



# Making Blue Better.

2021 SHAREHOLDERS REPORT

BCS Financial Corporation

## BCS BOARD OF DIRECTORS



**Daniel J. Loepp, Chairman**  
President and Chief Executive Officer  
Blue Cross Blue Shield of Michigan



**Roberto García-Rodríguez**  
President and Chief Executive Officer  
Triple-S Management, GuideWell



**Curtis E. Barnett**  
President and Chief Executive Officer  
Arkansas Blue Cross and Blue Shield



**Diane G. Gore**  
President and Chief Executive Officer  
Blue Cross Blue Shield of Wyoming



**Walter A. Bell**  
Former Chairman  
Swiss Re America Holding Corporation



**Kim A. Keck**  
President and Chief Executive Officer  
Blue Cross Blue Shield Association



**Peter L. Costello**  
President and Chief Executive Officer  
BCS Financial Corporation



**Willis T. King, Jr.**  
Chairman  
First Protective Insurance Company



**Gregory E. Deavens**  
President and Chief Executive Officer  
Independence Blue Cross



**Robert F. Orlich**  
Retired, President and Chief Executive Officer  
Transatlantic Reinsurance Company



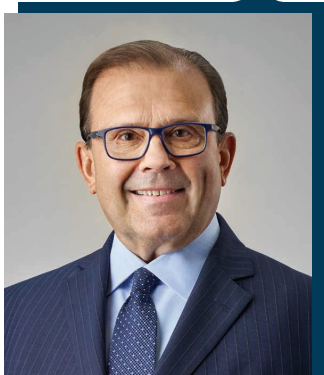
**John E. Gallina**  
Executive Vice President and  
Chief Financial Officer  
Anthem



**Gary D. St. Hilaire**  
President and Chief Executive Officer  
Horizon Blue Cross Blue Shield  
of New Jersey

# A Message from Our Chairman and President

**Daniel J. Loepp**  
Chairman



For 73 years, BCS has served Blue Plans by delivering innovative insurance and reinsurance solutions that help them strengthen their market leadership positions locally and nationally. While the challenges we face as a System have changed over the years, our mission and focus remains constant – make Blue better.

Today, BCS solutions serve every Blue Plan and cover more than 6 million lives. On average, each Plan purchases or distributes seven products underwritten by BCS. We are owned by all 34 Blue Plans and licensed to operate as a life, health, and property & casualty carrier in all 50 states and internationally through our Bermuda company, 4 Ever Life International. This chassis allows us to work with Blue Plans of all sizes, offering customized solutions to meet their local and national market needs.

Growth and innovation drive us forward. We accelerated our work on Cell and Gene Therapy solutions by adding a stop loss solution for large self-funded clients. We expanded our stop loss work with Blue Plans through the synergistic integration of Medical Risk Managers, Inc. (MRM) stop loss underwriting expertise into our service offerings, creating growth opportunities for both organizations. And, we continued to expand our turn-key voluntary benefit programs to help Plans advance their whole account strategies through diversified product offerings that help improve access to affordable care.

Our 2021 annual report illustrates how we generated increased value and returns for our shareholders through the launch of new solutions and expansion of current offerings. Gross written premium and underwriting gains both grew by 25% on the strength of our stop loss and travel businesses. Total operating income increased to \$8.2M. We received an A.M. Best rating upgrade to A with a stable outlook, while improving shareholders' return on equity by 17%.

We are proud of our Blue heritage, dedicated to our Blue mission, thankful for the support we have received from our Board and Plan leaders, and confident in our strategy for delivering value to our customers and shareholders in the future.

Yours in health,

A handwritten signature in black ink that reads "Daniel J. Loepp".

**Daniel J. Loepp**  
Chairman of the Board of Directors

A handwritten signature in black ink that reads "Peter L. Costello".

**Peter L. Costello**  
President and Chief Executive Officer

**Peter L. Costello**  
President and  
Chief Executive Officer

# Our Mission: Make Blue Better

BCS solutions serve every Blue Plan and cover more than 6 million lives worldwide.



