WellCare Health Insurance of Arizona, Inc.

Statutory-Basis Financial Statements
as of and for the years ended December 31, 2022 and 2021,
Supplemental Schedules as of and for the year ended
December 31, 2022, and Independent Auditors' Report

WellCare Health Insurance of Arizona, Inc.

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Supplemental Schedules

As of and for the years ended December 31, 2022 and 2021

Contents

KPMG LLP
Suite 900
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St. Louis, MO 63102-1761

Independent Auditors' Report

The Audit Committee of the Board of Directors
WellCare Health Insurance of Arizona, Inc.:

Opinions

We have audited the financial statements of WellCare Health Insurance of Arizona, Inc. (the Company), which comprise the statutory-basis statements of admitted assets, liabilities, and capital and surplus as of December 31, 2022 and 2021, and the related statutory-basis statements of revenue and expenses, changes in capital and surplus, and cash flow for the years then ended, and the related notes to the financial statements.

Unmodified Opinion on Statutory Basis of Accounting

In our opinion, the accompanying financial statements present fairly, in all material respects, the admitted assets, liabilities, and capital and surplus of the Company as of December 31, 2022 and 2021, and the results of its operations and its cash flow for the years then ended in accordance with accounting practices prescribed or permitted by the Arizona Department of Insurance described in Note 2.

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles section of our report, the financial statements do not present fairly, in accordance with U.S. generally accepted accounting principles, the financial position of the Company as of December 31, 2022 and 2021, or the results of its operations or its cash flows for the years then ended.

Basis for Opinions

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 Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Company 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 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 Company using accounting practices prescribed or permitted by the Arizona Department of Insurance, 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 described in Note 2 and U.S. generally accepted accounting principles, although not reasonably determinable, are presumed to be material and pervasive.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting practices prescribed or permitted by the Arizona Department of Insurance. 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.

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 Company's ability to continue as a going concern for one year after the date that the financial statements are issued.

Auditors' 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 auditors' 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 Company'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 Company'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.

Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The supplementary information included in the Reinsurance Risk Interrogatories, Investment Risks Interrogatories, and Summary 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 Arizona Department of Insurance. 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 GAAS. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

/s/ KPMG LLP

St. Louis, Missouri
April 13, 2023

WellCare Health Insurance of Arizona, Inc.

Statutory-Basis Statements of Admitted Assets, Liabilities, and Capital and Surplus

	As of December 31,	
	2022	2021
	($ in Thousands)	
Admitted Assets		
Cash, cash equivalents and short-term investments	$ 71,391	$ 46,920
Bonds	153,247	188,919
Uncollected premiums	175	8,328
Accrued retrospective premiums	22,874	15,828
Receivable for amounts paid for uninsured plans	9,540	3,045
Net deferred tax asset	1,090	1,325
Amounts due from affiliates	19,039	—
Healthcare and other amounts receivable	24,765	17,584
Other assets	1,329	1,219
Total admitted assets	$ 303,450	$ 283,168
Liabilities and Capital and Surplus		
Liabilities:		
Unpaid claims	$ 141,517	$ 113,154
Unpaid claims adjustment expenses	1,329	1,095
Aggregate health policy reserves	17,761	29,222
Liability for uninsured plans	18,352	27,064
Federal income tax payable	1,569	256
Amounts due to affiliates	813	2,574
Other liabilities	7,981	6,430
Total liabilities	189,322	179,795
Capital and surplus:		
Common stock, $2.00 par value, 1,500,000 shares authorized, 1,500,000 issued and outstanding	3,000	3,000
Gross paid-in and contributed surplus	69,445	69,445
Unassigned surplus	41,683	30,928
Total capital and surplus	114,128	103,373
Total liabilities and capital and surplus	$ 303,450	$ 283,168

WellCare Health Insurance of Arizona, Inc.

Statutory-Basis Statements of Revenue and Expenses

	For the Years Ended December 31, 2022	2021
	($ in Thousands)	
Revenue		
Premiums	$ 1,035,190	$ 911,063
Expenses		
Medical expenses	895,992	736,084
Claims adjustment expenses	8,632	6,172
General administrative expenses	110,511	144,090
Total expenses	1,015,135	886,346
Investment income:		
Net investment income earned	4,244	3,354
Net realized capital (losses) gains (net of tax (benefit) expense of ($7) and $5, respectively)	(28)	18
Income before federal income taxes	24,271	28,089
Federal income tax expense	5,161	6,222
Net income	$ 19,110	$ 21,867

WellCare Health Insurance of Arizona, Inc.

Statutory-Basis Statements of Changes in Capital and Surplus

	As of December 31,	
	2022	**2021**
	($ in Thousands)	
Capital and surplus, January 1	$ 103,373	$ 82,586
Net income	19,110	21,867
Change in net unrealized capital gains (losses)	(80)	31
Change in deferred income tax	(257)	718
Change in non-admitted assets	1,982	(1,829)
Dividend to parent	(10,000)	—
Net change in capital and surplus	10,755	20,787
Capital and surplus, December 31	$ 114,128	$ 103,373

WellCare Health Insurance of Arizona, Inc.

Statutory-Basis Statements of Cash Flow

	For the Years Ended December 31, 2022	2021
	($ in Thousands)	
Cash from operations:		
Premiums collected, net of reinsurance	$ 1,024,784	$ 929,328
Net investment income	5,801	5,116
Benefits and loss related payments	(872,792)	(744,955)
Commissions, expenses paid and aggregate write-ins	(132,676)	(145,449)
Income taxes paid	(3,841)	(4,736)
Net cash provided by operations	21,276	39,304
Cash from investments:		
Total investments sold, matured or repaid	44,380	12,140
Total investments acquired	(10,411)	(26,172)
Net cash provided by (used in) investments	33,969	(14,032)
Cash from financing and miscellaneous sources:		
Dividend to parent	(10,000)	—
Other cash used	(20,774)	(9,703)
Net cash used in financing and miscellaneous sources	(30,774)	(9,703)
Net change in cash, cash equivalents and short-term investments	24,471	15,569
Cash, cash equivalents and short-term investments, beginning of year	46,920	31,351
Cash, cash equivalents and short-term investments, end of year	$ 71,391	$ 46,920

($ in Thousands)

1. ORGANIZATION AND NATURE OF OPERATIONS

WellCare Health Insurance of Arizona, Inc. ("the Company", "our") is a wholly-owned subsidiary of Centene Corporation ("Centene"), a publicly traded managed care services company.

The Company was incorporated in January 1973, and is a life, accident and health insurance company domiciled in the State of Arizona and licensed as an insurer in 38 states. The Company offers a Medicaid plan under a contract with the State of Hawaii Department of Human Services ("DHS"). The Company's current, multi-year contracts covering Medicaid and Behavioral Health with the DHS expire on December 31, 2026 and June 30, 2024, respectively.

The Company is also a Medicare Advantage ("MA") Organization offering Medicare and prescription drug benefits through the Medicare Part D Program ("PDP") to Medicare beneficiaries in the states of Florida, Hawaii and Louisiana pursuant to a contracts with the Centers for Medicare and Medicaid Services ("CMS"). The Company's current one year Medicare contracts expire on December 31, 2023 and is renewable annually for successful one year terms.

The Company's Premiums by contract are as follows:

	Years Ended December 31, 2022	Years Ended December 31, 2021
Medicaid	$ 453,066	$ 451,483
MA	582,124	459,580
Total premiums	$ 1,035,190	$ 911,063

2. BASIS OF PRESENTATION AND SIGNIFICANT ACCOUNTING POLICIES

A. Basis of Presentation

The statutory-basis financial statements of the Company are presented on the basis of accounting practices prescribed or permitted by Arizona Department of Insurance ("ADI") for determining and reporting the financial condition and the results of operations of an insurance company and for determining its solvency under Arizona insurance law.

