KPMG

BLUE CROSS AND BLUE SHIELD OF VERMONT

Statutory Financial Statements

December 31, 2019 and 2018

(With Independent Auditors' Report Thereon)

KPMG LLP
One Park Place
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Independent Auditors' Report

The Board of Directors
Blue Cross and Blue Shield of Vermont:

Report on the Financial Statements

We have audited the accompanying financial statements of Blue Cross and Blue Shield of Vermont (the Plan), which comprise the statutory statements of admitted assets, liabilities, and surplus as of December31, 2019 and 2018, and the related statutory statements of operations and changes in surplus, and cash flows for the years then ended, and the related notes to the statutory financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with statutory accounting practices prescribed or permitted by the Vermont Department of Financial Regulation. Management is also responsible 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.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles

As described in note 2 to the financial statements, the financial statements are prepared by the Plan using statutory accounting practices prescribed or permitted by the Vermont Department of Financial Regulation, which is a basis of accounting other than U.S. generally accepted accounting principles. Accordingly, the financial statements are not intended to be presented in accordance with U.S. generally accepted accounting principles.

The effects on the financial statements of the variances between the statutory accounting practices and U.S. generally accepted accounting principles also are described in note 3.

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the variances between statutory accounting practices and U.S. generally accepted accounting principles discussed in the Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles paragraph, the financial statements referred to above do not present fairly, in accordance with U.S. generally accepted accounting principles, the financial position of the Plan as of December 31, 2019 and 2018, or the results of its operations or its cash flows for the years then ended.

Opinion on Statutory Basis of Accounting

In our opinion, the financial statements referred to above present fairly, in all material respects, the admitted assets, liabilities, and surplus of the Plan as of December 31, 2019 and 2018, and the results of its operations and its cash flows for the years then ended, in accordance with statutory accounting practices prescribed or permitted by the Vermont Department of Financial Regulation described in note 2.

Emphasis of Matter

As discussed in note 2(a) to the financial statements, the Plan received permission from the Vermont Department of Financial Regulation to nonadmit its deferred tax asset balance related to alternative minimum tax credits. Under prescribed statutory accounting practices, deferred income taxes would be recorded as an admitted asset and impact statutory capital and surplus. As of December 31, 2019 and 2018, the permitted accounting practice decreased statutory surplus by $17.8 and $16.3 million, respectively.

Other Matter

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The supplementary information included in the Supplemental Investment Risks Interrogatories Schedule and the Supplemental Summary of Investment Schedule is presented for purposes of additional analysis and is not a required part of the financial statements but is supplementary information required by the Vermont Department of Financial Regulation. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audits of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

KPMG LLP

April 16, 2020

Vt. Reg. No. 92-0000241

BLUE CROSS AND BLUE SHIELD OF VERMONT

Statutory Statements of Admitted Assets, Liabilities, and Surplus

December 31, 2019 and 2018

Admitted Assets		2019	2018
Cash and invested assets:			
Bonds	$	60,396,228	81,335,995
Equity securities		4,993,815	11,143,228
Investment in affiliates		77,709,966	70,693,798
Property occupied by the company		7,281,106	7,817,543
Cash, cash equivalents and short-term investments		30,803,916	18,004,909
Total cash and invested assets		181,185,031	188,995,473
Investment income due and accrued		472,954	662,441
Premiums and considerations:			
Uncollected premiums		7,915,337	1,998,720
Contracts subject to redetermination		33,738,621	23,299,710
Recoverable from reinsurers		1,784,642	799,740
Receivables relating to uninsured plans		37,904,430	22,864,252
Current federal income taxes recoverable		1,174,777	404,228
Electronic data processing equipment		1,140,542	1,419,629
Due from parent, subsidiaries and affiliates		4,046,809	3,699,045
Health care and other receivables		25,217,523	13,437,403
Total admitted assets	$	294,580,666	257,580,641
Liabilities and Surplus			
Liabilities:			
Liability for unpaid claims	$	38,446,756	31,694,833
Unpaid claim adjustment expenses		1,675,000	1,475,000
Aggregate health policy reserves:			
Premium deficiency reserve		4,407,000	—
Reserve for experience rating refunds and contracts subject to redetermination		16,256,347	16,824,695
Premiums received in advance		17,751,708	20,626,454
General expenses due or accrued		40,303,812	22,611,951
Ceded reinsurance premiums payable		465,713	495,255
Amounts withheld or retained for the account of others		207,643	221,083
Remittances and items not allocated		1,862,504	3,368,258
Borrowed money and interest thereon		5,000,000	10,000,000
Liability for amounts held under uninsured plans		28,376,777	29,820,345
Other liabilities		6,300,655	10,287,939
Total liabilities		161,053,915	147,425,813
Surplus:			
Accumulated surplus		133,526,751	110,154,828
Total surplus		133,526,751	110,154,828
Total liabilities and surplus	$	294,580,666	257,580,641

See accompanying notes to statutory financial statements.

BLUE CROSS AND BLUE SHIELD OF VERMONT

Statutory Statements of Operations and Changes in Surplus

Years ended December 31, 2019 and 2018

	2019	2018
Subscription income	$ 537,658,660	517,449,153
Losses and expenses:		
Claims incurred	496,932,490	477,651,735
Operating expenses incurred	50,147,538	57,205,968
Increase (decrease) in premium deficiency reserve	4,407,000	(1,916,000)
Total losses and expenses	551,487,028	532,941,703
Operating loss	(13,828,368)	(15,492,550)
Investment income, net	3,595,804	4,157,827
Realized capital gains, net	2,296,656	1,845,467
Other income	2,623,044	1,886,794
Net loss before federal income tax	(5,312,864)	(7,602,462)
Federal income tax benefit	(18,715,955)	(932,086)
Net income (loss)	13,403,091	(6,670,376)
Surplus, beginning of year	110,154,828	134,053,991
Change in deferred tax asset (net of liabilities)	(17,802,263)	1,269,878
Net unrealized loss on equity investments, net of tax	(547,239)	(2,879,206)
Net unrealized gain (loss) on investments in subsidiaries	5,309,168	(943,620)
Change in pension and postretirement benefit obligations	3,251,428	(4,829,379)
Net decrease (increase) in nonadmitted assets	19,757,738	(9,846,460)
Surplus, end of year	$ 133,526,751	110,154,828

See accompanying notes to statutory financial statements.

BLUE CROSS AND BLUE SHIELD OF VERMONT

Statutory Statements of Cash Flows

Years ended December 31, 2019 and 2018

		2019	2018
Cash provided by (used in) operations:			
Premiums collected net of reinsurance	$	525,140,081	504,123,777
Net investment income		4,528,675	5,072,043
Benefit and loss related payments		(495,572,469)	(480,192,425)
Commissions and expenses paid		(46,116,379)	(57,448,332)
Federal income taxes recovered		17,945,406	4,193,354
Net cash provided by (used in) operations		5,925,314	(24,251,583)
Cash provided by (used in) investing activities:			
Proceeds from investments sold, matured or repaid		44,165,030	60,536,423
Cost of investments acquired		(17,418,884)	(28,666,731)
Net cash provided by investing activities		26,746,146	31,869,692
Cash (used in) provided by financing and miscellaneous sources:			
Borrowed funds		(5,000,000)	5,000,000
Electronic data processing equipment and software purchases		(128,884)	(9,369,711)
Healthcare and other receivables		(13,456,921)	1,708,058
Other cash applied		(1,286,648)	(1,242,047)
Net cash used in financing and miscellaneous sources		(19,872,453)	(3,903,700)
Net change in cash, cash equivalents and short-term investments		12,799,007	3,714,409
Cash, cash equivalents and short-term investments, beginning of year		18,004,909	14,290,500
Cash, cash equivalents and short-term investments, end of year	$	30,803,916	18,004,909

See accompanying notes to statutory financial statements.

(1) Nature of Business

Blue Cross and Blue Shield of Vermont (BCBSVT or the Plan) was founded in 1944 as part of Blue Cross and Blue Shield of Vermont and New Hampshire. In 1981, the Vermont Plan formally separated its financial records and certain administrative functions from New Hampshire under orders from Vermont's Commissioner of Banking and Insurance. In 1988-1989, BCBSVT established full and independent administrative operations in Berlin, Vermont. BCBSVT is incorporated as a not-for-profit hospital/medical service corporation in the state of Vermont and is a member of the Blue Cross and Blue Shield Association (BCBSA). The Plan is subject to regulation by Vermont's Department of Financial Regulation (DFR), as well as by the Green Mountain Care Board (GMCB), which regulates all Vermont health insurance premium rates and hospital budgets.

BCBSVT is organized for the purpose of establishing, maintaining and operating a nonprofit hospital and medical service company to provide hospitalization, medical, and other health benefits to members through contracts with hospitals, participating physicians, skilled nursing homes and other health care organizations including physician/hospital organizations. The Plan offers a variety of group indemnity plans, health maintenance organizations, preferred provider networks, Medicare supplemental, and other benefit coverage to its members on both an insured and self-funded basis. The Plan also offers Qualified Health Plan (QHP) products to individual and small group customers. Individual customers have the option to purchase these products through Vermont Health Connect (VHC), Vermont's state-based health care exchange, or directly through BCBSVT. All small group customers must purchase QHP products directly through BCBSVT.

The Plan delivers its health maintenance organization (HMO) products through The Vermont Health Plan, LLC (TVHP). TVHP was licensed and approved to operate as an HMO in Vermont in December of 1996. BCBSVT also delivers administrative-service-only products and flexible benefit services through its third-party administrator, Comprehensive Benefits Administrator, Inc. (CBA).

