



BEST'S COMPANY REPORT



A nonprofit corporation and independent licensee
of the Blue Cross and Blue Shield Association

BC/BS OF MICHIGAN GROUP

AMB #: 069165

NAIC #: N/A

FEIN #: N/A

Phone:

Fax:

Website: N/A

BLUE CROSS BLUE SHIELD OF MICHIGAN MUTUAL INSURANCE COMPANY A

Domiciliary Address: 600 Lafayette East, Detroit, Michigan 48226 United States

AMB #: 060081

NAIC #: 54291

FEIN #: 38-2069753

Phone: +1-313-225-9000

Fax: +1-313-225-6777

Website: www.BCBSM.com



Best's Credit Rating Effective Date

December 07, 2022

Analytical Contacts

John McGlynn
Financial Analyst
John.McGlynn@ambest.com
+1(908) 439-2200 Ext. 5730

Joseph R. Zazzera
Director
Joseph.Zazzera@ambest.com
+1(908) 439-2200 Ext. 5797

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](#).

BC/BS of Michigan Group

AMB #: 069165

Associated Ultimate Parent: AMB # 060081 -
Blue Cross Blue Shield of Michigan Mutual Insurance Company

Best's Credit Ratings - for the Rating Unit Members

Financial Strength Rating (FSR)

A
Excellent
Outlook: Stable
Action: Affirmed

Issuer Credit Rating (ICR)

a
Excellent
Outlook: Stable
Action: Affirmed

Assessment Descriptors

Balance Sheet Strength	Very Strong
Operating Performance	Adequate
Business Profile	Neutral
Enterprise Risk Management	Appropriate

Rating Unit - Members

Rating Unit: BC/BS of Michigan Group | **AMB #:** 069165

AMB # 068741 **Rating Unit Members**
Blue Care Network of Michigan

AMB # 060081 **Rating Unit Members**
Blue Cross Blue Shield MI Mut

Rating Rationale

Balance Sheet Strength: **Very Strong**

- Blue Cross Blue Shield of Michigan Group's (BCBS MI) risk-adjusted capitalization, as measured by Best's Capital Adequacy Ratio (BCAR), is at the strongest confidence level at the 99.6% VaR level.
- BCBS MI's financial and operating leverage measures are considered low, and its access to \$2.45 billion of borrowing capacity under the Federal Home Loan Bank of Indianapolis (FHLB) enhances financial flexibility.
- Higher-risk asset allocation with BA exposure above peers. High equity exposure overall but in line with peers. Schedule BA exposure of 21.5% and equity exposure of 21.6% at year-end 2021.

Operating Performance: **Adequate**

- Profitability measures were pressured through 2021 and will remain pressured through year-end 2022. However, the group's total operating measures, both return on equity (ROE) and return on revenue (ROR), have generally been positive over the past few years and are expected to rebound in 2023.
- Earnings moderated in 2021 and will compress further in 2022, after a sustained trend of favorable operating performance through 2020. Lower earnings in 2021 were planned in response to the COVID-19 pandemic, while the loss of 4.0+ Star ratings for the 2022 plan year is pressuring Medicare Advantage (MA).
- Premium growth was nominal but positive through 2020 and 2021. MA business is now the primary driver of premium given a competitive commercial market in Michigan, but MA growth is expected to be pressured in 2022 due to the loss of 4.0+ Star ratings and lower CMS risk adjustment revenue.

Business Profile: **Neutral**

- BCBS MI maintains a strong market presence in the state of Michigan with good brand recognition.
- BCBS MI offers a diversified portfolio of health insurance products. While competition remains strong in all lines of business, the Blue Cross Blue Shield brand provides a significant competitive advantage.
- Although BCBS MI's business is concentrated in Michigan, its ownership in Accident Fund and investment in AmeriHealth Caritas provide geographic as well as product diversification.

Enterprise Risk Management: **Appropriate**

- BCBS MI employs a comprehensive enterprise risk management (ERM) strategy that covers the scope of its risks inherent in its balance sheet, operating performance and business profile.
- The ERM framework uses the three lines of defense model.
- Risk appetite and tolerances have been established for various areas within the organization. Risk governance structure is managed by multiple committees and overseen by the board of directors. BCBS MI has embedded the thought process behind ERM throughout the organization.
- An economic capital model is used to perform multiple stress scenario testing to determine the impact on risk-adjusted capitalization, which is used both for ORSA filings as well as developing capital and underwriting targets.