The State of Arizona has adopted certain prescribed accounting policies found in the revised National Association of Insurance Commissioners' ("NAIC") Accounting Practices and Procedures Manual ("NAIC SAP"), subject to any deviations prescribed or permitted by ADI Statutory Accounting Principles ("SAP"). In 2022 and 2021, there were no differences between SAP and NAIC SAP that impacted the Company. SAP differs in certain respects from U.S. generally accepted accounting principles ("GAAP") followed by other types of enterprises in determining their financial position, results of operations, and cash flows. The most significant variances are as follows:

A. Under SAP, certain assets, designated as "nonadmitted assets" are excluded from the statutory-basis statements of admitted assets, liabilities, and capital and surplus and are charged to unassigned surplus. The balance of nonadmitted assets at December 31, 2022 and 2021, are $2,544 and $4,526, respectively. Under GAAP, such assets are included in the balance sheets subject to impairment and allowances.
B. The statutory-basis financial statements reflect certain assets and liabilities net of ceded reinsurance. Under GAAP, these assets and liabilities are presented gross of reinsurance.
C. Under SAP, debt securities are generally carried at amortized cost. Under GAAP, debt securities are carried at amortized cost only if there is both a positive intent and ability to hold to maturity. Otherwise, they are carried at fair value with unrealized gains and losses recognized in operations or accumulated other comprehensive income according to prescribed rules.
D. Under SAP, the statements of cash flow reconcile to changes in cash, cash equivalents and short-term investments with original maturities of one year or less. Under GAAP, the statements of cash flows reconcile to changes in cash, cash equivalents including short-term investments with an original maturity period of three months or less and restricted cash. The statutory-basis statements of cash flow are presented in a specified format, which differs from the format prescribed by GAAP.
E. Under SAP, net deferred income tax assets are admitted following the application of certain criteria with the resulting change in admitted deferred tax asset amount being credited directly to capital and surplus. Under GAAP and SAP, deferred income tax assets and liabilities are recorded for

temporary differences between the reported amounts of assets and liabilities and those in the Company's income tax return. Changes to deferred income tax assets and liabilities are recorded in current operations under GAAP and directly to surplus under SAP.

F. Comprehensive income is not determined for statutory-basis reporting, and there is no statement reflecting accumulated other comprehensive income.

The aggregate effect of the foregoing differences between SAP and GAAP has not been determined, but is presumed to be material and pervasive.

B. Management's Estimates

The preparation of statutory-basis financial statements in conformity with the accounting practices prescribed or permitted by ADI 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-basis financial statements and the reported amounts of revenue and expenses during the reporting period. Future events and their effects cannot be predicted with certainty; accordingly, the accounting estimates require the exercise of judgment. The accounting estimates used in the preparation of the financial statements will change as new events occur, as more experience is acquired, as additional information is obtained and as the operating environment changes. The Company evaluates and updates its assumptions and estimates on an ongoing basis and may employ outside experts to assist in the evaluation, as considered necessary. Actual results could differ from those estimates.

C. Cash and Cash Equivalents

Cash represents amounts held by the Company in disbursement accounts at banks. Periodically, the balance of certain of the Company's bank accounts exceeds the federally-insured limit. The Company has not experienced any losses from maintaining cash balances in excess of such limits. Cash equivalents consist primarily of money market mutual funds and short-term, highly-liquid investments with original maturities of three months or less, which are stated at amortized cost. Short-term investments consist of investments with original maturities greater than three months and less than one year. Short-term investments are stated at cost or amortized cost, which approximates fair value.

D. Fair Value Measurements

n the normal course of business, the Company invests in various financial assets and incurs various financial liabilities. Fair values are disclosed for all financial instruments, whether or not such values are recognized. Management obtains quoted market prices or other observable inputs for these disclosures. The carrying amounts reported for cash, cash equivalents, short-term investments, uncollected premiums, and certain other assets and liabilities are carried at cost, which approximates fair value.

E. Bonds

Bonds are valued as prescribed by the NAIC and are generally carried at amortized cost with the accretion of discounts and amortization of premiums being computed under the scientific method. Realized gains and losses are calculated using the specific-identification method. Asset-backed securities are revalued using currently estimated cash flows and prepayment assumptions. A prospective adjustment methodology is used for all asset-backed securities.

The Company evaluates all of its bonds for impairment based on current market prices, economic conditions, and the financial condition of the issuer. Investments that have declines in fair value below cost, which are judged to be other-than-temporary, are written down to estimated fair value. Factors considered in evaluating whether a decline in value is other-than-temporary include: (1) whether the decline is substantial, (2) the Company's ability and intent to retain the investment for a period of time sufficient to allow for an anticipated recovery in value, (3) the duration and extent to which the fair value has been less than cost, and (4) the financial condition and near-term prospects of the issuer in relation to the anticipated recovery period. There were no charges recorded in 2022 and 2021 related to other-than-temporary impairments.

Investment securities are exposed to various risks, such as interest rate risk, market risk, and credit risk. Due to the level of risk associated with certain investment securities and the level of uncertainty related to changes in the value of investment securities, it is at least reasonably possible that changes in risks in the near term would materially affect the amounts reported.

F. Reinsurance

The Company limits its risk of certain catastrophic losses by maintaining reinsurance coverage. Premiums are recorded net of ceded reinsurance premiums. Medical expenses are recorded net of reinsurance recoveries. The Company is liable in the event its reinsurer is unable to meet its obligations. The Company recognizes receivables for reinsurance recoveries on paid losses that remain outstanding as of period-end.

($ in Thousands)

G. Healthcare and Other Amounts Receivable

Healthcare receivables consist of pharmaceutical rebate receivables admitted in accordance with Statement of Statutory Accounting Principles ("SSAP") No. 84, *Certain Healthcare Receivables and Receivables under Government Insured Plans.* The Company records pharmaceutical rebate receivables based on actual utilization and estimated rebate rates. Network rebate receivable is determined retrospectively based upon several pharmacy performance measures. The pharmacy benefit manager calculates the network rebate receivable, withholds the rebate from pharmacies and remits payment to the Company. Accordingly, the Company recorded admitted healthcare and other amounts receivable at December 31, 2022 and 2021, in the amount of $24,765 and $17,584, respectively, of which $10,277 and $9,357, respectively, was pharmacy rebate receivables.

Pharmacy rebate collections are as follows:

	Years Ended December 31,	
	2022	2021
Pharmacy Rebate Collections:		
Quarter 1	$ 13,335	$ 9,232
Quarter 2	13,705	11,222
Quarter 3	14,340	10,523
Quarter 4	14,702	10,887
Total	$ 56,082	$ 41,864

H. Amounts Due From (To) Affiliates

Amounts due from (to) affiliates generally consist of amounts receivable (payable) from (to) related parties under various service agreements as well as parent contribution receivables. See Note 9, *Related Party Transactions* for detailed amounts due from (to) affiliates.

I. Receivable for Amounts Paid For Uninsured Plans/Liability for Amounts Held under Uninsured Plans

For qualifying low income Medicare PDP members, CMS pays for some, or all, of the member's monthly premium. The Company receives certain PDP prospective subsidy payments from CMS for MA and PDP members as a fixed monthly per member amount, based on the estimated costs of providing prescription drug benefits over the plan year, as reflected in bids. Approximately nine to ten months subsequent to the end of the plan year, or later in the case of the coverage gap discount subsidy, a settlement payment is made between

CMS and the Company based on the difference between the prospective payments and actual claims experience. The subsidy components under PDP are described below:

Low-Income Cost Sharing Subsidy ("LICS") - For qualifying low-income subsidy members, CMS reimburses the Company for all or a portion of the low income subsidy member's deductible, coinsurance and co-payment amounts above the out-of-pocket threshold.

Catastrophic Reinsurance Subsidy ("CRS") - CMS reimburses the Company for 80% of the drug costs after a member reaches his or her out-of-pocket catastrophic threshold through a CRS.

Coverage Gap Discount Subsidy ("CGDS") - CMS provides monthly prospective payments for pharmaceutical manufacturer discounts made available to members.

CRS and LICS represent cost reimbursements under the PDP program. The Company is fully reimbursed by CMS for costs incurred for these contract elements and, accordingly, there is no insurance risk to the Company. Therefore, amounts received for these subsidies are not considered premiums, and are reported, net of the subsidy benefits paid, as deposits. Costs incurred over deposits received are recorded as a receivable for amounts paid for uninsured plans and deposits received in excess of costs incurred are recorded as a liability for amounts held under uninsured plans. Historically, the settlement payments between the Company and CMS have not been materially different from our estimates.

CGDS advance payments are recorded as a receivable for amounts paid for uninsured plans. Receivables are set up for manufacturer-invoiced amounts. Manufacturer payments reduce the receivable as payments are received. After the end of the contract year, during the PDP payment reconciliation process for the CGDS, CMS will perform a cost-based reconciliation to ensure the PDP sponsor is paid for gap discounts advanced at the point of sale, based on accepted prescription drug event data.

For uninsured plans activity, the Company recorded a receivable due from CMS of $9,540 and $3,045, at December 31, 2022 and 2021, respectively. This represents 100% of the Company's amounts receivable from uninsured accident and health plans. There are no recorded allowances and reserves for adjustment of recorded revenues. There were no adjustments to revenue resulting from the audit of receivables related to revenues recorded in the prior period.

