholder(s) in 2016, 2017, 2018, and 2019 in the amounts of \$140,000,000, \$875,000,000, \$470,000,000, and \$470,000,000 respectively.

Capital Stock and Capital Contributions

As of December 31, 2019, the Company's capitalization was as follows:

Number of authorized common capital shares	510,000
Number of shares issued and outstanding	510,000
Total common capital stock	\$0
Par value per share	No par

The Company did not receive capital contributions during the examination period.

Surplus Notes

There were no surplus notes issued by the Company during the examination period.

Acquisitions, Mergers, Disposals, Dissolutions

There were no mergers or acquisitions to report during the examination period.

MANAGEMENT AND CONTROL

Corporate Governance

The annual shareholder meeting for the election of Directors was held in accordance with Section 628.231, Florida Statutes. Directors serving as of December 31, 2019, are shown below:

Board of Directors		
Name	City, State	Principal Occupation, Company Name
John Braulio Ramil ⁽¹⁾	Tampa, Florida	Retired President, CEO, & Director TECO Energy
Kristen Elise Blum	Frisco, Texas	Senior VP & Chief Information Officer PepsiCo, Inc.
Sylvia Mathews Burwell	Washington, D.C.	President American University, Washington, DC
Timothy Peter Cost	Jacksonville, Florida	President Jacksonville University
Patrick Joseph Geraghty	Ponte Vedra Beach, Florida	President and Chief Executive Officer Blue Cross and Blue Shield of Florida
Steven Thomas Halverson	Jacksonville, Florida	Retired Chief Executive Officer and current Chairman of The Haskell Company
Leerie Thurman Jenkins, Jr.	Jacksonville, Florida	Chairman of RS&H, Inc.
Thomas George Kuntz	Orlando, Florida	Retired Corporate Executive Vice President, Sun Trust Bank.
Tracey Ann Leinbach	Pinehurst, North Carolina	Retired Executive Vice President and Chief Financial Officer, Ryder System, Inc.
Harold Franklin Mills	Orlando, Florida	Former Chairman and Chief Executive Officer, ZeroChaos
Maria Amalia Sastre	Coral Gables, Florida	Former President and Chief Operating Officer, Signature Flight Support Corporation
Frank Parker Scruggs	Fort Lauderdale, Florida	Partner in law firm Berger Singerman

⁽¹⁾ Chairman

In accordance with the Company's Bylaws, the Board appointed the following Senior Officers:

Senior Officers		
Name	City, State	Title
Patrick Joseph Geraghty	Ponte Vedra Beach, Florida	President and Chief Executive Officer
Charles Divita, III	Jacksonville, Florida	Executive Vice President, Commercial Markets
Thurman Rae Justice	Jacksonville, Florida	Senior Vice President, Finance and Chief Financial Officer
William Andrew Coats	Jacksonville, Florida	Vice President, Chief Investment Officer and Treasurer
Amy Louise Ruth	Jacksonville, Florida	Senior Vice President HSG & Chief HR Officer
Carl James Bailey	Jacksonville, Florida	Vice President, Commercial Markets, Chief Actuary
Charles Stephen Joseph	Jacksonville, Florida	Executive Vice President, Corporate Affairs, Chief Legal Officer, and Corporate Secretary

The Company's Board appointed several internal committees. The following were the principal internal board committees and their members as of December 31, 2019. The first person listed for each committee is the chairman.

Executive Committee		
Name	City, State	Title, Company Name
John Braulio Ramil	Tampa, Florida	Retired President, CEO, & Director TECO Energy
Patrick Joseph Geraghty	Ponte Vedra Beach, Florida	President, Chief Executive Officer Blue Cross and Blue Shield, Florida
Steven Thomas Halverson	Jacksonville, Florida	Retired Chief Executive Officer The Haskell Company
Thomas George Kuntz	Orlando, Florida	Retired Vice President Sun Trust
Harold Franklin Mills	Orlando, Florida	Former Chief Executive Officer Zero Chaos
Maria Amalia Sastre	Coral Gables, Florida	Former President Signature Flight Support

The Company maintained an audit committee, as required by Section 624.424(8)(c), Florida Statutes.