(2) Summary of Significant Accounting Policies

(a) Basis of Presentation

The accompanying financial statements have been prepared in conformity with statutory accounting practices (SAP) prescribed or permitted by the DFR. SAP is a comprehensive basis of accounting other than U.S. generally accepted accounting principles (GAAP).

The following is a summary of the material differences from GAAP:

- Majority owned subsidiaries are not consolidated under SAP.
- Adjustments reflecting the equity in earnings of affiliated companies are carried to the surplus account as net unrealized capital gains or losses under SAP, but recorded to income for GAAP.
- Assets must be included in the statutory statements of admitted assets, liabilities and surplus at "admitted asset value" and "nonadmitted assets" are excluded through a charge against surplus under SAP. Nonadmitted assets include prepaid amounts, travel advances, furniture, fixtures, vehicles, computer software, receivables greater than ninety days past due, and certain deferred tax assets.
- Under SAP, amounts billed in advance are not recorded as receivable until earned. Amounts collected in advance are recorded as premiums received in advance.

- Fixed maturity securities are generally carried at amortized cost under SAP.
- The effects of changes in deferred tax assets and liabilities are recorded through surplus under SAP. Deferred tax assets are subject to a test of admissibility under SAP.
- As part of the admissibility test required under SSAP 101, *Income Taxes*, BCBSVT nonadmitted $0 and $19,479,104 of its deferred tax asset balance of $17,792,521 and $35,789,384 in 2019 and 2018, respectively. In addition, during 2017, BCBSVT received approval of a permitted practice by the DFR to nonadmit its remaining deferred tax asset balance of $17,792,521 and $16,310,280 in 2019 and 2018, respectively. BCBSVT's deferred tax asset balance relates to alternative minimum tax credits (AMT). As part of the DFR's approved permitted practice, BCBSVT is allowed to record no impact to its statutory capital and surplus as a result of the accounting for AMT credits, until such time as any amount of the AMT credit balance is used to offset subsidiary federal income tax obligations or is refunded to BCBSVT in cash by the IRS. Under this approved accounting treatment, only the amount utilized for offset or received in cash during the calendar year will be recorded to capital and surplus in that year's statutory financials statements. During 2019, BCBSVT received a payment of $17,894,693 from the IRS, which represents approximately one half of its original AMT credit of $35,789,384. BCBSVT is also utilizing $102,170 to offset the group's current tax liability generated in 2019. As a result, BCBSVT's remaining AMT credit balance of $17,792,521 is fully nonadmitted as part of the admissibility test, with no additional portion required to be non-admitted in conjunction with the permitted practice.
- Under SAP, claim payments made on behalf of self-funded (ASC and ASO) groups are not included in subscription revenue or claims expense; administrative fees received from ASC and ASO groups are recorded as an offset to administrative expense.
- The statutory statement of cash flows does not classify cash flows consistent with GAAP and a reconciliation of net earnings to net cash provided by operating activities is not provided.
- Changes to allowances for doubtful accounts are reported as an increase or decrease to net income for GAAP, but do not impact SAP results.

The differences between SAP and GAAP are further described in note 3.

(b) Use of Estimates

The preparation of statutory financial statements in conformity with NAIC SAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the statutory financial statements and the reported amounts of revenues and expenses during the reporting period. The significant items subject to such estimates and assumptions include the assessment of other than temporary impairment of investments; the estimate of the liability for unpaid claim and claim adjustment expenses; premium deficiency reserves (PDR); assets and liabilities related to the Patient Protection and Affordable Care Act (ACA) Risk Adjustment program; and assets and liabilities related to employee benefit plans. Actual results could differ from those estimates.

(c) Cash, Cash Equivalents and Short-Term Investments

Cash and cash equivalents include cash on deposit, money market accounts, and other income producing securities with a maturity of three months or less when purchased. The Plan maintains a sweep account at People's United Bank. The bank is authorized to transfer funds from the Plan's short-term investments to cover checks as presented.

Short-term investments include investments with maturities of less than one year at the date of acquisition and are carried at cost that approximates fair value.

(d) Investments

Investments are recorded in the statutory financial statements at admitted asset values, as prescribed by the National Association of Insurance Commissioners' (NAIC) valuation procedures. Bonds are generally carried at amortized cost. Bond premiums and discounts are amortized or accreted on the scientific method over the life of the bond and are included in investment income. The Plan uses the prospective method to calculate amortization for mortgage backed securities and collateralized mortgage obligation investments. Common stocks, other than common stock of affiliates, are carried at fair value.

Dividends and interest are recorded in net investment income when earned. Realized gains and losses on investments are determined by the specific identification method and are included in income. Unrealized gains or losses on common stocks, net of applicable income taxes, are recorded directly in surplus.

A decline in the market value of any security except for mortgage backed securities and collateralized mortgage obligation investments below cost that is deemed to be other than temporary results in a reduction in carrying amount to fair value. The impairment is charged to earnings and a new cost basis for the security is established.

In accordance with Statements of Statutory Accounting Principles (SSAP) No. 43R, *Loan-Backed and Structured Securities*, which requires that for loan-backed and structured securities that have a fair value less than amortized cost and the Plan has either (1) the intent to sell or (2) does not have the intent and ability to hold the security until recovery of its carrying value, the Plan must impair the security to fair value and record an other-than-temporary impairment as a net realized capital loss. For securities where the Plan does not expect to recover the amortized cost, but has the intent and ability to hold the security to recovery, the Plan recognizes an other-than-temporary impairment for the credit related decline in value.

(e) Investment in Affiliates

Catamount Insurance Services, Inc. (CIS), a wholly owned subsidiary of the Plan, serves as the holding company for the Plan's investments in noninsurance affiliates. CBA, a wholly owned subsidiary of CIS, is a Vermont based third party administrator, which administers employer benefit plans on a fee basis.

In 2009, CBA established a limited liability company, Cobalt Benefits Group, LLC (Cobalt), and transferred substantially all of its assets and liabilities to Cobalt per the terms of a Contribution Agreement between the two parties. On December 15, 2009, BCBSVT entered into a Joint Ownership Agreement with Blue Cross and Blue Shield of Massachusetts (BCBSMA) whereby BCBSMA purchased 50% of the membership interest in Cobalt from CBA.

At December 31, 2019 and 2018, the Plan reported $546,708 and $238,537, respectively, as amounts due from CBA. The Plan settles the balances due from CBA on a monthly basis. CBA paid the Plan management and administrative fees totaling $3,597,880 and $3,206,211 during 2019 and 2018, respectively.

In 2012, the Plan entered into an agreement with the Brattleboro Retreat (the Retreat) to form a limited liability company, Vermont Collaborative Care, LLC (VCC), of which each party owns 50%. VCC commenced operations on July 1, 2013. VCC delivers benefit management, care management and care improvement services, combining expertise in behavioral and physical health. VCC provides these services to health plans who offer managed behavioral and physical health benefits to their subscribers. VCC contracts with the Retreat for behavioral health care management clinical services and with the Plan for physical health care management services. The Retreat and the Plan perform various other operating and administrative functions on behalf of VCC and are reimbursed by VCC for the cost of their respective services.

The Plan reported $69,797 and $100,390 as amounts due from VCC at December 31, 2019 and 2018, respectively. The Plan settles the balances due from VCC on a monthly basis. VCC paid the Plan management and administrative fees totaling $761,462 and $897,418 during 2019 and 2018, respectively.

In September 2016, the Plan established Health and Wellness Partners, Incorporated Cell (HWP) as an incorporated protected cell company within BCS Re Inc., a Vermont licensed sponsored captive insurance company. HWP was formed by the Plan to reinsure certain medical stop loss risks of the Plan, which provides this coverage for its customers as a group rather than the current partially self-funded or fully insured arrangements. HWP commenced operations on December 1, 2016. The Plan and Strategic Risk Solutions (Vermont) LTD perform various operating and administrative functions on behalf of HWP, and are reimbursed by HWP for the cost of these services.

The Plan provides certain management and administrative services to HWP in exchange for a monthly administrative fee. Management and administrative fees paid to the Plan by HWP totaled $69,703 and $62,740 in 2019 and 2018, respectively. At December 31, 2019 and 2018, the amount due to the Plan from HWP for administrative fees was $7,328 and $5,477, respectively, and is recorded as due from parent, subsidiaries, and affiliates.

TVHP is also a wholly owned subsidiary of the Plan. The Plan provides certain management and administrative services to TVHP in exchange for a monthly administrative fee. Management and administrative fees paid to the Plan by TVHP totaled $5,363,493 and $5,061,630 in 2019 and 2018, respectively. In addition, the Plan pays claims on behalf of TVHP. At December 31, 2019 and 2018, the amount due to the Plan from TVHP for administrative fees and claims reimbursement was $3,008,346 and $2,849,396, respectively, and is recorded as due from parent, subsidiaries, and affiliates.

The carrying amount of the investment in CIS was $42,459,068 and $37,523,700 at December 31, 2019 and 2018, respectively, the carrying amount of the investment in TVHP was $31,265,521 and $31,776,696 at December 31, 2019 and 2018, respectively, and the carrying amount of the investment in HWP was $3,985,377 and $1,393,402 at December 31, 2019 and 2018, respectively.

