Blue Cross Blue Shield of Michigan Mutual Insurance Company and Subsidiaries

Consolidated Financial Statements as of and for the Years Ended December 31, 2021 and 2020, and Independent Auditor's Report

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
Blue Cross Blue Shield of Michigan Mutual Insurance Company
Detroit, Michigan

Opinion

We have audited the consolidated financial statements of Blue Cross Blue Shield of Michigan Mutual Insurance Company and its subsidiaries, d/b/a Blue Cross Blue Shield of Michigan (the "Corporation"), which comprise the consolidated balance sheets as of December 31, 2021 and 2020, and the related consolidated statements of operations, comprehensive income, policyholders' reserves, and cash flows for the years then ended, and the related notes to the consolidated financial statements (collectively referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Corporation as of December 31, 2021 and 2020, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Corporation and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Corporation's ability to continue as a going concern for one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Corporation's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Corporation's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Disclaimer of Opinion on Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The supplementary information regarding short-duration contracts included in Note 13 to the financial statements are presented for the purpose of additional analysis and are not a required part of the financial statements. This supplementary information is the responsibility of the Corporation's management. Such information has not been subjected to the auditing procedures applied in our audits of the financial statements and, accordingly it is inappropriate to and we do not express an opinion on the supplementary information referred to above.

Deloitte & Touche LLP

March 30, 2022

BLUE CROSS BLUE SHIELD OF MICHIGAN MUTUAL INSURANCE COMPANY AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS
AS OF DECEMBER 31, 2021 AND 2020
(Amounts in millions)

	2021	2020
ASSETS		
CASH AND CASH EQUIVALENTS	$ 1,566	$ 1,267
INVESTMENTS	9,647	10,220
SECURITIES LENDING CASH COLLATERAL	80	128
RECEIVABLES (Net of allowance of $16 and $10 in 2021 and 2020, respectively)	4,738	4,035
PROPERTY AND EQUIPMENT—Net	596	613
NET DEFERRED TAX ASSETS	112	173
GOODWILL—Net	272	278
INVESTMENTS IN JOINT VENTURES AND EQUITY INTERESTS	2,113	1,270
OTHER ASSETS	856	486
TOTAL	$19,980	$18,470

(Continued)

BLUE CROSS BLUE SHIELD OF MICHIGAN MUTUAL INSURANCE COMPANY AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS
AS OF DECEMBER 31, 2021 AND 2020
(Amounts in millions)

	2021	2020
LIABILITIES AND POLICYHOLDERS' RESERVES		
LIABILITIES FOR UNPAID CLAIMS AND CLAIM ADJUSTMENT EXPENSES:		
Health	$ 3,546	$ 2,844
Nonhealth	3,653	3,210
Total liabilities for unpaid claims and claim adjustment expenses	7,199	6,054
PREMIUM DEFICIENCY RESERVES	17	9
ACCRUED LIABILITY TO GROUPS	376	302
UNEARNED PREMIUM REVENUE	1,339	1,083
SECURITIES LENDING PAYABLE	80	128
OTHER LIABILITIES:		
Employee expenses	1,128	1,025
Debt	386	540
Other	1,658	1,768
Total liabilities	12,183	10,909
POLICYHOLDERS' RESERVES:		
Accumulated reserves	7,949	7,589
Accumulated other comprehensive loss	(249)	(114)
Policyholders' reserves attributable to the Corporation	7,700	7,475
Noncontrolling interest	97	86
Total policyholders' reserves	7,797	7,561
TOTAL	$19,980	$18,470

See notes to consolidated financial statements. (Concluded)

BLUE CROSS BLUE SHIELD OF MICHIGAN MUTUAL INSURANCE COMPANY AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF OPERATIONS
FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020
(Amounts in millions)

	2021	2020
PREMIUM REVENUE AND PREMIUM EQUIVALENT:		
Underwritten premiums earned	$ 17,300	$ 16,527
Self-funded premium equivalents from employer groups	15,034	13,439
Revenue from administrative services	156	143
Total	32,490	30,109
Less amounts attributable to claims under self-funded arrangements	(14,066)	(12,510)
Net premium and administrative fee revenue	18,424	17,599
COST OF SERVICES:		
Benefits provided	14,966	13,434
Change in premium deficiency reserves	8	9
Operating expenses	3,824	4,036
Total cost of services	18,798	17,479
OPERATING (LOSS) GAIN	(374)	120
INVESTMENT INCOME AND OTHER—Net	907	724
ADDITION TO POLICYHOLDERS' RESERVES BEFORE FEDERAL INCOME TAX EXPENSE	533	844
INCOME TAX EXPENSE	(164)	(192)
ADDITION TO POLICYHOLDERS' RESERVES	369	652
NET INCOME ATTRIBUTABLE TO NONCONTROLLING INTEREST—Net of tax	(9)	(6)
ADDITION TO POLICYHOLDERS' RESERVES ATTRIBUTABLE TO THE CORPORATION	$ 360	$ 646

See notes to consolidated financial statements.

BLUE CROSS BLUE SHIELD OF MICHIGAN MUTUAL INSURANCE COMPANY AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020
(Amounts in millions)

	2021	2020
ADDITION TO POLICYHOLDERS' RESERVES	$ 369	$ 652
OTHER COMPREHENSIVE (LOSS) INCOME:		
Unrealized (losses) gains on available for sale securities:		
Unrealized holding (losses) gains arising during period (net of tax of $(35) and $59 in 2021 and 2020, respectively)	(171)	337
Reclassification adjustment for gains included in net income (net of tax of $(8) and $(23) in 2021 and 2020, respectively)	(38)	(130)
Net unrealized (losses) gains on available for sale securities—net of tax	(209)	207
Change in foreign currency translation adjustment (net of tax of $0 and $0 in 2021 and 2020, respectively)		2
Defined benefit retirement plans—change in unrecognized pension and postretirement liabilities (net of tax of $15 and $(5) in 2021 and 2020, respectively)	60	(21)
Other comprehensive income (loss) attributable to joint ventures (net of tax of $3 and $(3) in 2021 and 2020, respectively)	10	(9)
Other comprehensive (loss) income—net of tax	(139)	179
COMPREHENSIVE INCOME	230	831
LESS COMPREHENSIVE INCOME ATTRIBUTABLE TO NONCONTROLLING INTERESTS—Net of tax	(5)	(13)
COMPREHENSIVE INCOME ATTRIBUTABLE TO THE CORPORATION	$ 225	$ 818

See notes to consolidated financial statements.

BLUE CROSS BLUE SHIELD OF MICHIGAN MUTUAL INSURANCE COMPANY AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF POLICYHOLDERS' RESERVES FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020 (Amounts in millions)

	Accumulated Reserves	Accumulated Other Comprehensive (Loss) Income	Noncontrolling Interest	Total
BALANCE—January 1, 2020	$6,939	$(286)	$ 80	$6,733
Addition to policyholders' reserves	646		6	652
Deconsolidation of VIE	4		(7)	(3)
Other comprehensive income		172	7	179
BALANCE—December 31, 2020	7,589	(114)	86	7,561
Addition to policyholders' reserves	360		9	369
Acquisition of Triarq Health, LLC and gloStream, Inc.			6	6
Other comprehensive loss		(135)	(4)	(139)
BALANCE—December 31, 2021	$7,949	$(249)	$ 97	$7,797

See notes to consolidated financial statements.

BLUE CROSS BLUE SHIELD OF MICHIGAN MUTUAL INSURANCE COMPANY AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020
(Amounts in millions)

	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES:		
Addition to policyholders' reserves	$ 369	$ 652
Adjustments to reconcile addition to policyholders' reserves to cash provided by operating activities:		
Depreciation and amortization	266	241
Net realized and unrealized gain on investments	(731)	(503)
Distributions from equity method investees	75	27
Loss on disposal of property		8
Loss on remeasurement of Joint Venture (NASCO)	7	
Impairment of investments	15	1
Provision for deferred income taxes	102	182
Pension and other postretirement changes	80	(176)
Change in premium deficiency reserve	8	9
Changes in assets and liabilities:		
Receivables—net	(656)	101
All other assets	(328)	(27)
Accrued liability to groups	74	47
Liabilities for unpaid claims and claim adjustment expense	1,145	292
Unearned premium revenue	256	(6)
Other liabilities	(144)	391
Cash provided by operating activities	538	1,239
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of investments	(12,230)	(10,895)
Sales and maturities of investments	12,680	9,948
Additional investments in joint ventures	(527)	(141)
Distributions from equity method investees	98	94
Acquisition of property and equipment	(87)	(122)
Deconsolidation of VIE		(3)
Net cash paid in business acquisitions	(19)	
Cash used in investing activities	(85)	(1,119)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from debt	472	840
Repayment of debt	(626)	(725)
Cash (used in) provided by financing activities	(154)	115
INCREASE IN CASH AND CASH EQUIVALENTS	299	235
CASH AND CASH EQUIVALENTS—Beginning of year	1,267	1,032
CASH AND CASH EQUIVALENTS—End of year	$ 1,566	$ 1,267
SUPPLEMENTAL DISCLOSURES:		
Cash paid for income taxes	$ 19	$ 218
Cash refunded for income taxes	$ 18	$ 332
Cash paid for interest	$ 6	$ 9

See notes to consolidated financial statements.

BLUE CROSS BLUE SHIELD OF MICHIGAN MUTUAL INSURANCE COMPANY AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
AS OF AND FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020
(Amounts in millions)

1. ORGANIZATION

Blue Cross Blue Shield of Michigan Mutual Insurance Company (Company or BCBSM), originally founded in 1939, operates under Chapter 58 of the Michigan Insurance Code as a nonprofit mutual disability insurer. Chapter 58 specifically authorizes the Company to offer individual, small group, and Medicare supplemental products within the state of Michigan. Chapter 58 prohibits the Company from converting to a domestic stock insurer and from paying policyholder dividends to its members. In addition, the state law requires that upon dissolution, any residual value of the Company be transferred into the Michigan Health Endowment Fund (MHEF), for the benefit of the residents of the state of Michigan. The Company operates as a primary licensee of the Blue Cross Blue Shield Association, a healthcare trade association, which enables the Company to offer products under the Blue Cross Blue Shield trademark in the state of Michigan.

For accounting and financial reporting purposes, even though characterized as a nonprofit insurer under the state law, the Company does not receive charitable contributions and provides services at market rates sufficient to be self-sustaining. Accordingly, the Company follows the accounting principles applicable to a non-public-for-profit organization.

Operating Subsidiaries of the Company

Health Maintenance Organizations (HMO)—

- Blue Care Network of Michigan (BCN), a tax-exempt HMO, provides health care services to subscribers and contracts with various physician groups, hospitals, and other health care providers to provide such services. BCN is a nonprofit stock corporation and a wholly owned subsidiary of the Company.

- Blue Cross Complete of Michigan, LLC (BCC) is a taxable joint venture formed by AmeriHealth Caritas Health Plan (ACHP) and Michigan Medicaid Holdings Company (MMH), each holding a 50% ownership interest. MMH is a wholly owned subsidiary of BCBSM. BCBSM indirectly holds a 38.74% ownership interest in ACHP, resulting in a 69.37% combined ownership in BCC.

LifeSecure Holdings Corporation (LifeSecure) provides long-term care and accident and hospital indemnity insurance. The Company owns an 80% interest in LifeSecure. BCS Financial Corporation owns the remaining 20%.

Woodward Straits Insurance Company (WSIC), a wholly owned subsidiary of the Company, operates as a Michigan captive insurance company.

Emergent Holdings, Inc. (EHI), a wholly owned subsidiary of the Company, is a holding company for the workers' compensation insurance and healthcare support services companies. EHI is the parent company of:

- Accident Fund Holdings, Inc. (Accident Fund) provides workers' compensation insurance.
- COBX Co. (COBX) provides shared and corporate services to its affiliated entities.
- Tessellate Holdings, LLC (Tessellate) is an innovative healthcare service company that collaborates with health plans and providers to deliver high-quality provider and member-centric solutions.
- Advantasure, Inc. (Advantasure), and its wholly owned subsidiary, ikaSystems Corporation, is a provider of enterprise-level web-based technology to the health care payor industry.
- Covantage Health Partners, Inc. (Covantage), through joint ventures, partners with other licensed Plans in the Blue Cross Blue Shield Association to bring leading Medicare Advantage coverage and capabilities to new and existing markets across the nation in order to improve care for its members.

Care Transformation Holding Company (CTHC), a wholly owned subsidiary of the Company, is a holding company for healthcare support service companies that seek to modernize health care delivery by providing healthcare support services to medical providers. CTHC acquired 100% of the equity of Triarq Health, LLC and gloStream, Inc. on August 9, 2021. Refer to Note 3 regarding this business combination. CTHC is the parent company of:

- Triarq Health, LLC (Triarq), and its subsidiaries, is a value-focused risk sharing care management service entity that participates in musculoskeletal shared savings programs.
- gloStream, Inc. (gloStream), and its subsidiaries, provides technology-based revenue cycle management services and the cloud-based workflow and platform for performance management and administrative services.

National Account Service Company LLC (NASCO) is a provider of innovative healthcare technology that delivers both integrated solutions and care delivery models that personalize the member experience and advance the future of digital health. On November, 30, 2021, the Company increased its ownership position to become NASCO's sole owner. Refer to Note 3 regarding this business combination.

Collectively, the Company and its consolidated subsidiaries are referred to herein as the "Corporation".

2. SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation—The accompanying consolidated financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America (US GAAP).

Principles of Consolidation—All majority owned investments in entities under the control of the Corporation are consolidated. All significant investments not under the control of the Corporation, including investments in joint ventures and equity interests, are accounted for using the equity method when the Corporation is able to influence the financial operating policies of the investee, or the investment percentage is more than minor. Significant influence is generally deemed to exist when the Corporation owns at least 20% of the voting stock of the investee. For limited liability companies (LLCs) and partnerships, the equity method is generally used. Intercompany transactions and balances are eliminated in consolidation.

The consolidated financial statements include variable interest entities (VIEs): BCC, One Team Care, LLC, Phoenix Development Partners, Phoenix Master Tenant, LLC, and Phoenix Development Partners II. Refer to Note 3 regarding the deconsolidation of Phoenix Development Partners, LLC. A VIE is an entity where the reporting enterprise or its subsidiaries participate significantly in the design and the financial benefits of the entity. VIEs are designed so that the reporting entity is the primary beneficiary of substantially all of the VIEs activities irrespective of the underlying legal ownership of the entity. The equity interest of the VIEs not legally owned by the Corporation are reflected in the consolidated financial statements as noncontrolling interest.

Cash Equivalents—Cash equivalents, which are carried at fair value, are composed of short-term investments that mature within three months or less from the date of acquisition and have minimal credit or liquidity risk. Cash overdrafts are reported in other liabilities or liabilities for unpaid claims and claim adjustment expense in the consolidated balance sheets.

Investments—The Corporation's investments in debt and equity securities are carried at fair value. Debt securities are classified as either trading or available-for-sale in accordance with the Corporation's intent. Debt securities are classified as trading if they are part of an investment portfolio that is actively managed by an external investment manager and the manager has broad authority to buy and sell securities without prior approval. Internally managed debt securities that were acquired with the intention to sell in the near term or are intended to be held for a short period of time are classified as trading. All other debt securities are classified as available-for-sale.

Realized gains and losses on sales of securities are determined based on the specific identification method and are included in investment income and other in the consolidated statements of operations.

Unrealized gains and losses related to equity securities and trading debt securities are included in investment income and other. Unrealized gains and losses on available for sale debt securities are included in accumulated other comprehensive loss (AOCL) net of income tax.

Declines in value of available-for-sale debt securities are regularly evaluated to determine if the decline is other than temporary. If the Corporation does not have the intent and ability to hold the securities until their full amortized cost can be recovered, or it is more likely than not that the Corporation will have to sell the security before recovery of its amortized cost basis, the decline in value is deemed to be other than temporary and it is recognized as a realized loss in investment income and other in the consolidated statements of operations.

The noncredit (interest) component of the other-than-temporary impairment (OTTI) of available-for-sale debt securities is recognized in AOCL. For all available-for-sale debt securities that the Corporation intends to hold but does not expect to recover its amortized cost basis, the credit component of the OTTI is recognized in realized losses in investment income and other in the consolidated statements of operations. Furthermore, unrealized losses entirely caused by non-credit-related factors related to fixed-maturity securities, for which the Corporation expects to fully recover the amortized cost basis, continue to be recognized in AOCL.

Financial futures and forward contracts are commitments to purchase or sell designated financial instruments at a future date for a specified price or yield. They may be settled in cash or through delivery. Most of the securities the Corporation purchases settle within normal time requirements and, therefore, are not considered futures or forward contracts. The Corporation periodically purchases "to-be-announced" securities that settle more than 30 days from the trade date. The Corporation considers

such securities to be forwards and accounts for increases or decreases in the fair value as basis adjustments, with the change flowing through earnings. As of December 31, 2021, the Corporation had no commitments to purchase any security expected to settle outside normal time requirements.