Audit and Compliance Committee		
Name	City, State	Title, Company Name
Thomas G. Kuntz Chairman	Orlando, Florida	Retired Vice President Sun Trust
Kristen E. Blum	Frisco, Texas	Senior VP & Chief Information Officer PepsiCo, Inc.
Timothy P. Cost	Jacksonville, Florida	President Jacksonville University
Tracey A. Leinbach	Pinehurst, North Carolina	Retired Chief Financial Officer Ryder System Inc.
Frank P. Scruggs, Jr.	Fort Lauderdale, Florida	Partner Law Firm Berger Singerman

Finance Committee		
Name	City, State	Title, Company Name
Harold F. Mills Chairman	Orlando, Florida	Former Chief Executive Officer ZeroChaos
Sylvia M. Burwell	Washington, D.C.	President American University, Washington, D.C
Timothy P. Cost	Jacksonville, Florida	President Jacksonville University
Tracy A. Leinbach	Pinehurst, North Carolina	Retired Chief Financial Officer Ryder System Inc.
Frank P. Scruggs, Jr.	Fort Lauderdale, Florida	Partner Law Firm Berger Singerman

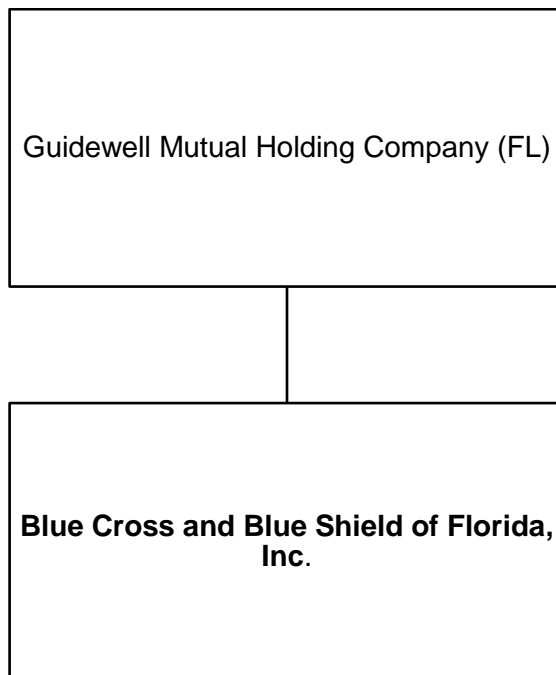
Board Governance and Nominating Committee		
Name	City, State	Title, Company Name
Steven T. Halverson	Jacksonville, Florida	Retired Chief Executive Officer The Haskell Company
Kristen E. Blum	Frisco, Texas	Senior VP & Chief Information Officer PepsiCo Inc.
Leerie T. Jenkins, Jr.	Jacksonville, Florida	Chairman RS&H, Inc.
Thomas G. Kuntz	Orlando, Florida	Retired Vice President Sun Trust
Maria A. Sastre	Coral Gables, Florida	Former President Signature Flight Support

Talent and Compensation Committee		
Name	City, State	Title, Company Name
Maria A. Sastre	Coral Gables, Florida	Former President Signature Flight Support
Sylvia M. Burwell	Washington, D.C.	President American University, Washington, D.C
Steven T. Halverson	Jacksonville, Florida	Retired Chief Executive Officer The Haskell Company
Leerie T. Jenkins, Jr.	Jacksonville, Florida	Chairman of RS&H
Harold F. Mills	Orlando, Florida	Former Chief Executive Officer Zero Chaos

Holding Company System

A simplified organizational chart as of December 31, 2019, reflecting the holding company system, is shown below.

Blue Cross and Blue Shield of Florida, Inc. Simplified Organizational Chart December 31, 2019



AFFILIATED AND OTHER AGREEMENTS

The following agreements were in effect between the Company and its affiliates:

Administrative Services Agreement

The Company and some of its insurance affiliates, including Health Options, Inc. (HOI), BeHealthy Florida, Inc. (BH), Florida Blue Medicare, Inc., and Florida Health Care Plan, Inc. entered into an administrative services agreement effective December 31, 2007, and later amended. The agreement established the terms and conditions according to which various parties would provide and receive services to and from each other and for the sharing of certain property. The services included accounting, tax, auditing, underwriting, claims, investments, and functional support services. The agreement provided for reimbursement based on actual costs and expenses or an otherwise reasonable charge basis.

As part of the above agreement, GuidewellConnect provides marketing, sales and other services, GGI provides property and equipment services to the Company, Guidewell Innovation, LLC provides branding and enterprise development services, Guidewell Health, Inc. provides primary care, wellness and chronic care services to the Company's members, and GuideWell Care Solutions to provide third party administrator services to the Company's Medicare PPO and Medicare Part D products.