J. Accrued Retrospective Premiums/Aggregate Health Policy Reserves

The Company's MA and PDP premiums are subject to risk sharing through the CMS PDP risk corridor provisions. The risk corridor calculation compares actual experience to the target amount of prescription drug costs, limited to costs under the standard coverage as defined by CMS, less rebates included in the submitted plan year bid. The Company receives additional premiums from CMS if actual experience is more than 5% above the target amount. The Company refunds premiums to CMS if actual experience is more than 5% below the target amount. Based on the risk corridor provision and PDP activity-to-date, an estimated risk-sharing receivable or payable is recorded as an adjustment to premiums. After the close of the annual plan year, CMS performs the risk corridor calculation and any differences are settled between CMS and the Company. Historically, there have not been material differences between recorded estimates and the subsequent CMS settlement amounts.

At December 31, 2022 and 2021, there was a balance due from CMS of approximately $22,874 and $15,828, respectively. At December 31, 2022 and 2021, there was a balance due to CMS of approximately $7,098 and $10,854, respectively. The balance due from/to CMS was recorded as an adjustment to premiums at December 31, 2022 and 2021. The balance due from CMS is recorded in the Accrued retrospective premiums line of the Balance Sheet. The balance due to CMS is recorded in the Aggregate health policy reserves line of the Balance Sheet.

Medicare Minimum Loss Ratio

Beginning in 2014, the Patient Protection and Affordable Care Act, as amended by the Health Care and Education Reconciliation Act of 2010 (collectively, the "ACA"), requires the establishment of a minimum medical loss ratio ("MLR") for MA and PDP plans, requiring them to spend not less than 85% of premiums on medical benefits. The rules implementing the minimum MLR impose financial and other penalties for failing to achieve the minimum MLR, including requirements to refund to CMS shortfalls in amounts spent on medical benefits and termination of a plan's MA contract for prolonged failure to achieve the minimum MLR. MLR is determined by adding a plan's spending for clinical services, prescription drugs and other direct patient benefits, plus its total spending on quality improvement activities and dividing the total by premiums (after subtracting specific identified taxes and other fees). No refund was due to CMS for this provision in 2022 or 2021.

Medicaid Minimum Loss Ratio

The Company recorded a minimum medical loss ratio rebate payable of $10,663 and $18,368 on its DHS Contract at December 31, 2022 and 2021, respectively. This is recorded as return of premium payable.

K. Premium Deficiency Reserve

Premium deficiency reserves are recognized when expected incurred costs, claim adjustment expenses, and administration costs exceed the premiums to be collected for the remainder of a contract period. The Company considered anticipated investment income when calculating its premium deficiency reserves. The adequacy of reserve requirements is continually reviewed by management, with any reductions in the reserve being recorded as a beneficial effect. No premium deficiency reserve was recorded in aggregate health policy reserves at December 31, 2022 and 2021, based on the Company's expectation regarding the profitability of contracts in force at December 31, 2022 and 2021.

L. Premiums and Uncollected Premiums

Premiums are recognized in the period in which members are entitled to receive covered services. During 2022 and 2021, the Company earned all of its premiums, net of ceded reinsurance premiums, under the contract with CMS and similarly funded government-insured plans. Substantially, all premiums are based on a fixed amount per eligible enrolled member per month.

Uncollected premiums include amounts receivable under government-insured plans. Amounts receivable under government-insured plans, including amounts over 90 days due, which qualify as accident and health contracts are admitted assets under SSAP No. 84..

Certain state agencies, including Hawaii, place an assessment or tax on Medicaid premiums, which is included in the premium rates established in the Medicaid contracts with each state agency and recorded as a component of premium, as well as general administrative expense, when incurred. Medicaid premium taxes were $20,305 and $24,841 for the years ended December 31, 2022 and 2021, respectively.

M. Medical and Claims Adjustment Expenses, Unpaid Claims and Unpaid Claims Adjustment Expenses

Unpaid claims includes claims reported but not yet paid, or inventory, and estimates for claims incurred but not reported ("IBNR"). Unpaid claims adjustment expenses include estimates for the costs necessary to process unpaid claims. The Company estimates its unpaid claims using actuarial methods that are commonly used by health insurance actuaries and meet Actuarial Standards of Practice. These actuarial methods consider factors such as historical data for payment patterns, cost trends, product mix, seasonality, utilization of healthcare services, and other relevant factors.

The Actuarial Standards of Practice generally require that unpaid claims estimates be adequate to cover obligations under moderately adverse conditions. Moderately adverse conditions are situations in which the actual claims are expected to be higher than the otherwise estimated value of such claims at the time of estimate. In many situations, the claims amounts ultimately settled will be different than the estimate that satisfies the Actuarial Standards of Practice. The Company includes in its IBNR an estimate for claims payable under moderately adverse conditions, which represents the risk of adverse deviation of the estimates in its actuarial method of reserving.

The Company uses its judgment to determine the assumptions to be used in the calculation of the required estimates. The assumptions it considers when estimating IBNR include, without limitation, claims receipt and payment experience (and variations in that experience), changes in membership, provider billing practices, healthcare service utilization trends, cost trends, product mix, seasonality, prior authorization of medical services, benefit changes, known outbreaks of disease or increased incidence of illness such as influenza, provider contract changes, changes to fee schedules, and the incidence of high dollar or catastrophic claims patterns, maturity of lines of business and other factors.

The Company's development of the unpaid claims estimate is a continuous process, which it monitors and refines on a monthly basis as additional claims receipts and payment information becomes available. As more complete claim information becomes available, the Company adjusts the amount of the estimates and includes the changes in estimates in medical costs in the period in which the changes are identified. In every reporting period, the operating results include the effects of more completely developed unpaid claims liability estimates associated with previously reported periods. The Company consistently applies its reserving methodology from period to period. As additional information becomes known, the Company adjusts the actuarial model accordingly to establish unpaid claims liability estimates. Management believes the amount of unpaid claims payable is reasonable and adequate to cover the Company's liability at December 31, 2022 and 2021, however, actual claim payments may differ from established estimates.

Claims adjustment expenses are subdivided into cost containment expenses and other claim adjustment expenses. Cost containment expenses, which include care and disease management, utilization review services, quality assurance and on-call nurses, are intended to reduce the number of health services provided or the cost of such services. Other claims adjustment expenses are all other costs which do not meet the definition of cost containment expenses.

N. Accrued Medical Incentive Pool and Bonus Amounts

The Company participates in a physician incentive plan with certain contracted primary care providers. This plan is designed to encourage the delivery of quality care to members. Amounts are accrued and expensed as certain quality metrics are met. This activity is recorded as a component of unpaid claims.

O. Hospital Assessment Payable

Hospital assessment payable consists of amounts payable to hospitals, physicians, and ambulance providers to compensate them for serving Medicaid members. These amounts are a component of the premium revenue earned under the Company's at-risk contract with DHS and are made on a pass-through basis. The Company records hospital assessment revenue net with the expense within premiums.

P. General Administrative Expenses

Effective January 1, 2022, the Company has a contract with Centene Management Company, LLC. ("CMC"), a wholly-owned subsidiary of Centene, to provide certain management, administrative services and claims processing utilization review, payroll services and the majority of the administrative functions for the Company, excluding certain sales and marketing functions and other professional consulting expenses. Additionally, CMC is responsible for maintaining the claims related to data processing equipment and software.

Previously the Company had an affiliated management agreement with Comprehensive Health Management, Inc. ("CHMI") that was terminated on December 31, 2021. The agreement provided certain management, administrative services and claims processing services, utilization review, payroll services and the majority of the administrative functions of the Company, excluding certain sales and marketing functions and other professional consulting expenses. Additionally, CHMI is responsible for maintaining the claims related data processing equipment and software. CHMI has an agreement with CMC whereby expenses paid by CMC can be passed through CHMI to the Company. The Company also directly incurs general expenses, primarily for broker expenses, marketing and advertising.

The Company will also reimburse CHMI for expenses it pays which are directly allocable to the Company. Additionally, the agreement includes a true-up mechanism where the management fee charged is compared to the actual cost of services provided and any difference is settled between CHMI and the Company. The true-up will occur on an annual basis for the prior years.

Q. ***Net Investment Income***

Investment income is comprised of interest and dividends earned on the Company's invested assets, which can include cash, cash equivalents, short-term investments and bonds. All investment income due and accrued with amounts that are over 90 days past due is considered nonadmitted. There were no nonadmitted interest income amounts due and accrued at December 31, 2022 and 2021.