Statement of cash flows classification of distributions from equity method interests are determined using the cumulative earnings approach, under which, distributions are classified as either returns on investment in operating cash inflows or returns of investment in investing cash inflows, based on the cumulative distributions received (less prior period distributions determined to be returns on investment) in excess of cumulative equity recognized in earnings.

Derivative Financial Instruments—During 2021, the Corporation received approval by its board of directors to invest in the following types of derivative financial instruments: U.S. Treasury Futures, Index Credit Default Swaps, U.S. Equity Index Futures and U.S. Equity Index Options. Our use of derivatives is limited by statutes and regulations promulgated by the various regulatory bodies to which we are subject, and by our own derivative policy.

The Corporation enters into derivative transactions through the Chicago Mercantile Exchange. Exchange traded derivatives require the Corporation to post and maintain margin for the change in value on a daily basis. As such, the credit risk is that of the exchange, which is considered to be minimal. The Corporation does not engage in any derivative instrument transactions for speculative purposes.

The Corporation's first transaction was in November, followed by a limited number of transactions in December, most of which were closed out prior to the end of the year. As of December 31, 2021, the Corporation only held two U.S. Treasury Future positions, which are not material to the financial statements.

All investments in derivatives are recorded as assets or liabilities at fair value. Management has elected to forgo the assessment of hedge effectiveness; therefore, the Corporation is not using hedge accounting and considers derivative positions to be economic/non-designated hedges. The gain or loss resulting from the change in the fair value of the derivative is recognized in results of operations in the period of change. Cash flows associated with the settlement of non-designated derivatives are shown on a net basis in investing activity in the consolidated statements of cash flows.

Fair Value Measurements—The fair value of an asset is the amount at which that asset could be bought or sold in a current transaction between willing parties, that is, other than in a forced liquidation or sale. The fair value of a liability is the amount at which that liability could be incurred or settled in a current transaction between willing parties, that is, other than in a forced liquidation or sale.

Fair values are based on quoted market prices when available. The Corporation obtains quoted or other observable inputs for the determination of fair value for actively traded securities. For securities not actively traded, the Corporation determines fair value using discounted cash flow analyses, incorporating inputs, such as nonbinding broker quotes, benchmark yields, and credit spreads. In instances where there is little or no market activity for the same or similar instruments, the Corporation estimates fair value using methods, models, and assumptions that management believes market participants would use to determine a current transaction price. These valuation techniques involve some level of management estimation and judgment. Where appropriate, adjustments are included to reflect the risk inherent in a particular methodology, model, or input used. The Corporation's financial assets and liabilities carried at fair value have been classified, for disclosure purposes, based on a hierarchy defined by the Financial Accounting Standards Board (FASB) Accounting Standards

Codification (ASC) 820, *Fair Value Measurements and Disclosures*. ASC 820 defines fair value as the price that would be received for an asset or paid to transfer a liability (exit price) in the most advantageous market for the asset or liability in an orderly transaction between market participants. An asset's or a liability's classification is based on the lowest-level input that is significant to an asset or liability. For example, a Level 3 fair value measurement may include inputs that are both observable (Level 1 and Level 2) and unobservable (Level 3).

Fair Value Classification of Investments Including Pension and Postretirement Trust Assets—The Corporation classifies fair value balances on these investments based on the hierarchy defined below:

Level 1—Quoted prices in active markets for identical assets or liabilities as of the reporting date.

Level 2—Inputs other than Level 1 that are observable, either directly or indirectly, such as: (a) quoted prices for similar assets or liabilities, (b) quoted prices in markets that are not active, or (c) other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities as of the reporting date.

Level 3—Unobservable inputs that are supported by little or no market activity and are significant to the fair value of the assets and liabilities.

Certain securities that do not have readily determined fair values are measured at fair value using methods, models, and assumptions that management deems appropriate.

Certain securities do not have readily determined fair values; however, the securities' underlying investments are measured at fair value. The Corporation uses the net asset value per share as a practical expedient (NAV) for valuation purposes of securities. Securities measured using NAV are not required to be classified into the fair value hierarchy levels.

The aforementioned techniques were used to estimate the fair value and determine the classification of assets and liabilities pursuant to the valuation hierarchy. Below are the specific techniques used for the Corporation's various investment categories:

Cash Equivalents—Consist of commercial paper, discount notes, money market funds, and other securities that mature within three months or less of acquisition and have minimal credit or liquidity risk. Valuation for the money market funds is based on unadjusted quoted prices and are classified as Level 1. Valuation for commercial paper and discount notes is based on inputs derived from observable market data and are classified as Level 2.

US Treasury Securities—Consist of certain US government securities, and bonds issued by US government-backed agencies. US Treasury securities are valued based on observable inputs such as the US Treasury yield curve and/or similar assets in markets that are active and are classified as Level 2.

US Government Agency Securities—Consist of debt issued by government agencies, but not including US Treasury securities. Valuations of US agency securities are based on unadjusted quoted prices for similar assets in an active market and there is transparency into the specific pricing of individual securities, these securities are classified as Level 2.

Common/Collective Trust Funds—Primarily consist of underlying short-term investment funds that are interest-bearing cash and short-term investments with initial maturities of three months or less. Valuation is based on inputs derived from observable market data that are classified as Level 2.

Common Stocks and Equity Exchange-Traded Funds—Primarily consist of actively traded, exchange listed equity securities. Valuation is based on unadjusted quoted prices for these securities or funds in an active market and are classified as Level 1. Common stocks with input derived directly from observable market data and are classified as Level 2. Common stocks that are not actively traded are analytically priced and classified as Level 3.

Corporate Debt Securities, Mortgage-Backed Securities, Other Asset-Backed Securities—Consist of corporate notes and bonds, commercial paper that matures after three months and debt issued by noncorporate entities. When quoted prices are not available, valuation is determined using pricing models maximizing the use of observable inputs for similar securities. This includes basing value on yields currently available on comparable securities of issuers with similar credit ratings. Securities with valuation based on an observable price in an active market are classified as Level 1. Securities that are not actively traded are analytically priced and classified as Level 3.

Preferred Stocks—Consist of preferred stock issued by noncorporate entities. Valuation based on inputs derived directly from observable market data are classified as Level 2. Preferred stock that are not actively traded are analytically priced and classified as Level 3.

Foreign Debt Securities—Consist of foreign notes and bonds issued by governmental and corporate entities. Valuation is based on inputs derived directly from observable market data and are classified as Level 2.

Sovereign Debt Securities—Consist of foreign government bonds issued in the local currency. Valuation is based on inputs derived directly from observable market data and are classified as Level 2.

State and Local Debt Securities—Consist of long-term notes and bonds issued by state and local governments. Valuation is based on inputs derived directly from observable market data and are classified as Level 2.

Mutual Funds—Consist of registered mutual funds actively traded on an open exchange. Valuation is based on an observable price in an active market and, therefore, classified as Level 1.

Commingled Equity Funds—Pension and Postretirement Trust Investments only—Consist of international equity securities valued at NAV and are not required to be classified in the fair value hierarchy. Redemption of these funds requires a 30 day notice. There are no unfunded commitments related to these funds.

Limited Partnerships—Pension Trust Investments only—Consist of interests in private equity funds and hedge funds structured as partnerships. Valuation is recorded at NAV based on information provided by the fund managers along with audited financial information. These securities are not required to be classified in the fair value hierarchy. Redemptions of these investments can be made with a 60–75 day notice, or in the case of one limited partnership investment, 25% per quarter with a 45 day notice. There are no unfunded commitments related to these funds.

Limited Liability Companies—Pension Trust Investments only—Consist of interests in limited liability companies holding fixed income securities and interests in limited liability companies providing large cap US equity exposure. Valuation is recorded at NAV and are not required to be classified in the fair value hierarchy. Redemption of these funds requires a 30 day notice. There are no unfunded commitments related to these funds.

Derivatives—Consist of exchange traded derivative securities. Valuation is based on unadjusted quoted prices for these securities in an active market and are classified as Level 1. Derivatives presented within the fair value hierarchy table are presented on a gross basis and not on a master netting basis.

Securities Lending—The Corporation enters into secured lending transactions and recognizes the cash collateral received and the corresponding liability to return the collateral. Cash received for collateral is reinvested in money market securities.

Property and Equipment—Property and equipment is stated at cost, net of depreciation. Depreciation is calculated using the straight-line method over estimated useful lives ranging from 30 to 40 years for buildings and 5 to 10 years for equipment. Leasehold improvements are amortized over the shorter of their estimated useful lives or the remaining lease term.

Customer Implementation Costs—The Corporation defers the recognition of implementation costs associated with long term customers where implementation revenue is also deferred. Deferred implementation expense is recognized ratably over the same amortization period used for recognizing the associated implementation revenue.

Capital Projects in Progress—Capital projects in progress (CIP) represent all ongoing costs involved in developing in-house software including cloud-based service contracts and facilities management projects. CIP is not depreciated or amortized until the project is complete and placed in service.

Software and Cloud-Based Service Contract Costs—Certain costs related to acquired or developed computer software for internal use and cloud-based service contracts are capitalized as incurred. Capitalized costs are amortized, generally over a 3 to 10-year useful life, using the straight-line method. Capitalized software costs are included in property and equipment and capitalized cloud-based service contracts are included in other assets in the consolidated balance sheets.

Long-Lived Assets—Long-lived assets held and used by the Corporation are reviewed for impairment based on market factors and operational considerations whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Long-lived assets held for sale are no longer depreciated. The Corporation writes down the carrying amount of a long-lived asset to its fair value at the time impairment has been determined.

Concentrations of Credit Risk and Off-Balance Sheet Risk—Financial instruments that potentially expose the Corporation to concentrations of credit risk consist primarily of cash, cash equivalents, and trade accounts receivable. Unbilled receivables related to service contracts are included in trade accounts receivable. The Corporation routinely assesses the creditworthiness of its customers. The Corporation generally has not experienced any material losses related to receivables from individual customers or groups of customers. The Corporation does not require collateral. Because of these factors, no additional credit risk beyond the amount provided for collection losses is believed by management to be probable in the Corporation's accounts receivable. Other than guarantees disclosed in Note 26, the Corporation has no significant off-balance sheet risk.

Investments in Joint Ventures and Equity Interests—Investments in joint ventures and equity interests consist primarily of non-majority-owned entities as well as majority owned investments where the minority owner holds substantive participation rights. These entities are accounted for using the equity method.

The Corporation's investment in Federal Home Loan Bank of Indianapolis (FHLBI) stock is carried at cost as it is not publicly traded and must be sold back to the FHLBI. The FHLBI stock is reported as part of the investment in joint ventures and equity interests in the consolidated balance sheets.

Goodwill—In connection with acquiring the assets and liabilities of subsidiaries, the excess of the purchase price over the fair value of identifiable net assets acquired is recorded as goodwill. Effective January 1, 2017, the Corporation elected the Private Company Council accounting alternative for the amortization of goodwill on a straight-line basis over a ten-year period. The accounting alternative election eliminates the requirement for annual impairment testing. Under the election, impairment testing is only required when management determines that a triggering event has occurred. If a triggering event occurs, impairment testing will be performed at the Corporation level at the end of each reporting period.

Other Assets—The acquisition of subsidiaries has resulted in recognition of intangible assets consisting of provider networks, trademarks, and other intangible assets. Where the useful life is not indefinite, the Corporation amortizes the cost of the asset on a straight-line basis over its expected useful life. The Corporation reviews indefinite-lived intangible assets for impairments at least annually or more frequently should circumstances indicate. Impairments, if any, are recorded in operating expenses in the consolidated statements of operations. These assets are included within other assets in the consolidated balance sheets.

The Corporation owns life insurance on personnel holding key positions to mitigate the financial risk that may result due to their untimely death. The recognized cash surrender value of the policies has been recognized as other assets.

Deferred Policy Acquisition Costs—For the Corporation's non-health subsidiaries, the costs directly related to the successful acquisition of new or renewal insurance policies is referred to as policy acquisition costs and consist of commissions, premium-based taxes and assessments, and certain other direct underwriting expenses. Although these costs are typically paid when the policy is issued, the expense is deferred and amortized over the same period as the corresponding premiums are earned. Amortization of deferred policy acquisition costs for the years ended December 31, 2021 and 2020, was $206 and $213, respectively. The Corporation continually reviews deferred policy acquisition costs for recoverability and considers anticipated investment income in this analysis, as well in determining whether premium deficiency reserves (PDR) are necessary. These assets are included within other assets in the consolidated balance sheets.

For the Corporation's health insurance products, policy acquisition costs are not deferred, but expensed in the year accrued.

Benefits Provided—Benefits provided are expensed as incurred.

Liabilities for Unpaid Claims and Claim Adjustment Expenses Reserves—Liabilities for unpaid health claims and claims adjustment expenses are actuarial estimates of outstanding claims, including claims incurred but not reported (IBNR). Estimates are based upon historical claims experience modified for current trends and changes in benefit coverage, which could vary as the claims are ultimately settled.

Loss reserves for workers' compensation claims represent the amounts the Corporation expects to pay for reported and unreported claims, reduced for estimated recoveries from third parties. The costs of investigating, resolving, and processing these claims are included in loss adjustment expenses. The liability for loss and loss adjustment reserves is an estimate based on actuarial and other assumptions related to the ultimate cost to settle such claims.

For long-term care contracts, reserves for future policy benefits are determined using the net level premium method and assumptions as of the issue date as to mortality, interest, persistency, and expenses, plus provisions for adverse deviations, and generally vary by characteristics such as type of coverage, year of issue and policy duration. The assumptions are established at the time the policy is issued and are generally not changed during the life of the policy. For interest sensitive life contracts and fixed deferred annuities, liabilities approximate the policyholder's account value.

Settlements Payable—Under HMO and Preferred Provider Organization (PPO) contracts, amounts owed to primary care groups or physicians for capitation and claim withholds, risk sharing, and incentive programs are accrued in the period in which the amounts were earned. Settlements payable are included in liabilities for unpaid claims.

Policyholder Dividends—The Corporation records estimated policyholder dividends related to worker's compensation insurance contracts as an expense over the effective period of the related policies.

Premium Deficiency Reserves—A liability for premium deficiency losses is an actuarial estimate that is recognized when it is probable that expected claim losses and allocable administrative expenses will exceed future premiums on existing health and other contracts. For purposes of premium deficiency losses, contracts are grouped in a manner consistent with the Corporation's method of acquiring, servicing, and measuring the profitability of such contracts and represents management's best estimate in a range of potential outcomes. The full amount of premium deficiency losses, if any, are recorded in the period in which it is identified as a loss contract.

Experience-Rated Groups—A liability is recognized in accrued liability to groups for experience-rated group contracts as a result of favorable experience based on an actuarial estimate of underwriting gains, which will be returned to groups as either cash refunds or future-rate reductions. Under the terms of most of the experience-rated group contracts, recovery of underwriting losses through future-rate increases is not recognized until received.

Premium Rebates—Under the provisions of the Patient Protection and Affordable Care Act and the Education Reconciliation Act of 2010 (collectively, ACA), the Corporation is required to provide rebates to policyholders if the coverage provided does not satisfy a specified medical loss ratio (MLR). MLR is determined using a three-year average of annual results. For individual and small group business, if a health insurer does not meet an 80% average MLR for the year, it is required to provide a rebate to the policyholders. The required MLR for large groups is 85%. Premium rebates are reported as reductions to premium revenue. MLR rebates are required to be paid to policyholders by September 30 following the end of the year in which an applicable MLR standard was not met. The Corporation recorded a rebate liability of $33 and $57 at December 31, 2021 and 2020, respectively.

Medicare Advantage—This coverage provides Medicare-eligible beneficiaries with a managed care alternative to traditional Medicare. Medicare Advantage special needs plans provide tailored benefits to Medicare beneficiaries who have chronic diseases and also cover certain dual eligible customers, which represent low-income seniors and persons under age 65 with disabilities who are enrolled in both Medicare and Medicaid plans.

Medicare Advantage has the potential of additional premiums based on the risk profile of enrollees. However, the risk adjustment does not occur in the initial year of enrollment, but in the subsequent periods, after the Corporation has compiled and submitted medical diagnosis information to Centers for Medicare and Medicaid Services (CMS). The Corporation records revenues and a receivable from CMS based on the estimate of the members' risk scores and such estimate is adjusted in the following year, as a result of the annual settlement with CMS. The Corporation recorded prior-year risk score revenue adjustments that increased revenue by $7 and $15 in 2021 and 2020, respectively.