Administrative Services Agreement

On December 16, 2010, the Company and US Able Life and its affiliate companies, including Florida Combined Life, entered into an administrative service agreement whereby the Company to provide the sharing of certain property, equipment and facilities related to provision of certain services, such as enrollment, billing and accounts receivable, financial services and service level agreement. Services shall be performed for group and individual business, fully insured and Administrative Services Only.

Affiliation and Administrative Agreement

Effective December 4, 1981, the Company and Capital Health Plan, Inc. (CHP) entered into an agreement giving the Company majority control of CHP's corporate membership. The agreement provided that the Company may supply certain administrative services and products to CHP and committed it to lend operating funds to CHP. The Company received \$2,390,708 during 2019 under this agreement.

Guarantee Agreement

Effective March 16, 1989, the Company guaranteed that it would provide sufficient funds to assure payment of all liabilities including covered subscriber claims of HOI, an affiliate health maintenance organization (HMO). In addition, it guaranteed the continuation of benefits to enrollees for the duration of any contract period for which payment has been made and to enrollees confined in an inpatient facility on the date of any insolvency of HOI until its discharge, and payment to unaffiliated providers for services to covered enrollees.

Guarantee Agreement

Effective October 6, 2017, the Company guaranteed that it would provide sufficient funds to assure payment of all liabilities including covered subscriber claims of BH, an affiliate HMO. In addition, it guaranteed the continuation of benefits to enrollees for the duration of any contract period for which payment has been made and to enrollees confined in an inpatient facility on the date of any insolvency of BH until its discharge, and payment to unaffiliated providers for services to covered enrollees.

Guarantee Agreement

Effective November 17, 2011, the Company guaranteed to the full extent of its assets, all of the contractual and financial obligations of CHP, an affiliate HMO.

Tax Allocation Agreement

Effective January 1, 2019, the Company was included in the consolidated federal income tax return of its ultimate parent company, GuideWell Mutual. The Agreement provided for the allocation of consolidated income tax liability based upon separate taxable incomes of included companies and provided for annual settlements of amounts due under the agreement. It also provided that an included company with a net operating loss would be reimbursed for the tax benefit associated with the loss in the year used in the group's consolidated return.

Pharmacy Benefit Services Agreement

Effective January 1, 2019, the Company entered into an agreement with Prime Therapeutics, LLC to provide certain pharmacy benefit management and other prescription drug benefit programs.

The Company has numerous claims and other provider services agreements with various providers that are affiliated with the Company.

ACCOUNTS AND RECORDS

The Company maintained its principal operational offices in Jacksonville, Florida.

The Company and non-affiliates had the following material agreements:

Custodial Agreement

The Company maintained a custodial agreement with The Bank of New York Mellon executed on May 1, 1990, and amended effective July 31, 2009.

Independent Auditor Agreement

An independent CPA, PriceWaterhouseCoopers, LLP audited the Company's statutory basis financial statements annually for the years 2015, 2016, 2017, 2018, and 2019, in accordance with Section 624.424(8), Florida Statutes. Supporting work papers were prepared by the CPA firm as required by Rule 69O-137.002, Florida Administrative Code.

Investment Management Agreement

The Company maintained investment management agreements with Neuberger Berman Fixed Income, LLC, Advantus Capital Management Company, Inc., Deutsche Asset & Wealth Management, Guggenheim Securities, LLC, AEGON Asset Management, and Mackay Shields, LLC for the investment firms to manage the invested asset portfolios of the Company.

Corporate Records Review

The recorded minutes of the Shareholder, Board of Directors (Board) and its committees were reviewed for the period under examination.

TERRITORY AND PLAN OF OPERATIONS

The Company was authorized to transact insurance only in the State of Florida.

The Company was authorized to transact insurance in Florida on July 1, 1980, and is currently authorized to transact the business of Life, Accident and Health as of December 31, 2019.

The Company was also a qualified or accredited reinsurer in the State of Pennsylvania.

REINSURANCE

The following reinsurance agreements were in place:

Reinsurance Assumed

Effective January 1, 2010, the Company and Companion Life Insurance Company (CLIC), a wholly-owned subsidiary of Blue Cross and Blue Shield of South Carolina, entered into a reinsurance agreement for stop-loss products, whereby the Company was appointed as agent to market stop-loss products processed through a separate arrangement. Based on the most recent amendment effective January 1, 2014, the Company assumes 80% on a quota share basis up to a lifetime maximum of \$2 million per covered person less self-insured retention, and on an aggregate basis, 20% up to \$2 million of loss per self-funded employer group in excess of a minimum employer's aggregate self-insured retention of 125% of expected claims costs.