($ in Thousands)

R. Income Taxes

Deferred tax assets and liabilities are recorded for the future tax consequences attributable to differences between the statutory-basis financial statements 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.

Valuation allowances are provided when it is considered more likely than not that deferred tax assets will not be realized. In determining if a deductible temporary difference or net operating loss can be realized, the Company considers future reversals of existing taxable temporary differences, future taxable income, taxable income in prior carryback periods, and tax planning strategies.

For the years ended December 31, 2022 and 2021, the Company filed a consolidated federal income tax return with Centene and its other subsidiaries. In accordance with the group's tax allocation agreement, the subsidiaries reimburse or recover from Centene their portion of the income taxes as calculated on a separate company basis.

3. INVESTMENTS AND RESTRICTED ASSETS

The amortized cost and estimated fair value of investment in bonds are as follows:

	Gross Unrealized As of December 31, 2022			
	Carrying Value	Gains	Losses	Fair Value
U.S. Governments	$ 3,120	$ —	$ (48)	$ 3,072
U.S. States, territories and possessions	183	5	—	188
Political subdivisions of states, territories and possessions	1,567	—	(231)	1,336
Special revenue and assessments	24,685	14	(3,596)	21,103
Industrial and miscellaneous	123,692	—	(12,517)	111,175
Total Bonds	$ 153,247	$ 19	$ (16,392)	$ 136,874

($ in Thousands)

	Gross Unrealized As of December 31, 2021			
	Carrying Value	Gains	Losses	Fair Value
U.S. Governments	$ 3,161	$ —	$ (7)	$ 3,154
Political subdivisions of states, territories and possessions	2,793	8	(1)	2,800
Special revenue and assessments	25,102	11	(410)	24,703
Industrial and miscellaneous	157,863	1,247	(2,225)	156,885
Total Bonds	$ 188,919	$ 1,266	$ (2,643)	$ 187,542

The above tables excludes short-term bonds reported in cash, cash equivalents and short-term investments, of which the Company had none as of December 31, 2022 and 2021.

The fair values of the Company's bonds are evaluated based on NAIC designations set forth by the Securities Valuation Office ("SVO"). The SVO does not provide fair market values for certain bonds. As such, the Company utilizes independent pricing services to estimate fair value for bonds, which are not actively traded on the measurement date or for which the SVO does not provide fair market values.

The following tables illustrate the gross unrealized losses included in the Company's investment portfolio aggregated by investment category. The table also illustrates the length of time the securities have been in an unrealized loss position as follows:

	December 31, 2022					
	Less Than 12 Months		12 Months or More		Total	
	Fair Value	Gross Unrealized Loss	Fair Value	Gross Unrealized Loss	Fair Value	Gross Unrealized Loss
U.S. Governments	$ 1,929	$ (32)	$ 548	$ (16)	$ 2,477	$ (48)
Political subdivisions of states, territories and possessions	1,232	(220)	104	(11)	1,336	(231)
Special revenue and assessments	4,882	(659)	15,453	(2,937)	20,335	(3,596)
Industrial and miscellaneous	47,763	(2,027)	61,873	(10,490)	109,636	(12,517)
Total Bonds	$ 55,806	$ (2,938)	$ 77,978	$ (13,454)	$ 133,784	$ (16,392)

($ in Thousands)

	December 31, 2021					
	Less Than 12 Months		12 Months or More		Total	
	Fair Value	Gross Unrealized Loss	Fair Value	Gross Unrealized Loss	Fair Value	Gross Unrealized Loss
U.S. Government	$ 3,154	$ (7)	$ —	$ —	$ 3,154	$ (7)
Political subdivisions of states, territories and possessions	1,313	(1)	—	—	1,313	(1)
Special revenue and assessments	20,723	(379)	822	(31)	21,545	(410)
Industrial and miscellaneous	70,446	(1,876)	9,274	(349)	79,720	(2,225)
Total Bonds	$ 95,636	$ (2,263)	$ 10,096	$ (380)	$ 105,732	$ (2,643)

The Company views the decrease in value of all of the securities with unrealized losses at December 31, 2022 and 2021 as temporary, expects recovery in fair value, anticipates continued payments under the terms of the securities, and has the intent and ability to hold these securities until maturity or a recovery in fair value occurs. Therefore, no impairment of these securities was recorded during 2022 or 2021.

The amortized cost and fair value of debt securities by contractual maturity, are shown below. Actual maturities may differ due to call or prepayment options.

	As of December 31, 2022	
	Carrying Value	Fair Value
Due in one year or less	$ 14,564	$ 14,377
Due after one year through five years	59,234	54,114
Due after five years through ten years	53,768	46,309
Due after ten years	25,681	22,074
Total	$ 153,247	$ 136,874

Net proceeds from sales, maturities, repayments on bonds, and other disposals of investments in debt securities during 2022 and 2021 were $44,380 and $12,140, respectively. The Company had net realized gains/(losses) on the sale of bonds of ($28) and $18 during 2022 and 2021, respectively. Net investment income for the years ended December 31, 2022 and 2021 was $4,244 and $3,354, respectively.

Restricted assets are pledged in accordance with regulatory requirements and are included in invested bonds.

($ in Thousands)

	As of December 31, 2022	As of December 31, 2021
Arizona Department of Insurance	$ 1,570	$ 1,539
Other states	1,665	1,687
Total	$ 3,235	$ 3,226

4. FAIR VALUE MEASUREMENTS

Assets and liabilities recorded at fair value are categorized based upon the extent to which the fair value estimates are based upon observable or unobservable inputs. Level inputs are as follows:

Level input	Input definition
Level I	Inputs are unadjusted, quoted prices for identical assets or liabilities in active markets at the measurement date.
Level II	Inputs other than quoted prices included in Level I that are observable for the asset or liability through corroboration with market data at the measurement date.
Level III	Unobservable inputs that reflect management's best estimate of what market participants would use in pricing the asset or liability at the measurement date.

The carrying values and estimated fair values of the Company's financial instruments were as follows:

	Fair Value Measurements December 31, 2022				
	Aggregate fair value	Admitted assets	Level I	Level II	Level III
Cash, cash equivalents and short-term investments	$ 71,391	$ 71,391	$ 71,391	$ —	$ —
Bonds	136,874	153,247	3,072	133,802	—

	Fair Value Measurements December 31, 2021				
	Aggregate fair value	Admitted assets	Level I	Level II	Level III
Cash, cash equivalents and short-term investments	$ 46,920	$ 46,920	$ 46,920	$ —	$ —
Bonds	187,542	188,919	3,154	184,388	—

($ in Thousands)

There have been no movements between levels during the years ended December 31, 2022 or 2021.

5. REINSURANCE

In 2022 and 2021, the Company obtained reinsurance coverage for its members with an unaffiliated entity equal to 80% of expenses in excess of $5,000 and $3,000 per covered person per agreement term, up to $5,000 per covered person per agreement term. Reimbursement for services is subject to coinsurance provisions.

Under this reinsurance agreement, the Company recorded (recovered) ceded premiums of ($157) and $316 in 2022 and 2021, respectively. There were no reinsurance recoveries under this reinsurance agreement during 2022 and 2021. There were no reinsurance recoverables under this reinsurance agreement during 2022 and 2021.

6. UNPAID CLAIMS AND CLAIMS ADJUSTMENT EXPENSES

The following table provides a reconciliation of the beginning and ending balance of unpaid claims for the following periods:

	Years Ended December 31, 2022	Years Ended December 31, 2021
Unpaid claims at January 1,	$ 113,154	$ 114,172
Claims expenses incurred related to:		
Current year	889,038	765,352
Prior years	6,954	(29,268)
	895,992	736,084
Claims expenses paid related to:		
Current year	(759,140)	(658,744)
Prior years	(108,489)	(78,358)
	(867,629)	(737,102)
Unpaid claims at December 31,	$ 141,517	$ 113,154

The incurred amounts related to prior years represent the variation between the Company's estimated expense for prior years' claims and the actual amounts required to satisfy such claims. During 2022 and 2021, the Company experienced $6,954 and ($29,268), respectively, of unfavorable and (favorable) development on prior year claims generally as a result of ongoing analysis of recent development trends. Original estimates are increased or decreased as additional information becomes known regarding individual claims.

($ in Thousands)

Claims adjustment expenses of $8,398 and $5,771 were paid during 2022 and 2021, respectively. Adjustments to claims adjustment expenses incurred attributable to insured events of the prior year were immaterial for 2022 and 2021.