Outlook

- The stable outlooks reflect AM Best's expectations that the group will maintain a very strong balance sheet strength assessment. While operating performance and capital accumulation are expected to be volatile in the near term due to capital market fluctuations and MA Star ratings-driven underwriting pressure, the group over the longer term is expected to remain profitable.

Rating Drivers

- Negative rating movement could occur if the Blue Cross Blue Shield of Michigan Group (BCBS MI) reports a sustained trend of operating losses.
- Negative rating movement could occur if BCBS MI reports a material deterioration of risk-adjusted capitalization.

Credit Analysis

Balance Sheet Strength

Blue Cross Blue Shield of Michigan Group's (BCBS MI) overall balance sheet strength assessment is "very strong". This assessment is supported by strongest level risk-adjusted capitalization, as measured by Best's Capital Adequacy Ratio (BCAR), and good liquidity metrics. Capital accumulation through year-end 2021 continued to be favorable, both in absolute terms and relative to premium growth. Financial leverage is considered low. However, BCBS MI's asset portfolio is considered higher risk due to elevated exposure to equities and Schedule BA assets, as well as a growing exposure to NAIC level 2 bonds. Equity and Schedule BA exposure are considered to be higher than peers. Capital and surplus is expected to decline through 2022 as mark-to-market losses and underwriting pressure in Medicare Advantage (MA) impact results. However, MA pressure is expected to be limited to 2022 and the higher interest rates that are driving mark-to-market asset devaluations should support investment income in future periods. Given BCBS MI's high overall capitalization and BCAR cushion above the strongest level threshold, the balance sheet assessment is expected to be stable over the near to medium term.

Capitalization

Risk-adjusted capitalization, as measured by BCAR supports the balance sheet assessment of very strong with a result of 37.2 at the 99.6 VaR. The historical persistency of the strongest level BCAR is a function of strong earnings and unrealized asset appreciation versus only modest growth in premiums, also resulting in falling underwriting leverage. In the five years through 2021 capital has grown at a compound annual rate of 14.1% which easily outpaced compound annual net premium written (NPW) growth of just 3.9%. AM Best expects capitalization to moderate over the near term as underwriting losses and asset devaluations drive capital declines in 2022.

BCBS MI exhibits strong liquidity measures and has remained consistently above 130% current liquidity over the past five years. Financial flexibility of BCBS MI is enhanced through access to Federal Home Loan Bank (FHLB) borrowings. The company is a member of the Federal Home Loan Bank of Indianapolis (FHLBI) and has \$294 million in borrowings outstanding as of 9/30/2022 (Including borrowings at its PC subsidiary Accident Fund). This level is down significantly from 2020 when BCBS MI withdrew \$690 million in additional liquidity from FHLB to ensure liquidity position during the pandemic. It has since been systematically reducing this balance. The total current FHLBI borrowing capacity is \$2.4 billion. In addition to liquidity needs, the FHLBI borrowings have also been used for arbitrage. A.M. Best recognizes that BCBS MI's access to FHLBI borrowings allows the organization to support short term liquidity needs and line of credit borrowing privileges.

Asset Liability Management - Investments

Invested assets have grown considerably over the past five years and through 2021. Strong asset appreciation, positive operating cash flow, and equity method gains on BCBS MI's Medicaid business BMH LLC (AmeriHealth Caritas) all contributed. Invested assets are expected to decline in 2022 as mark-to-market and realized investment losses are likely to dominate the effects of any new money invested in the portfolio.

At year-end 2021, the investment portfolio was primarily comprised of bonds (44%), common stock (22%), cash and short-term securities (11%), schedule BA (approximately 22%) and a small amount of real estate. This aggressive portfolio serves a dual purpose of capital management and income enhancement, which has historically been quite successful.

The fixed income portfolio is generally high-quality with the majority of bonds being investment grade and has high liquidity as 87% of fixed income securities are publicly traded. The quality of the fixed income portfolio has deteriorated slightly over the last few years as allocations to below investment grade securities and private placements both increased to five-year highs, both 13%. Within the investment grade portion of the portfolio credit quality improved in 2021 versus 2020 but remains lower than in past years. NAIC level 2 securities constituted over 40% of investment grade fixed income securities at year-end 2021, up from just over 30% in 2017.