Effective August 1, 2008, the Company and Highmark Life Insurance Company (Highmark) entered into a reinsurance agreement for stop-loss products, whereby the Company was appointed as agent to market stop-loss products processed through another agreement. Based on the most recent amendment effective August 1, 2015, HML cedes to the Company 80% of losses on a quota share basis up to \$4 million of loss per covered person per policy year, less self-insured retention, and cedes 100% of covered losses in excess of \$4 million per person per policy year. In addition, on an aggregate basis, the Company is responsible for an aggregate deductible of up to \$1 million of loss occurring under all losses covered.

Reinsurance Ceded

Effective November 1, 1992, the Company entered into a proportional share reinsurance agreement with Florida Combined Life Insurance Company (FCLIC) whereby the Company ceded certain risks under its long-term care insurance policies from certain blocks of business. The agreement was reassigned to Life Secure Insurance Company, a wholly-owned subsidiary of Blue Cross and Blue Shield of Michigan, effective October 1, 2008. As of December 31, 2019, the Company reported \$123 million of reserve credit related to this reinsurance.

Effective January 1, 1998, the Company entered into a proportional share reinsurance agreement with MedAmerica Insurance Company whereby the Company ceded certain risks under its long-

term care insurance policies from certain blocks of business. At December 31, 2019, the Company reported \$36 million of reserve credit and an offsetting liability of \$34 million for reinsurance in unauthorized companies related to this reinsurance. With consideration for the agreements listed above, the Company had ceded 100% of its risk under its long-term care insurance policies as of December 31, 2019.

Effective July 1, 2008, the Company entered into a reinsurance agreement with FCLIC whereby the Company ceded 100% of liabilities and obligations incurred with respect to certain dental products.

Effective August 1, 2008, the Company and HML entered into a reinsurance agreement for stop-loss products, whereby the Company was appointed as agent to market stop-loss products processed through another agreement. As per the most recent amendment effective August 1, 2015, the Company cedes to HML 20% of losses on a quota share basis up to \$4 million of loss per covered person per policy year, less self-insured retention, and cedes 100% of covered losses in excess of \$4 million per person per policy year. In addition, on an aggregate basis, the Company is responsible for an aggregate deductible of up to \$1 million of loss occurring under all losses covered.

Effective January 1, 2010, the Company and Companion entered into a reinsurance agreement for stop-loss products. Based on an amendment to the agreement effective January 1, 2014, the Company cedes to Companion 20% of losses on a quota share basis up to a lifetime maximum of \$2 million per covered person less self-insured deductible, and on an aggregate basis, 20% of losses up to \$2M loss per self-funded employer group in excess of minimum employer aggregate self-insured retention of 125% of expected claims costs.

FINANCIAL STATEMENTS

The following includes the Company's statutory Statement of Assets, Liabilities, Capital and Surplus, and statutory Statement of Revenues and Expenses for the year ended December 31, 2019. The financial statements are based on the statutory financial statements filed by the Company with the Florida Office of Insurance Regulation and present the financial condition of the Company for the period ending December 31, 2019.

(Note: Due to rounding, column amounts may not add to the totals reflected in the Report.)

Blue Cross and Blue Shield of Florida, Inc.
Assets
December 31, 2019

	Per Company	Examination Adjustments	Per Examination
Bonds	\$2,152,082,857		\$2,152,082,857
Stocks			
Preferred stocks	1,715,538		1,715,538
Common stocks	468,549,261		468,549,261
Real estate			
Properties occupied by the company	186,672,782		186,672,782
Cash, cash equivalents and short-term investments	349,268,969		349,268,969
Other invested assets	11,811,712		11,811,712
Receivables for securities	4,196,417		4,196,417
Securities lending reinvested collateral assets	127,635,272		127,635,272
Subtotal cash and invested assets	\$3,301,932,808		\$3,301,932,808
Investment income due and accrued	\$15,822,611		\$15,822,611
Premiums and considerations			
Uncollected premiums and agents' balances	813,715,193		813,715,193
Deferred premiums and agents' balances	8,340,708		8,340,708
Accrued retrospective premiums	504,484		504,484
Reinsurance			
Funds held by or deposited with reinsured companies	13,229,200		13,229,200
Amounts receivable relating to uninsured plans	319,009,651		319,009,651
Current federal and foreign income tax recoverable and interest thereon	125,184,228		125,184,228
Net deferred tax asset	132,351,432		132,351,432
Electronic data processing equipment and software	35,238		35,238
Receivables from parent, subsidiaries and affiliates	81,264,552		81,264,552
Health care and other amounts receivable	229,232,228		229,232,228
Aggregate write-ins for other-than-invested assets	1,169,596,404		1,169,596,404
Total assets	\$6,210,218,737		\$6,210,218,737