7. INCOME TAXES

The December 31, 2022 and 2021 balances and related disclosures are calculated and presented pursuant to SSAP No. 101, *Income Taxes*.

The net deferred tax asset ("DTAs")\(liability) ("(DTLs)") at December 31, and change from the prior year, is comprised of the following components:

		2022			2021		
	(1)	Ordinary	Capital	Total	Ordinary	Capital	Total
(a)	Gross DTAs	$ 1,102	$ 22	$ 1,124	$ 1,376	$ —	$ 1,376
(b)	Statutory Valuation Allowance ("SVA") Adjustments	—	—	—	—	—	—
(c)	Adjusted Gross DTAs	1,102	22	1,124	1,376	—	1,376
(d)	DTAs Nonadmitted	—	—	—	—	—	—
	Subtotal Net Admitted DTAs	1,102	22	1,124	1,376	—	1,376
(f)	(DTLs)	(34)	—	(34)	(51)	—	(51)
(g)	Net Admitted DTAs	$ 1,068	$ 22	$ 1,090	$ 1,325	$ —	$ 1,325
	(2)						
	Admission Calculation Components SSAP 101:						
(a)	Federal Income Taxes Paid in Prior Years Recoverable Through Loss Carrybacks	$ 1,102	$ 6	$ 1,108	$ 1,376	$ —	$ 1,376
(b)	Adjusted Gross DTAs Expected to be Realized After Application of the Threshold Limitation	—	16	16	—	—	—
	1. Adjusted Gross DTAs Expected to be Realized Following the Balance Sheet Date	—	16	16	—	—	—
	2. Adjusted Gross DTAs Allowed per Limitation Threshold	XXX	XXX	16,956	XXX	XXX	15,307
(c)	Adjusted Gross DTAs Offset by Gross (DTLs)	—	—	—	—	—	—
(d)	DTAs Admitted as the result of application of SSAP No 101	$ 1,102	$ 22	$ 1,124	$ 1,376	$ —	$ 1,376

($ in Thousands)

	(1)	Change Ordinary	Change Capital	Change Total
(a)	Gross DTAs	$ (274)	$ 22	$ (252)
(b)	Statutory Valuation Allowance ("SVA") Adjustments	—	—	—
(c)	Adjusted Gross DTAs	(274)	22	(252)
(d)	DTAs Nonadmitted	—	—	—
(e)	Subtotal Net Admitted DTAs	(274)	22	(252)
(f)	(DTLs)	(17)	—	(17)
(g)	Net Admitted DTAs	$ (257)	$ 22	$ (235)
	(2)			
	Admission Calculation Components SSAP 101:			
(a)	Federal Income Taxes Paid in Prior Years Recoverable Through Loss Carrybacks	$ (274)	$ 5	$ (269)
(b)	Adjusted Gross DTAs Expected to be Realized After Application of the Threshold Limitation	—	16	16
	1. Adjusted Gross DTAs Expected to be Realized Following the Balance Sheet Date	—	16	16
	2. Adjusted Gross DTAs Allowed per Limitation Threshold	XXX	XXX	1,649
(c)	Adjusted Gross DTAs Offset by Gross (DTLs)	—	—	—
(d)	DTAs Admitted as the result of application of SSAP No 101	$ (274)	$ 21	$ (253)

Information used in "expected to be realized" calculation consists of the following:

(3)	2022	2021
Authorized control level risk-based capital ratio without net DTAs	366.7 %	476.0 %
Adjusted capital and surplus	$ 113,038	$ 102,047

	(4)	2022		2021		Change	
	Impact of Tax-Planning Strategies	Ordinary	Capital	Ordinary	Capital	Ordinary	Capital
(a)	Determination of Adjusted Gross DTAs and Net Admitted DTAs, By Tax Character as a Percentage						
	(1) Percentage of Adjusted Gross DTAs By Tax Character Attributable To The Impact of Tax Planning Strategies	15.3 %	1.9 %	14.3 %	— %	1.3 %	2.0 %
	(2) Percentage of Net Admitted Adjusted Gross DTAs By Tax Character Admitted Because of The Impact of Tax Planning Strategies	15.3 %	1.9 %	14.3 %	— %	1.3 %	2.0 %
(b)	Does the Company's tax-planning strategies include the use of reinsurance?					Yes _____	No __X__

The Company has no temporary differences for which tax liabilities have not been established.

($ in Thousands)

Current income taxes incurred consist of the following major components:

	(1) Current Income Tax	2022	2021	Change
(a)	Federal	$ 5,129	$ 6,205	$ (1,076)
(b)	Foreign	—	—	—
(c)	Subtotal	$ 5,129	$ 6,205	$ (1,076)
(d)	Federal income tax on capital (losses) gains	(7)	5	(12)
(e)	Utilization of capital loss carry-forwards	—	—	—
(f)	Other, including prior years underaccrual	32	17	15
(g)	Federal and foreign income taxes incurred expense	$ 5,154	$ 6,227	$ (1,073)

The tax effects of temporary differences that give rise to significant portions of the DTAs\(DTLs) are as follows:

	(2) DTAs:	2022	2021	Change
(a)	Ordinary			
	Discounting of unpaid losses and LAE	$ 395	$ 336	$ 59
	Unearned premiums	1	3	(2)
	Policyholder reserves	—	—	—
	Investments	—	—	—
	Deferred acquisition costs	—	—	—
	Policyholder dividends accrued	—	—	—
	Fixed assets	—	—	—
	Accrued Expenses	172	196	(24)
	Pension accruals	—	—	—
	Nonadmitted assets	534	841	(307)
	Net operating loss carryforward	—	—	—
	Tax credit carryforward	—	—	—
	Goodwill & Intangible Amortization	—	—	—
	Premium deficiency reserve	—	—	—
	Other (separately disclose items >5%)	—	—	—
	Gross Ordinary DTAs	$ 1,102	$ 1,376	$ (274)
(b)	SVA adjustments - Ordinary	—	—	—
(c)	Nonadmitted	—	—	—
(d)	Admitted Ordinary DTAs	$ 1,102	$ 1,376	$ (274)
(e)	Capital			
	Investments	—	—	—
	Net capital loss carryforward	—	—	—
	Real estate	—	—	—
	Other (separately disclose items >5%)	22	—	22

($ in Thousands)

	Unrealized capital losses	—	—	—
	Gross Capital DTAs	$ 22	$ —	$ 22
(f)	SVA adjustments - Capital	—	—	—
(g)	Nonadmitted	—	—	—
(h)	Admitted Capital DTAs	$ 22	$ —	$ 22
(i)	Admitted DTAs	$ 1,124	$ 1,376	$ (252)
	(3) (DTLs):			
(a)	Ordinary			
	Investments	$ —	$ —	$ —
	Fixed assets	—	—	—
	Deferred and uncollected premiums	—	—	—
	Policyholder reserves/salvage and subrogation	(34)	(51)	17
	Other (separately disclose items >5%)	—	—	—
	Ordinary (DTLs)	$ (34)	$ (51)	$ 17
(b)	Capital			
	Investments	—	—	—
	Real estate	—	—	—
	Other (separately disclose items >5%)	—	—	—
	Unrealized capital gains	—	—	—
	Capital (DTLs)	$ —	$ —	$ —
(c)	(DTLs)	$ (34)	$ (51)	$ 17
	(4) Net DTAs	$ 1,090	$ 1,325	$ (235)

The change in deferred income taxes reported in surplus before consideration of nonadmitted assets is comprised of the following components:

	2022	2021	Change
Total DTAs	$ 1,124	$ 1,376	$ (253)
Total DTLs	(34)	(51)	17
Net DTAs	1,090	1,325	(236)
SVA adjustments	—	—	—
Net DTAs after SVA	1,090	1,325	(236)
Tax effect of unrealized gains	(21)	—	(21)
Change in net deferred income tax (benefit)	$ 1,069	$ 1,325	$ (257)

The Company’s income tax incurred and change in deferred income tax differs from the amount obtained by applying the federal statutory rate of 21% for the years ended December 31, 2022 and 2021 to income before income taxes as follows:

($ in Thousands)

	2022	2021
Income Before Taxes	$ 5,095	$ 5,900
Tax-Exempt Interest	(33)	(17)
Proration	8	4
Meals & Entertainment, Nondeductible Expenses, Etc.	1	(11)
Deferred Taxes on Nonadmitted Assets	416	(384)
Other, Including Prior Year True-Up	(76)	17
Total Statutory Income Taxes	$ 5,411	$ 5,509

	2022	2021
Federal Income Taxes Incurred Expense	$ 5,161	$ 6,222
Tax on Capital (Losses)\Gains	(7)	5
Change in Net Deferred Income Tax Charge/(Benefit)	257	(718)
Total Statutory Income Taxes	$ 5,411	$ 5,509

At December 31, 2022 and 2021, the Company had no operating loss or tax credit carryforwards for tax purposes.