The combined financial information for CIS, TVHP and HWP as of and for the years endedDecember 31, 2019 and 2018 is as follows:

		2019	2018
Financial position:			
Current assets	$	80,666,837	72,555,842
Other assets		12,709,773	12,545,135
Total assets	$	93,376,610	85,100,977
Current liabilities	$	13,437,665	12,931,179
Other liabilities		2,228,979	1,476,000
Total liabilities		15,666,644	14,407,179
Accumulated surplus		77,709,966	70,693,798
Total surplus		77,709,966	70,693,798
Total liabilities and surplus	$	93,376,610	85,100,977
Results from operations:			
Premium and admin/access fee revenue	$	49,037,947	47,837,896
Operating loss		(176,093)	(1,163,447)
Net income		5,814,959	1,639,965

(f) Formulary Rebates

BCBSVT's pharmacy benefit manager (PBM) contracts with pharmaceutical manufacturers, some of whom provide rebates based on the use of the manufacturers products by the PBM for BCBSVTs insured and self-funded customers. BCBSVT accrues the rebates receivable monthly based on the terms of the applicable contracts. The PBM bills these rebates to the manufacturer and BCBSVT is reimbursed on a quarterly basis.

BCBSVT records rebates attributable to insured customers as an accrual to health care and other receivables, with an offsetting reduction to claims expense. The rebates attributable to self-funded customers are accrued as receivables relating to uninsured plans, with a corresponding payable to liability for amounts held under uninsured plans, in accordance with their contracts. The formularyrebate receivable was $17,554,210 and $14,432,260 as of December 31, 2019 and 2018, respectively. The rebate portion of the liability due to uninsured plans was $8,256,174 and $8,583,740 as of December 31, 2019 and 2018, respectively.

(g) Property Occupied by the Plan, Net of Encumbrances

Land and building are recorded at cost. Building is depreciated to its estimated salvage value using the straight-line method over the estimated useful lives of the assets. The estimated useful lives of the Plan's land and building assets are as follows:

Home office	40 years
Building improvements	20 years
Land improvements	15 years

(h) Electronic Data Processing Equipment

Data processing equipment is stated at cost, less accumulated depreciation of $11,713,249 and $10,931,920 at December 31, 2019 and 2018, respectively. Depreciation on data processing equipment is computed using the straight-line method over the estimated useful lives of the assets. The estimated useful life of data processing equipment is three to seven (3-7) years.

(i) Medical Costs Recognition

The Plan enters into contractual agreements with various healthcare providers to provide certain medical services to its members. Compensation arrangements vary by provider. The cost of healthcare services is accrued in the period in which services are provided to members.

The liabilities for unpaid claims and unpaid claim adjustment expenses are actuarially computed estimates of the ultimate cost of reported but unpaid and unreported claims incurred through December 31 based on historical claims experience modified for changes in enrollment, cost and utilization trends. These liabilities are necessarily subject to the impact of changes in claim severity and frequency, as well as numerous other factors. Management believes that the liabilities are adequate, but the ultimate net cost of settling these liabilities may vary from the estimated amounts. Accordingly, these estimates are continually reviewed and, as adjustments become necessary, they are reflected in current operations.

When necessary, the Plan provides for the estimated PDR liability for net future contract benefits based on the excess of estimated contract benefits over income to be earned during the remainder of the contract period. The Plan considers investment income in estimating this liability. The Plan recorded a liability of $4,407,000 and $0 as of December 31, 2019 and 2018, respectively. Included as part of this liability in 2019 is a reserve of $2,417,000 related to insufficient self-insured administrative fees.

(j) Subscription and Administrative Fee Income

The Plan receives subscription income from insured business and administrative fees from self-funded accounts. Subscription income is generally billed monthly in advance of the coverage period and is recognized as revenue in the month that coverage is effective. Subscription income billed in advance of the coverage period, and not collected, is not recorded as subscription receivable until the policy period begins. Subscription income billed and collected in advance of the coverage period is recorded as a liability for premiums received in advance. Unearned income is only recorded if subscription income billing is done more than 30 days in advance of the coverage period. Administrative fee income is billed and collected in the month the services are rendered and is recorded as a reduction to administrative expenses.

(k) Claim Costs for Self-Funded Accounts

Self-funded accounts are billed weekly or monthly for actual medical claims plus a monthly administrative fee. Deposits received from self-funded accounts are reported as a liability for amounts held under uninsured plans on the statements of admitted assets, liabilities, and surplus.

(l) Reinsurance

The Plan has reinsurance coverage to limit its losses on individual claims. Ceded reinsurance premiums are recognized over the policy period. Losses recoverable under these policies are deducted from claims incurred. The Plan is liable for amounts recoverable from reinsurers in the event that the reinsurers do not meet their contractual obligations.

(m) ACA Programs and Fees

The ACA imposes fees and premium stabilization provisions on health insurance issuers offering commercial health insurance. The ACA includes three programs which took effect on January 1, 2014 and are intended to protect consumers and stabilize premiums during the first few years of the law's implementation. Two of these programs were temporary (Reinsurance and Risk Corridors), and helped provide for a smooth transition to the new marketplace over three years. The Risk Adjustment program is intended to protect against "adverse selection" in the reformed marketplace. Collectively, these programs are known as the 3Rs.

The Reinsurance program provided for partial reimbursement of certain high cost claims for nongrandfathered individual members, beginning in 2014 and ending in 2016. As described in note 2(i) above, certain amounts were recorded in 2016 as expected claims reimbursements under this program. Regulations provided that claims for 2016 were submitted beginning in 2016 and continued through April 2017. As of December 31, 2019 and 2018, respectively, the Plan recorded $0 and $50,513 for estimated recoveries from the Reinsurance program.

The Risk Adjustment program is permanent, and provides for retrospective adjustment of revenue for nongrandfathered individual and small group market plans, whether inside or outside ACA exchanges. All participating insurers are required to submit data on risk indicators for these populations by April following the data year, and are subsequently notified of any revenue adjustments related to business written in the data year. The Risk Adjustment program is designed such that payments to plans with higher relative risk are funded by transfers from plans with lower relative risk. The Plan recorded $17,482,273 and $6,475,015 for estimated recoveries in 2019 and 2018, respectively, related to the Risk Adjustment program. Included as part of the estimated recoveries in 2019 is an assessment for the Plan's share of the million dollar high claims risk pool established by Health and Human Services related to individual, catastrophic and merged markets.

The Plan also recorded $78,128 and $91,216 for estimated user fees payable related to the Risk Adjustment program as of December 31, 2019 and 2018, respectively. The Plan also recorded premium revenue of $26,372,029 and of $12,569,385 and user fee expense of $68,965 and $83,659 for the years ended December 31, 2019 and 2018, respectively, related to this program.

The Risk Corridors program was temporary and involved the years 2014 through 2016. This program provided for gains on the individual and small group market plans to be shared with HHS. The Risk Corridors program calculation was submitted to HHS in conjunction with the Medical Loss Ratio filing as required by the ACA. Revenues and claims expense adjustments relating to the Risk Adjustment program and the Reinsurance program are necessary to perform this calculation. The Plan did not record any revenue adjustments as of December 31, 2019 and 2018, respectively, related to the Risk Corridors program.

BCBSVT is subject to an annual fee under Section 9010 of the ACA. This annual fee is 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 U.S. health risk that is written during the preceding calendar year. A health insurance entity's portion of the annual fee becomes payable once the entity provides health insurance for any U.S. health risk for each calendar year beginning on or after January 1 of the year the fee is due. As of December 31, 2019, BCBSVT has written health insurance subject to the ACA assessment, expects to conduct health insurance business in 2020, and estimates its portion of the annual health insurance industry fee payable on September 30, 2020 to be $10,062,184 due to the reinstatement of this fee.

Description	Current year	Prior year
A. ACA fee assessment payable for the upcoming year	$ 10,062,184	—
B. ACA fee assessment paid	—	11,123,112
C. Premium written subject to ACA 9010 assessment	545,773,045	512,354,067
D. Total adjusted capital before surplus adjustment	133,526,751	110,154,828
E. Total adjusted capital after surplus adjustment	123,464,567	110,154,828
F. Authorized control level	23,561,223	22,249,471
G. Would reporting the ACA assessment as of December 31, 2019 have triggered an RBC action level (YES/NO)?		NO

(n) Pension Plans and Other Postretirement Benefits

BCBSVT participates in a nationally sponsored, noncontributory, defined benefit plan covering employees meeting certain age and service requirements. Benefits are based upon years of service and the employee's compensation during the last five years of employment. Pension fund assets are part of the Blue Cross Blue Shield National Retirement Trust, which invests in a variety of equity and fixed income securities. The pension plan administrator utilizes the "Projected Unit Credit" actuarial cost method to determine pension costs and the present value of accumulated plan benefits.

A 401(k) voluntary defined contribution plan is available to full-time employees meeting certain requirements. Under the terms of the 401(k) plan, the Plan will match 60% of an employee's contribution up to the first 6% of the individual employee's salary, as limited by federal law.

Expenses incurred for the retirement programs described above amounted to $3,422,992 and $2,383,389 in 2019 and 2018, respectively. The cost of these benefits is reflected in current operations on an incurred basis.

In addition to pension benefits, the Plan provides certain postretirement healthcare and life insurance benefits for retired employees. Employees may become eligible for these benefits if they attained age 55 and 15 years of service with the Plan. For medical coverage, these requirements must have been met by December 31, 1998.

(o) Income Taxes

Income taxes are accounted for under the asset and liability method. Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. Under this method, the effect on deferred tax assets and liabilities of a change in tax rates is recognized in surplus in the period that includes the enactment date.