Medicare Part D—This program offers a prescription drug plan to Medicare and dual eligible (Medicare and Medicaid) beneficiaries. Pharmacy benefits under Medicare Part D plans may vary in terms of coverage levels and out-of-pocket costs for beneficiary premiums, deductibles, and coinsurance. However, all Medicare Part D plans must offer either "standard coverage" or its actuarial equivalent (with out-of-pocket threshold and deductible amounts that do not exceed those of standard coverage). These "defined standard" benefits represent the minimum level of benefits required under law. Additionally, the Corporation offers other prescription drug plans containing benefits in excess of the standard coverage limits, in many cases for an additional beneficiary premium.

Medicare Advantage/Medicare Part D Rebates—Under the provisions of the ACA, Medicare Advantage Managed Care Organizations (MCO) are subject to MLR requirements. The MCO must maintain a MLR of at least 85%. Failure to maintain MLR requirements will result in the Corporation remitting payments to CMS. Failure to meet MLR requirements for more than 3 consecutive years will subject the MCO to enrollment sanctions and, after 5 consecutive years, to contract termination.

Administrative Service Contract Receivables and Payables for IBNR—The Corporation recognizes a liability for the IBNR for health care services provided to subscribers covered under Administrative Service Contract arrangements and a corresponding receivable amount for the reimbursement from the administrative service contract groups.

Michigan Taxes—The Insurance Provider Assessment is a fixed-rate tax based on per member per month membership assessed on health insurers authorized to deliver, issue for delivery, or renew a policy in the state of Michigan (including HMOs).

Insurance Related Assessments—The Corporation recognizes liabilities for insurance related assessments when an assessment has been imposed. The Corporation also recognizes such liabilities when available information indicates an assessment is probable, the event giving rise to the assessment has occurred, and the Corporation can reasonably estimate the assessment.

Income Tax—The Corporation recognizes deferred tax assets and liabilities for the expected tax consequences resulting from temporary differences between the accounting value of assets and liabilities and the value for tax purposes. Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted at the reporting date.

Income tax expense includes current and deferred tax expense. Current tax expense is the expected taxes payable for the year, using tax rates enacted at the reporting date, and any adjustment to taxes payable in respect of previous years. Except for items recorded in equity, deferred income tax expense or benefit primarily represents the net change in deferred income tax assets and liabilities during the year.

The Corporation and its qualifying taxable subsidiaries file a consolidated federal income tax return. Each subsidiary included in the consolidated tax return is responsible for its own federal tax liability and the Corporation has a master tax-sharing agreement in place with each respective subsidiary. In certain states, the Corporation pays premium taxes in lieu of state income taxes. Premium taxes are reported in operating expense in the consolidated statements of operations. The Corporation recorded premium taxes of $20 and $79 at December 31, 2021 and 2020, respectively.

BCN has been recognized by the Internal Revenue Service (IRS), under Internal Revenue Code Section 501(c)(4), as an organization exempt from tax under 501(a). Unrelated business income incurred generates federal income taxes which is subject to FASB ASC 740, *Income Taxes*.

The Corporation accounts for uncertain tax positions and recognizes a tax contingency when it is more likely than not that the position will not be sustained upon examination, including resolutions of any related appeals or litigation processes, based on the likelihood of a favorable outcome.

Employee Benefit Plans—The Corporation's obligations related to its defined benefit pensions and postretirement health care and other postretirement defined benefits are estimated using actuarial methods.

Health Care Benefits—The Corporation self-insures certain medical, dental, vision, and short-term disability benefits provided to some of its employees. Liabilities for such benefits are based on actual claim data and estimates of IBNR claim developed by use of historical claim trends. Actual settlements and claims could differ materially from these estimates.

Reinsurance—The Corporation assumes and cedes reinsurance and participates in various pools. Underwritten premiums earned, benefits provided, and receivables and other liabilities are adjusted to reflect the reinsurance contracts. Amounts recoverable from insurers are estimated in a manner consistent with the claim liability associated with the reinsured policies.

Advance Premium Tax Credit—The ACA provides Advance Premium Tax Credits to help low and moderate income enrollees afford health care coverage. The tax credits are available on a sliding scale to individuals and families with household income up to 400% of the federal poverty level. An eligible enrollee may opt to receive the credit when they file their federal tax return. Premium credits received by the Company and BCN are recognized as premium revenue over the period coverage is provided.

Health Insurer Fee—Prior to 2021, the Company, BCN, and BCC were subject to an annual fee under Section 9010 of the ACA. This annual fee is assessed and allocated to individual health insurers based on the ratio of the amount of the entity's net premiums written during the preceding calendar year to the amount of health insurance for any US health risk that was written during the preceding calendar year. The liability related to the fee was estimated and recorded in full once qualifying insurance coverage was provided on January 1st of each calendar year with a corresponding deferred cost that was amortized ratably over the year as a charge to operating expense.

Payment of the fee to the IRS was required no later than September 30th. The fee assessed and paid in calendar year 2020 was $219. The fee has been repealed for years after 2020.

ACA Risk Adjustment Program—The ACA established a permanent risk adjustment program which is designed to spread the financial risk borne by issuers and to mitigate the risk of adverse selection. This program requires management to utilize considerable professional judgment as the estimates are impacted by market variables and government regulations.

The risk adjustment program adjusts the premiums that commercial individual and small group health insurance issuers receive based on risk scores derived from the demographic factors and health status of each member. This program transfers funds to health insurers that attract disproportionately high-risk populations and charges additional assessments on insurers that attract disproportionately lower-risk populations. In contrast to the Medicare Advantage risk adjustment program, that determines risk scores based on prior year health status, the commercial risk adjustment program determines risk scores based on current-year health status of members. Risk adjustment calculations are completed by the Department of Health and Human Services with notification to eligible health plans by June 30 following the benefit year.

The accompanying financial statements reflect management's best estimate in establishing the required receivables and payables and the corresponding revenue and expense items for the risk adjustment program. A summary of the 2021 and 2020 amounts recorded under the risk adjustment program is set forth below.

	2021 Activity					
	Balance at January 1, 2021 Receivable (Payable)	(Received) Paid in 2021 Pertaining to Prior Year	Adjustments Pertaining to 2020 Balances	Current Year Accrued	Current Year Payments	Balance at December 31, 2021 Receivable (Payable)
Risk adjustment program:						
Premium adjustment receivable	$120	$(111)	$ (8)	$120	$ -	$121
Premium adjustment payable	(51)	42	9	(58)		(58)
Risk adjustment fee payable	(1)	1		(2)		(2)
Total for risk adjustment program	$ 68	$ (68)	$ 1	$ 60	$ -	$ 61

	2020 Activity					
	Balance at January 1, 2020 Receivable (Payable)	(Received) Paid in 2020 Pertaining to Prior Year	Adjustments Pertaining to 2019 Balances	Current Year Accrued	Current Year Payments	Balance at December 31, 2020 Receivable (Payable)
Risk adjustment program:						
Premium adjustment receivable	$126	$(110)	$(15)	$119	$ -	$120
Premium adjustment payable	(52)	47	5	(51)		(51)
Risk adjustment fee payable	(1)		1	(1)		(1)
Total for risk adjustment program	$ 73	$ (63)	$ (9)	$ 67	$ -	$ 68

ACA Risk Corridor—The Risk Corridor program as set forth in 42 U.S.C. § 1342 of the Affordable Care Act was originally structured to stabilize the insurance market by requiring that health plans with gains above a certain threshold pay the government the excess and that the government pay plans for losses exceeding a certain threshold for the first three years of new coverage 2014, 2015, and 2016. When it became clear that early losses under the program exceeded gains, the Government enacted subsequent federal appropriations legislation that limited payments to insurers to amounts collected thus making the program budget neutral. The budget neutrality requirements resulted in numerous federal lawsuits against the federal government seeking payment.

Due to the Supreme Court decision in *Maine Community Health options v. United States, No. 18-1023*, the Company formally sued the federal government for its outstanding Risk Corridor funds and received its full outstanding balance of $66 in 2020. The Risk Corridor amounts were recognized in the Corporation's financial statements as premium revenue in November 2020.

The funds received are as follows:

Risk Corridors Program Year	Outstanding Receivable	Amounts Received
2014	$14	$14
2015	26	26
2016	26	26
Total	$66	$66

Estimates—The preparation of consolidated financial statements in conformity with US GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the consolidated financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. The most significant estimates include amounts recorded relating to the ACA risk adjustment program; assumptions used in goodwill triggering analysis; deferred policy acquisition costs; premium deficiency reserves; liabilities for unpaid claims, specifically IBNR; litigation-related accounts and contingencies; and pension and postretirement benefits.

Accounting Standards Adopted—In March 2017, FASB issued Accounting Standards Update (ASU) 2017-08, *Receivables-Nonrefundable Fees and Other Costs (Subtopic 310-20), Premium Amortization on Purchased Callable Debt Securities*. The amendments in ASU 2017-08 change the guidance on the amortization period of premiums on purchased callable debt securities to the earliest call date. The investment in the callable debt security must have an amortized cost basis in excess of the amount that is repayable by the issuer at the earliest call date. The Corporation adopted the provisions of ASU 2017-08 on January 1, 2020. Prior to the adoption of ASU 2017-08, the Corporation utilized the yield-to-worst method to amortize premium on callable debt securities. The adoption of ASU 2017-08 did not have a material impact on our consolidated financial condition or results of operation.

In August 2018, FASB issued ASU 2018-13, *Fair Value Measurement (Topic 820)—Disclosure Framework—Changes to the Disclosure Requirements for Fair Value Measurement*. The amendments in ASU 2018-13 describe the development of a framework that promotes consistent decisions about disclosure requirements and the appropriate exercise of discretion by reporting entities. The ASU adds, modifies, and deletes certain disclosures related to Fair Value contained in Topic 820. The Corporation adopted the provisions of ASU 2018-13 on January 1, 2020. The adoption of ASU 2018-13 did not have a material impact on the consolidated financial condition, cash flows, or results of operations.

In August 2018, FASB issued ASU 2018-14, *Compensation—Retirement Benefits-Defined Benefits Plans—General (Subtopic 715-20)-Disclosure Framework—Changes to the Disclosure Requirements for Defined Benefit Plans*. The amendments in ASU 2018-14 describe the development of a framework that promotes consistent decisions about disclosure requirements and the appropriate exercise of discretion by reporting entities. The amendments in ASU 2018-14 modify the disclosure requirements for employers that sponsor defined benefit pension or other postretirement plans. The Corporation

adopted the provisions of ASU 2018-14 on January 1, 2021. The adoption of ASU 2018-14 did not have a material impact on the consolidated financial statements and related disclosures.

In October 2018, FASB issued ASU 2018-17, *Consolidation (Topic 810)—Targeted Improvements to Related Party Guidance for Variable Interest Entities*. The amendments of ASU 2018-17 provide private companies an alternative to applying VIE guidance to certain common control arrangements. This guidance was effective beginning January 1, 2021, with early adoption permitted. The adoption of ASU 2018-17 did not have a material impact on the consolidated financial statements and related disclosures.

In March 2021, FASB issued ASU 2021-03, *Intangible—Goodwill and Other (Topic 350): Accounting Alternative for Evaluating Triggering Events*. The amendments in ASU 2021-03 provide private companies and not-for-profit entities with an accounting alternative to perform goodwill impairment triggering event evaluation as required in Subtopic 350-20 as of the end of the reporting period, whether the reporting period is an interim or annual period. An entity that elects this alternative is not required to monitor for goodwill impairment triggering events during the reporting period but, instead, should evaluate the facts and circumstances as of the end of each reporting period to determine whether a triggering event exists and, if so, whether it is more likely than not that goodwill is impaired. The Corporation adopted the provision of ASU 2021-03 as of January 1, 2021. Prior to the adoption of ASU 2021-03, the Corporation monitored goodwill impairment triggering events during the reporting year as opposed to the end of the reporting period. The adoption of ASU 2021-03 did not have a material impact on the consolidated financial statements and related disclosures.

In October 2021, FASB issued ASU 2021-08, *Business Combinations (Topic 805) Accounting for Contract Assets and Contract Liabilities from Contracts with Customers*. The amendments in ASU 2021-08 require an acquirer to recognize and measure contract assets and liabilities acquired in a business combination in accordance with Topic 606 revenue recognition guidance. The application of this guidance generally results in the recognition of contract assets and liabilities at amounts consistent with those recorded by the acquiree. This guidance is effective beginning January 1, 2024, with early adoption permitted. The Corporation early adopted ASU 2021-08 effective January 1, 2021. The adoption did not have a material impact on the consolidated financial statements and related disclosures.

Forthcoming Accounting Pronouncements—In February 2016 the FASB issued ASU 2016-02, *Leases*, which created (Topic 842), *Leases* which supersedes the lease requirements in Topic 840, *Leases*. The guidance increases transparency and comparability among organizations by recognizing lease assets and lease liabilities on the balance sheet. The guidance requires disclosures to enable users of financial statements to assess the amount, timing and uncertainty of cash flows arising from leases. The transition to ASU 2016-02 requires the recognition and measurement of leases at the beginning of the earliest period presented using a modified retrospective approach. ASU 2020-05—*Revenue from Contracts with Customers (Topic 606) and Leases (Topic 842)*, defers the effective date of ASU 2016-02 to January 1, 2022. Early application of the amendments in ASU 2016-02 is permitted for all entities. ASU 2018-11, *Leases (Topic 842)* provides entities with an additional (and optional) transition method when adopting the new lease standard which allows entities to initially apply the new lease requirements at the effective date and recognize a cumulative-effect adjustment to the opening balance of retained earnings in the period of adoption. ASU 2021-09, *Leases (Topic 842)*, allows lessees electing an accounting policy to measure lease liabilities using the risk-free discount rate, to make the risk-free rate election by class of underlying asset rather than at the entity-wide level. The Corporation does not expect the effects of the adoption of ASU 2016-02 to have a material impact on the consolidated financial condition, cash flows or results of operations.

In June 2016, the FASB issued ASU 2016-13, *Financial Instruments—Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments*, as modified by ASU 2018-19, *Codification Improvements to Topic 326 Financial Instruments—Credit Losses* and ASU 2019-04, *Codification Improvements to Topic 326 Financial Instruments—Credit Losses* and ASU 2019-05, *Financial Instruments—Credit Losses (Topic 326) Targeted Transition Relief*, as modified by ASU 2019-11, *Codification Improvements to Topic 326, Financial Instruments—Credit Losses*. The guidance in ASU 2016-13 amends the reporting of credit losses for assets held at amortized cost basis, eliminating the probable initial recognition threshold, and replacing it with a current estimate of all expected credit losses. Estimated credit losses are recognized as a credit loss allowance reflected in a valuation account that is deducted from the amortized cost basis of the financial asset to present the net amount expected to be collected. The guidance also addresses available-for-sale securities, whereby credit losses remain measured on an incurred loss basis with the presentation of the credit losses using an allowance rather than as a write-down. ASU 2019-10, *Financial Instruments—Credit Losses (Topic 326), Derivatives and Hedging (Topic 815), and Leases (Topic 842) Effective Dates* defers the effective date of ASU 2016-13 to January 1, 2023. The Corporation continues to evaluate the effects the adoption of ASU 2016-13 will have on the consolidated financial statements and related disclosures.

In August 2018, FASB issued ASU 2018-12, *Financial Services—Insurance (Topic 944)—Targeted Improvements to the Accounting for Long-Duration Contracts*. The amendments in ASU 2018-12 address the assumptions used to measure the liability for future policy benefits for traditional and limited-payment contracts, measurement of market risk benefits, amortization of deferred acquisition costs and enhanced disclosures. ASU 2019-09 defers the effective date of ASU 2018-12 to January 1, 2024, with early adoption permitted. ASU 2020-11, *Financial Services—Insurance (Topic 944) Effective Date and Early Application*, further defers the effective date of ASU 2018-12 to January 1, 2025. The Corporation continues to evaluate the effects the adoption of ASU 2018-12 will have on the consolidated financial statements and related disclosures.

In December 2019, FASB issued ASU 2019-12, *Income Taxes (Topic 740)—Simplifying the Accounting for Income Taxes*. The amendments in this update simplify the accounting for income taxes by removing certain exceptions to the general principles in Topic 740. The amendments also improve consistent application of and simplify US GAAP for other areas of Topic 740 by clarifying and amending existing guidance. This guidance is effective beginning January 1, 2022, with early adoption permitted. The Corporation does not expect the effects of the adoption of ASU 2019-12 to have a material impact on the consolidated financial condition, cash flows or results of operations.

Reclassification—Certain prior year amounts in the consolidated statements of comprehensive income have been reclassified to conform to the current year presentation. Both years present all amounts net of tax with the related tax effect presented parenthetically.

3. ACQUISITIONS

During 2021, the Corporation acquired Triarq Health, LLC (Triarq), gloStream, Inc. (gloStream) and NASCO. These acquisitions will strengthen the Corporation's customer service capabilities and promote lower healthcare costs for its subscribers. These acquisitions met the conditions of a business combination as defined by ASC 805, *Business Combinations*, and, as such, are accounted for using the acquisition method of accounting.

