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## Blue Cross reports \$222M net income for 2010

Surge in investments kept health insurance giant out of red ink

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The Detroit News

A surge in the value of its investment portfolio helped Blue Cross Blue Shield of Michigan avoid a financial loss in 2010, but the nonprofit continued to lose money on its insurance business.

Blue Cross said Tuesday it made \$222 million in 2010 on revenue of \$19.2 billion, slightly below 2009's profit of \$233 million.

But the state's insurer of last resort lost \$168 million on its insurance lines, driven by a \$200 million loss on its Medicare supplemental business and a \$51 million loss on individual policies for those under 65, said Paul Mozak, the Blues' vice president of finance. Some products were profitable, including the company's group insurance plans, he said.

"The reason we have net income this year is from very strong investment income, which was a slightly over 9 percent return, and continued focus and reduction on our administrative cost," Mozak said. The \$443 million in investment earnings in 2010 is more than the Blues' typical 5 percent return, Mozak said.

About 80 percent of the company's investment portfolio is in fixed income securities, such as high rate corporate bonds. "When interest rates decreased over the last year, it raised the value of that portfolio," Mozak said.

Investment returns also pushed up the Blues' reserves — money set aside to pay future claims — to \$2.76 billion from \$2.56 billion in 2009.

CEO Daniel Loepp earned \$2.75 million in total compensation last year, up from \$1.76 million in 2009.

That includes \$1.27 million in base salary, up from \$1.12 million in 2009, and \$1.27 million in annual and long-term bonuses, compared with \$485,979 in 2009. His noncash compensation, which includes such things as a vehicle stipend and life insurance, rose 33 percent to \$207,000.

In 2009, Loepp voluntarily agreed to forgo 5 percent of his base pay and 55 percent of his bonuses, or almost \$340,000, said Blues' spokesman Andy Hetzel.

His salary reflects what the insurer's board, with input from independent compensation experts, "believes is appropriate for the chief executive for a \$19-billion company," Hetzel said.

### Additional Facts

#### Other news

Blue Cross had 4.35 million Michigan members in 2010, down 103,000. A shrinking work force caused the fall. Consumers have until April 1 to request a hearing with the state Office of Financial and Insurance Regulation to lower Medigap costs for low-income seniors but reduce discounts for wealthier seniors.