In addition, the Plan must determine the admissibility of deferred tax assets in accordance with statutory accounting practices.

On December 22, 2017, the Tax Cuts and Jobs Act (the Act) was enacted into law, reducing the top Federal tax rate from 35% to 21% and repealing the Alternative Minimum Tax (AMT), effective for taxable years after December 31, 2017. The Plan had $35,789,384 of accumulated AMT Credits that became refundable beginning in 2019 in a phased refund approach outlined by the IRS. During 2019, the Plan received a payment of $17,894,693, which represents approximately one half of the original AMT credit. The Plan has received a permitted practice from the DFR to record the balance of the AMT credit as a non-admitted asset until such time as the AMT credit is actually received. For the year ended December 31, 2019 and 2018, respectively, the Plan recorded non-admitted assets of $17,792,721 and $35,789,384 related to these accumulated AMT Credits that have not yet been refunded.

(p) Reclassifications

The Plan has reclassified certain amounts relating to its prior period results to conform to its current period presentation. These reclassifications have not changed the results of operations of prior periods.

(3) SAP to GAAP Reconciliation

The accompanying statutory basis financial statements have been prepared in conformity with statutory accounting practices of the NAIC Accounting Practices and Procedures Manual and those prescribed or permitted by the DFR.

The following is a reconciliation of the Plan's total surplus and net income (loss) as set forth in the accompanying statutory basis financial statements to the corresponding amounts on a consolidated basis prepared under GAAP, at December 31:

	2019		2018	
	Net income	**Surplus**	**Net loss**	**Surplus**
Statutory basis	$ 13,403,091	133,526,751	(6,670,376)	110,154,828
Gain from subsidiaries	5,310,446	—	1,414,656	—
Other invested assets	33,038	—	(46,187)	—
Nonadmitted assets	—	57,398,541	—	77,156,279
Income taxes	(17,575,391)	(583,426)	1,746,879	450,328
Net unrealized (loss) gain on investments	(725,745)	1,783,387	—	(1,489,567)
TVHP unrealized (loss) gain on investments	371	530,088	—	(267,990)
Postretirement benefits and pension	464,182	—	(857,041)	—
Allowance for doubtful accounts	1,609,656	(3,931,157)	336,465	(5,540,813)
TVHP allowance for doubtful accounts	—	(1,722)	—	(3,371)
Total GAAP basis	$ 2,519,648	188,722,462	(4,075,604)	180,459,694

Nonadmitted assets at December 31, 2019 and 2018 are comprised of the following:

	2019	2018
Computer software	$ 26,797,291	26,389,320
Net furniture and equipment	234,867	257,354
Prepaid expenses	4,044,326	4,943,324
Healthcare receivables	7,470,789	5,793,988
Accounts receivable over 90 days	440,744	3,343,329
Deferred tax	17,792,521	35,789,384
Other	618,003	639,580
Total	$ 57,398,541	77,156,279

(Continued)

(4) Investments

Book adjusted carrying value (BACV), gross unrealized gains and losses, and fair values at December 31, 2019 and 2018 for bonds are as follows:

		2019			
		BACV	Gross unrealized gains	Gross unrealized losses	Fair value
December 31, 2019:					
U.S. Treasury securities and obligations of U.S. government corporations and agencies	$	3,171,755	9,024	(15,848)	3,164,931
Foreign debt securities		11,932,289	438,883	(18,372)	12,352,800
Corporate debt securities		19,887,458	1,155,737	(199,696)	20,843,499
Municipal bonds		3,685,833	61,359	(3,054)	3,744,138
Asset backed securities		2,574,140	2,099	(14,350)	2,561,889
Collateralized mortgage obligations		185,661	9,535	—	195,196
Mortgage backed securities		16,412,333	397,204	(39,134)	16,770,403
Exchange-traded funds		2,546,759	—	—	2,546,759
Total bonds	$	60,396,228	2,073,841	(290,454)	62,179,615

		2018			
		BACV	Gross unrealized gains	Gross unrealized losses	Fair value
December 31, 2018:					
U.S. Treasury securities and obligations of U.S. government corporations and agencies	$	4,720,133	21,489	(89,524)	4,652,098
Foreign debt securities		17,918,588	7,409	(649,300)	17,276,697
Corporate debt securities		24,390,921	142,742	(542,123)	23,991,540
Municipal bonds		6,094,544	29,997	(125,132)	5,999,409
Asset backed securities		5,279,306	17,685	(15,233)	5,281,758
Collateralized mortgage obligations		221,667	4,432	—	226,099
Mortgage backed securities		20,366,419	101,702	(393,711)	20,074,410
Exchange-traded funds		2,344,417	—	—	2,344,417
Total bonds	$	81,335,995	325,456	(1,815,023)	79,846,428

The Plan classifies certain exchange-traded funds (EFTs) with underlying investments in debt securities as bonds, as these securities are specifically identified by the Securties Valuations Office (SVO) of the National Association of Insurance Commissioners as ETFs eligible to be reported as Bonds.

Original cost, gross unrealized gains and losses, and fair values at December 31, 2019 and 2018 for equity securities are as follows:

		Original cost	Gross unrealized gains	Gross unrealized losses	Fair value
December 31, 2019:					
Equity securities	$	4,108,674	943,339	(58,198)	4,993,815
December 31, 2018:					
Equity securities	$	9,407,408	2,345,929	(610,109)	11,143,228

The book adjusted carrying value and fair value of bonds at December 31, 2019 are shown below by contractual maturity periods. Actual maturities could differ from contractual maturities because borrowers may have the right to call or prepay obligations with or without call or prepayment penalties.

		BACV	Fair Value
Due in one year or less	$	868,915	875,036
Due after one year through five years		13,912,499	14,388,866
Due after five years through ten years		20,257,507	21,307,781
Due after ten years through twenty years		6,743,917	6,899,932
Due after twenty years or more		16,066,631	16,161,241
No maturity		2,546,759	2,546,759
Total	$	60,396,228	62,179,615

The components of net investment income including realized gains for the years ended December 31, 2019 and 2018 are as follows:

		2019	2018
Bonds	$	2,129,810	2,312,141
Equity securities		2,919,998	3,097,613
Cash and equivalents		359,115	181,136
Rent income		1,386,000	1,386,000
Total investment income		6,794,923	6,976,890
Less:			
Investment expenses		256,042	337,336
Depreciation on home office		540,278	555,009
Interest expense		106,143	81,251
Net investment income	$	5,892,460	6,003,294

Proceeds from the sale of investment securities were $39,731,240 and $49,225,719 in 2019 and 2018, respectively, gross realized gains included in net investment income in2019 and 2018 were $2,975,055 and $2,944,038, respectively, and gross realized losses included in net investment income in 2019 and 2018 were $678,399 and $1,098,571, respectively.

Gross unrealized losses on investment securities and the fair value of the related securities, aggregated by investment category and the length of time that the individual securities have been in a continuous unrealized loss position, at December 31, 2019 and 2018, were as follows:

		Less than one year		One year or longer		Total	
		Fair value	Unrealized loss	Fair value	Unrealized loss	Fair value	Unrealized loss
December 31, 2019:							
U.S. treasury securities and obligations of U.S. government corporations and agencies	$	2,086,514	(15,848)	—	—	2,086,514	(15,848)
Foreign debt securities		2,780,726	(18,372)	—	—	2,780,726	(18,372)
Corporate debt securities		1,068,048	(1,696)	702,000	(198,000)	1,770,048	(199,696)
Municipal bonds		254,031	(1,502)	193,187	(1,552)	447,218	(3,054)
Asset backed securities		751,290	(358)	784,705	(13,992)	1,535,995	(14,350)
Mortgage backed securities		2,711,236	(16,253)	1,755,865	(22,881)	4,467,101	(39,134)
Equity securities		375,642	(34,303)	62,759	(23,895)	438,401	(58,198)
Total	$	10,027,487	(88,332)	3,498,516	(260,320)	13,526,003	(348,652)

	Less than one year		One year or longer		Total	
	Fair value	Unrealized loss	Fair value	Unrealized loss	Fair value	Unrealized loss
December 31, 2018:						
U.S. treasury securities and obligations of U.S. government corporations and agencies	$ —	—	3,024,042	(89,524)	3,024,042	(89,524)
Foreign debt securities	10,071,406	(424,803)	1,445,915	(224,497)	11,517,321	(649,300)
Corporate debt securities	10,324,602	(225,026)	5,037,687	(317,097)	15,362,289	(542,123)
Municipal bonds	240,948	(1,294)	4,299,098	(123,838)	4,540,046	(125,132)
Asset backed securities	783,093	(15,233)	—	—	783,093	(15,233)
Mortgage backed securities	570,413	(5,812)	11,952,112	(387,899)	12,522,525	(393,711)
Equity securities	2,281,635	(515,180)	92,750	(94,929)	2,374,385	(610,109)
Total	$ 24,272,097	(1,187,348)	25,851,604	(1,237,784)	50,123,701	(2,425,132)

The Plan evaluates whether unrealized losses on investment securities indicate other-than-temporary impairment by evaluating individual securities with a fair value less than 80% of amortized cost. Evidence considered during the evaluation includes industry analyst reports, sector credit ratings, and volatility of the security's market price. Based on this evaluation, no other-than-temporary impairment losses were recognized in 2019 or 2018. For the remainder of the portfolio of securities with fair values less than amortized cost, the Plan performs analysis and monitoring procedures to determine if further analysis is required to conclude that they are not considered other-than-temporarily impaired.