The amount of income tax expense that is available for recoupment in the event of future net losses is:

Year:	Ordinary	Capital	Total
2020	N/A	$—	$—
2021	$6,206	$5	$6,211
2022	$5,121	$—	$5,121

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

The Company does not have any tax loss contingencies for which it is reasonably possible that the total liability will significantly increase within twelve months of the reporting date.

The Company's federal income tax return is consolidated with Centene and its eligible subsidiaries as listed in NAIC Statutory Statement Schedule Y.

The method of allocation among companies is subject to written agreements whereby allocation is made primarily on a separate company basis using the percentage method pursuant to provisions of IRC Sections §1502 and §1552 and Treasury Regulations §1.1502 and §1.1552. This percentage method allocates a tax asset (i.e., intercompany receivable) for any benefit derived by the consolidated group for the member's losses or credits that offset consolidated taxable income. In accordance with the tax sharing agreements, each member shall pay to Centene or receive from Centene the amount of tax liability or benefit reported on each member's pro forma federal income tax return within 90 days of the date Centene files its consolidated federal income tax return.

The Inflation Reduction Act was enacted on August 16, 2022, and includes a new corporate alternative minimum tax ("CAMT"). The Company has determined that they expect to be subject to the CAMT in 2023; however they do not expect to pay any CAMT pursuant to the tax sharing agreement.

8. MINIMUM SURPLUS REQUIREMENTS AND DIVIDEND RESTRICTIONS

Arizona Statutes 20-210 through 20-212 require the greater of $600 or 200% of the Action Level RBC Calculation. The Company was in compliance with the minimum statutory surplus requirements as of December 31, 2022 and 2021.

Dividends are restricted to surplus, which is derived from realized net profits. Ordinary and extraordinary dividends are paid as determined by the Board of Directors and required to be approved by the ADI prior to the dividend declaration.

The portion of unassigned funds reduced by unrealized gains or losses was ($101) and $0 at December 31, 2022 and 2021, respectively.

In 2022, the Company paid dividends in the amount of $10,000 to its Parent Company, Centene.

9. RELATED PARTY TRANSACTIONS

The Company's transactions, amounts due to and admitted amounts due from affiliates in exchange for services provided for the years ended December 31, 2022 and 2021 are as follows:

($ in Thousands)

Affiliate	Expense 2022	Expense 2021	Amount due (to) from 2022	Amount due (to) from 2021	Services Provided
Centene Management Company, LLC	$ 88,290	$ —	$ 18,213	$ (952)	General management services
Envolve PeopleCare, Inc.	$ —	$ 52	$ (49)	$ (49)	Nurse-line triage and life and health management
Envolve Vision, Inc.	$ 1,442	$ —	$ (421)	$ —	Managed vision
Envolve Dental, Inc	$ 5,365	$ —	$ 158	$ —	Managed dental
National Imaging Association, Inc.	$ 907	$ —	$ (343)	$ —	Radiology
Envolve Dental of Florida, Inc.	$ 2,035	$ —	$ 668	$ —	Managed dental
Comprehensive Health Mgmt	$ —	$ 102,971	$ —	$ (1,573)	Managed care

10. RISKS AND CONTINGENCIES

The Company's profitability depends in large part on accurately predicting and effectively managing medical service costs. The Company continually reviews its premium and benefit structure to reflect its underlying claims experience and revised actuarial data; however, several factors could adversely affect the medical service costs. Certain of these factors, which include changes in healthcare practices, inflation, new technologies, major epidemics, natural disasters, and malpractice litigation, are beyond any health plan's control and could adversely affect the Company's ability to accurately predict and effectively control healthcare costs. Costs in excess of those anticipated could have a material adverse effect on the Company's results of operations.

The Company is monitoring the current COVID-19 pandemic. Our business has been affected by the spread of COVID-19, and the extent to which COVID-19 continues to impact our business will depend on future developments, which are highly uncertain and cannot be predicted with confidence.

From time to time, the Company may be involved in litigation arising in the ordinary course of operations. While the results of litigation cannot be predicted with certainty, management is of the opinion, after reviewing these matters with legal counsel, that the final outcome of such litigation, if any, will not have a material adverse effect on the Company's financial position.

11. SUBSEQUENT EVENTS

In connection with the preparation of the statutory-basis financial statements, the Company evaluated subsequent events after the statutory-basis statements of admitted assets, liabilities, and capital and surplus date of December 31, 2022 through April 13, 2023, which was the date the statutory-basis financial statements were issued.

1.	Does the reporting entity have any reinsurance contracts subject to A-791 that include a provision, which limits the reinsurer's assumption of significant risks identified as in A-791?	No
2.	Does the reporting entity have any reinsurance contracts not subject to A-791, for which reinsurance accounting was applied and includes a provision that limits the reinsurer's assumption risk?	Yes
	The Company’s business is reinsured with an external reinsurer. Reinsured benefits are subject to aggregate annual claim limits and deductibles. For additional details refer to Note 5, Reinsurance.	
3.	Does the reporting entity have any reinsurance contracts that contain features described below which result in delays in payment in form or in fact:	
a.	Provisions which permit the reporting of losses, or settlements are made, less frequently than quarterly or payments due from the reinsurer are not made in cash within ninety days of the settlement date?	No
b.	Payment schedule, accumulating retentions from multiple years or any features inherently designed to delay timing of the reimbursement to the ceding entity?	No
4.	Does the reporting entity reflect a reinsurance accounting credit for any contracts not subject to Appendix A-791 and not yearly renewable term, which meet the risk transfer requirements of SSAP No. 61R for the following?	
a.	Assumption Reinsurance?	No
b.	Non-proportional reinsurance, which does not result in significant surplus relief?	No
5.	Does the reporting entity cede any risk which is not subject to A-791 and not yearly renewable term reinsurance, under any reinsurance contract during the period covered by the financial statement, and either:	
a.	Accounted for that contract as reinsurance under SAP and as a deposit under GAAP; or	No
b.	Accounted for that contract as reinsurance under GAAP and as a deposit under SAP?	No

SUPPLEMENTAL INVESTMENT RISKS INTERROGATORIES

For The Year Ended December 31, 2022

(To Be Filed by April 1)

Of The WellCare Health Insurance of Arizona, Inc.

Address (City, State and Zip Code) St. Louis, MO 63105

NAIC Group Code 01295 NAIC Company Code 83445 Employer's ID Number 86-0269558

The Investment Risks Interrogatories are to be filed by April 1. They are also to be included with the Audited Statutory Financial Statements.

Answer the following interrogatories by reporting the applicable U.S. dollar amounts and percentages of the reporting entity's total admitted assets held in that category of investments.

1. Reporting entity's total admitted assets as reported on Page 2 of this annual statement. $ 303,450,341

2. Ten largest exposures to a single issuer/borrower/investment.

	1 Issuer	2 Description of Exposure	3 Amount	4 Percentage of Total Admitted Assets
2.01	Federal Home Loan Mortgage Corporation	CMO, MBS	$ 9,531,673	3.1 %
2.02	Volkswagen Group of America Finance, LLC	Bonds	$ 5,490,338	1.8 %
2.03	Federal National Mortgage Association	MBS	$ 5,189,116	1.7 %
2.04	Lowe's Companies, Inc.	Bonds	$ 3,720,763	1.2 %
2.05	Mercedes-Benz Finance North America LLC	Bonds	$ 3,598,911	1.2 %
2.06	Cigna Corporation	Bonds	$ 3,394,198	1.1 %
2.07	The Walt Disney Company	Bonds	$ 3,053,862	1.0 %
2.08	Sound Point Clo XXVIII Ltd.	ABS	$ 2,870,000	0.9 %
2.09	Apple Inc.	Bonds	$ 2,841,144	0.9 %
2.10	Macquarie Bank Limited	Bonds	$ 2,838,209	0.9 %

3. Amounts and percentages of the reporting entity's total admitted assets held in bonds and preferred stocks by NAIC designation.