CTHC acquired 100% of the equity of Triarq and gloStream on August 9, 2021, for cash consideration of $46. gloStream holds a 50% interest in One Team Care, LLC (OTC), a VIE. The Corporation has determined that gloStream is the primary beneficiary of OTC and therefore includes the assets,

liabilities and results of operations of OTC in gloStream's financial statements. The equity interest of OTC not legally owned by gloStream is reflected in the consolidated financial statements as noncontrolling interest.

The Corporation previously held an equity interest in NASCO of approximately 19.5% and accounted for its investment using the equity method of accounting. On November 30, 2021, the Corporation increased its ownership position to become NASCO's sole owner for cash consideration of $40.

The additional interest acquired triggered step acquisition accounting whereby an acquirer remeasures its previously held equity interest in the acquiree at its acquisition date fair value, and recognizes the resulting gain or loss in earnings (including changes in value that were previously recognized in accumulated other comprehensive income). The Corporation recognized a loss of $7 on the fair value remeasurement of its original 19.5% equity investment which is recorded in investment income and other net in the accompanying consolidated statements of operations. The majority of the loss on remeasurement is the result of reclassifying amounts from accumulated other comprehensive loss attributable to joint ventures.

The NASCO acquisition agreements contain provisions for contingent consideration related to pension litigation which was still pending as of December 31, 2021. Under the terms set forth in the purchase agreements, additional consideration must be paid to the former owners in the event of any unappealable judgement or final settlement of cash proceeds resulting from the case. The additional consideration will be based on the cash proceeds of the litigation, reduced by applicable taxes, attorney fees, and other court costs. In January of 2022, a financial settlement was reached in favor of the pension trust of NASCO. Refer to Note 31. Under the terms of the purchase agreements, the former owners are entitled to approximately $25 of additional consideration that will be paid and recognized in the 2022 financial statements.

For both acquisitions, the Corporation utilized the services of third-party valuation consultants along with estimates and assumptions provided by the Corporation to estimate the initial fair value of the assets acquired, including the noncontrolling interest in gloStream. Several appraisal methodologies were utilized, including income, market, and cost approaches to estimate the fair value of the identifiable net assets acquired.

In a business combination, the purchase price is allocated to assets acquired and liabilities assumed based on their fair values, with any excess of purchase price over fair value recognized as goodwill. The goodwill arising from the acquisition consists largely of the synergies expected from combining operations of the Corporation, NASCO, and gloStream Inc. and Triarq Health. Goodwill was allocated to NASCO, gloStream, Inc. and Triarq Health. The Corporation has elected to use an accounting alternative allowed under ASC 805-20-25-30, in recognizing and amortizing intangible assets and goodwill for private companies. Under this alternative, the acquirer does not recognize non-competition agreements and customer relationships, unless they are capable of being sold or licensed independently, separately from goodwill. The following table summarizes the fair values of the assets acquired and liabilities assumed as well as the fair value at the acquisition date of the noncontrolling interest in gloStream:

	gloStream & Triarq	NASCO
Fair value of consideration (cash) transferred	$ 46	$ 40
Fair value of the Corporation's equity interest in NASCO held before the business combination		13
	$ 46	$ 53
Recognized amounts of identifiable assets acquired and liabilities assumed:		
Cash and receivables	$ 3	$ 111
Equipment and other assets	1	12
Deferred tax assets	5	9
Intangible assets (including software)	10	44
Pension liabilities		(51)
Other liabilities	(2)	(79)
Total identifiable net assets	17	46
Noncontrolling interest in OTC	(6)	
Goodwill	35	7
	$ 46	$ 53

Phoenix Development Partners, LLC (PDP), a variable interest entity of the Corporation, was formed to leverage tax credits and to facilitate the construction and purchase of Accident Fund's headquarters in downtown Lansing. On July 28, 2020, Accident Fund exercised its purchase option and acquired the headquarters from PDP by discharging the mortgage note held by Accident Fund that was outstanding on the property. After the exchange, PDP was dissolved, and any remaining assets were returned to its legal owners. As entities under common control, the assets in the transaction were exchanged at their historical net book values, with Accident Fund recognizing a $4 increase to equity in 2020.

4. REVENUE RECOGNITION

Health Care Underwritten Premium Revenue—Health care underwritten premiums, which generally are billed in advance, are recognized as revenue during the respective periods of coverage and, if applicable, net of amounts recognized for ACA MLR rebates, risk adjustment, reinsurance, and contract premium stabilization programs. Premiums are reported net of an allowance for estimated terminations and uncollectible amounts. Premium revenue includes adjustments for experience rated contracts where revenue is based on estimated gain or loss experience of the contract. Premiums applicable to the unexpired portion of coverage are reflected in the accompanying consolidated balance sheets as unearned premium revenue. Unearned revenue is comprised of unearned premium reserves that relate to the unexpired term of policies in force and advance premiums received before the start of the coverage period.

Health Care Administrative Service Contracts—Self-funded premium equivalents from employer groups consists of health care claim reimbursements and administrative fees for services provided. These are self-funded contracts that provide bundled end to end claims management including, but not

limited to, provider network pricing, access, and management; claims processing and adjudication; customer service; and health care value programs.

Amounts due from self-funded customers are equal to the amounts required to pay claims and administrative fees. Under the arrangement, the Corporation maintains the contract with hospitals and physicians and controls the reimbursement rates for medical services provided to customers. The Corporation also retains an element of credit risk to providers in the event reimbursement is not received from the group; therefore, claims paid by the Corporation and the corresponding reimbursement of claims, plus administrative fees, are separately presented in the consolidated statements of operations.

Administrative fees are earned and recorded over time as services are performed as a series of distinct events. The Corporation has the right to invoice self-funded customers administrative fees monthly on a per member per month (PMPM) or per contract per month (PCPM) basis. Some self-funded arrangements provide service level guarantees with respect to customer service, claims accuracy and claims processing time. The Corporation is financially at risk if these guarantees are not met, though the maximum amount at risk is typically limited to a percentage of the fees payable.

Administrative Service Only Contracts—Revenue from administrative service only contracts (revenue from administrative services) within the health care business primarily consists of administrative fees for services provided. The Corporation acts as the third-party administrator for these contracts processing claims on a stand-ready-to-perform basis without holding the credit risk associated with an administrative service contract.

Amounts due from administrative service only contracts are equal to the amounts of the administrative service fee. Fees are earned and recorded over time as services are performed as a series of distinct events. The Corporation has the right to invoice administrative fees monthly on a PMPM or PCPM basis. Some administrative service only contracts provide service level guarantees with respect to customer service, claims accuracy and claims processing time. The Corporation is financially at risk if these guarantees are not met, though the maximum amount of risk is typically limited to a percentage of the fees payable.

National Program Health Care Business—As a Blue Cross Blue Shield Association (BCBSA) licensee, to provide health care benefits to members traveling or residing outside the Company's service area, the Company participates in a national program with other Blue plans in a centralized electronic network for reciprocal claim processing and reimbursement which allows providers to submit claims to their local participating plan for reimbursement. Fee revenue under this program is earned as services are rendered. The Company has a right to invoice for fees and reimbursements on a monthly basis. Claims paid to providers and reimbursements from other Plans are not included on the consolidated statements of operations.

Property and Casualty Underwritten Premium Revenue—Property and casualty underwritten premiums, mainly from worker's compensation policies, are recognized as earned over the policy terms using the daily pro rata method. Unearned premium revenue represents the portion of written premium that relates to the unexpired terms of the policies in force. Premiums receivable represent premiums earned that the Corporation has billed, but which its policyholders have not yet paid; future premium installments the Corporation has not yet billed; and estimates of additional earned but unbilled premiums that the Corporation projects will result from policy audits. Premiums receivable are reported net of allowance for doubtful accounts. Underwritten property and casualty business products are offered in all fifty states.

Business Process as a Service (BPaaS)—BPaaS revenue includes revenues from full-service models which offer end to end customer services including, but not limited to, Medicare Advantage market solutions (revenue from administrative services). The product portfolio includes a variety of services including administrative service solutions, medical record review services, risk adjustment and quality services, medical practice management services, and health management services. These services are offered in all fifty states and the territory of Puerto Rico.

BPaaS revenues are recognized when the services have been provided to the customer in the amount the Corporation is expected to collect. The services offered are a series of distinct events and are recognized over the life of the contract, including reasonably assured renewal options. Revenue is invoiced monthly on either a PMPM basis or, in the case of medical record reviews, may be invoiced on a fixed rate per record. Revenue from some arrangements provide service level guarantees with respect to customer service. The Corporation is financially at risk if these guarantees are not met, though the maximum amount at risk is typically limited to a percentage of the fees payable.

Web-Based Technology—Web-based technology services include software as a service (SaaS) arrangements and customized implementation and configuration services (revenue from administrative services). These arrangements are cloud-based hosted software services that customers access through the internet and do not convey a software license to the customer. SaaS arrangements often include up-front implementation and configuration to customers' specific needs of the hosted software before the SaaS may be used. After the acceptance of the SaaS implementation the customer arrangement often includes customer support over the contract period for routine upgrades, maintenance, and technical support or the customer may submit change orders to make specific modifications to the SaaS. These services are offered in all fifty states.

SaaS-based subscription fees are generally recognized monthly on a PMPM basis as the service is utilized over the term of the contract including reasonably assured renewal options. Implementation and configuration revenues are deferred until the SaaS application is operational for the customer; the revenue is recognized over the term of the contract, including renewal periods. Customer support revenue is generally included as part of the PMPM as a stand ready to perform service. In limited instances customer support change order requests are considered point in time obligations when the customer request is unique from regular customer technical support. Some SaaS arrangements provide service level guarantees with respect to customer service and SaaS technology performance. The Corporation is financially at risk if these guarantees are not met, though the maximum amount at risk is typically limited to a percentage of the fees payable.

Deferred Revenue from Non-Insurance Services—Deferred revenue from non-insurance services includes amounts collected from customers for whom revenue has not been recognized. This includes the unearned portion of implementation revenue, and deferred SaaS fees. Deferred revenue from non-insurance services is included in other liabilities on the consolidated balance sheets.

5. CASH EQUIVALENTS AND INVESTMENTS

Cash equivalents consist of short-term investments that mature within three months or less at acquisition and have minimal credit or liquidity risk. Cash equivalents at years-ended December 31, 2021 and 2020 was $1,033 and $922, respectively.

The amortized cost, fair value, and unrealized gains and losses of available-for-sale debt securities at December 31, 2021, by asset category, are as follows:

	Cost or Amortized Cost	Unrealized Gain	Unrealized Loss	Estimated Fair Value
Available-for-sale securities:				
Corporate debt securities	$3,287	$ 98	$12	$3,373
US treasury securities	1,827	100	4	1,923
Mortgage-backed securities	1,642	32	8	1,666
Other asset-backed securities	21			21
Foreign debt securities	289	5	1	293
State and local debt securities	79	3		82
Sovereign debt securities	8			8
Total available-for-sale securities	$7,153	$238	$25	$7,366

Included in the above table are mortgage-backed securities valued at $241 and US Treasury securities valued at $544 that were used as collateralization for the $376 of FHLBI borrowings in 2021.

The amortized cost, fair value, and unrealized gains and losses of available-for-sale debt securities at December 31, 2020, by asset category, are as follows:

	Cost or Amortized Cost	Unrealized Gain	Unrealized Loss	Estimated Fair Value
Available-for-sale securities:				
Corporate debt securities	$3,280	$184	$ -	$3,464
US treasury securities	1,813	188	1	2,000
Mortgage-backed securities	1,763	77	1	1,839
Foreign debt securities	388	11		399
State and local debt securities	85	4		89
Sovereign debt securities	7	1		8
Discount notes	59			59
Total available-for-sale securities	$7,395	$465	$ 2	$7,858

Included in the above table are mortgage-backed securities valued at $402 and US Treasury securities valued at $594 that were used as collateralization for the $529 of FHLBI borrowings in 2020.

The amortized cost and fair values of available-for-sale securities at December 31, 2021, by contractual maturity, are shown below. Actual maturities may differ from contractual maturities because the issuers of the securities may have the rights to prepay obligations without prepayment penalties.

	Cost or Amortized Cost	Estimated Fair Value
Due in one year or less	$ 677	$ 677
Due after one year through five years	1,565	1,570
Due after five years through ten years	1,603	1,651
Due after ten years	1,645	1,781
Total	5,490	5,679
Mortgage-backed securities	1,642	1,666
Other mortgage and asset-backed securities	21	21
Total available-for-sale securities	$ 7,153	$ 7,366

Unrealized Losses—The following tables summarize available-for-sale debt securities in a gross unrealized loss position at December 31, 2021 and 2020, the aggregate fair value and gross unrealized loss by length of time those securities have been in an unrealized loss position.

	Less than 12 Months		12 Months or Greater		Total	
2021	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
US treasury securities	$ 240	$ 3	$ 19	$ 1	$ 259	$ 4
Corporate debt	1,520	10	43	2	1,563	12
Foreign debt securities	137	1	1		138	1
Mortgage-backed securities	650	7	23	1	673	8
Total available-for-sale debt securities in a loss position	$ 2,547	$ 21	$ 86	$ 4	$ 2,633	$ 25

	Less than 12 Months		12 Months or Greater		Total	
2020	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
US treasury securities	$ 124	$ 1	$ -	$ -	$ 124	$ 1
Mortgage-backed securities	84	1			84	1
Total available-for-sale debt securities in a loss position	$ 208	$ 2	$ -	$ -	$ 208	$ 2

Realized Gains (Losses)—In the ordinary course of business, sales will produce realized gains and losses. The Corporation will sell securities at a loss for a number of reasons, including, but not limited to: (i) changes in the investment environment; (ii) expectations that the fair value could deteriorate further; (iii) desire to reduce exposure to an issuer or an industry; or (iv) a change in credit quality. Net realized investment gain and net change in unrealized gain in investments for the years ended December 31, 2021 and 2020, are shown in the following table:

	2021	2020
Net realized gain on securities held as available-for-sale:		
Gross realized gains from sales	$ 82	$172
Gross realized losses from sales	(36)	(19)
Net realized gain from sale of securities held as available-for-sale	46	153
Net realized gain on securities held as trading:		
Gross realized gains from sales	29	32
Gross realized losses from sales	(6)	(30)
Net realized gain from sale of securities held as trading	23	2
Net realized gain on equity securities:		
Gross realized gains from sales	281	93
Gross realized losses from sales	(19)	(30)
Net realized gain from sale of equity securities	262	63
Total net realized gain from sales of securities	$ 331	$218
Change in net gain on securities held at the end of the period:		
Unrealized on available-for-sale debt securities	$(252)	$243
Unrealized on trading debt securities	(18)	26
Unrealized on equity securities	(80)	115
Total change in net gain on securities held at the end of the period	$(350)	$384

The value of the Corporation's equity portfolio at December 31, 2021 and 2020, was $1,161 and $1,347. As of December 31, 2021, the unrealized losses on the Corporation's equity portfolio was $80.

During the years ended December 2021 and 2020, the Corporation sold or redeemed $12,632 and $10,060 of investments, which resulted in gross realized gains of $392 and $297, and gross realized losses of $61 and $79, respectively.

The determination of when a decline in value of a marketable security is OTTI requires significant judgment. The Corporation has a consistent process for recognizing impairments of securities that have sustained other-than-temporary declines in value. The decision to impair includes both quantitative and qualitative information. For securities that are deemed to be OTTI, the security is adjusted to fair value and the resulting losses are recognized in realized losses in the consolidated statements of operations. Subsequent to the impairment, future recoveries in value of the impaired securities are not recognized.

The Corporation recognized OTTI losses for the years ended December 31, 2021 and 2020, for an amount of $15 and $1, respectively. For the remaining securities in unrealized loss positions, the Corporation has determined the investments have not been subject to credit losses and the Corporation does not have the intent to sell the securities and has the ability to hold such securities.

The value of the Corporation's trading portfolio at December 31, 2021 and 2020, was $1,120 and $1,015, respectively.

The Corporation has entered into investment transactions that were not settled. As of December 31, 2021 and 2020, there was $98 and $9, respectively, in other liabilities for investments purchased on account and $2 and $0 in accounts receivable, respectively, for investments sold on account. As these amounts are pending settlement, they have been excluded from the consolidated statements of cash flows.

The Corporation, in the normal course of business, enters into securities lending agreements with various counterparties. Under these agreements, the Corporation lends US Treasury notes and various other security types in exchange for collateral, consisting primarily of cash and US government notes, approximating 102% of the value of the securities loaned. These agreements are primarily overnight in nature and settle the next business day. As of December 31, 2021 and 2020, the Corporation had securities loaned of $86 and $141, respectively, with corresponding cash collateral of $80 and $128, respectively, and noncash collateral of $8 and $24, respectively.