(5) Fair Value Measurements

The fair value hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to measurements involving significant unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the Plan has the ability to access at the measurement date.
- Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.
- Level 3 inputs are unobservable inputs for the asset or liability.

The level in the fair value hierarchy within which a fair value measurement in its entirety falls is based on the lowest level input that is significant to the fair value measurement in its entirety.

The following tables present the total fair value forbonds and equity investments and the level within the fair value hierarchy in which the fair value measurements in their entirety fall. The securities are reported at their market values as determined by the NAIC Securities Valuation Office as of December 31, 2019 and 2018, respectively:

	2019			
	Quoted prices in active markets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total fair value
U.S. Treasury securities and obligations of U.S. government corporations and agencies	$ 3,164,931	—	—	3,164,931
Foreign debt securities	—	12,352,800	—	12,352,800
Corporate debt securities	—	20,843,499	—	20,843,499
Municipal bonds	—	3,744,138	—	3,744,138
Asset backed securities	—	2,561,889	—	2,561,889
Collateralized mortgage obligations	—	195,196	—	195,196
Mortgage backed securities	—	16,770,403	—	16,770,403
Exchange-traded funds	2,546,759	—	—	2,546,759
Equity securities	4,993,815	—	—	4,993,815
Total	$ 10,705,505	56,467,925	—	67,173,430

	2018			
	Quoted prices in active markets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total fair value
U.S. Treasury securities and obligations of U.S. government corporations and agencies	$ 4,652,098	—	—	4,652,098
Foreign debt securities	—	17,276,697	—	17,276,697
Corporate debt securities	—	23,991,540	—	23,991,540
Municipal bonds	—	5,999,409	—	5,999,409
Asset backed securities	—	5,281,758	—	5,281,758
Collateralized mortgage obligations	—	226,099	—	226,099
Mortgage backed securities	—	20,074,410	—	20,074,410
Exchange-traded funds	2,344,417	—	—	2,344,417
Equity securities	11,143,228	—	—	11,143,228
Total	$ 18,139,743	72,849,913	—	90,989,656

The following methods and assumptions were used to estimate the fair value of each class of financial instrument:

Equity Securities –Fair value estimates for publicly traded equity securities are based on quoted market prices.

Fixed Maturity Investments – The estimated fair values are based on quoted market prices and/or other market data for the same or comparable instruments and transactions in establishing the prices. Fair values of fixed maturity investments that do not trade on a regular basis in active markets are classified as Level 2, and are valued using an income approach valuation technique (present value using the discount rate adjustment technique) that considers, among other things, interest rates, the issuers credit spread, projected defaults and credit enhancement.

(6) Property Occupied by the Plan

		2019	2018
Land and improvements	$	776,271	776,271
Building and improvements		15,513,922	15,510,080
Total property, at cost		16,290,193	16,286,351
Less accumulated depreciation		9,009,087	8,468,808
Net property occupied by the Plan	$	7,281,106	7,817,543

Depreciation expense aggregated $540,278 and $555,009 for the years ended December 31, 2019 and 2018, respectively.

(7) Reinsurance

Subscription income earned and ceded for the years ended December 31, 2019 and 2018 are as follows:

		2019	2018
Gross subscription income	$	546,341,393	524,978,398
Subscription income ceded		(8,682,733)	(7,529,245)
Net subscription income earned	$	537,658,660	517,449,153

Claims expense incurred and ceded for the years ended December 31, 2019 and 2018 are as follows:

		2019	2018
Gross claims and claims expenses incurred	$	496,489,653	483,036,348
Claims expense ceded		442,837	(5,384,613)
Net claims expense incurred	$	496,932,490	477,651,735

Reinsurance recoverable from reinsurers on paid claims is $1,784,642 and $799,740 at December 31, 2019 and 2018, respectively. Reinsurance recoverable from reinsurers on unpaid claims is $1,915,000 and $3,092,000 at December 31, 2019 and 2018, respectively, the liability for unpaid claims and recoverable from reinsurers are reported net of these amounts in the statutory statements of admitted assets, liabilities, and surplus.

Reinsurance recoverables related to the ACA Reinsurance program, described in note 2(m), were $0 and $50,513 of the reinsurance recoverable balance at December 31, 2019 and 2018, respectively. All other reinsurance is with a single reinsurer and that reinsurer has an A.M. Best rating of A+ (Superior) as of December 31, 2019.

(8) Liability for Unpaid Claims

As discussed in note 2(i), the Plan establishes a liability for insured events, which includes an estimate of future payments of claims. The following schedule presents changes in this liability during the years ended December 31, 2019 and 2018:

	2019	2018
Balance at January 1	$ 31,694,833	37,381,265
Incurred related to:		
Current year	501,922,489	483,835,079
Prior years	(4,989,999)	(6,183,344)
Total incurred	496,932,490	477,651,735
Paid related to:		
Current year	463,983,606	452,193,504
Prior years	26,196,961	31,144,663
Total paid	490,180,567	483,338,167
Balance at December 31	$ 38,446,756	31,694,833

As a result of changes in estimates in prior years, the liability for unpaid claims decreased by $4,989,999 and $6,183,344 in 2019 and 2018, respectively. The decrease is primarily due to changes in assumptions related to membership, medical cost trends, and provider risk sharing agreements.

(9) Income Taxes

(a) Components of the Net Deferred Tax Asset or Net Deferred Tax Liability

	December 31, 2019			December 31, 2018			Change	Change	Change
	Ordinary	Capital	Total	Ordinary	Capital	Total	ordinary	capital	total
Total gross deferred tax assets	$ 32,057,300	91,758	32,149,058	50,747,558	84,821	50,832,379	(18,690,258)	6,937	(18,683,321)
Statutory valuation allowance adjustments	(6,537,798)	(41,912)	(6,579,710)	(7,151,150)	(40,551)	(7,191,701)	613,352	(1,361)	611,991
Adjusted gross deferred tax assets	25,519,502	49,846	25,569,348	43,596,408	44,270	43,640,678	(18,076,906)	5,576	(18,071,330)
Deferred tax assets nonadmitted	(17,792,521)	—	(17,792,521)	(35,789,384)	—	(35,789,384)	17,996,863	—	17,996,863
Subtotal net admitted deferred tax assets	7,726,981	49,846	7,776,827	7,807,024	44,270	7,851,294	(80,043)	5,576	(74,467)
Deferred tax liabilities	(7,552,766)	(224,061)	(7,776,827)	(7,481,764)	(369,530)	(7,851,294)	(71,002)	145,469	74,467
Net admitted deferred tax assets (net of deferred tax liabilities)	$ 174,215	(174,215)	—	325,260	(325,260)	—	(151,045)	151,045	—

Admission Calculation Components

	December 31, 2019			December 31, 2018			Change	Change	Change
	Ordinary	Capital	Total	Ordinary	Capital	Total	ordinary	capital	total
Federal income taxes paid in prior years recoverable through loss carrybacks (11a)	$ —	—	—	—	—	—	—	—	—
Adjusted gross DTAs expected to be realized after application of the threshold limitations (Lesser of 11bi or 11bii):									
Adjusted gross DTAs expected to be realized following the balance sheet date (11bi)	—	—	—	—	—	—	—	—	—
Adjusted gross DTAs allowed per limitation threshold (11bii)	19,924,043	—	19,924,043	16,310,280	—	16,310,280	3,613,763	—	3,613,763
Lesser of 11bi or 11bii	—	—	—			—	—	—	—
Adjusted gross DTAs offset by gross DTLs (11c)	7,726,981	49,846	7,776,827	7,807,024	44,270	7,851,294	(80,043)	5,576	(74,467
Deferred Tax Assets Admitted as the result of application of SSAP No. 101	$ 7,726,981	49,846	7,776,827	7,807,024	44,270	7,851,294	(80,043)	5,576	(74,467

Disclosure of Ratio Used for Threshold Limitations (for 11b)

	December 31, 2019
Ratio percentage used to determine recovery period and threshold limitation amount	567 %
Amount of adjusted capital and surplus used to determine recovery period threshold limitation	$ 133,526,751

(b) *Unrecognized Deferred Tax Liabilities*

The Plan does not have any unrecognized deferred tax liabilities.