Equities continue to be a sizable allocation within the asset portfolio, 22% as of year-end 2021. BCBS MI has historically deployed between 1/3 and 1/2 of its surplus to equities strategically to keep risk-adjusted capitalization from exceeding management tolerance levels and to provide additional investment returns to support underwriting results. This strategy has historically been quite successful but exposes the company to additional equity market volatility, which has significantly impacted results through three-quarters of 2022 and is expected to significantly impact results through year-end.

Schedule BA assets are comprised of mostly joint venture and other service entities, such as strategic investments in AmeriHealth Caritas. All real estate holdings are company occupied properties. BCBS MI performs some investment management functions internally. In addition, the company also engages the services of multiple external advisers and consultants in the management of the invested assets.

Operating Performance

BCBS MI's operating performance is assessed as adequate. Underwriting profitability has historically been below similarly rated companies and experienced considerable volatility. Better than peer investment performance has historically offset volatility in underwriting results. Inconsistency in operating results is a function of both market conditions and mission driven decisions made by management to limit underwriting profitability to better serve members. This was evident in 2020, 2021 and 2022 results where a combination of market factors and management decisions led to unfavorable underwriting results. However, the company's ability to strategically take underwriting losses is largely dependent on its capitalization, both in that it maintains sufficient capitalization to absorb temporary losses, and in that it maintains an asset portfolio large enough to supplement underwriting income when necessary.

BCBS MI's profitability metrics compressed further in 2021 after moderating in 2020 from 2017-2019 levels and are expected to be further pressured in 2022. The company has made a strategic decision to manage the COVID-19 pandemic over multiple periods. In 2020 premium relief, cost-share waivers, provider assistance, and community investment combined for more than \$1.2 billion and mostly offset what would have been bumper underwriting profits given the severe decline in utilization driven by the pandemic. In 2021 the company offered members relief on planned rate increases and continued to offer COVID-19 testing and treatment cost-share waivers which, when combined with higher-than-expected utilization due to the Delta COVID-19 variant and lower risk adjustment revenue on MA blocks, pressured underwriting results driving an underwriting loss. In both 2020 and 2021 investment results supported unfavorable underwriting income. In 2021 the company ran an operating loss but was profitable on a net income basis due to very favorable realized capital gains in the period.

In 2022, The company made the strategic decision not to cut benefits on MA products despite losing the Centers for Medicare & Medicaid Services (CMS) bonus payment for maintaining 4.0+ star plans. This resulted in significant expected underwriting pressure in 2022. While results are better than initially forecasted, underwriting income for 2022 is still expected to be highly negative on a statutory basis due to pressure in MA blocks and Omicron variant related COVID-19 utilization. Investment results are expected to deepen underwriting losses as realized losses on portfolio rebalancing will likely offset any income generated on the portfolio in 2022. Stars related underwriting pressure is expected to subside as the company has secured 4.0+ star ratings for its MA plans for the 2023 plan year. While capital market conditions remain unpredictable the potential for a 2023 recession creates the opportunity for a leveling of interest rates or even a small decline which would be favorable for at least fixed income valuations.

Over the last five years, BCBS MI's consolidated statutory premium growth has been moderate with a CAGR of 3.9%. Premium growth can be attributed to rate increases as well as membership growth. Membership and premium growth stalled in 2020 due to pandemic premium rebates given to members of over \$100 million and in group losses due to layoffs. Premium growth returned in 2021 as the premium rebates did not recur and the company added members through new group acquisitions and some in group growth as labor markets recovered in 2021. Premium growth is expected to accelerate through 2022 and into 2023 as commercial enrollment is expected to increase due to a favorable labor market at least through 2022 and the return of 4.0+ star MA plan ratings which will likely help drive enrollment growth in that line.

Prior to 2017, Medigap products were losing in excess of \$200M a year over a multiyear period, driven by the inability to implement rate increases on the Medigap business for a five-year period ending in 2017. The rate freeze on the Medigap product was part of the company's social mission prior to its transition to a non-profit mutual insurer. BCBS MI implemented rate increases and modernized the Medigap product which aided in the earnings favorability through 2020 and partially offset weakness in other lines in 2021.