	Bonds	1	2		Preferred Stocks	3	4
3.01	NAIC 1	$ 82,154,640	27.1 %	3.07	NAIC 1	$	0.0 %
3.02	NAIC 2	$ 69,554,682	22.9 %	3.08	NAIC 2	$	0.0 %
3.03	NAIC 3	$ 1,537,383	0.5 %	3.09	NAIC 3	$	0.0 %
3.04	NAIC 4	$ 0	0.0 %	3.10	NAIC 4	$	0.0 %
3.05	NAIC 5	$ 0	0.0 %	3.11	NAIC 5	$	0.0 %
3.06	NAIC 6	$ 0	0.0 %	3.12	NAIC 6	$	0.0 %

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]

If response to 4.01 above is yes, responses are not required for interrogatories 5 – 10.

4.02	Total admitted assets held in foreign investments	$ 28,463,318	9.4 %
4.03	Foreign-currency-denominated investments	$	0.0 %
4.04	Insurance liabilities denominated in that same foreign currency	$	0.0 %

5. Aggregate foreign investment exposure categorized by NAIC sovereign designation:

		1	2
5.01	Countries designated NAIC 1	$ 28,239,724	9.3 %
5.02	Countries designated NAIC 2	$ 223,594	0.1 %
5.03	Countries designated NAIC 3 or below	$	0.0 %

6. Largest foreign investment exposures by country, categorized by the country's NAIC sovereign designation:

		1	2
	Countries designated NAIC 1:		
6.01	Country 1: Cayman Islands	$ 11,124,918	3.7 %
6.02	Country 2: Australia	$ 6,221,342	2.1 %
	Countries designated NAIC 2:		
6.03	Country 1: Colombia	$ 223,594	0.1 %
6.04	Country 2:	$	0.0 %
	Countries designated NAIC 3 or below:		
6.05	Country 1:	$	0.0 %
6.06	Country 2:	$	0.0 %

	1	2
7. Aggregate unhedged foreign currency exposure	$	0.0 %

8. Aggregate unhedged foreign currency exposure categorized by NAIC sovereign designation:

1 2

SUPPLEMENT FOR THE YEAR 2022 OF THE WellCare Health Insurance of Arizona, Inc.

8.01	Countries designated NAIC 1	$		0.0 %
8.02	Countries designated NAIC 2	$		0.0 %
8.03	Countries designated NAIC 3 or below	$		0.0 %

9. Largest unhedged foreign currency exposures by country, categorized by the country's NAIC sovereign designation:

			1	2
	Countries designated NAIC 1:			
9.01	Country 1:	$		0.0 %
9.02	Country 2:	$		0.0 %
	Countries designated NAIC 2:			
9.03	Country 1:	$		0.0 %
9.04	Country 2:	$		0.0 %
	Countries designated NAIC 3 or below:			
9.05	Country 1:	$		0.0 %
9.06	Country 2:	$		0.0 %

10. Ten largest non-sovereign (i.e. non-governmental) foreign issues:

	1 Issuer	2 NAIC Designation	3	4
10.01	Sound Point Clo XXVIII Ltd.	1FE	$ 2,870,000	0.9 %
10.02	Macquarie Bank Limited	1FE	$ 2,838,209	0.9 %
10.03	Dryden 64 CLO Ltd	1FE	$ 2,396,916	0.8 %
10.04	Transurban Finance Company Pty Ltd	2FE	$ 2,363,261	0.8 %
10.05	Nissan Motor Co., Ltd.	2FE	$ 2,184,769	0.7 %
10.06	NXP B.V.	2FE	$ 2,123,788	0.7 %
10.07	Symphony CLO XXIV Ltd.	1FE	$ 2,000,000	0.7 %
10.08	Columbia Central Clo 30 Ltd.	1FE	$ 1,960,000	0.6 %
10.09	Octagon Investment Partners 18-R, Ltd.	1FE	$ 1,898,002	0.6 %
10.10	Coperatieve Rabobank U.A.	1FE	$ 1,717,667	0.6 %

11. Amounts and percentages of the reporting entity's total admitted assets held in Canadian investments and unhedged Canadian currency exposure:

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

If response to 11.01 is yes, detail is not required for the remainder of Interrogatory 11.

			1	2
11.02	Total admitted assets held in Canadian investments	$	1,864,398	0.6 %
11.03	Canadian-currency-denominated investments	$		0.0 %
11.04	Canadian-denominated insurance liabilities	$		0.0 %
11.05	Unhedged Canadian currency exposure	$		0.0 %

12. Report aggregate amounts and percentages of the reporting entity's total admitted assets held in investments with contractual sales restrictions.

12.01 Are assets held in investments with contractual sales restrictions less than 2.5% of the reporting entity's total admitted assets? Yes [X] No [ ]

If response to 12.01 is yes, responses are not required for the remainder of Interrogatory 12.

	1		2	3
12.02	Aggregate statement value of investments with contractual sales restrictions	$		0.0 %
	Largest three investments with contractual sales restrictions:			
12.03		$		0.0 %
12.04		$		0.0 %
12.05		$		0.0 %

13. Amounts and percentages of admitted assets held in the ten largest equity interests:

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

If response to 13.01 is yes, responses are not required for the remainder of Interrogatory 13.

	1 Issuer		2	3
13.02		$		0.0 %
13.03		$		0.0 %
13.04		$		0.0 %
13.05		$		0.0 %
13.06		$		0.0 %
13.07		$		0.0 %
13.08		$		0.0 %
13.09		$		0.0 %
13.10		$		0.0 %
13.11		$		0.0 %

14. Amounts and percentages of the reporting entity's total admitted assets held in nonaffiliated, privately placed equities:

14.01 Are assets held in nonaffiliated, privately placed equities less than 2.5% of the reporting entity's total admitted assets? Yes [X] No [ ]

If response to 14.01 above is yes, responses are not required for 14.02 through 14.05.

1 2 3

SUPPLEMENT FOR THE YEAR 2022 OF THE WellCare Health Insurance of Arizona, Inc.

14.02	Aggregate statement value of investments held in nonaffiliated, privately placed equities	$	0.0 %
	Largest three investments held in nonaffiliated, privately placed equities:		
14.03		$	0.0 %
14.04		$	0.0 %
14.05		$	0.0 %

Ten largest fund managers:

	1 Fund Manager	2 Total Invested	3 Diversified	4 Non-Diversified
14.06	Dreyfus Government Cash Management Fund	$ 37,000,000	$	$
14.07	Short-Term Investment Trust - Invesco Government & Agency Portfolio	$ 29,000,000	$	$
14.08	First American Funds, Inc. - Government Obligations Fund	$ 3,012,029	$	$
14.09	Allspring Funds Trust - Allspring Government Money Market Fund	$ 63,495	$	$
14.10		$	$	$
14.11		$	$	$
14.12		$	$	$
14.13		$	$	$
14.14		$	$	$
14.15		$	$	$

15. Amounts and percentages of the reporting entity's total admitted assets held in general partnership interests:

15.01 Are assets held in general partnership interests less than 2.5% of the reporting entity's total admitted assets? Yes [X] No [ ]

If response to 15.01 above is yes, responses are not required for the remainder of Interrogatory 15.

	1	2	3
15.02	Aggregate statement value of investments held in general partnership interests	$	0.0 %
	Largest three investments in general partnership interests:		
15.03		$	0.0 %
15.04		$	0.0 %
15.05		$	0.0 %

16. Amounts and percentages of the reporting entity's total admitted assets held in mortgage loans:

16.01 Are mortgage loans reported in Schedule B less than 2.5% of the reporting entity's total admitted assets? Yes [X] No [ ]

If response to 16.01 above is yes, responses are not required for the remainder of Interrogatory 16 and Interrogatory 17.

	1 Type (Residential, Commercial, Agricultural)	2	3
16.02		$	0.0 %
16.03		$	0.0 %
16.04		$	0.0 %
16.05		$	0.0 %
16.06		$	0.0 %
16.07		$	0.0 %
16.08		$	0.0 %
16.09		$	0.0 %
16.10		$	0.0 %
16.11		$	0.0 %

Amount and percentage of the reporting entity's total admitted assets held in the following categories of mortgage loans:

		Loans	
16.12	Construction loans	$	0.0 %
16.13	Mortgage loans over 90 days past due	$	0.0 %
16.14	Mortgage loans in the process of foreclosure	$	0.0 %
16.15	Mortgage loans foreclosed	$	0.0 %
16.16	Restructured mortgage loans	$	0.0 %

17. Aggregate mortgage loans having the following loan-to-value ratios as determined from the most current appraisal as of the annual statement date:

Loan-to-Value	Residential 1	2	Commercial 3	4	Agricultural 5	6
17.01 above 95%	$	0.0 %	$	0.0 %	$	0.0 %
17.02 91% to 95%	$	0.0 %	$	0.0 %	$	0.0 %
17.03 81% to 90%	$	0.0 %	$	0.0 %	$	0.0 %
17.04 71% to 80%	$	0.0 %	$	0.0 %	$	0.0 %
17.05 below 70%	$	0.0 %	$	0.0 %	$	0.0 %

18. Amounts and percentages of the reporting entity's total admitted assets held in each of the five largest investments in real estate:

18.01 Are assets held in real estate reported less than 2.5% of the reporting entity's total admitted assets? Yes [X] No [ ]

If response to 18.01 above is yes, responses are not required for the remainder of Interrogatory 18.