(c) *The Significant Components of Income Taxes Incurred (i.e., Current Income Taxes Expenses) and the Changes in DTAs and DTLs include*

Current Tax Expense (Benefit) Incurred

	December 31 2019	December 31 2018	Change
Current year federal tax expense (benefit) (benefit) – ordinary income	$ (19,177,595)	(1,042,706)	(18,134,889)
Capital tax expense	461,640	110,620	351,020
Subtotal	(18,715,955)	(932,086)	(17,783,869)
Current year tax expense – net realized capital gains (losses)	—	—	—
Utilization of operating loss carryforwards	—	—	—
Other	—	—	—
Federal income taxes and capital tax benefit incurred	$ (18,715,955)	(932,086)	(17,783,869)

Deferred Tax Assets and Liabilities Consist of the Following Major Components

	December 31		
	2019	**2018**	**Change**
Ordinary:			
Loss reserve discounting	$ 128,195	106,992	21,203
Deferred compensation	561,931	475,530	86,401
Post retirement benefits	244,688	314,011	(69,323)
Accrued vacation	666,237	628,528	37,709
Nonadmitted assets	7,283,641	7,564,129	(280,488)
Prepaid expenses	849,308	1,038,098	(188,790)
Premium deficiency reserve	925,470	—	925,470
Prepaid pension	2,514,362	3,268,577	(754,215)
Net operating loss carryforward	968,050	1,330,415	(362,365)
Impairments	—	22,680	(22,680)
Other	122,897	209,214	(86,317)
AMT credit	17,792,521	35,789,384	(17,996,863)
Subtotal	32,057,300	50,747,558	(18,690,258)

	December 31 2019	December 31 2018	Change
Statutory valuation allowance adjustment	$ (6,537,798)	(7,151,150)	613,352
Nonadmitted ordinary deferred tax assets	(17,792,521)	(35,789,384)	17,996,863
Admitted ordinary deferred tax assets	7,726,981	7,807,024	(80,043)
Capital:			
Nonadmitted assets	91,758	84,821	6,937
Subtotal	91,758	84,821	6,937
Statutory valuation allowance adjustment	(41,912)	(40,551)	(1,361)
Admitted capital deferred tax assets	49,846	44,270	5,576
Admitted deferred tax assets	$ 7,776,827	7,851,294	(74,467)
Deferred tax liabilities:			
Ordinary:			
Pension	$ (2,368,339)	(2,391,535)	23,196
Accrual of market discount	(4,496)	(23,760)	19,264
Depreciation	(5,129,049)	(5,004,252)	(124,797)
Loss reserve discounting transition adjustment	(50,066)	(59,257)	9,191
Accrued dividends	(816)	(2,960)	2,144
Subtotal	(7,552,766)	(7,481,764)	(71,002)
Capital:			
Unrealized capital gains	(224,061)	(369,530)	145,469
Subtotal	(224,061)	(369,530)	145,469
Deferred tax liabilities	$ (7,776,827)	(7,851,294)	74,467
Net deferred tax asset	$ —	—	—

The valuation allowance adjustment to gross deferred tax assets as of December 31, 2019 and 2018 was $6,579,710 and $7,191,701, respectively. The net decrease in the total valuation allowance was $611,991.

Due to the repeal of the alternative minimum tax, all deferred tax assets, with the exception of alternative minimum tax credit, will not be realized due to Section 833 deduction. Management anticipates that the alternative minimum tax credit deferred tax asset will be realized because the credit is now refundable.

The change in the net deferred income taxes is comprised of the following:

	December 31, 2019	December 31, 2018	Change
Total deferred tax assets	$ 32,149,058	50,832,379	(18,683,321)
Total deferred tax liabilities	(7,776,827)	(7,851,294)	74,467
Net deferred tax assets (liabilities)	24,372,231	42,981,085	(18,608,854)
Statutory valuation allowance adjustment	(6,579,710)	(7,191,701)	611,991
Net deferred tax assets after SVA	17,792,521	35,789,384	(17,996,863)
Tax effect of unrealized gains (losses)	224,061	369,530	(145,469)
Tax effect of pension in surplus	(2,514,362)	(3,268,577)	754,215
Statutory valuation allowance adjustment allocated to UR and pension	1,148,483	1,562,629	(414,146)
Change in net deferred income tax	$ 16,650,703	34,452,966	(17,802,263)

(d) Reconciliation of Federal Income Tax Rate to Actual Effective Rate

The provision for federal income taxes incurred is different from that which would be obtained by applying the statutory federal income tax rate to income before income taxes. The significant items causing this difference are as follows:

	Amount	Tax effect	Effective tax rate
Income before taxes	$ (5,312,864)	(1,115,701)	21.00 %
Nondeductible expenses for meals, penalties, and lobbying	271,143	56,940	(1.07)
Dividends received deduction	(544,352)	(114,314)	2.15
Change in deferred taxes on nonadmitted assets	2,201,620	462,340	(8.70)
Valuation allowance change	(942,120)	(197,845)	3.72
Other	(24,344)	(5,112)	0.10
Total	$ (4,350,917)	(913,692)	17.20 %

		Amount	Effective tax rate
Federal and foreign income taxes incurred	$	(18,715,955)	352.28 %
Change in net deferred taxes		17,802,263	(335.08)
Total statutory taxes	$	(913,692)	17.20 %

(e) Carryforward, Recoverable Taxes and IRC Section 6603 Deposits

(1) The Plan has a net operating loss carryforward of $0 and $4,609,760 as of December 31, 2019 and 2018, respectively. The carryforward for 2018 will expire on December 31, 2038. The Plan also has an alternative minimum tax credit carryforward of $17,792,521 which does not have an expiration date.

(2) The Plan has no taxes available for recoupment for the years ended December 31, 2019 and December 31, 2018, respectively.

(3) The aggregate amount of deposits admitted under Section 6603 of the Internal Revenue Code is $0.

(4) AMT credit rollforward.

The change to the Plan's AMT credit consists of the following items:

			Amount
1	Gross AMT Credit Recognized as:		
	a. Current Year Recoverable	$	—
	b. Deferred Tax Asset (DTA)		17,792,521
2	Beginning Balance of AMT Credit Carryforward		35,789,384
3	Amounts Recovered		17,996,863
4	Adjustments		—
5	Ending Balance of AMT Credit Carryforward (5=2-3-4)		17,792,521
6	Reduction of Sequestration		—
7	Nonadmitted by Reporting Entity		—
8	Reporting Entity Ending Balance (8=5-6-7)	$	17,792,521

(f) Consolidated Federal Income Tax Return

The Plan's federal income tax return is consolidated with the following entities: TVHP, CIS and subsidiaries and HWP.

The written agreement approved by the Plan's Board of Directors states that total consolidated federal income tax for all entities is allocated to each entity under the separate return method.

(g) *Federal or Foreign Tax Loss Contingencies*

The Plan has no federal or foreign tax loss contingencies

(10) Pension and Other Postretirement Benefits

(a) *Pension Benefits*

The following table sets forth the Plan's benefit obligations, fair value of plan assets and funded status at December 31, 2019 and 2018:

		2019	2018
Change in benefit obligation:			
Projected benefit obligation at beginning of year	$	60,616,472	59,857,081
Service cost		2,246,861	2,422,086
Interest cost		2,578,723	2,187,373
Actuarial (gains) losses		8,842,612	(2,620,704)
Benefit payments		(2,339,735)	(1,229,364)
Projected benefit obligation at end of year	$	71,944,933	60,616,472
Accumulated benefit obligation at end of year	$	61,642,859	52,103,205
Change in plan assets:			
Fair value of plan assets at beginning of year	$	54,794,725	58,477,384
Actual return on assets, net of expenses		15,066,955	(4,340,365)
Employer contributions		2,000,000	2,000,000
Expenses paid		(82,400)	(112,930)
Benefit payments		(2,339,735)	(1,229,364)
Fair value of plan assets at end of year	$	69,439,545	54,794,725
Items not yet recognized in earnings:			
Funded status (measured at PBO)	$	(2,505,388)	(5,821,747)
Unrecognized transition obligation		22,997	45,989
Unrecognized prior service cost		(244,379)	(361,545)
Unrecognized actuarial loss		12,004,574	15,525,568
Prepaid pension cost	$	9,277,804	9,388,265

		2019	2018
Funded status	$	(2,505,388)	(5,821,747)
Amounts recognized in the balance sheets consist of:			
Pension and postretirement benefit obligations – liability		(2,505,388)	(5,821,747)
Accumulated other comprehensive loss		11,783,192	15,210,012

		2019	2018
Assumptions used to determine benefit obligations at end of fiscal year:			
Measurement date		December 31, 2019	December 31, 2018
Discount rate		3.34 %	4.38 %
Rate of compensation increase		4.00%–8.00%	4.00%–8.00%
Rate of return		6.75 %	6.75 %
Components of net periodic benefit cost:			
Service cost	$	2,359,861	2,523,086
Interest cost		2,578,723	2,187,373
Expected return on assets		(3,639,553)	(3,898,543)
Amortization of transition obligation		22,992	22,992
Prior service cost (credit)		(117,166)	(111,284)
Amortization of actuarial loss		905,604	486,498
Net periodic benefit cost	$	2,110,461	1,210,122

The basis used to determine the overall expected long-term rate of return on assets assumption 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. At December 31, 2019, the assumed long-term asset allocation for the pension plan is: 50%–60% equity securities, 31%–39% debt securities, and 6%–14% other securities.

Plan Assets

The asset allocations of the Plan's pension benefits as of the December 31, 2019 and 2018 measurement dates, respectively, were as follows:

	Fair value measurements at December 31, 2019 Pension benefits – plan assets				
	Quoted prices in active markets for identical assets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Net Asset Value (NAV)	Total
Asset category:					
Equity securities:					
Domestic equity	$ 64,766	3,200,563	—	19,409,519	22,674,848
International large cap	1,348,844	104	—	12,148,871	13,497,819
Emerging markets	—	149	—	3,414,517	3,414,666
Fixed income securities:					
Core fixed income	55,824	1,954,049	—	18,115,049	20,124,922
High yield fixed income	87,992	3,173,135	—	—	3,261,127
Other types of investments:					
Real estate	1,313,750	478,465	—	4,673,948	6,466,163
Total	$ 2,871,176	8,806,465	—	57,761,904	69,439,545

	Fair value measurements at December 31, 2018 Pension benefits – plan assets				
	Quoted prices in active markets for identical assets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Net Asset Value (NAV)	Total
Asset category:					
Equity securities:					
Domestic equity	$ 100,100	1,958,308	—	13,777,172	15,835,580
International large cap	833,682	183	—	9,754,625	10,588,490
Emerging markets	—	23	—	2,784,761	2,784,784
Fixed income securities:					
Core fixed income	19,362	1,721,134	—	14,945,090	16,685,586
High yield fixed income	121,261	2,778,091	—	—	2,899,352
Other types of investments:					
Real estate	1,103,625	10,059	—	4,887,249	6,000,933
Total	$ 2,178,030	6,467,798	—	46,148,897	54,794,725

The pension weighted average asset allocations at December 31, 2019 and 2018 by asset category are as follows:

	2019	2018
Asset category:		
Equity securities	57 %	53 %
Debt securities	34	36
Other	9	11
Total	100 %	100 %

The Plan's pension program's assets are invested in the BCBSA National Retirement Trust.