Also expected to positively impact earnings in 2023 and prospectively thereafter is BCBS MI's sale of its Advantasure technology business. Advantasure was BCBS MI's MA service technology play which was intended to both support the companies MA business and provide service revenues from technology sales to other blue plans with significant MA blocks. However, the business never performed as intended and ultimately required consistent investment and capital support from the insurance entities. As such the business is being divested at considerable annual cost savings to the company. Advantasure will likely remain a vendor for the companies MA business, but without the added cost of ownership.

Business Profile

Blue Cross and Blue Shield of Michigan Mutual Insurance Company (BCBSMIC or BCBS MI) is a non-for-profit mutual benefit organization primarily providing health insurance and health care services to individuals and employers in Michigan. For 2013 and prior years, BCBS MI was organized and governed under the statues and regulations pertaining to Nonprofit Health Care Corporations as defined in Michigan Public Act 350 of 1980 (PA 350).

BCBS MI competes in all health care insurance segments: individual, small, mid-size and large groups with both underwritten and self-funded arrangements. The organization's core products include traditional indemnity and preferred provider organization (PPO) as well as health maintenance organization (HMO) products offered through Blue Care Network of Michigan (BCN), a licensed HMO and a BCBS MI subsidiary. The company compete in government business directly in Medicare Advantage and Medicare supplement lines, and indirectly in Medicaid through its interest in AmeriHealth Caritas.

Business Profile (Continued...)

BCBS MI remains the largest insurer of individuals in the state of Michigan. BCBS MI in conjunction with its wholly owned subsidiary, BCN provides health care coverage and services to over one-half of Michigan's insurable population. These services are marketed to individuals and businesses by both group and independent agents. BCBS MI also processes claims and provides special utilization control and review programs for employer groups. The business environment within which BCBS MI operates includes a number of health insurers with national scale as well as local carriers with competitive cost structures and niche service capabilities.

BCBS MI's consolidated membership had grown steadily prior to the pandemic. However, membership growth has been challenged since due to economic conditions in the state during the pandemic impacting ASO and large account in group membership, and a combination of increased competition and a strategic focus on increasing account profitability in 2021. Growth in government business has largely offset weakness in commercial enrollment. Commercial membership may remain challenged over the near term due to a range of both economic and insurance sector factors. The return of 4.0 star rated MA plans in 2023 likely cause government business to continue to be the driver of membership growth over the near term.

The organization's consolidated operations are grouped broadly into Health Plan Business which includes all commercial health products, and Emerging Markets which includes its Senior Health Services business, its PC business through Accident Fund, its Medicaid Business, and its limited technology businesses.

Within the Health Plan segment BCBS MI has several key sub-segments; Autos, National and Key accounts, other Michigan based group business, and individual. The Autos segment is the company's business supporting the large Michigan based automotive industry. The National and Key accounts sub-segment is predominantly large ASO groups, while the Michigan business is mostly small and mid-sized groups. BCBS MI also has a contract with the UAW Retiree Medical Benefits Trust (URMBT) that continues through 2022.

The Auto, as well as Key and Large Group customer segments, mainly consists of large groups, which are generally self-funded relationships, and in the case of the Auto segment are concentrated in the automobile manufacturing industry. The Auto segment accounted for slightly under 15% of the overall commercial enrollment in 2021 with limited growth driven by hiring favorability. The National and Key group segment currently accounts for almost half of the commercial membership.

The Michigan groups segments comprises both small and mid-sized groups. Groups with greater than 50 and less than 1000 eligible employees comprise the Middle Group portion of this segment. For the insured portion of these groups, BCBS MI sets rates based on a blend of group's actual experience and the pool's experience. The Small Group segment (groups with 50 or fewer eligible employees) follows the adjusted community rating methodology prescribed by the Patient Protection and Affordable Care Act (ACA). The overall rate level for this pool must be based off of the entire pool's experience and each member's rate in this pool can only vary based on the group's location, benefit design, family composition, member's age and smoker status. The Small Group rates are subject to Michigan Department of Insurance and Financial Services (DIFS) review and approval every year.

The Senior Health Services business consists of Medicare Supplemental (Medigap) and Medicare Advantage (MA) business. BCBS MI offers MA products to both individuals and employer groups (retirees).

Medigap enrollment has been showing modest declines in each of the last several years. Lower membership in Medigap is due to strategic pricing action leading to member migration into other products. Medigap along with MA are part of the organization's strategic product offerings in the senior market segment.