8 3 4 4 5 2 0 2 2 2 8 5 0 0 1 0 0

SUPPLEMENT FOR THE YEAR 2022 OF THE WellCare Health Insurance of Arizona, Inc.

Largest five investments in any one parcel or group of contiguous parcels of real estate.

	Description 1	2	3
18.02		$	0.0 %
18.03		$	0.0 %
18.04		$	0.0 %
18.05		$	0.0 %
18.06		$	0.0 %

19. Report aggregate amounts and percentages of the reporting entity's total admitted assets held in investments held in mezzanine real estate loans:

19.01 Are assets held in investments held in mezzanine real estate loans less than 2.5% of the reporting entity's total admitted assets? Yes [X] No [ ]

If response to 19.01 is yes, responses are not required for the remainder of Interrogatory 19.

	1	2	3
19.02	Aggregate statement value of investments held in mezzanine real estate loans:	$	0.0 %

Largest three investments held in mezzanine real estate loans:

19.03		$	0.0 %
19.04		$	0.0 %
19.05		$	0.0 %

20. Amounts and percentages of the reporting entity's total admitted assets subject to the following types of agreements:

	At Year-End		At End of Each Quarter		
			1st Qtr	2nd Qtr	3rd Qtr
	1	2	3	4	5
20.01 Securities lending agreements (do not include assets held as collateral for such transactions)	$	0.0 %	$	$	$
20.02 Repurchase agreements	$	0.0 %	$	$	$
20.03 Reverse repurchase agreements	$	0.0 %	$	$	$
20.04 Dollar repurchase agreements	$	0.0 %	$	$	$
20.05 Dollar reverse repurchase agreements	$	0.0 %	$	$	$

21. Amounts and percentages of the reporting entity's total admitted assets for warrants not attached to other financial instruments, options, caps, and floors:

	Owned		Written	
	1	2	3	4
21.01 Hedging	$	0.0 %	$	0.0 %
21.02 Income generation	$	0.0 %	$	0.0 %
21.03 Other	$	0.0 %	$	0.0 %

22. Amounts and percentages of the reporting entity's total admitted assets of potential exposure for collars, swaps, and forwards:

	At Year-End		At End of Each Quarter		
			1st Qtr	2nd Qtr	3rd Qtr
	1	2	3	4	5
22.01 Hedging	$	0.0 %	$	$	$
22.02 Income generation	$	0.0 %	$	$	$
22.03 Replications	$	0.0 %	$	$	$
22.04 Other	$	0.0 %	$	$	$

23. Amounts and percentages of the reporting entity's total admitted assets of potential exposure for futures contracts:

	At Year-End		At End of Each Quarter		
			1st Qtr	2nd Qtr	3rd Qtr
	1	2	3	4	5
23.01 Hedging	$	0.0 %	$	$	$
23.02 Income generation	$	0.0 %	$	$	$
23.03 Replications	$	0.0 %	$	$	$
23.04 Other	$	0.0 %	$	$	$

SUMMARY INVESTMENT SCHEDULE

Investment Categories	Gross Investment Holdings 1 Amount	Gross Investment Holdings 2 Percentage of Column 1 Line 13	Admitted Assets as Reported in the Annual Statement 3 Amount	4 Securities Lending Reinvested Collateral Amount	5 Total (Col. 3+4) Amount	6 Percentage of Column 5 Line 13
1. Long-Term Bonds (Schedule D, Part 1):						
1.01 U.S. governments	3,120,285.05	1.389	3,120,285.00		3,120,285.00	1.389
1.02 All other governments	0.00	0.000			0.00	0.000
1.03 U.S. states, territories and possessions, etc. guaranteed	183,499.16	0.082	183,499.00		183,499.00	0.082
1.04 U.S. political subdivisions of states, territories, and possessions, guaranteed	1,567,118.06	0.698	1,567,118.00		1,567,118.00	0.698
1.05 U.S. special revenue and special assessment obligations, etc. non-guaranteed	24,684,884.71	10.989	24,684,885.00		24,684,885.00	10.989
1.06 Industrial and miscellaneous	123,690,918.44	55.062	123,690,918.00		123,690,918.00	55.062
1.07 Hybrid securities	0.00	0.000			0.00	0.000
1.08 Parent, subsidiaries and affiliates	0.00	0.000			0.00	0.000
1.09 SVO identified funds	0.00	0.000			0.00	0.000
1.10 Unaffiliated bank loans	0.00	0.000			0.00	0.000
1.11 Unaffiliated certificates of deposit	0.00	0.000			0.00	0.000
1.12 Total long-term bonds	153,246,705.42	68.220	153,246,705.00	0.00	153,246,705.00	68.220
2. Preferred stocks (Schedule D, Part 2, Section 1):						
2.01 Industrial and miscellaneous (Unaffiliated)	0.00	0.000			0.00	0.000
2.02 Parent, subsidiaries and affiliates	0.00	0.000			0.00	0.000
2.03 Total preferred stocks	0.00	0.000	0.00	0.00	0.00	0.000
3. Common stocks (Schedule D, Part 2, Section 2):						
3.01 Industrial and miscellaneous Publicly traded (Unaffiliated)	0.00	0.000			0.00	0.000
3.02 Industrial and miscellaneous Other (Unaffiliated)	0.00	0.000			0.00	0.000
3.03 Parent, subsidiaries and affiliates Publicly traded	0.00	0.000			0.00	0.000
3.04 Parent, subsidiaries and affiliates Other	0.00	0.000			0.00	0.000
3.05 Mutual funds	0.00	0.000			0.00	0.000
3.06 Unit investment trusts	0.00	0.000			0.00	0.000
3.07 Closed-end funds	0.00	0.000			0.00	0.000
3.08 Exchange traded funds	0.00	0.000			0.00	0.000
3.09 Total common stocks	0.00	0.000	0.00	0.00	0.00	0.000
4. Mortgage loans (Schedule B):						
4.01 Farm mortgages	0.00	0.000			0.00	0.000
4.02 Residential mortgages	0.00	0.000			0.00	0.000
4.03 Commercial mortgages	0.00	0.000			0.00	0.000
4.04 Mezzanine real estate loans	0.00	0.000			0.00	0.000
4.05 Total valuation allowance	0.00	0.000			0.00	0.000
4.06 Total mortgage loans	0.00	0.000	0.00	0.00	0.00	0.000
5. Real estate (Schedule A):						
5.01 Properties occupied by company	0.00	0.000	0.00		0.00	0.000
5.02 Properties held for production of income	0.00	0.000	0.00		0.00	0.000
5.03 Properties held for sale	0.00	0.000	0.00		0.00	0.000
5.04 Total real estate	0.00	0.000	0.00	0.00	0.00	0.000
6. Cash, cash equivalents and short-term investments:						
6.01 Cash (Schedule E, Part 1)	2,315,165.00	1.031	2,315,165.00		2,315,165.00	1.031
6.02 Cash equivalents (Schedule E, Part 2)	69,075,524.16	30.750	69,075,524.16		69,075,524.16	30.750
6.03 Short-term investments (Schedule DA)	0.00	0.000	0.00		0.00	0.000
6.04 Total cash, cash equivalents and short-term investments	71,390,689.16	31.780	71,390,689.16	0.00	71,390,689.16	31.780
7. Contract loans	0.00	0.000	0.00		0.00	0.000
8. Derivatives (Schedule DB)	0.00	0.000	0.00		0.00	0.000
9. Other invested assets (Schedule BA)	0.00	0.000	0.00		0.00	0.000
10. Receivables for securities	0.00	0.000	0.00		0.00	0.000
11. Securities Lending (Schedule DL, Part 1)	0.00	0.000	0.00	XXX	XXX	XXX
12. Other invested assets (Page 2, Line 11)	0.00	0.000	0.00		0.00	0.000
13. Total invested assets	224,637,394.58	100.000	224,637,394.16	0.00	224,637,394.16	100.000