The investment program for the National Retirement Trust is based on the precepts of capital market theory that are generally accepted and followed by institutional investors, who by definition are long-term oriented investors. This philosophy holds that:

- Increasing risk is rewarded with compensating returns over time and therefore, prudent risk taking is justifiable for long-term investors.
- Risk can be controlled through diversification of asset classes and investment approaches as well as diversification of individual securities.
- Risk is reduced by time, and over time the relative performance of different asset classes is reasonably consistent. Over the long term, equity investments have provided and should continue to provide superior returns over other security types. Fixed-income securities can dampen volatility and provide liquidity in periods of depressed economic activity. Lengthening duration of fixed income securities may reduce surplus volatility.
- The strategic or long-term allocation of assets among various asset classes is an important driver of long-term returns.
- Relative performance of various asset classes is unpredictable in the short-term and attempts to shift tactically between asset classes are unlikely to be rewarded.

Contributions and Estimated Pension Benefits

The Plan contributed $2,000,000 to its pension program in both 2019 and 2018 and expects to contribute $2,000,000 in 2020.

The following benefit payments, which reflect expected future service, as appropriate, are expected to be paid:

		Pension benefits
2020	$	4,403,000
2021		4,541,000
2022		5,308,000
2023		4,629,000
2024		5,311,000
Years 2025–2029		27,880,000

(b) Supplemental Executive Retirement Plans

The Plan has Supplemental Executive Retirement Plans (SERP) covering certain of its executives. These nonqualified plans are designed to offset the impact of restrictions in the qualified pension plan, which limit benefits for highly compensated employees and to defer federal and state income taxes to future periods. Benefits under the SERP are determined based on a formula applied to compensation, reduced for the benefits under the qualified pension plan. The present value of the future benefit will be accrued over the estimated remaining service life of the employees. The total amount accrued under the SERP as of December 31, 2019 and 2018 is $514,162 and $395,809, respectively, which is included in other liabilities in the accompanying statutory statements of admitted assets, liabilities and surplus. The discount rate used to determine the liability is 3.34% and 4.38% at December 31, 2019 and 2018, respectively.

(c) Other Postretirement Benefits

As described in note 2(n), the Plan provides certain postretirement benefits in addition to pension benefits. The accumulated postretirement benefit obligation included in other liabilities in the accompanying statutory statements of admitted assets, liabilities and surplus at December 31, 2019 and 2018 is $1,165,181 and $1,495,289, respectively. The discount rate used to determine the liability was 2.92% and 4.12% at December 31, 2019 and 2018, respectively.

(11) Gain or Loss from Uninsured Plans and the Uninsured Portion of Partially Insured Plans

(a) ASO Plans

The loss from operations from Administrative Services Only (ASO) uninsured plans and the uninsured portion of partially insured plans was as follows during 2019 and 2018:

	December 31, 2019		
	ASO Uninsured plans	Uninsured portion of partially insured plans	Total ASO
Net reimbursement for administrative expenses (including administrative fees) in excess of actual expenses	$ (734,434)	—	(734,434)
Total net other income or expenses (including administrative interest paid to or received from plans)	—	—	—
Net loss from operations	$ (734,434)	—	(734,434)
Total claim payment volume	$ 630,751,561		630,751,561

	December 31, 2018		
	ASO Uninsured plans	Uninsured portion of partially insured plans	Total ASO
Net reimbursement for administrative expenses (including administrative fees) in excess of actual expenses	$ 3,935,713	—	3,935,713
Total net other income or expenses (including administrative interest paid to or received from plans)	—	—	—
Net gain from operations	$ 3,935,713	—	3,935,713
Total claim payment volume	$ 601,212,638	—	601,212,638

Included as part of ASO results in 2019 is a reserve of $2,417,000 related to insufficient administrative fees for self-insured contracts. This reserve was recorded in the Plan's results as part of the increase in premium deficiency reserve on the Plan's Statutory Statements of Operations and Changes in Surplus.

(b) ASC Plans

The gain from operations from Administrative Services Contract (ASC) uninsured plans and the uninsured portion of partially insured plans was as follows during 2019 and 2018:

		December 31, 2019		
		ASC Uninsured plans	Uninsured portion of partially insured plans	Total ASC
Gross reimbursement for medical cost incurred	$	—	2,474,542	2,474,542
Gross administrative fees accrued		—	263,030	263,030
Other income or expenses (including interest paid to or received from plans)		—	—	—
Gross expenses incurred (claims and administrative)		—	2,393,745	2,393,745
Total net gain from operations	$	—	343,827	343,827

		December 31, 2018		
		ASC Uninsured plans	Uninsured portion of partially insured plans	Total ASC
Gross reimbursement for medical cost incurred	$	—	17,526,160	17,526,160
Gross administrative fees accrued		—	287,448	287,448
Other income or expenses (including interest paid to or received from plans)		—	—	—
Gross expenses incurred (claims and administrative)		—	17,781,077	17,781,077
Total net gain from operations	$	—	32,531	32,531

(12) Health Risk-Based Capital

The Plan is subject to the NAIC Health RBC standard for purposes of DFR solvency monitoring and for administering the BCBSA's licensure requirements. The BCBSA standard establishes minimum, monitoring, and other threshold levels for Blue Cross and Blue Shield Plans based on the RBC results. As of December 31, 2019 and 2018, the licensure standard required the Plan to maintain a minimum statutory surplus balance of 200% of the RBC authorized control level. The Plan's statutory surplus of $133,526,751 and $110,154,828 at December 31, 2019 and 2018, respectively, exceeded this requirement. The Plan's future compliance with NAIC and BCBSA RBC standards is subject to changes in the Health RBC requirements, fluctuations in enrollment, and the Plan's future operating results.

On February 7, 2019, the DFR issued an order approving a target RBC range as proposed by the Plan. The order stipulates that in the event the Plan's RBC falls below or increases above the approved range, a plan for moving within the range in a reasonable time period must be developed and submitted to the Commissioner. The order further instructs that the Plan must review its RBC range at least once every five years.

(13) Commitments and Contingencies

The Plan is a defendant in multiple lawsuits that were initially filed in 2012 against the Blue Cross and Blue Shield Association (BCBSA) as well as Blue Cross and/or Blue Shield licensees across the country. The cases were consolidated into a single multi-district lawsuit called *In re Blue Cross Blue Shield Antitrust Litigation* that is pending in the United States District Court for the Northern District of Alabama. Generally, the suits allege that the BCBSA and the Blue plans have engaged in a conspiracy to horizontally allocate geographic markets through license agreements, best efforts rules (which limit the percentage of non-Blue revenue of each Plan), restrictions on acquisitions and other arrangements in violation of the Sherman Antitrust Act and related state laws. The cases were brought by two putative nationwide classes of plaintiffs, health plan subscribers and providers. Subscriber and provider plaintiffs each filed consolidated amended complaints in July 2013. The consolidated amended subscriber complaint was also brought on behalf of putative state classes of health plan subscribers in Alabama, Arkansas, California, Florida, Hawaii, Illinois, Louisiana, Michigan, Mississippi, Missouri, New Hampshire, North Carolina, Pennsylvania, Rhode Island, South Carolina, Tennessee and Texas.

On April 5, 2018, the district court issued a ruling finding that elements of the BCBSA system, when coupled together, constituted per se illegal antitrust activity. Defendants sought permission to appeal the rulings to the Eleventh Circuit Court of Appeals. However, on December 12, 2018, the Eleventh Circuit Court of Appeals denied Defendants' request. The case is currently stayed as the parties seek a mutually agreeable resolution. Due to the COVID-19 crisis, the case is moving more slowly, although work continues. It remains premature to predict an outcome for either lawsuit due to the multitude of factors involved in resolving these cases.

In the normal course of business, the Plan may be involved in other claims and legal actions. Management, after reviewing developments to date with legal counsel, is of the opinion that the ultimate outcome of pending litigation will not have a material adverse effect on the financial position of the Plan.

BCBSA Standard 3 Licensure Certification requires all primary licensees to provide insurance or other financial arrangements to protect its subscribers against liability from nonparticipating provider claims. As of December 31, 2019, investments totaling $2,259,789 are on deposit with a financial institution to meet this requirement. This investment includes an iShares core U.S. bond exchange traded fund, which is a diversified bond fund that invests in investment grade U.S. bonds, including U.S. government, agency, corporate and mortgage-related bonds. Also included as part of the portfolio is a short-term government money market fund investment.

The Plan has a revolving line of credit with People's United Bank (PUB) that was renewed on June 17, 2019. The limit is $25,000,000, and interest is charged on any outstanding balance at LIBOR plus 2.25%. Prior to the renewal, the limit was $20,000,000. The line of credit is unsecured, and it is renewable every two years.