The MA product experienced rapid growth in both individual and group membership over the years. Growth was driven by new members as well as the transition of individuals from Medigap to MA. MA is projected to be one of the main sources of enrollment growth in the near term as the population ages. However, BCBS MI's MA products had lost their 4.0 star ratings by the Centers for Medicare and Medicaid Services (CMS) for the 2022 plan year (2021 selling term) which is expected to moderate growth. This is expected to be temporary as the company regained 4.0+ star ratings for the 2023 plan year. BCBS MI remains focused on a growth strategy that leverages on current capabilities to drive performance, enhance quality, and create efficiencies. BCBS MI's investment in ikaSystems and Tessellate Holdings, LLC supports its MA product offerings particularly as it pertains to back office capabilities and risk adjustment scoring.

The organization's sales and distribution channels consist of both an internal sales force and a network of agents that handle all health care products. Individual and Senior market products are sold through both an internal sales force and external distribution channels. Additionally, the individual products external distribution channel includes the Federal Health Insurance Marketplace. BCBS MI sells to small groups exclusively through two managing agents and numerous producing agents. In addition, the company contracts with associations and chambers, which are exclusive arrangements. Large groups can enroll either directly or through an agent.

While BCBS MI's business is concentrated in Michigan, its operations are diversified through its subsidiaries and investments in BCBS MI's intermediate holding company, Emergent Holdings. Emergent Holdings offers property and casualty insurance in multiple states via Accident Fund and through Advantasure, NASCO and Tessellate, provides MA services to other insurers. Services offered include technology, quality, risk adjustment, provider engagement, compliance guidance and business process outsourcing services. Emergent,

Business Profile (Continued...)

Inc (fka: Covantage Health Partners, Inc.), a subsidiary of Emergent Holdings, owns 51% ownership stake in Medicare Advantage plans with three other Blue Cross Blue Shield plans in other states, for which Emergent provides expertise, technology and service capabilities to other plans in the Medicare Advantage product.

Accident Fund Group specializes in underwriting workers' compensation insurance and manages its operations through four operating units, each with its own niche market: Accident Fund Companies, United Heartland, CompWest and Third Coast Underwriters. Collectively, the insurance companies within the group are licensed to provide workers compensation coverage in all 50 states and the District of Columbia in order to accommodate the needs of all clients. The Accident Fund Companies business unit focuses on small-to-mid-sized accounts in industries with low to medium hazard ratings and is the largest writer of workers' compensation in Michigan. Accident Fund has been writing workers compensation since 1912, and its risk appetite includes construction, health care, retail/wholesale, hospitality and manufacturing for small to medium sized businesses.

BCBS MI has minority ownership interest in AmeriHealth Caritas which provides Medicaid managed care coverage in numerous states.

Enterprise Risk Management

Oversight for BCBS MI's Enterprise Risk Management (ERM) process is performed by the Chief Risk Officer as well as the Risk Executive Committee (EOC). The Risk (EOC) is chaired by the Chief Risk Officer, and is governed by the Board's Enterprise Risk Committee. The EOC is comprised of a cross-functional team of BCBS MI vice presidents and is focused on the Own Risk and Solvency Assessment (ORSA), as well as to establish a risk aware corporate culture, ensure strategic decision making includes risk considerations and alignment with Enterprise Risk Appetite and for the timely and effective identification and management of Priority Enterprise Risks.

The group's risk statement framework holds a well-defined risk appetite statement that supports the effective selection of risks and provides a direction for managing those risks. In addition, the Board of Directors has reviewed and approved the Risk Appetite Statement, which articulates the risk appetite. Risk tolerances and limits are developed in line with the Risk Appetite Statement. Economic capital models are then used to test the risk appetite and risk tolerances. BCBS MI also performs stress and scenario testing annually which are included in its ORSA filings. The organization utilizes the Strategic Modeling software platform which includes economic capital, risk-based capital, cash flow, balance sheet and income statement impacts, as well as scenario modeling and stress testing. Modeling and enterprise risk reporting is performed in conjunction with capital and strategic planning which ensures consistent use of information across all capital and risk planning processes.

Environmental, Social & Governance

BCBS MI is exposed to ESG risks through its collection and maintenance of sensitive health data, stranded asset risk in its investment portfolio, and governance risk such that its brand is materially impaired, or it loses its non-profit status. BCBS MI plans to manage or mitigate these risks by following relevant regulations, developing ESG specific controls, and continuing to run the business according to the mission statement that in addition to serving the community, protects their brand and non-profit status.