**73 Years**

of Service to Blue Plans

**6 Million+**

Lives Covered

**7 Products**

on Average Placed with Each Blue Plan

**#1 Reinsurer**

of Blue Plans Nationwide

**#1 Provider**

of Medical Indemnity Solutions to the Staffing Industry

**#6 Underwriter**

of Stop Loss Among All Blue-owned Organizations

## Large Claim Solutions

BCS Employer Stop Loss  
BCS Excess Reinsurance  
BCS Gene Therapy Insurance/ Reinsurance Solutions  
MRM Underwriting & Claim Services

**18 Plans**

## Ancillary Benefit Solutions

GeoBlue International Health  
EssentialCare Medical Indemnity  
EssentialCare Group Voluntary  
LifeSecure Individual Ancillary  
4 Ever Life Group Universal Life

**33 Plans**

## Specialty Risk Solutions

Cyber Liability Insurance  
Allianz Travel Insurance  
BCS Agent Errors & Omissions  
BCS Agent Cyber

**29 Plans**

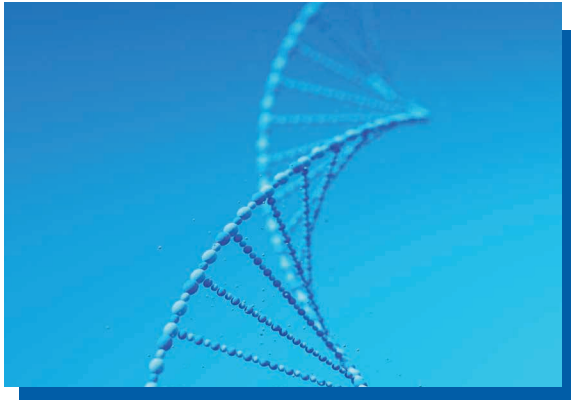
## Financial Service Solutions

Plan Investment Fund – Money Market Funds  
Wellington Affinity Group Program

**26 Plans**

# Innovation Drives Us Forward

We deliver innovative solutions that help Blue Plans strengthen their market leadership positions locally and nationally.



## Cell and Gene Therapy Solutions

The advanced cell and gene therapy (CGT) market continues to grow at a rapid rate and more employers are considering ways to cap these emerging risks. We have accelerated our work in the CGT space by launching innovative and first-to-market solutions: PreserveRx Excess of Loss (including gene therapy rider) for Blue Plans and Stop Loss GT – a high deductible stop loss solution with added protection against CGT costs for large self-funded clients.

**PreserveRx**

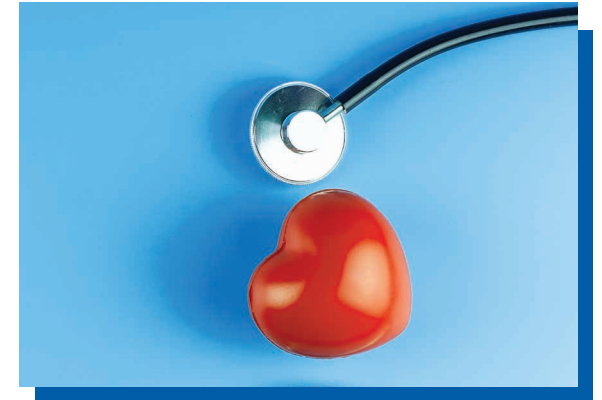


## Stop Loss Expansion

We expanded our stop loss work with Blue Plans through the synergistic integration of MRM stop loss underwriting expertise into our service offerings, creating growth opportunities for both organizations. Our combined scale makes BCS the sixth largest stop loss underwriter in the Blue System, providing solutions to help Plans grow their stop loss blocks.



Medical Risk Managers



## Ancillary Benefit Solutions

We continued to expand our turn-key voluntary benefit programs to help Blue Plans advance their whole account strategies. In total, our comprehensive program addressed large, mid, small, and individual market opportunities through our partnership with LifeSecure. These diversified product offerings enable Plans to grow market share and improve access to affordable care.

**EssentialCare<sup>®</sup>**



# We Deliver Value and Returns for Our Shareholders



**Susan A. Pickar**

Chief Financial Officer and Treasurer,  
BCS Financial Corporation

President and Chief Executive Officer,  
Plan Investment Fund, Inc.