The revolving line of credit is set up to function as overdraft protection for the Plan's operating cash. It is linked to the Plan's sweep account at PUB, and the bank is authorized to automatically draw on the line of credit to cover the amount by which any outstanding drafts exceed the bank balance in the sweep account. Similarly, any outstanding balance on the line of credit is automatically paid down as soon as cash becomes available in the sweep account. The outstanding balance on the line of credit was $5,000,000 and $10,000,000 as of December 31, 2019 and 2018, respectively. The Plan recorded interest expense of $106,143 and $74,187 related to the line of credit in 2019 and 2018, respectively.

The Plan had a $5,000,000 secured line of credit with interest of one-month LIBOR plus 2.25%, which was canceled on April 30, 2018. As of December 31, 2018, there were no borrowings under this line of credit. The Plan recorded interest expense of $7,064 related to the secured line of credit in 2018.

The Plan was approved for membership in the Federal Home Loan Bank (FHLB) of Boston on May 25, 2016. Through its membership, the Plan is eligible to conduct business activity in the form of borrowings with the FHLB. It is part of the Plan's strategy to utilize these funds as backup liquidity. As of December 31, 2019, no collateral had been pledged to the FHLB, and during the current reporting period there were no borrowings from the FHLB.

(14) Subsequent Events

The Plan considers events and transactions that occur after the balance sheet date, but before the financial statements are issued, to provide additional evidence relative to certain estimates or to identify matters that require additional disclosure. These financial statements were issued on April 16, 2020 and subsequent events have been evaluated through that date.

The spread of COVID-19 around the world in the first quarter of 2020 has caused considerable volatility in U.S. and international markets. There is significant uncertainty around the breadth and duration of business disruptions related to COVID-19, as well as its impact on the U.S. and international economies. In particular, the effects of COVID-19 on the health care system are just beginning to develop, and while all stakeholders are likely to experience some level of disruption, it is impossible to predict the eventual outcome at this time. As such, the Plan is actively participating in state-wide efforts to stabilize and support the Vermont health care system, while simultaneously monitoring the extent of the impact to its financial position and operations.

BLUE CROSS AND BLUE SHIELD OF VERMONT

Supplemental Investment Risks Interrogatories Schedule

December 31, 2019

1	State the reporting entity's total admitted assets as reported on page 2 of the annual statement			$ 294,580,666

Number in annual statement	Investment category		Amount	Percentage of total admitted assets
2	State by investment category the 10 largest exposures to a single issue/borrower/investment, excluding U.S. government, U.S. government agency securities and those U.S. government money market funds listed in the Appendix to the SVO Purposes and Procedures Manual as exempt, property occupied by the company and policy loans.			
	2.01 BNP Paribas SA	Bond	$ 1,625,872	0.552 %
	2.02 CVS Health Corporation	Bond	1,240,596	0.421
	2.03 BPCE SA	Bond	953,915	0.324
	2.04 PNC Bank, National Association	Bond	924,386	0.314
	2.05 PartnerRe Finance II Inc.	Bond	900,000	0.306
	2.06 Nassau 2018-I Ltd.	Bond	798,697	0.271
	2.07 Wells Fargo & Company	Bond	797,544	0.271
	2.08 Chicago Illinois	Bond	796,160	0.270
	2.09 JPMorgan Chase & Co.	Bond	768,880	0.261
	2.10 Bank of America Corporation	Bond	752,796	0.256

	NAIC designation		
3	State the amounts and percentages of the reporting entity's total admitted assets held in bonds and preferred stocks by NAIC designation.		
	Bonds:		
	3.01 NAIC-1	$ 60,751,007	20.623 %
	3.02 NAIC-2	17,242,097	5.853
4	Assets held in foreign investments:		
	4.01 Are assets held in foreign investments less than 2.5% of the reporting entity's total admitted assets?	Yes [ ]	No [X]

		1 Amount	2 Percent
	4.02 Total admitted assets held in foreign investments	$ 11,357,847	3.856 %
	If response to 4.01 above is yes, responses are not required for interrogatories 5–10.		

	NAIC sovereign designation	1 Amount	2 Percent
5	Aggregate foreign investment exposure categorized by NAIC sovereign designation:		
	5.01 Countries designated NAIC-1	$ 11,134,437	3.780 %
	5.02 Countries designated NAIC-2	223,410	0.076

	NAIC sovereign designation	1 Amount	2 Percent
6	Two largest foreign investment exposures in a single country, categorized by the country's NAIC sovereign designation:		
	Countries designated NAIC-1:		
	6.01 Cayman Islands	$ 4,199,098	1.425 %
	6.02 France	2,579,787	0.876
	Countries designated NAIC-2:		
	6.03 Italy	223,410	0.076
			—

10	Ten largest nonsovereign (i.e. nongovernmental) foreign issues:			
	10.01 BNP Paribas SA	NAIC-1	$ 1,625,872	0.552 %
	10.02 BPCE SA	NAIC-1	953,915	0.324
	10.03 Anchorage Capital CLO 4-R Ltd	NAIC-1	700,000	0.238
	10.04 Magnetite XII, Ltd.	NAIC-1	700,000	0.238
	10.05 Ocp Clo 2014-5 Ltd	NAIC-1	650,000	0.221
	10.06 Cedar Funding II CLO Ltd.	NAIC-1	550,000	0.187
	10.07 Trestles Clo 2017-1, Ltd.	NAIC-1	550,000	0.187
	10.08 AerCap Ireland Capital Designated Activity Company	NAIC-2	548,452	0.186
	10.09 Deutsche Telekom International Finance B.V.	NAIC-2	498,043	0.169
	10.10 ING Groep N.V.	NAIC-1	474,526	0.161

(Continued)

Schedule 1

BLUE CROSS AND BLUE SHIELD OF VERMONT

Supplemental Investment Risks Interrogatories Schedule

December 31, 2019

13 Assets held in equity investments:

13.01 Are assets held in equity investments less than 2.5% of the reporting entity's total admitted assets? Yes [ ] No [X]

If response to 13.01 above is yes, responses are not required for remaining parts of interrogatory.

	1 Name of issuer	2 Amount	3 Percent
	Assets held in equity interests:		
13.02	iShares Trust – iShares Core S&P 500 ETF	$ 2,988,677	1.015 %
13.03	FHLB of Boston Capital Stock	104,100	0.035
13.04	Rexford Industrial Realty, Inc.	31,101	0.011
13.05	Synaptics Incorporated	28,873	0.010
13.06	FTI Consulting, Inc.	28,218	0.010
13.07	Aaron's, Inc.	27,870	0.009
13.08	Diodes Incorporated	27,621	0.009
13.09	Portland General Electric Company	27,337	0.009
13.10	PNM Resources, Inc.	26,876	0.009
13.11	Spire Inc.	25,576	0.009

		At year-end		Amount at end of each quarter		
		Amount	Percent	1st Qtr	2nd Qtr	3rd Qtr
20	Assets subject to the following agreements					
20.02	Repurchase agreements	$ 17,596,876	5.974 %	11,909,246	—	12,511,585

Note: All other interrogatories in the required supplemental schedule are not applicable to Blue Cross and Blue Shield of Vermont.

See accompanying independent auditors' report.

Schedule 2

BLUE CROSS AND BLUE SHIELD OF VERMONT

Supplemental Summary Investment Schedule

December 31, 2019

	Gross investment holdings		Admitted assets as reported in the annual statement			
	1	2	3	4	5	6
Investment categories	Amount	Percentage	Amount	Securities lending reinvested collateral amount	Total (Col. 3 + 4) amount	Percentage
1 Long-Term Bonds:						
1.01 U.S. governments	$ 7,998,149	4.404 %	$ 7,998,149	—	7,998,149	4.414 %
1.04 U.S. political subdivisions of states, territories and possessions, guaranteed	1,906,481	1.050	1,906,481	—	1,906,481	1.052
1.05 U.S. special revenue and special assessment obligations, etc. non-guaranteed:	13,683,693	7.534	13,683,693	—	13,683,693	7.552
1.06 Industrial and miscellaneous	34,261,146	18.864	34,261,146	—	34,261,146	18.909
1.09 SVO identified funds	2,546,759	1.402	2,546,759	—	2,546,759	1.406
1.11 Total long-term bonds	60,396,228	33.254	60,396,228	—	60,396,228	33.334
3 Common stocks:						
3.01 Industrial and miscellaneous publicly traded (unaffiliated)	2,442,082	1.345	2,005,138	—	2,005,138	1.107
3.04 Parent, subsidiaries and affiliates other	77,709,966	42.787	77,709,966	—	77,709,966	42.890
3.05 Mutual funds	2,988,677	1.646	2,988,677	—	2,988,677	1.650
3.08 Total common stocks	83,140,725	45.777	82,703,781	—	82,703,781	45.646
5 Real estate						
5.01 Properties occupies by company	7,281,106	4.009	7,281,106	—	7,281,106	4.019
5.04 Total real estate	7,281,106	4.009	7,281,106	—	7,281,106	4.019
6 Cash, cash equivalents and short-term investments:						
6.01 Cash	119,766	0.066	119,766	—	119,766	0.066
6.02 Cash equivalents	13,087,274	7.206	13,087,274	—	13,087,274	7.223
6.03 Short-term investments	17,596,876	9.689	17,596,876	—	17,596,876	9.712
6.04 Total cash, cash equivalents and short-term investments	30,803,916	16.960	30,803,916	—	30,803,916	17.001
13 Total invested assets	$ 181,621,975	100.000 %	$ 181,185,031	—	181,185,031	100.000 %

See accompanying independent auditors' report.