Investments contained in rabbi trust funds to satisfy the Corporation's nonqualified and deferred compensation plan obligations had a fair market value of $152 and $178, at December 31, 2021 and 2020, respectively, and are included in the investment tables above.

As a condition of maintaining its certificate of authority with various states where the Corporation is licensed to do business, statutory deposits are maintained in segregated accounts for the benefit of the policyholders in the event of insolvency. The funds are invested in various marketable securities and the related interest income accrues to the Corporation. The statutory deposits had a carrying value of $409 and $396 as of December 31, 2021 and 2020, respectively, and are included in the investment tables above.

6. FAIR VALUE MEASUREMENTS

Fair values of the Corporation's securities are based on quoted market prices, where available. These fair values are obtained from either the custodian banks or third-party pricing services, which generally use Level 1 or Level 2 inputs for the determination of fair value.

The Corporation obtains one quoted price for each security, either from the custodian banks or third-party pricing services, which are derived through recently reported trades for identical or similar securities making adjustments through the reporting date based upon available market observable information. For securities not actively traded, either the custodian banks or third-party pricing services may use quoted market prices of comparable instruments or discounted cash flow analyses, incorporating inputs that are currently observable in the markets for similar securities. Inputs that are often used in the valuation methodologies include, but are not limited to, broker quotes, benchmark yields, credit spreads, default rates, and prepayment speeds. As the Corporation is responsible for the determination of fair value, management performs periodic analysis on the prices received from third parties to determine whether the prices are reasonable estimates of fair value.

In certain circumstances, it may not be possible to derive pricing model inputs from observable market activity, and therefore, such inputs are estimated internally. Such securities are designated Level 3. The Corporation's Level 3 securities consist of other asset-backed securities based on loans, preferred stocks, and common stocks.

The primary market risks are exposures to (i) changes in interest rates that affect our investment income and interest expense and the fair value of our fixed-rate financial investments and debt and (ii) changes in equity prices that affect our equity investments.

An increase in the market interest rates decreases the market value of fixed-rate investments and fixed-rate debt. Conversely, a decrease in market interest rates increases the market value of fixed-rate investments and fixed-rate debt.

The Corporation manages exposure to market interest rates by diversifying investments across fixed-income market sectors and across various maturities. Future increases in prevailing interest rates could have an adverse effect on our financial results.

The Corporation's assets recorded at fair value at December 31, 2021, are as follows:

	Fair Value Measurements Using			
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total Fair Value
Cash equivalents	$ 931	$ 102	$ -	$ 1,033
Available for sale debt securities:				
Corporate debt securities	$ -	$ 3,373	$ -	$ 3,373
US treasury securities		1,923		1,923
Mortgage-backed securities		1,666		1,666
Foreign debt securities		293		293
State and local debt securities		82		82
Sovereign debt securities		8		8
Other asset backed securities		21		21
	-	7,366	-	7,366
Trading debt securities:				
US treasury securities		66		66
Mortgage-backed securities		65		65
Corporate debt securities		827		827
State and local debt securities		1		1
Foreign debt securities		161		161
	-	1,120	-	1,120
Equity securities:				
Common stocks	504		41	545
Preferred stocks			1	1
Mutual Funds	65			65
Equity exchanged traded funds	550			550
	1,119	-	42	1,161
Total investments measured at fair value	$ 1,119	$ 8,486	$ 42	$ 9,647
Securities lending collateral	$ 80	$ -	$ -	$ 80
Liabilities—security lending payable	$ 80	$ -	$ -	$ 80

The Corporation's assets recorded at fair value at December 31, 2020, are as follows:

	Fair Value Measurements Using			
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total Fair Value
Cash equivalents	$ 674	$ 248	$ -	$ 922
Available for sale debt securities:				
Corporate debt securities	$ -	$ 3,464	$ -	$ 3,464
US treasury securities		2,000		2,000
Mortgage-backed securities		1,839		1,839
Foreign debt securities		399		399
State and local debt securities		89		89
Sovereign debt securities		8		8
Discount notes		59		59
	-	7,858	-	7,858
Trading debt securities:				
US treasury securities		75		75
Mortgage-backed securities		62		62
Corporate debt securities		689		689
Mutual funds	55			55
State and local debt securities		1		1
Foreign debt securities		133		133
	55	960	-	1,015
Equity securities:				
Common stocks	776		40	816
Preferred stocks		11		11
Equity exchanged traded funds	520			520
	1,296	11	40	1,347
Total investments measured at fair value	$ 1,351	$ 8,829	$ 40	$ 10,220
Securities lending collateral	$ 128	$ -	$ -	$ 128
Liabilities—security lending payable	$ 128	$ -	$ -	$ 128

There were no transfers into or out of Level 3. The Corporation had $2 of issues of level 3 assets in 2021 and none in 2020.

7. INVESTMENT INCOME AND OTHER—NET

Investment income and other—net for the years ended December 31, 2021 and 2020, consist of the following:

	2021	2020
Dividends and interest:		
Debt securities	$274	$196
Equity securities	23	25
Short-term investments	1	8
Total dividends and interest	298	229
Realized gain on sales of securities	331	218
Realized impairment loss on investments	(15)	(1)
Unrealized (loss) gain on equity securities held at year end	(80)	115
Unrealized (loss) gain on trading securities held at year end	(18)	26
Total gain on investments	218	358
Interest expense	(6)	(9)
Earnings in joint ventures and other equity interests	426	192
Net periodic pension and post retirement benefit income (cost), excluding service cost for benefits earned during the year	9	(7)
Other loss	(38)	(39)
Total other	391	137
Total investment income and other—net	$907	$724

8. RECEIVABLES—NET

Receivables—net as of December 31, 2021 and 2020, consist of the following:

	2021	2020
Administrative service contracts—IBNR	$1,317	$1,219
Reinsurance recoverable on workers' compensation business	751	490
Underwritten contracts	860	917
Reinsurance recoverable on life insurance and other policies	203	217
Administrative service contracts—claim and fees	454	239
Government programs	367	338
Pharmacy rebates	540	354
Accrued interest	62	58
Federal income tax recovery	15	68
Other	169	135
Total	$4,738	$4,035

Receivables from government programs consist of the following:

	2021	2020
Medicare Advantage	$242	$208
Risk adjustment revenue anticipated for ACA Qualified Health Plans	120	119
Other government programs	5	11
Total	$367	$338

Receivables are net of allowances for uncollectible amounts of $16 and $10 as of December 31, 2021 and 2020, respectively.

9. PROPERTY AND EQUIPMENT—NET

Property and equipment, net at December 31, 2021 and 2020, consist of the following:

	2021	2020
Land and buildings	$ 450	$ 446
Equipment	137	81
Software	737	723
Capital projects in process	67	127
Total property and equipment	1,391	1,377
Less accumulated depreciation and amortization	(795)	(764)
Total	$ 596	$ 613

Depreciation and amortization expense was $107 and $112, respectively for the years ended December 31, 2021 and 2020.

10. GOODWILL

Acquisitions are accounted for under the purchase method of accounting and, accordingly, the purchase price is allocated to assets acquired and liabilities assumed based on their estimated fair values.

The changes in carrying amount of goodwill from the purchase of subsidiaries at December 31, 2021 and 2020, consists of the following:

	2021	2020
Goodwill	$537	$537
Additions (Note 3)	42	
Accumulated amortization	(271)	(223)
Accumulated impairment losses	(36)	(36)
Net goodwill	$272	$278

Amortization expense for the years ended December 31, 2021 and 2020, was $47 and $46, respectively.

The Corporation did not complete an impartment test for 2021, as under the Private Company Council election, testing is only required upon the occurrence of a triggering event. In 2020, the Corporation concluded that a triggering event occurred related to the deterioration of the general economic conditions due to COVID-19. After assessing the totality of events, including the overall financial performance of the Corporation and other qualitative factors, it was determined that the triggering event did not result in an impairment of goodwill, making further impairment testing unnecessary.

Amortization Years Ending December 31	
2022	$ 50
2023	50
2024	50
2025	50
2026 and thereafter	72
Total future amortization	$ 272

11. INVESTMENTS IN JOINT VENTURES AND EQUITY INTERESTS

The Corporation's investments in joint ventures (JV) and equity interests consist of the following:

	2021	2020
Affiliates:		
BMH	$ 864	$ 551
Evio Pharmacy Solutions, LLC	5	
Medicare Advantage JVs with Blue Plans	33	9
NASCO		8
	902	568
Partnerships and LLC's:		
Health care oriented investments	84	96
Return oriented investments	1,029	520
Social mission oriented investments	36	24
	1,149	640
Total Affiliates, Partnerships and LLC's	2,051	1,208
Lending and other institutions	62	62
Total joint ventures and equity interests	$ 2,113	$ 1,270

The Corporation owns a 38.7% interest in BMH, LLC (BMH). The remaining 61.3% of BMH is owned by Independence Blue Cross. BMH operates as AmeriHealth Caritas and provides health care solutions for Medicaid beneficiaries.

BMH is a significant affiliate of the Corporation. Its summarized financial position and results of operations used to record the share of the earnings or losses as reported by the Corporation for the years ended December 31, 2021 and 2020, are as follows:

	2021	2020		2021	2020
Assets	$5,743	$4,248	Revenue	$17,436	$14,705
Liabilities	$3,405	$2,731	Net income	$ 815	$ 249
Equity	$2,338	$1,517			

Prior to November 30, 2021, the Corporation held a 19.5% equity interest in NASCO that was accounted for using the equity method. Refer to Note 3 regarding this business combination.

Covantage, a wholly-owned subsidiary of EHI, formed joint ventures with Blue Cross Blue Shield of North Dakota, Blue Cross Blue Shield of Vermont, and Wellmark Blue Cross Blue Shield to provide Medicare Advantage (MA) medical insurance products. The joint ventures are permissible under BCBSA licensee standards that allow non-local Blue Plans to partner with local plans to provide MA products. The joint ventures with Blue Cross Blue Shield of North Dakota and Blue Cross Blue Shield of Vermont began providing coverage on January 1, 2021. The joint venture with Wellmark Blue Cross Blue Shield will begin providing coverage on January 1, 2022. Under the JV operating agreements, Covantage holds a 51% equity interest but due to substantive participation rights held by the minority owners, the JVs are accounted for using the equity method.

The Corporation has other investments in Partnerships and LLCs which are recorded using the equity method of accounting. Due to the nature of these investments and because profits and losses are allocated to individual partner/member accounts which are also reported to the IRS for income tax purposes, there is a presumption that ownership in these investments provides sufficient influence (stated or unstated) to use the equity method of accounting regardless of the ownership percentage. At December 31, 2021 and 2020, the Corporation's ownership interests in these investments ranged from 0.27% to 100% and 0.40% to 100%, respectively.

Joint ventures and equity interests reported using the equity method that approximates fair value are based on the most recent financial information available as of and for the year ended December 31, recognizing that there may be a one- to three-month lag in the receipt of financial statements from the investee.

The Corporation's investment in lending and other institutions is comprised primarily of FHLBI common stock which is carried at cost. The Corporation is required to be a member of the FHLBI in order to gain access to borrowings and credit. FHLBI stock is registered with the Securities and Exchange Commission but is not publicly traded.

The Corporation regularly reviews its investments to determine whether there is an indication of impairment. If any indication exists, the asset's recoverable amount is estimated to determine the amount of impairment loss. The Corporation completed its analysis and as a result, the Corporation recognized no impairments for its joint ventures and equity investments in 2021 or 2020.

The Corporation determined that there were no changes in circumstances or adverse events that would be expected to change the carrying value of these investments. The Corporation's share of income from joint ventures and equity interest investments was $426 and $192 for 2021 and 2020, respectively, which is recorded in investment income and other in the consolidated statements of operations.

In total, the Corporation made $527 and $141 in contributions to fund joint venture and other equity investments in 2021 and 2020, respectively.

At December 31, 2021 and 2020, the Corporation had future unfunded capital and loan commitments of $359 and $358, respectively, for all its investments in joint ventures and equity interests.

12. OTHER ASSETS

Other assets at December 31, 2021 and 2020, consist of the following:

	2021	2020
Net other intangible assets	$144	$107
Deferred policy acquisition costs	138	138
Ceded unearned premiums	261	
Prepaid assets and other	313	241
Total	$856	$486

Intangible assets are amortized over periods ranging from three years to 20 years, as applicable. State licenses and tradenames with indefinite useful lives are not amortized, but are evaluated for impairment on an annual basis. Other intangible assets at December 31, 2021 and 2020, consist of the following:

	2021	2020
Intangible assets:		
Covenant not to compete	$ 16	$ 16
Customer relationships	172	172
Broker networks	20	20
Trademarks	3	3
Tradenames	12	10
Software related to business	97	43
State licenses	2	2
Total intangible assets	322	266
Less accumulated amortization	(178)	(159)
Net other intangible assets	$ 144	$ 107

Amortization expense for 2021 and 2020 was $19 and $17, respectively.

Amortization Years Ending December 31	
2022	$ 22
2023	22
2024	21
2025	21
2026 and thereafter	49
Total future amortization	$135

13. LIABILITIES FOR UNPAID CLAIMS AND CLAIM ADJUSTMENT EXPENSES

Activity in the liabilities for unpaid claims and claim adjustment expenses, at December 31, 2021, is summarized as follows:

	Health	Worker's Comp	Long-Term Care	Total
Balance of unpaid claims—January 1	$ 1,578	$ 2,273	$660	$ 4,511
Less reinsurance recoverable		475	216	691
Net balance—January 1	1,578	1,798	444	3,820
Incurred related to:				
Current year	14,131	1,179	71	15,381
Prior years	(397)	(21)	3	(415)
Total incurred	13,734	1,158	74	14,966
Paid related to:				
Current year	(12,039)	(422)	(4)	(12,465)
Prior years	(1,253)	(638)	(18)	(1,909)
Total paid	(13,292)	(1,060)	(22)	(14,374)
Balance of unpaid claims—December 31	2,020	1,896	496	4,412
Liabilities subject to reinsurance recoverable		737	203	940
Liability for claim adjustment expenses	11	321		332
Liability for ASC claims	1,515			1,515
Total unpaid claims and claim adjustment expenses	$ 3,546	$ 2,954	$699	$ 7,199

Activity in the liabilities for unpaid claims and claim adjustment expenses, at December 31, 2020, is summarized as follows:

	Health	Worker's Comp	Long-Term Care	Total
Balance of unpaid claims—January 1	$ 1,640	$ 1,911	$627	$ 4,178
Less reinsurance recoverable		246	226	472
Net balance—January 1	1,640	1,665	401	3,706
Incurred related to:				
Current year	12,726	1,202	61	13,989
Prior years	(489)	(68)	2	(555)
Total incurred	12,237	1,134	63	13,434
Paid related to:				
Current year	(11,005)	(396)	(4)	(11,405)
Prior years	(1,294)	(605)	(16)	(1,915)
Total paid	(12,299)	(1,001)	(20)	(13,320)
Balance of unpaid claims—December 31	1,578	1,798	444	3,820
Liabilities subject to reinsurance recoverable		475	216	691
Liability for claim adjustment expenses	10	274		284
Liability for ASC claims	1,259			1,259
Total unpaid claims and claim adjustment expenses	$ 2,847	$ 2,547	$660	$ 6,054

The Corporation estimates the amount of the medical claims liability costs (IBNR) using standard actuarial developmental methodologies based upon historical data including run out patterns, expected medical cost inflation, seasonality patterns and changes in membership, and other factors including COVID-19 considerations. The Corporation's IBNR best estimate also includes a provision for adverse deviation, which is an estimate for known environmental factors that are reasonably likely to affect the required level of IBNR reserves. This provision for adverse deviation is intended to capture the potential adverse development from known and special environmental factors, such as changes in payment patterns, trends, and benefits versus historical levels, system issues not captured in inventory reports, and/or exceptional situations that require judgmental adjustments in setting the reserves for claims which includes the uncertainty due to COVID-19. The change in estimate for prior-year claims recorded in the consolidated financial statements reflects favorable claims experience related to health and nonhealth claims.

The Corporation consistently applies IBNR estimation methodology, which did not change in 2021 or 2020. The Corporation's best IBNR estimate is made on an accrual basis and adjusted in future periods if required. Any adjustments to the prior-period estimates are included in the current period. The majority of the IBNR reserve balance held at the end of each year is associated with the most recent

months' incurred services because these are the services for which the fewest claims have been paid. The degree of uncertainty in the estimates of incurred claims is greater for the most recent months' incurred services. Given the inherent variability of such estimates, the actual liability could differ significantly from the amounts estimated. Processing expenses related to claims are accrued based on an estimate of expenses to process such claims.