Financial Statements

Year End - December 31

Balance Sheet	2021		2020	
	USD (000)	%	USD (000)	%
Cash and Short Term Investments	1,185,151	9.6	1,169,378	10.2
Bonds	4,576,998	37.2	4,761,577	41.4
Preferred and Common Stock	2,243,762	18.2	2,333,763	20.3
Other Invested Assets	2,359,899	19.2	1,500,259	13.0
Total Cash and Invested Assets	10,365,811	84.2	9,764,977	84.9
Premium Balances	345,289	0.6	350,660	1.0
Healthcare and Other Receivables	474,893	3.9	448,285	3.9
Other General Account Assets	1,128,608	9.2	936,594	8.1
Total General Account Assets	12,314,601	100.0	11,500,517	100.0
Total Assets	12,314,601	100.0	11,500,517	100.0
Policy and Claim Reserves	2,489,404	20.2	2,133,510	18.6
Asset Valuation Reserve	3,529	...	2,217	...
Accrued Expenses and Other General Account Liabilities	3,189,723	25.9	3,308,764	28.8
Total General Account Liabilities	5,682,656	46.1	5,444,492	47.3
Total Liabilities	5,682,656	46.1	5,444,492	47.3
Capital Stock	2,215	...	1,970	...
Paid-In and Contributed Surplus	78,421	0.6	36,183	0.3
Unassigned Surplus	6,551,309	53.2	6,017,872	52.3
Total Capital and Surplus	6,631,945	53.9	6,056,025	52.7
Total Liabilities, Capital and Surplus	12,314,601	100.0	11,500,517	100.0

Source: BestLink® - Best's Financial Suite

Last Update

December 07, 2022

Identifiers

AMB #: 069165

This company is a data record that AM Best utilizes to represent the AM Best Consolidated financials for the Multi-Line business of AMB#: [060081 Blue Cross Blue Shield of Michigan Mutual Insurance Company](#).

AMB#: [060081 Blue Cross Blue Shield of Michigan Mutual Insurance 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.

BC/BS of Michigan Group

Operations

Domiciled: Michigan, United States

Business Type: Multi-Line - Blue Cross/Blue Shield

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 an Excellent ability to meet their ongoing insurance obligations and an Excellent ability to meet their ongoing senior financial obligations.

Best's Credit Rating Effective Date: December 07, 2022

Rating rationale and credit analysis can be found in the [Best's Credit Report for AMB# 069165 - BC/BS of Michigan Group](#).

AMB#	Rating Unit Members	Best's Credit Ratings	
		Financial Strength Rating	Long-Term Issuer Credit Rating
068741	Blue Care Network of Michigan	A	a
060081	Blue Cross Blue Shield MI Mut	A	a

Last Update

December 07, 2022

Identifiers

AMB #: 060081

NAIC #: 54291

FEIN #: 38-2069753

LEI #: 254900ITOI19I4I7I707

Contact Information

Domiciliary Address:
600 Lafayette East, Detroit,
Michigan 48226
United States

Web: www.BCBSM.com
Phone: +1-313-225-9000
Fax: +1-313-225-6777

Financial Data Presented

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

Blue Cross Blue Shield of Michigan Mutual Insurance Company

Operations

Date Incorporated: February 01, 1975 | **Date Commenced:** January 01, 1975

Domiciled: Michigan, United States

Licensed: (Current since 01/14/2002). The company is licensed in Michigan.

Business Type: Health - Blue Cross/Blue Shield
Organization Type: Mutual
Marketing Type: Independent Agency
Financial Size: XV (\$2 Billion or greater)

Best's Credit Ratings

Best's Credit Rating History

AM Best has assigned ratings on this company since 1999. In our opinion, the company has an Excellent ability to meet their ongoing insurance obligations and an Excellent 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 -						
Dec 7, 2022	A	Stable	Affirmed	a	Stable	Affirmed
Nov 17, 2021	A	Stable	Affirmed	a	Stable	Affirmed
Nov 5, 2020	A	Stable	Affirmed	a	Stable	Affirmed
Oct 31, 2019	A	Stable	Upgraded	a	Stable	Upgraded
Oct 4, 2018	A-	Positive	Affirmed	a-	Positive	Affirmed

Management

Officers

President and CEO: Daniel J. Loepp
President and EVP: Tricia A. Keith
EVP and CFO: Mark R. Bartlett
EVP: Kenneth R. Dallafior
EVP: Darrell E. Middleton
EVP: Lynda M. Rossi
SVP and Chief Risk Officer: Paul L. Mozak
SVP: Susan L. Barkell

Officers (Continued...)