+25% over 2020

**\$676.8M**

Gross Written Premium

+25% over 2020

**\$5.8M**

Gain in Underwriting Profit

+17% over 2020

**5.6%**

Return on Equity

Successfully rebounding from the first year of the pandemic, BCS ended 2021 with a strong financial performance driven by our diversified product portfolio.

Top line gross written premium grew to \$676.8M, which is \$85.8M greater than forecast and \$134.9M above 2020. Leading the way on the positive variance are the travel, commercial cyber, and medical indemnity lines.

Underwriting gains of \$5.8M represent a 25% positive variance from both the forecast and prior year. Positive results from medical indemnity, stop loss, and travel lines contributed to our gains. Operating expenses were \$2.2M (5%) favorable to forecast. Our investment portfolio generated \$9.5M of income, which is consistent with forecast, and total investment returns outperformed benchmarks. Medical Risk Managers generated \$1.3M of income in 2021, well ahead of forecast, capitalizing on the strategic stop loss synergies between BCS and MRM.

Return on Equity in 2021 was 5.6%, a 17% increase over our 2020 ROE of 4.8% – historically, one of the best returns produced by BCS to the Blues. This reflects our ability to effectively and appropriately utilize capital and maximize the value of strategic investments, products, and services.

BCS's strong financial performance and balance sheet reflects the pride we take in our ability to effectively and profitably grow products, invest in innovative solutions, and navigate the changing dynamics of the insurance industry. We do this to help make Blue better.

## Consolidated Financial Information

December 31, 2021 and 2020 (GAAP basis)

\$ in thousands

	2021	2020
<b>Assets</b>		
Investments	\$ 444,906	\$ 449,907
Reinsurance Recoverable	\$ 413,726	\$ 382,000
Other	\$ 419,906	\$ 346,168
<b>Total Assets</b>	<b>\$ 1,278,538</b>	<b>\$ 1,178,075</b>
<b>Liabilities and Shareholders' Equity</b>		
Total Liabilities	\$ 972,173	\$ 878,669
Total Shareholders' Equity	\$ 306,365	\$ 299,406
<b>Total Liabilities and Shareholders' Equity</b>	<b>\$ 1,278,538</b>	<b>\$ 1,178,075</b>
<b>Gross Written Premium</b>		
	<b>\$ 676,806</b>	<b>\$ 541,880</b>
Net Premiums Earned	\$ 148,584	\$ 142,096
Investment Income & Gains	\$ 22,608	\$ 21,394
<b>Total Revenue, Net of Reinsurance</b>	<b>\$ 171,192</b>	<b>\$ 163,490</b>
Underwriting Expenses	\$ (142,736)	\$ (137,419)
Other Expenses, Net	\$ (12,736)	\$ (12,038)
Income Before Income Taxes	\$ 15,720	\$ 14,033
Income Tax Benefit (Expense)	\$ 1,265	\$ 233
<b>Net Income</b>	<b>\$ 16,985</b>	<b>\$ 14,266</b>

**Susan A. Pickar**

Chief Financial Officer and Treasurer, BCS Financial Corporation  
President and Chief Executive Officer, Plan Investment Fund, Inc.

# We Embrace the Future with Confidence

## Blue Ownership



## BCS Companies

- BCS Financial Corporation
- BCS Insurance Company
- BCS Financial Services Corporation
- BCS Re
- 4 Ever Life Insurance Company
- 4 Ever Life International Limited
- Medical Risk Managers, Inc.

## BCS Assets

- RiskNavigator
- LifeSecure
- EssentialCare
- GeoBlue
- Plan Investment Fund
- Blue Venture Funds

## BCS Leadership

**Peter L. Costello**  
President and  
Chief Executive Officer

**Susan A. Pickar**  
Chief Financial Officer and Treasurer

**Chris S. Bailey**  
Senior Vice President, Sales and Market Development

**James A. Drew**  
Senior Vice President,  
Strategy, Marketing, and Performance

**Wendell Ferguson**  
Vice President, Information Technology

**Terry M. Hackett**  
General Counsel and Secretary

**Mehb A. Khoja**  
Chief Actuary  
President, Medical Risk Managers, Inc.

**Chris A. Kurtenbach**  
Vice President, Service and Operations

**Patrick O'Rourke**  
Vice President, Human Resources



## Keep In Touch

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