The information about health and workers' compensation incurred and paid claims development, net of reinsurance, for the year ended December 31, 2021, and the total of incurred-but-not-reported liabilities plus expected development on reported claims included with the net incurred claims amounts set forth below consists of the following:

Health Claim Segment

Cumulative Incurred Claims—Net of Reinsurance Accident Year	**2020**	**2021**	**As of December 31, 2021 Total of Incurred-but-Not Reported Liabilities Plus Expected Development on Reported Claims**
2020	$12,726	$12,278	$ 24
2021		14,131	1,971
Total	$12,726	$26,409	1,995
			25
			$2,020

Cumulative Paid Claims—Net of Reinsurance Accident Year	**2020**	**2021**
2020	$11,005	$12,254
2021		12,160
Total	$11,005	24,414
Total outstanding prior year unpaid claims—net of reinsurance		25
Total outstanding unpaid claims—net of reinsurance		$ 2,020

Supplemental Information

Workers' Compensation Claim Segment

Accident Year	Incurred Claims and Allocated Claim Adjustment Expenses—Net of Reinsurance (unaudited) 2012	(unaudited) 2013	(unaudited) 2014	(unaudited) 2015	(unaudited) 2016	(unaudited) 2017	(unaudited) 2018	(unaudited) 2019	(unaudited) 2020	2021	As of December 31, 2021 Total of Incurred-but-Not Reported Liabilities Plus Expected Development on Reported Claims
2012	$350	$331	$353	$363	$357	$356	$ 351	$ 353	$ 350	$ 351	$ 23
2013		365	368	375	381	379	368	370	366	365	22
2014			531	502	486	484	469	463	459	459	32
2015				579	557	554	530	523	518	517	41
2016					666	630	593	578	567	562	63
2017						727	688	674	662	658	94
2018							670	803	805	808	138
2019								941	942	938	209
2020									997	997	457
2021										948	696
						Total	3,669	4,704	5,666	6,603	1,775
											342
											(231)
											10
											$1,896

Accident Year	Cumulative Paid Claims and Allocated Claim Adjustment Expenses—Net of Reinsurance (unaudited) 2012	(unaudited) 2013	(unaudited) 2014	(unaudited) 2015	(unaudited) 2016	(unaudited) 2017	(unaudited) 2018	(unaudited) 2019	(unaudited) 2020	2021
2012	$125	$256	$302	$318	$327	$311	$ 314	$ 323	$ 325	$ 328
2013		119	255	297	320	319	327	336	340	343
2014			141	271	341	381	400	415	422	427
2015				152	316	391	426	453	466	476
2016					320	513	404	456	485	499
2017						165	368	476	533	564
2018							215	480	603	670
2019								273	576	729
2020								273	251	540
2021										252
						Total	2,454	3,484	4,001	4,828
Total outstanding unpaid claims prior to 2012—net of reinsurance							193	211	214	342
Liability for allocated claim adjustment expenses								(155)	(185)	(231)
Other short-duration insurance lines							66	68	88	10
Total outstanding unpaid claims and CAE—net of reinsurance							$1,474	$1,344	$1,782	$1,896

Claim frequency is not used in the calculation of our liability. In addition, it is impracticable to disclose claim frequency information for health care and workers' compensation claims due to multiple claim systems and substantial claim volumes.

The following is information about average workers' compensation historical claims duration as of December 31, 2021.

Average Annual Percentage Payout of Incurred Claims by Age-Net of Reinsurance (unaudited)

Years	1	2	3	4	5	6	7	8	9	10
Workers' compensation	28.5 %	32.0 %	14.6 %	7.4 %	4.3 %	2.6 %	1.7 %	1.3 %	0.8 %	0.6 %

14. REINSURANCE

In the ordinary course of business, Accident Fund enters into reinsurance contracts, whereby Accident Fund and its subsidiaries assume and cede premiums and losses with other insurance companies.

Accident Fund also participates as a reinsurer in various residual market workers' compensation pools. Participation in these pools is mandatory in many states in which Accident Fund conducts business, and thus, the pools are frequently referred to as involuntary pools. Involuntary pool underwriting results generally are distributed to companies writing workers' compensation insurance in each state based upon each company's market share of the total voluntary workers' compensation market. Involuntary pools and associations represent a mechanism employed by states to provide insurance coverage to those with expected higher than average probability of loss who otherwise would be excluded from

obtaining coverage. Reporting entities are generally required to participate in the underwriting results, including premiums, losses, expenses, and other operations of involuntary pools, based on their proportionate share of similar business written in the state.

Accident Fund also enters into quota share reinsurance agreements in conjunction with its fronting arrangements, whereby Accident Fund cedes to the reinsurer the majority (50% to 100%) of its gross liability under all policies issued by and on their behalf. Accident Fund remains exposed to the credit risk of the reinsurer, or the risk that one of its reinsurers becomes insolvent or otherwise unable or unwilling to pay policyholder claims. This credit risk is generally mitigated by selecting well capitalized, highly rated authorized reinsurers and in some cases requiring that the reinsurer post collateral to secure the reinsured risks.

Ceded reinsurance does not relieve Accident Fund of its primary obligations under its contracts of insurance. To the extent reinsurers are unable or unwilling to honor their obligations under the reinsurance treaties, Accident Fund remains primarily liable to its policyholders. To manage this risk, Accident Fund periodically evaluates the financial condition of its reinsurers. When needed, allowances are established for uncollectible reinsurance recoverables. At December 31, 2021 and 2020, no allowance was required.

The effects of reinsurance activities on premiums and losses for the years ended December 31, 2021 and 2020, are as follows:

	2021	2020
Premiums written:		
Direct	$2,243	$2,211
Reinsurance assumed	69	70
Reinsurance ceded	(683)	(655)
Net premium written	1,629	1,626
Premium earned:		
Direct	$2,310	$2,012
Reinsurance assumed	70	89
Reinsurance ceded	(694)	(510)
Net premium earned	$1,686	$1,591

	2021	2020
Losses and loss adjustment expenses incurred:		
Direct	$1,790	$1,403
Reinsurance assumed	30	43
Reinsurance ceded	(665)	(318)
Net losses and loss adjustment expenses incurred	$1,155	$1,128

Reinsurance recoverables included in receivables—net, and prepaid reinsurance and ceded unearned premiums, included in other assets, at December 31, 2021 and 2020, consist of the following:

	2021	2020
Reinsurance recoverables:		
Unpaid losses recoverable on workers' compensation policies	$738	$475
Accrued reinsurance premiums recoverable	(1)	3
Paid losses recoverable	14	13
Total reinsurance recoverables	$751	$491
Prepaid reinsurance:		
Ceded unearned premiums	$261	$ -
Prepaid reinsurance	11	14
Total prepaid reinsurance	$272	$ 14

LifeSecure cedes all of its life insurance and annuity business, and certain accident and health business to Allstate under a 100% coinsurance reinsurance agreement. Under this agreement, Allstate receives 100% of the premiums and pays 100% of the claims, surrender benefits, and other expenses that are directly allocable to the reinsured business. Allstate administers the reinsured business and bears all administrative expenses. Allstate reimburses LifeSecure for any expenses it pays directly related to the reinsured business. LifeSecure remains obligated for amounts ceded in the event that the reinsurer does not meet its obligation.

LifeSecure assumes the risk on several blocks of long-term care business from nonaffiliated insurance companies under various coinsurance agreements. In accordance with these agreements, LifeSecure assumes varying percentages of the premiums, claims, and expenses on the business, ranging from 40% to 100%. LifeSecure pays the ceding companies monthly commission and expense allowances, which are charged immediately to operating expense. Amounts paid to the ceding company for the initial assumption of this business have been capitalized and are being amortized over the life of the reinsurance contracts in proportion to the premium revenue recognized.

The effects of reinsurance activities of LifeSecure on premiums and losses for the years ended December 31, 2021 and 2020, are as follows:

	2021	2020
Premiums written:		
Direct	$ 71	$ 64
Reinsurance assumed	27	27
Reinsurance ceded	(5)	(5)
Net premium written	$ 93	$ 86
Premium earned:		
Direct	$ 73	$ 66
Reinsurance assumed	27	26
Reinsurance ceded	(5)	(6)
Net premium earned	$ 95	$ 86

	2021	2020
Losses and loss adjustment expenses incurred:		
Direct	$ 63	$ 53
Reinsurance assumed	25	25
Reinsurance ceded	(14)	(15)
Net losses and loss adjustment expenses incurred	$ 74	$ 63

The reinsurance recoverables included in receivables, net, at December 31, 2021 and 2020, consist of the following:

	2021	2020
Recoverable on life insurance and other policies	$203	$217

15. PREMIUM DEFICIENCY RESERVE

A liability for premium deficiency losses is an actuarial estimate that is recognized when it is probable that expected claim losses and allocable administrative expenses will exceed future premiums on existing health and other contracts. For the year ended December 31, 2021 and 2020, the Corporation considered anticipated investment income as part of the premium deficiency actuarial estimate calculation. For purposes of premium deficiency losses, contracts are grouped in a manner consistent with the Company's method of acquiring, servicing, and measuring the profitability of such contracts. Premium deficiency losses are generally released over the period that the contract is in a loss position. As of December 31, 2021 and 2020 the Corporation recorded PDR of $17 and $9, respectively, for its Senior Markets and Commercial Individual market segments, respectively.

Senior Markets and Commercial Individual contracts are considered short duration insurance contracts. As such, the PDR accruals recorded in 2021 and 2020 represent a 1-year term.

16. PENSION AND POSTRETIREMENT PLANS

Defined Contribution Plan—Represented employees who have completed three months of continuous service are automatically enrolled in the savings plan established for represented employees. Nonrepresented employees are enrolled in the savings plan established for nonrepresented employees immediately upon employment. NASCO's savings plan covers substantially all full-time employees. All three savings plans are tax qualified under Internal Revenue Code (IRC) Section 401(k). The Corporation's expense for matching contributions during 2021 and 2020 totaled $43 and $41, respectively.

Defined Benefit Plans—The Corporation sponsors two tax-qualified defined benefit pension plans administered under a single master trust as follows:

Retirement Account Plan—Nonrepresented employees who meet age and service requirements participate in this plan. Pension benefits of participants in this plan become vested after three years of service. Under a cash balance arrangement, participants have an account balance to which interest and earnings credits are added. Subject to an annual 4% minimum, interest is credited quarterly based on a rate equal to the yield on a one-year Treasury Constant Maturities for the month of August immediately preceding the plan year. Annual earnings credits, ranging from 3% to 10% based on age and date of hire, are credited on a monthly basis. Employees can elect to receive their vested account balance as a lump sum or in monthly payments at retirement.

Represented Employees' Retirement Income Plan—Represented employees who meet age and service requirements participate in this plan. Pension benefits of participants in this plan become vested after three years of service if hired after January 1, 2009. The plan is a final average pay arrangement for participants hired prior to January 1, 2009, and provides a postretirement monthly benefit based on average monthly earnings and credited service years. Under the final average pay provisions, the postretirement monthly benefit is 1.4% of average monthly compensation multiplied by years of credited service. For post January 1, 2009, represented new hires (January 1, 2010, for Accident Fund represented employees), the plan is a cash balance arrangement and provides an account balance that grows through earnings and interest credits. Each month, represented employees participating under the cash balance arrangements receive a basic credit of 6.4% of the participants' defined monthly income. Interest is credited quarterly in a manner similar to that in the Retirement Account Plan. Represented participants hired after January 2009 can elect to receive their vested balance as a lump sum or in monthly payments upon retirement. Represented employees participating under the final average payment provisions of the represented employee plan are required to elect from various monthly payment options upon retirement.

During 2020, the Corporation provided qualifying nonrepresented employees a Voluntary Settlement Offer (VSO) and qualified represented employees a Voluntary Settlement Agreement (VSA). Many participants of the VSO and VSA elected to receive their accumulated pension benefits as a lump sum payment from the plans during 2021.

Given the large number of retirements and the associated lump sum pension payments that occurred in 2021, settlement accounting guidance required the recognition of additional pension expense during 2021, when lump sum pension payouts were greater than the sum of the service cost and interest cost components of net periodic pension cost. Additional pension costs of $24 were recognized as of December 31, 2021.

The additional pension expense was dependent on several factors, including discount rate, the value of pension plan assets and the total value of lump sum payments to retirees.

NASCO Defined Benefit Pension Plan—Certain employees of NASCO are covered by a noncontributory defined benefit pension plan. The benefits are based on years of service and the employee's final average compensation. As of January 1, 2008, this plan was closed to new participants. NASCO's funding policy is to contribute the minimum amount required by applicable regulations plus such additional amounts as the trust sponsor may determine to be appropriate from time to time. The Company expects to contribute $10 to its pension program in 2022.

In May 2021, the Members of the Company approved a proposal to freeze the defined benefit pension plan effective December 31, 2021. As a result of this action, no additional employment service credits will be accrued after the effective date.

Nonqualified Plans—Retirement benefits are provided for a group of key employees under nonqualified defined benefit pension plans. The general purpose of the plans is to provide additional retirement benefits to participants who are subject to the contribution and benefit limitations applicable to tax-qualified plans under the IRC. Benefits under the plans are unfunded and paid out of the general assets of the Corporation. The projected benefit obligation for these plans at December 31, 2021 and 2020, was $180 and $175, respectively, and are included within the amounts in the tables below. Amounts payable under NASCO nonqualified plans of $13 are included in accrued employee expense in the Corporation's 2021 consolidated balance sheets and are excluded from the amounts in the tables below.

Postretirement Benefits—The Corporation provides certain health care and selected other benefits to certain employees and dependents of employees who retire from active employment or who become disabled. Post-retirement health care and other retirement benefits are offered for employees and retirees represented under a collectively bargained union contract and for nonunionized employees and retirees. Eligibility requirements vary based on hire date, years of service, and retirement age. Represented employees hired after January 1, 2009 and nonbargaining unit employees hired after January 1, 2007, are not eligible for postretirement health care. All participants in both plans are required to enroll in the Medicare Advantage program upon reaching age 65. Postretirement health care benefits are subject to revision at the discretion of the Corporation.

In 2019, the Corporation established two tax exempt 501(c)(9) entities to fund retiree medical benefits. Plan sponsorship, and the determination of plan benefit design, continues to reside with the Corporation. Similar to pension trust assets, the assets in the retiree medical trusts are restricted and cannot revert back to the Corporation for any purpose. Prior to 2019, the Corporation's postretirement health care and other post-retirement benefit plans were unfunded.

The projected benefit obligation and funded status at the plan measurement date and the accrued expenses at December 31, 2021 and 2020, consist of the following:

	Pension		Postretirement	
	2021	2020	2021	2020
Accumulated benefit obligation	$2,094	$2,034	$ 715	$ 743
Effects of estimated future pay increases	127	133		
Projected benefit obligation	2,221	2,167	715	743
Plan assets at fair market value	1,770	1,799	639	633
Funded status	$ (451)	$ (368)	$ (76)	$(110)
Prepayments included in other assets	$ -	$ -	$ 79	$ 49
Liabilities included in accrued employee expenses	(451)	(368)	(155)	(159)
Funded Status	$ (451)	$ (368)	$ (76)	$(110)
Information for plans with an accumulated benefit obligations in excess of plan assets:				
Projected benefit obligation	$2,221	$2,167	$ 715	$ 743
Accumulated benefit obligation	2,094	2,034	715	743
Fair value of plan assets	1,770	1,799	639	633

The amounts recognized in accumulated other comprehensive loss; including amounts arising during the year are as follows:

	Pension		
	Net (Gain) Loss	Prior Service Cost	Total
Balance—January 1, 2020	$363	$ 1	$364
Recognized during the year	(34)	(1)	(35)
Occurring during the year	70		70
Subtotal before tax	36	(1)	35
Deferred tax (benefit)	(7)		(7)
Balance—December 31, 2020	392	-	392
Recognized during the year	(61)		(61)
Occurring during the year	4		4
Subtotal before tax	(57)	-	(57)
Deferred tax expense	12		12
Balance—December 31, 2021	$347	$ -	$347
Accumulated balance—(gain) loss			$439
Deferred tax assets			(92)
Balance—December 31, 2021			$347

	Postretirement			
	Net (Gain) Loss	Prior Service Cost	Total	All Plans Grand Total
Balance—January 1, 2020	$ 99	$(20)	$ 79	$ 443
Recognized during the year	(1)	22	21	(14)
Occurring during the year	(30)		(30)	40
Subtotal before tax	(31)	22	(9)	26
Deferred tax expense (benefit)	2		2	(5)
Balance—December 31, 2020	70	2	72	464
Recognized during the year	(1)	22	21	(40)
Occurring during the year	(39)		(39)	(35)
Subtotal before tax	(40)	22	(18)	(75)
Deferred tax expense (benefit)	3		3	15
Balance—December 31, 2021	$ 33	$ 24	$ 57	$ 404
Accumulated balance—loss			$ 73	$ 512
Deferred tax assets			(16)	(108)
Balance—December 31, 2021			$ 57	$ 404

The benefit costs, employer contributions, and benefits paid for the years ended December 31, 2021 and 2020, are as follows:

	Pension		Postretirement	
	2021	2020	2021	2020
Service cost for benefits earned during the year	$ 71	$ 68	$ 18	$ 16
Interest cost	62	66	21	24
Expected return on assets	(99)	(84)	(31)	(10)
Amortization of net prior service cost		1	(22)	(22)
Actuarial loss recognized	37	35	2	1
Other Adjustments	24			
Net periodic benefit cost	$ 95	$ 86	$ (12)	$ 9
Total benefit expense for the year	$ 95	$ 86	$ (12)	$ 9
Employer contributions	$ -	$ 268	$ 3	$ 2
Benefits paid	$ 62	$ 79	$ 36	$ 29

The components of net periodic benefit costs other than the service cost components are included in investment income and other in the consolidated statements of comprehensive income.