SVP: Jeffrey L. Connolly

SVP: William M. Fandrich

SVP: James D. Grant, M.D.

SVP: Michele A. Samuels

SVP: Todd J. Van Tol

Vice President and Corporate Secretary: Liz Krick

Vice President and Treasurer: Waymond Harris

Vice President and General Counsel: Laurine S. Parmely

Directors

James G. Agee

Peter B. Ajluni, D.O.

Renee C. Axt

Ronald J. Bieber

William H. Black

Terry W. Burns

Robert F. Casalou

Roz Cooperman

Raymond Curry

Patrick J. Devlin

Sarah W. Dolye

Linda D. Forte

Joseph A. Garcia

Yousif B. Ghafari

Diane R. Goddeeris

Paula J. Herbart

Kerry M. Kaysserian, D.D.S.

Melvin L. Larsen

Daniel J. Loepp

Christopher J. Maksym

Gary J. McInerney

Anne M. Mervenne

William E. Meyers

Susan Mitchell

Brian E. Peters

Phillip Pierce

Dennis Ramus, M.D.

Shauna Ryder-Diggs, M.D.

F. Remington Sprague, M.D.

Joseph Stackpoole

Gregory A. Sudderth

Bernard Swatout

Brad E. Thompson

Gary H. Torgow

Janice Uhlig

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			
	2022		2021		2020	
	USD (000)	%	USD (000)	%	USD (000)	%
Balance Sheet						
Cash and Short Term Investments	867,322	8.4	503,361	4.7	557,759	5.6
Bonds	2,406,352	23.2	2,499,679	23.3	2,580,071	25.7
Preferred and Common Stock	3,524,958	34.0	3,918,508	36.6	4,015,056	40.0
Other Invested Assets	2,345,406	22.6	2,142,350	20.0	1,385,871	13.8
Total Cash and Invested Assets	9,144,038	88.1	9,063,898	84.7	8,538,757	85.0
Premium Balances	334,826	3.2	302,505	2.8	297,967	3.0
Healthcare and Other Receivables	324,108	3.1	364,367	3.4	358,241	3.6
Other Assets	577,136	5.6	976,009	9.1	850,514	8.5
Total Assets	10,380,107	100.0	10,706,780	100.0	10,045,479	100.0
Unpaid Claims and Claim Adjustment Expenses	1,048,814	10.1	1,278,073	11.9	971,488	9.7
Health Policy and Claim Reserves	139,630	1.3	141,428	1.3	191,005	1.9
Advance Premiums	693,972	6.7	227,818	2.1	222,386	2.2
Amounts Held for Uninsured Plans	757,642	7.3	691,623	6.5	785,685	7.8
Taxes and General Expenses	427,360	4.1	571,924	5.3	629,102	6.3
Debt / Borrowings	235,162	2.3	315,180	2.9	415,200	4.1
Other Liabilities	924,599	8.9	885,010	8.3	791,473	7.9
Total Liabilities	4,227,179	40.7	4,111,056	38.4	4,006,339	39.9
Unassigned Surplus	6,152,928	59.3	6,595,724	61.6	6,039,139	60.1
Total Capital and Surplus	6,152,928	59.3	6,595,724	61.6	6,039,139	60.1
Total Liabilities, Capital and Surplus	10,380,107	100.0	10,706,780	100.0	10,045,479	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.

Visit <https://www.ambest.com/ratings/index.html> for additional information or <https://www.ambest.com/terms.html> for details on the Terms of Use. For current ratings visit www.ambest.com/ratings

Copyright © 2023 A.M. Best Company, Inc. and/or its affiliates. All rights reserved.

No portion of this content may be reproduced, distributed, or stored in a database or retrieval system, or transmitted in any form or by any means without the prior written permission of AM Best. While the content was obtained from sources believed to be reliable, its accuracy is not guaranteed. For additional details, refer to our Terms of Use available at AM Best website: www.ambest.com/terms.