Blue Cross and Blue Shield of Florida, Inc.
Liabilities, Capital and Surplus
December 31, 2019

	Per Company	Examination Adjustments	Per Examination
Claims unpaid	\$948,371,271		\$948,371,271
Accrued medical incentive pool and bonus amounts	23,638,302		23,638,302
Unpaid claims adjustment expenses	19,117,882		19,117,882
Aggregate health policy reserves	1,463,753,253		1,463,753,253
Premiums received in advance	175,844,884		175,844,884
General expenses due or accrued	638,886,876		638,886,876
Current federal and foreign income tax payable and interest thereon	22,532,384		22,532,384
Amounts withheld or retained for the account of others	27,404,224		27,404,224
Remittances and items not allocated	59,208,163		59,208,163
Borrowed money and interest thereon	63,889		63,889
Amounts due to parent, subsidiaries and affiliates	28,846,747		28,846,747
Payable for securities	27,632,313		27,632,313
Payable for securities lending	127,635,272		127,635,272
Reinsurance in unauthorized and certified companies	34,980,129		34,980,129
Liability for amounts held under uninsured plans	274,819,748		274,819,748
Aggregate write-ins for other liabilities	112,257,242		112,257,242
Total liabilities	\$3,984,992,579		\$3,984,992,579
Aggregate write-ins for special surplus funds	207,451,754		207,451,754
Unassigned funds (surplus)	2,017,774,404		2,017,774,404
Total capital and surplus	\$2,225,226,158		\$2,225,226,158
Total liabilities, capital and surplus	\$6,210,218,737		\$6,210,218,737

Blue Cross and Blue Shield of Florida, Inc.
Statement of Revenue and Expenses
December 31, 2019

	Per Company	Examination Adjustments	Per Examination
Net premium income	\$11,483,533,755		\$11,483,533,755
Change in unearned premium reserves and reserve for rate credits	(229,085,954)		(229,085,954)
Aggregate write-ins for other health care related revenues	4,709,180		4,709,180
Aggregate write-ins for other non-health revenues	7,556,323		7,556,323
Total revenues	\$11,266,713,304		\$11,266,713,304
Hospital and Medical:			
Hospital/medical benefits	5,862,749,086		5,862,749,086
Outside referrals	66,630,657		66,630,657
Emergency room and out-of-area	593,715,582		593,715,582
Prescription drugs	1,941,362,832		1,941,362,832
Aggregate write-ins for other hospital and medical	683,760,428		683,760,428
Incentive pool, withhold adjustments and bonus amounts	36,984,481		36,984,481
Subtotal	\$9,185,203,066		\$9,185,203,066
Net reinsurance recoveries	23,256,762		23,256,762
Total hospital and medical	\$9,161,946,304		\$9,161,946,304
Claims adjustment expenses	313,765,650		313,765,650
General administrative expenses	997,257,342		997,257,342
Increase in reserves for life and accident and health contracts	29,258,566		29,258,566
Total underwriting deductions	\$10,502,227,862		\$10,502,227,862
Net underwriting gain or (loss)	\$764,485,442		\$764,485,442
Net investment income earned	110,923,995		110,923,995
Net realized capital gains (losses) less capital gains tax	21,421,355		21,421,355
Net investment gains ((losses)	\$132,345,350		\$132,345,350
Aggregate write-ins for other income or expenses	7,083,264		7,083,264
Net income or (loss) after capital gains tax and before all other federal income taxes	\$903,914,056		\$903,914,056
Federal and foreign income taxes incurred	128,566,517		128,566,517
Net Income	\$775,347,539		\$775,347,539