Assumptions used to determine benefit obligation and net periodic benefit cost were as follows:

	Pension			
	Non Represented and Nonqualified Plans		Represented Plan	
	2021	2020	2021	2020
Projected benefit obligations:				
Discount rate	3.1 %	2.9 %	3.2 %	3.0 %
Rate of compensation increase	3.5–11.5%	4.3–11.5%	1.5–4.5%	1.5–4.5%
Interest crediting rates (for cash balance and other plans with promised interest crediting rates)	4.0 %		4.0 %	
Net periodic benefit cost:				
Discount rate	2.9-3.1%	3.3 %	3.0 %	3.6 %
Rate of compensation increase	3.5–11.5%	4.0–10.0%	1.5–4.5%	2.0–7.0%
Expected long term return	5.5–6.0%	6.0 %	6.0 %	6.0 %
Interest crediting rates (for cash balance and other plans with promised interest crediting rates)	4.0 %		4.0 %	

	Postretirement			
	Nonrepresented Employees		Represented Employees	
	2021	2020	2021	2020
Projected benefit obligations—discount rate	3.10 %	2.90 %	3.15 %	3.00 %
Net periodic benefit cost—discount rate	2.90	3.45	3.00	3.55

The expected long-term rate of return on plan assets is determined based on the weighted average of the expected long-term returns for active management of the various asset classes represented in the pension trust allocation. The expected long-term rate of return is then reviewed for reasonableness with historical asset returns for the master trust and against asset return models, which consider current market conditions and long-term asset class returns.

Health Care Cost Trend Rates—Assumed health care cost trend rates have a significant effect on the amounts reported for the health care plans. After January 1, 2017, for Non-Bargaining Unit (NBU) retirees, the health care trend assumptions will only apply to retirees or disabled employees who retired or became disabled before January 1, 1993, and to pre-65 NBU retirees as these groups continue to receive post-retirement medical benefits under the traditional design. Bargaining Unit (BU) retirees and active BU employees will continue to receive post-retirement medical benefits under a traditional design. The postretirement benefit obligation includes assumed health care cost trend rates as follows:

	2021	2020
Pre 65 PPO	4.50 %	4.00 %
Pre 65 HMO	5.30	4.50
Pre 65 Drug	8.50	8.50
Post 65 Non MA PPO	4.50	4.00
Post 65 Non MA HMO	7.30	7.00
Post 65 MA PPO	5.90	4.00
Post 65 MA HMO	5.80	4.00
Post 65 Drug Non-EGWP	8.50	8.50
Post 65 Drug EGWP	5.50	4.79
Ultimate Trend Rate	5.22	4.85
Year rate reaches ultimate rate	2026	2025

Pension and Retiree Medical Trusts Investment Policy—Plan assets for both the nonrepresented and represented employee's pension plans are held in a single master trust with State Street Bank. Plan assets for the retiree medical trusts are held with Northern Trust. Each pension plan owns its allocable share of all master trust assets. Master trust assets are for the exclusive benefit of participants and can only be used to pay plan benefits and trust payable administrative expenses. Pension plan assets in the master trust are currently managed by external investment managers with assets allocated to equity, fixed-income securities, cash, and liquid alternative investments based on the pension investment policy statement.

The Corporation's trust asset allocation considers risk and return objectives, characteristics of pension and medical liabilities, capital market expectations, and asset-liability projections. The trust investment policies are long-term oriented and consistent with the Corporation's risk posture and is periodically reviewed by the Finance Committee. The Finance Committee has asset administration and fiduciary responsibilities with respect to the trust assets. The pension trust asset allocation is currently transitioning to an allocation that will reduce balance sheet and funding volatility for the Corporation while ensuring the continued maintenance of trust assets sufficient to cover plan benefits and expenses.

The ultimate target allocation under the Corporation's investment policy for the pension trust is 80% long duration fixed income securities and 20% return-seeking assets. Return-seeking assets under the policy are defined as any asset class other than long-duration fixed-income securities and cash equivalents. The return-seeking allocation currently includes publicly traded equities, publicly traded high-yield fixed income securities, multi-strategy hedge funds, core real estate and fund of fund private equity. At December 31, 2021, the actual allocation of plan assets was approximately 45% long-duration fixed-income securities and cash and 55% return-seeking assets. The ultimate target asset allocation is expected to possibly occur by the end of 2024, but could take more or less time, dependent on market conditions.

Investment policies for the medical trust consider risk and return objectives, the hedging interest rate risk on plan liabilities and are designed to preserve the availability of funds to pay benefits. Medical trust target allocations include a 40-60% allocation to return-seeking assets and the balance to long duration bonds and municipal bonds.

The fair values of the Corporation's pension plan assets are measured and classified as disclosed in the significant accounting policies footnote. The pension assets (excluding the NASCO plan shown separately below) by category for 2021 and 2020, are as follows:

	Fair Value Measurements at December 31, 2021			
	Quoted Prices in Active Markets for Identical Assets (Level 1)	**Significant Other Observable Inputs (Level 2)**	**Significant Unobservable Inputs (Level 3)**	**Total**
Corporate debt securities	$ -	$575	$ 1	$ 576
Common stocks	85	1		86
Cash equivalents	19			19
US treasury securities		105		105
Mortgage-backed securities	2	5	1	8
Foreign debt securities		16		16
State and local debt securities		15		15
Other asset-backed securities		16		16
Total measured at fair value	$106	$733	$ 2	841
Measured at NAV:				
Commingled equity funds				549
Limited liability companies				124
Limited partnerships				211
Total				$1,725

	Fair Value Measurements at December 31, 2020			
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
Corporate debt securities	$ -	$553	$ 1	$ 554
Common stock ETFs	162			162
Common stocks	87	5	1	93
Interest rate swaps		1		1
Cash equivalents	119	8		127
US treasury securities		85		85
Mortgage-backed securities	1	8	1	10
Foreign debt securities		14		14
State and local debt securities		16		16
Other asset-backed securities		15		15
Total measured at fair value	$369	$705	$ 3	1,077
Measured at NAV:				
Commingled equity funds				346
Limited liability companies				149
Limited partnerships				227
Total				$1,799

The fair values of the Corporation's retiree medical trust plan assets are measured and classified as disclosed in the significant accounting policies footnote. The retiree medical trust plan assets by category for 2021 and 2020, are as follows:

	Fair Value Measurements at December 31, 2021			
	Quoted Prices in Active Markets for Identical Assets (Level 1)	**Significant Other Observable Inputs (Level 2)**	**Significant Unobservable Inputs (Level 3)**	**Total**
Corporate debt securities	$ -	$243	$ -	$243
Common stock ETFs	105			105
Common stocks	25	1		26
Cash equivalents	6			6
US treasury securities		48		48
Mortgage-backed securities		3		3
Foreign debt securities		6		6
State and local debt securities		57		57
Other asset-backed securities		3		3
Total measured at fair value	$136	$361	$ -	497
Measured at NAV:				
Commingled equity funds				142
Limited liability companies				
Limited partnerships				
Total				$639

	Fair Value Measurements at December 31, 2020			
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
Corporate debt securities	$ -	$ 253	$ -	$ 253
Common stock ETFs	86			86
Common stocks	60			60
Cash equivalents	56			56
US treasury securities		56		56
Mortgage-backed securities		2	1	3
Foreign debt securities		4		4
State and local debt securities		19		19
Total measured at fair value	$ 202	$ 334	$ 1	537
Measured at NAV:				
Commingled Equity Funds				96
Limited liability companies				
Limited partnerships				
Total				$ 633

Transfers between levels may occur due to changes in the availability of market observable inputs. The Corporation transferred assets of $0 and ($1) into or out of Level 3 in 2021 and 2020, respectively. During 2021 and 2020, the Corporation purchased Level 3 assets of $0 and $92, respectively.

For the NASCO's pension plan assets, the basis of the overall expected long-term rate of return on assets is a forward-looking approach based on the current long-term capital market outlook assumptions of the asset categories the trust invests in and the trust's target asset allocation. The assumed target asset allocation for the program is: 45% - 55% equity securities, 40% - 48% debt securities, and 2% - 10% other securities.

The fair values of the NASCO's pension plan assets are measured and classified as disclosed in the significant accounting policies footnote. The pension assets by category for 2021 are as follows:

	NASCO Pension Plan Fair Value Measurements at December 31, 2021			
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
Government Obligations	$ -	$ 3	$ -	$ 3
Corporate Obligations		5		5
Registered Investments	4	1		5
Common/Collective Trusts		28		28
Total measured at fair value	$ 4	$ 37	$ -	41
Measured at NAV:				
Real Estate				3
Total				$ 44

Pension Plan Contributions—The Corporation contributed $0 and $268 in 2021 and 2020, respectively, to its defined benefit pension plans. As of December 31, 2021, the Corporation anticipates it will have a required contribution in 2022 of $10.

Postretirement Medical Contributions—After initially funding the medical trusts in 2019, the Corporation did not make additional contributions to the trusts in 2020 or 2021. Future contributions are not required under existing regulations and the Corporation does not plan to make a contribution in 2022.

Pension Expected Benefit Payments—The following estimated future payments, which reflect expected future service, as appropriate, are expected to be paid in the years indicated:

Years Ending December 31	Pension Benefits Future Benefit Payments
2022	$ 134
2023	134
2024	120
2025	121
2026	126
2027 through 2031	661
Total	$ 1,296

Postretirement Expected Benefit Payments—The benefit payments, which reflect expected future service, and expected postretirement benefits, before deducting the Medicare Part D subsidy at December 31, 2021, are expected to be paid as follows:

	Postretirement Benefits	
Years Ending December 31	**Future Benefit Payments**	**Anticipated Future Subsidies**
2022	$ 39	$ (1)
2023	36	
2024	37	(1)
2025	37	
2026	38	(1)
2027 through 2031	202	(3)
Total	$389	$ (6)

17. DEBT

The carrying value of the Corporation's outstanding debt as of December 31, 2021 and 2020, is as follows:

	2021	2020
FHLBI:		
The Company: 0.37%–2.37%, due 2021–2024	$315	$415
Accident Fund: 4.81%–5.53%, due 2021–2028	11	64
BCN: 1.89%, due 2024	50	50
Accident Fund: Economic Dev Corp of City of Lansing debt: 0.11% due 2042	10	11
Total debt	$386	$540

All FHLBI borrowings have fixed interest rates. The Accident Fund Economic Development Corporation of City of Lansing debt has a variable interest rate determined weekly subject to a maximum rate of 12%.

The total interest expense for the years ended December 31, 2021 and 2020, was $6 and $9, respectively.

Liquidity Facilities—The Corporation has facilities with limits totaling $2,450 with FHLBI. The limits are $2,000 for the Company, $300 for Accident Fund, and $150 for BCN. The outstanding borrowings with FHLBI total $376 and $529 as of December 31, 2021 and 2020, respectively. The FHLBI debt is collateralized by government and mortgage-backed securities at 103%–115% of the outstanding loan balance. The FHLBI weighted-average borrowing rate is 1.42% and 1.19% at December 31, 2021 and 2020, respectively.

Standby Letter of Credit—For certain debt agreements, the Corporation is required to maintain a letter of credit to collateralize the debt. The letter of credit is issued by FHLBI. The table below shows the available letter of credit related to those debt agreements.

Letter of Credit Commitment	Expiration Date	Percentage of Financed Amount	Available Amount
Economic Development Corp, City of Lansing	2031	100 %	$10

At December 31, 2021, future minimum payments required for outstanding debt are as follows:

Years Ending December 31	
2022	$177
2023	72
2024	80
2025	12
2026	33
2027 and thereafter	12
Total future minimum payments	$386

18. OTHER LIABILITIES

Other liabilities at December 31, 2021 and 2020, consist of the following:

	2021	2020
Accrued administrative expenses	$ 287	$ 186
Advance deposits from ASC groups	264	497
Legal reserves	115	159
Accrued taxes, assessments, and other	65	90
Government programs	62	55
Social mission accrual	100	85
Reinsurance liabilities	235	225
Premium rebates due to customers	34	79
Payable for purchase of securities	98	21
Payable to outstate plans	34	23
Administrative cash overdrafts	90	95
Guaranty fund assessment	20	21
Deferred revenue from non-insurance services	70	41
Board of escheats	6	6
Accrued agent commissions	56	50
Accrued software & consulting		37
Other	122	98
Total	$ 1,658	$ 1,768
Payables to government programs consist of the following:		
ACA risk adjustment	$ 60	$ 52
ACA Comparative Effective Fee	2	2
Medicare Advantage		1
Total	$ 62	$ 55

19. INCOME TAXES

Significant components of net deferred tax assets at December 31, 2021 and 2020, are summarized as follows:

	2021	2020
Deferred tax assets:		
Tax credit carryforwards	$ 7	$ 1
Accrued expenses associated with postretirement and pension benefits	113	100
Accrued expenses	104	147
Discount of claim liabilities as required for tax purposes	68	66
Net operating loss carryover	59	34
Gross deferred tax assets	351	348
Valuation allowance	(60)	(34)
Deferred tax assets net of valuation allowance	291	314
Deferred tax liabilities:		
Unrealized gains on investments	(138)	(115)
Depreciation and amortization	(41)	(26)
Gross deferred tax liabilities	(179)	(141)
Net deferred tax assets	$ 112	$ 173

The change in the net deferred tax assets in 2021 is primarily due to decreases in accrued expenses and an increase in unrealized gains on investment. The change in the net deferred tax assets in 2020 is primarily due to the utilization of AMT credits and funding two postretirement trusts.

Significant components of the provision for income taxes for the years ended December 31, 2021 and 2020, are as follows:

	2021	2020
Current tax expense	$ 64	$ 15
Deferred tax expense	100	177
Total tax expense	$ 164	$ 192

Income taxes were different from the amounts computed by applying the statutory federal income tax rate to income before taxes, as follows:

	2021	2020
Amount at statutory rate (21%)	$112	$177
State income tax	(17)	(13)
833(b) Deduction	(41)	
Loss (income) of tax exempt subsidiary	31	(39)
Health insurer fee		34
Executive compensation limitation	48	17
Permanent items	5	8
Rate differential		(7)
Change in valuation allowance	22	15
Return to provision	(1)	(2)
Other	5	2
Total tax expense	$164	$192

As a Blue Cross Blue Shield organization, the Company is eligible for a Special Deduction under IRC Section 833(b) for claims and claims related administrative expenses. This deduction may be claimed until tax surplus exceeds 25% of annual underwritten claims incurred, liabilities incurred under cost-plus contracts, and related administrative expenses. To qualify for the Special Deduction, on an annual basis, the Company is required to satisfy a tax MLR requirement of at least 85%. The tax MLR calculation follows the MLR rules as prescribed under the ACA in determining premium rebates for commercial insurance contracts.

The Company had historically been subject to AMT since first becoming taxable in 1987 and the AMT had been reflected in its financial statements for federal income tax. Corporate AMT is considered a prepayment of regular federal income tax and generated a tax credit which is carried forward as a credit to offset future regular tax paid. Beginning in 2018 the AMT federal income tax provisions have been repealed. The balance of AMT credit carryforwards have been used to reduce future consolidated federal income tax liabilities and 50% of the remaining carryforward will be refunded for tax returns filed for tax years 2018 through 2021 at which time any remaining AMT tax credits will be fully refundable. The Corporation has recorded a deferred tax asset as of December 31, 2019, of $95. The 2020 Coronavirus Aid, Relief, and Economic Security (CARES) Act accelerated the refund of AMT credits, permitting the Corporation to claim a full refund of the remaining credits. As a result of receiving a full refund during the year, the Corporation has recorded $0 deferred tax asset for AMT credits as of December 31, 2021 and 2020.

The Company's financial results reflect a year-end best estimate for the 2021 tax MLR of 85.35% which is above the 85% threshold required to qualify for the IRC Section 833(b) Special Deduction. The final ratio will not be determined until the MLR filing for commercial rebate purposes is filed with the CMS on July 31, 2022. If the final underwriting results in the CMS submission are approximately $58 higher than current projections, the Company's 2021 Tax MLR would fail the 85% threshold needed to qualify for the Special Deduction. Not qualifying for the Special Deduction would increase 2021 tax expense by approximately $41.

In accordance with ASC 740-10-30, deferred tax assets must be reduced by a valuation allowance if it is more likely than not that some or all of the deferred tax assets will not be realized. Consequently, each reporting period, management considers all existing evidence, in order to determine whether a valuation allowance is required. Items considered include the reversal of deferred tax liabilities, projected future taxable income, and tax-planning strategies in making this assessment.

At December 31, 2021, tax years 2018 through 2021 remain open to examination by the IRS.

The Corporation recognizes accrued interest and penalties related to uncertain income tax positions in federal income tax expense. On examination of all relevant facts and circumstances for the Corporation's tax issues, it was determined that there were uncertain tax positions of $2 as of December 31, 2021 and 2020.

At December 31, 2021 and 2020, the balance of unrecognized tax benefits that, if recognized, would affect our effective tax rate is $2. The Corporation does not believe that it is reasonably possible that this liability balance will significantly increase within the next 12 months.

At December 31, 2021, the Corporation has an unused federal net operating loss carryforward amount of $64 and an unused state net operating loss carryforward amount of $789, which can be used to offset future taxable income. The loss carryforwards begin to expire in 2022.

20. INDUSTRY CONCENTRATION

The Company and BCN conduct business primarily within the State of Michigan. A significant portion of the Corporation's customer base is concentrated in companies that are part of the automobile manufacturing industry. Receivables from the significant customers in this industry are $44 and $73 at December 31, 2021 and 2020, respectively. These receivables primarily represent reimbursable claims and administrative fees for services provided to them as part of their administrative service contract arrangements with the Corporation. Reimbursable claims paid under these arrangements totaled $1,916 and $3,190 for the years ended December 31, 2021 and 2020, respectively. Administrative fee revenue from these customers was $197 for the years ended December 31, 2021 and 2020.

The Corporation held cash advances from these customers of $3 and $13 at December 31, 2021 and 2020, respectively, to partially offset these receivables. Under an administrative service contract arrangement, the group sponsor retains the primary financial responsibility for the underwriting risk of their employees. The Corporation retains an element of credit risk to providers in the event reimbursement is not received from the plan sponsor, accordingly, the Corporation has recorded a liability for IBNR and a related receivable in the amount of $320 and $301 at December 31, 2021 and 2020, respectively.

In addition, the Corporation holds investments in these customers' stock, corporate bonds, and medium-term notes with a total fair value of $80 and $51 at December 31, 2021 and 2020, respectively.

21. OPERATING LEASES

The Corporation leases certain computer equipment and office space under various noncancelable operating leases. Rental expense was $35 and $50 for 2021 and 2020, respectively. At December 31, 2021, future minimum lease payments are as follows:

Years Ending December 31	
2022	$ 35
2023	32
2024	31
2025	28
2026	22
2027 and thereafter	22
Total	$ 170

22. UNCONDITIONAL PURCHASE OBLIGATIONS

The Corporation has entered into certain information technology infrastructure and application development agreements, long-term computer maintenance, license contracts, and building maintenance obligations. Payments recognized under such contracts totaled $103 and $133 for the years ended December 31, 2021 and 2020, respectively.

At December 31, 2021, future payments are as follows:

Years Ending December 31	
2022	$ 111
2023	90
2024	66
2025	40
2026 and thereafter	60
Total	$ 367

23. SOCIAL MISSION OBLIGATION

As part of the Corporation's transition to a mutual insurance company in 2014, the Corporation entered into a Community Health Investment Agreement (CHIA) with the State of Michigan whereby the Corporation committed to use its best efforts to make annual social mission payments to the MHEF for the continued improvement of public health and community health care, including quality, cost, and access for the people of the State of Michigan. Such social mission payments are calculated based on prior fiscal year's consolidated revenues. The Corporation's commitment is to make aggregate payments of up to $1,560 over 18 years and considers these payments to be an ordinary and necessary business expense. Future annual payments are $100 provided revenue levels are met. Payments under the commitment can be made by the Corporation or its subsidiaries. At December 31, 2021 and 2020, the Corporation recorded a liability (included in other liabilities) of $100 and $85, respectively. The Corporation paid $85 in 2021 and 2020, respectively. Through 2021, the Corporation has paid a total of $610 to MHEF related to the agreement.

24. CONTINGENCIES

COVID-19—The Corporation continues to monitor and evaluate the effects of the COVID-19 pandemic from an operational and financial perspective. Uncertainty remains as new variants and outbreaks continue to emerge, in spite of national vaccination efforts and new medical treatments being approved for use.

In 2021, we continued to provide expanded COVID-19 related benefits to our members including diagnostic testing, telemedicine, expanded mental health services and vaccination and booster shots at no cost.

The safety, health and wellbeing of our employees remained a top priority in 2021. Onsite workforce presence was limited to employees performing essential functions, with employees working from home whenever possible. In addition, to comply with the federal mandate that federal contractors be vaccinated, the Corporation instituted a mandatory vaccination requirement in the Fall of 2021.

COVID-19 continues to disrupt the delivery of healthcare resulting in unpredictable payment patterns and uncertainly in the marketplace as deferred care in 2020 and higher utilization associated with COVID-19 testing and treatment led to increased consumer demand in 2021.

The Corporation's financial condition, liquidity and statutory surplus remain strong, and management has plans in place to continue to successfully navigate through this crisis.

Hospital Contracts—A civil lawsuit challenging the use of most favored nations (MFN) clauses in hospital contracts is pending that seeks monetary relief. It is not yet possible to make an assessment regarding probability of an adverse outcome, nor estimate a range of potential loss in this case.

BCBSA Litigation—Numerous antitrust class actions have been filed against BCBSA and every Plan. The cases were originally filed in 2012. The cases were consolidated into two, a provider case and a subscriber case. The cases are currently pending in United States District Court for the Northern District of Alabama. The cases allege that numerous BCBSA rules and/or regulations violate the Sherman Antitrust Act and related state laws. In October 2020, a preliminary settlement was reached in the subscriber matter. BCBSM and BCN have accrued their estimated share of the settlement. Certain entities have opted out of the subscriber settlement and have filed separate legal actions. With respect to the opt-out cases and the provider action, it is not yet possible to make an assessment regarding the probability of an adverse outcome, nor estimate a range of potential loss.

Medicare Advantage Star Rating—The Centers for Medicare & Medicaid Services utilizes a 5-star rating system to measure the overall quality of a Medicare Advantage product offered by a health plan. The categories of measurement include, health of enrolled beneficiaries, medical management, member experience and customer service. Star rankings are awarded on a scale of 1 to 5 with 1 being poor and 5 being excellent. If a Plan achieves a rating of 4 or 5, it is awarded an additional bonus payment of 5 percent which can be used to enhance benefits provided or lower premiums charged to members.

In October 2021, the Company was assigned a star rating of 4.5 which will generate additional Medicare Advantage premium revenues for its 2023 contract year. In 2020, the Company's star rating was down to 3.5 which will reduce its anticipated Medicare Advantage premium revenue in 2022.

Other—The Corporation is a defendant in numerous other lawsuits and involved in other matters arising in the normal course of business primarily related to subscribers' benefits, breach of contracts, provider reimbursement issues, and provider participation arrangements. The Corporation's

management, as of December 31, 2021, estimates that these matters will be resolved without a material adverse effect on the Corporation's future financial position or results of operations.

Where available information indicates that it is probable that a loss has been incurred as of the date of the consolidated financial statements and the amount of the loss can be reasonably estimated, the Corporation will accrue the estimated loss. As of December 31, 2021, and 2020, the Corporation recorded in other liabilities $115 and $159, respectively, for all probable and reasonably estimable losses.

The consolidated statements of operations for the years ended 2021 and 2020 include $12 and $4, respectively, related to legal losses and settlements.

25. RELATED-PARTY TRANSACTIONS

As discussed in Note 11, the Corporation holds a minority equity interest in BMH. In addition to the equity interest, the Corporation also has service contracts with BMH.

BMH, through its subsidiaries, provides health care solutions and services in the Medicaid marketplace. During 2021 and 2020, the Corporation incurred $181 and $146, respectively, for administrative service fees paid to BMH.

Prior to November 30, 2021, the Corporation held a minority equity interest in NASCO. Refer to Note 3 regarding this business combination.

NASCO provides Blues plans with the ability to support national accounts' benefit administration in a centralized, uniform manner. There is a significant volume of related-party and intercompany transactions between the Corporation and NASCO and a high degree of technological dependency between the two organizations. NASCO's strategic value to the Corporation is significant as the Corporation's primary claim systems were developed utilizing the NASCO platform. As such, the Corporation's operating expense includes charges for system fee payments to NASCO. Reimbursements received under administrative service contract group arrangements are recorded as a recovery of the fee through operating expense.

Prior to the Corporation becoming the sole owner of NASCO in November 2021 the Corporation recorded $56 in fees paid to NASCO for claims processing. During 2020, the Corporation recorded $65 for the year ended in fees paid to NASCO.

26. GUARANTEES

BMH—As a 38.74% equity owner in BMH, the Company has agreed to guarantee its proportionate share of a line of credit loan outstanding with PNC Bank, National Association, administrative agent for lenders. The line of credit was amended and restated on May 5, 2021, and provides for borrowing up to $1,000 and is for a 364-day term. BMH has an option to request up to an additional $250 in credit; however, the Lenders have no obligation to facilitate the request. The outstanding LOC debt balance with PNC Bank was $0 as of December 31, 2021 and 2020.

Covantage—In accordance with the BCBSA guidelines, the Company guarantees to the full extent of its assets, its proportional share of the contractual and financial obligations of NextBlue of North Dakota Insurance Company, Vermont Blue Advantage Inc. and Wellmark Advantage Health Plan, Inc. to its customers.

27. STATUTORY POLICYHOLDERS' RESERVES

The Company must maintain adequate statutory surplus to comply with Section 403 of the Michigan Insurance Code, which requires authorized insurers to be safe, reliable, and entitled to public confidence. As set forth in Section 500.410, the Commissioner is authorized to take into account the National Association of Insurance Commissioners Risk-Based Capital (RBC) requirements when evaluating if an insurer is in compliance with the "safe and reliable" requirement of Section 403.

At December 31, 2021, the Company's policyholders' reserves are in compliance with the requirements set forth in the Michigan Insurance Code. At December 31, 2021 and 2020, the Company's statutory surplus was $6,596 and $6,039, respectively.

BCN's Articles of Incorporation state that no dividends shall be directly paid on any shares nor shall the shareholder be entitled to any portion of the earnings derived through increment of value upon its property or otherwise incidentally made. BCN's statutory capital and surplus as of December 31, 2021 and 2020, is $1,791 and $1,909, respectively. BCN is required by the Department of Insurance and Financial Services (DIFS) to comply with certain RBC requirements. At December 31, 2021 and 2020, BCN was in compliance with the RBC requirement.

Accident Fund, LifeSecure and BCC are subject to state regulatory restrictions that limit the maximum amount of annual dividends or other distributions, including loans or cash advances, available to the parent without prior approval of DIFS. As of December 31, 2021, the maximum amount of dividends and other distributions that may be made by Accident Fund and BCC during 2021 without prior approval is $161 and $11, respectively. LifeSecure is currently in a cumulative statutory net loss position and would be unable to pay dividends based on the above criteria.

Covantage joint ventures are also subject to state regulatory restrictions that limit the maximum amount of annual dividends, or other distributions, without prior approval of their respective state insurance commissioners. All joint ventures are currently in cumulative statutory net loss positions and would be unable to pay dividends based on their respective states' dividend restriction criteria.

At December 31, 2021, $911 of cash and $6,265 of investments are held at the Corporation's subsidiaries, which are subject to the aforementioned dividend limitations.

Accident Fund's statutory capital and surplus as of December 31, 2021 and 2020, is $1,368 and $1,213, respectively. Accident Fund is required by DIFS to comply with certain RBC requirements. At December 31, 2021 and 2020, Accident Fund was in compliance with the RBC requirement.

LifeSecure is required by DIFS to maintain minimum capital and surplus of $7.5. In addition, the LifeSecure must maintain capital and surplus sufficient to achieve a RBC level of at least 300% of the authorized control level in accordance with licensing requirements of various states in which it does business. The State of Florida requires minimum capital equal to the sum of 4% of the total liabilities and 6% of the health liabilities. LifeSecure's statutory capital and surplus as of December 31, 2021 and 2020, is $55 and $53, respectively.

BCC's statutory capital and surplus as of December 31, 2021 and 2020, is $152 and $134, respectively. BCC is required to maintain statutory surplus in excess of: (i) the minimum surplus level as defined by DIFS and (ii) a risk-based capital ratio of at least 200%. At December 31, 2021, BCC was in compliance with the surplus and RBC requirements.

Pursuant to Michigan Insurance Code, WSIC is required to maintain a minimum of unimpaired capital and surplus of $0.2. As a pure captive insurance company, WSIC is not subject to RBC requirements typical of traditional insurance companies. WSIC reported $96 and $101 capital and surplus at December 31, 2021 and 2020, respectively.

28. ACCUMULATED OTHER COMPREHENSIVE LOSS

The accumulated other comprehensive loss, net of tax, at December 31, 2021 and 2020, consists of the following:

	2021	2020
Unrealized gains on available-for-sale securities	$ 166	$ 371
Unrecognized pension and postretirement liabilities	(404)	(464)
Other comprehensive loss attributable to joint ventures	(11)	(21)
Total other comprehensive loss attributable to the Corporation	(249)	(114)
Unrealized gains on available-for-sale securities attributable to noncontrolling interest	12	16
Total accumulated other comprehensive loss	$(237)	$ (98)

29. STATUTORY-BASIS ACCOUNTING INFORMATION

Statutory-basis consolidated financial statements are filed with DIFS and are prepared in accordance with statutory accounting principles (SAP) prescribed or permitted by DIFS, which is a basis of accounting that differs from US GAAP. A reconciliation of US GAAP net income to statutory-basis net income at December 31, 2021 and 2020, is as follows:

	2021	2020
US GAAP addition to policyholders' reserves in the accompanying statements	$ 369	$ 652
Less income attributable to noncontrolling interest	(9)	(6)
Add (deduct) adjustments in accordance with SAP:		
Premium deficiency reserve expense	7	(7)
Social mission accrual reversal due to permitted practice	15	
(Loss) gain difference due to prior period impairment of securities	42	(38)
Pension and postretirement expense	5	3
Affiliates' earnings net of dividends to parent	101	(255)
Changes in unrealized gain (loss) for trading securities	44	(78)
Fair value adjustments of other invested assets	(376)	(122)
Deferred tax benefit (expense) recorded in SAP subscribers' reserve	104	166
Statutory-basis net gain as prescribed by DIFS	$ 302	$ 315

A reconciliation of the Corporation's US GAAP policyholders' reserves to SAP surplus is shown below for December 31, 2021 and 2020, respectively:

	2021	2020
US GAAP policyholders' reserves	$ 7,797	$ 7,561
Add (deduct):		
Bonds and preferred stocks	(68)	(145)
Investment in subsidiaries	(691)	(905)
Furniture, equipment, and automobiles	(15)	(15)
Capitalized software	(120)	(134)
Premium and other receivables	(101)	(50)
Deferred tax assets	8	(97)
Prepaid expenses and other assets	(196)	(151)
Premium deficiency reserve adjustment—net of tax		(6)
Social mission obligation—net of tax	79	67
Noncontrolling interest	(97)	(86)
Subtotal	(1,201)	(1,522)
SAP surplus as prescribed by DIFS	$ 6,596	$ 6,039

30. INSURANCE RELATED ASSESSMENTS

The Corporation is subject to guaranty fund assessments by various state guaranty associations. Assessments are levied on insurance companies to ensure policyholder obligations of insolvent insurance companies are paid. In some states, these assessments may be entitled to partial or full recoveries through a reduction in future premium taxes.

Liabilities and anticipated payment schedules for guaranty fund and other insurance-related assessments recorded as of December 31, 2021 and 2020, are as follows:

	2021	2020
Payable in one year or less	$23	$28
Payable after one year through five years	2	2
Payable after five years through 10 years		
Payable after 10 years		
Total insurance-related assessments	$25	$30

Guaranty fund assessment expense was $1 and $1 in 2021 and 2020, respectively.

31. SUBSEQUENT EVENTS

Management has evaluated all events subsequent to the consolidated balance sheet date of December 31, 2021, through March 30, 2022, the date these consolidated financial statements were available to be issued, and has determined that there are no events that require disclosure under FASB ASC 855, Subsequent Events, except the following:

In January of 2022, a financial settlement was reached in favor of the pension trusts of the Company and its NASCO subsidiary. The recovery will be reflected in the Corporation's 2022 financial statements after the 2022 pension re-measurement. The settlement will result in certain purchase price adjustments related to the NASCO acquisition.

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