	Per Company	Examination Adjustments	Per Examination
Capital and Surplus Account			
Capital and surplus prior reporting year	\$1,927,491,490		\$1,927,491,490
Net Income	\$775,347,539		\$775,347,539
Change in net unrealized capital gains (losses) less capital gains tax	43,669,262		43,669,262
Change in net deferred income taxes	(52,007,783)		(52,007,783)
Change in nonadmitted assets	3,083,981		3,083,981
Change in unauthorized and certified reinsurance	2,461,611		2,461,611
Dividends to stockholders	(470,000,000)		(470,000,000)
Aggregate write-ins for gains or (losses) in surplus	(4,819,942)		(4,819,942)
Net change in capital and surplus	\$297,734,668		\$297,734,668
Capital and surplus end of reporting year	\$2,225,226,158		\$2,225,226,158

Blue Cross and Blue Shield of Florida, Inc.
Reconciliation of Capital and Surplus
December 31, 2019

Capital/Surplus Change during Examination Period			
Capital and Surplus at December 31, 2014, per Examination			\$1,439,041,395
	Increase	Decrease	
Increase in surplus	\$2,825,157,927		\$2,825,157,927
Change in net unrealized capital gain (loss)	\$56,212,730		\$56,212,730
Change in net deferred income tax		(\$179,596,744)	(\$179,596,744)
Change in non-admitted assets	\$44,400,965		\$44,400,965
Change in unauthorized and certified reinsurance		(\$5,766,395)	(\$5,766,395)
Dividends to stockholders		(\$1,955,000,000)	(\$1,955,000,000)
Aggregate write-ins for gains and losses in surplus	\$1,776,280		\$1,776,280
Net increase or decrease			\$786,184,763
Capital and Surplus at December 31, 2019, per Examination			\$2,225,226,158

No adjustments were made to surplus as regards policyholders as a result of this examination.

COMMENTS ON FINANCIAL STATEMENT ITEMS

Liabilities

Losses and Loss Adjustment Expenses

Carl Bailey, F.S.A., M.A.A.A., Vice President, Chief Financial Officer and Chief Actuary of Commercial Markets at Blue Cross and Blue Shield of Florida, Inc., appointed by the Board, rendered an opinion that the amounts carried in the balance sheet as of December 31, 2019, made a reasonable provision for all unpaid loss and loss expense obligations of the Company under the terms of its policies and agreements.

The Office consulting actuary, Mike Mayberry, FSA, MAAA of Lewis & Ellis, Inc., reviewed the loss and loss adjustment expense work papers provided by the Company and he was in concurrence with this opinion.

Capital and Surplus

The amount of capital and surplus reported by the Company of \$2,225,226,158 exceeded the minimum of \$100,000,000 required by Section 624.408, Florida Statutes.

SUBSEQUENT EVENTS

COVID – 19

The COVID-19 pandemic has continued to develop throughout 2020, with significant uncertainty remaining regarding the full effect of COVID-19 on the U.S. and global insurance and reinsurance industry. The Florida Office of Insurance Regulation has been in communication with the Company regarding the impact of COVID-19 on its business operations and financial position. The Office continues to closely monitor the impact of the pandemic on the Company and will take necessary action if a solvency concern arises.

Dividends

Effective October 2020, the Company declared and paid cash dividends of \$475,000,000 to its parent company, GMHC.

Reinsurance Agreement

Effective December 1, 2020, the Company entered into a reinsurance commutation and mutual release agreement with MedAmerica Insurance Company. The Company and MedAmerica were parties to a reinsurance agreement effective January 1, 1998, whereby the Company ceded certain risks related to its long-term care insurance policies. The agreement effectively terminated the reinsurance agreement.

CONCLUSION

The insurance examination practices and procedures as promulgated by the NAIC have been followed in ascertaining the financial condition of Blue Cross and Blue Shield of Florida, Inc. as of December 31, 2019, consistent with the insurance laws of the State of Florida.

In addition to the undersigned, Omar Akel, CFE, Mario Ascic, CFE, Amy Carter, CFE, CPA, Ryne Davison, CFE, Novalene Forbes, CFE, Charles Kreske, CFE, MCM, David Palmer, CFE, MCM, Jessica Lynch, CFE, Derek Petersen, CFE, MCM, and Adrienne Sulaiman, CFE, CPA, Participating Examiners of Lewis & Ellis, Inc. also participated in the examination. Members of the Office who participated in the examination include Marshay Spencer, APIR, Examination Manager and Glenn Coates, participating Examiner. Additionally, Mike Mayberry, FSA, MAAA of Lewis & Ellis, Inc. and Lindsey Pitman, CISA, CFE, CPA, AES, MCM, IT Specialist of Lewis & Ellis, Inc. are recognized for participation in the examination.

Respectfully submitted,



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Examiner-in-Charge
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