

# **HealthPlan Services Insurance Agency, LLC**

Financial Statements

Years Ended December 31, 2023 and 2022

**HealthPlan Services Insurance Agency, LLC**  
**Contents**  
**Years Ended December 31, 2023 and 2022**

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## INDEPENDENT AUDITOR'S REPORT

To the Member of  
HealthPlan Services Insurance Agency, LLC

### **Opinion**

We have audited the accompanying financial statements of HealthPlan Services Insurance Agency, LLC, which are comprised of the balance sheets as of December 31, 2023 and 2022 and the related statements of operations, changes in equity, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of HealthPlan Services Insurance Agency, LLC as of December 31, 2023 and 2022, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

### **Basis for Opinion**

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

### **Responsibilities of Management for the Financial Statements**

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

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

### **Auditor's Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards 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 audits in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audits.
- 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 HealthPlan Services Insurance Agency, LLC'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 HealthPlan Services Insurance Agency, LLC'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 audits.

#### **Restriction on Distribution and Use**

This report is intended solely for the information and use of the member and management of HealthPlan Services Insurance Agency, LLC, and for Wipro Limited, its ultimate holding company, for the purpose of meeting the requirements of Section 137 of the Companies Act, 2013, read with rules thereunder, and is not intended to be and should not be used by anyone other than these specified parties.

*Williams Overman Pierce, LLP*

Raleigh, North Carolina  
March 30, 2024

**HealthPlan Services Insurance Agency, LLC**

**Balance Sheets**

**As of December 31, 2023 and 2022**

**(In thousands)**

	<u>2023</u>	<u>2022</u>
<u>Assets</u>		
Current assets:		
Related party receivables, net	\$ 9,892	\$ 6,505
Prepaid expenses and other current assets	8	6
Total current assets	<u>9,900</u>	<u>6,511</u>
Other assets	<u>154</u>	<u>2</u>
Total assets	<u>\$ 10,054</u>	<u>\$ 6,513</u>
<u>Liabilities and Equity</u>		
Current liabilities:		
Accrued liabilities	\$ 6	\$ 5
Other current liabilities	1,711	768
Total current liabilities	<u>1,717</u>	<u>773</u>
Commitments and contingencies (Note 3)		
Equity:		
Share capital	1	1
Member's equity	8,336	5,739
	<u>8,337</u>	<u>5,740</u>
Total liabilities and equity	<u>\$ 10,054</u>	<u>\$ 6,513</u>

See accompanying notes to the financial statements.

**HealthPlan Services Insurance Agency, LLC**

**Statements of Operations**

**For the Years Ended December 31, 2023 and 2022**

**(In thousands)**

	<u>2023</u>	<u>2022</u>
Operating revenues	\$ 17,819	\$ 10,322
Operating expenses:		
Personnel expenses	12,055	6,359
General and administrative	1,318	608
Subcontracting expense	-	737
Agent commissions	883	664
Other operating expenses	24	134
Total operating expenses	<u>14,280</u>	<u>8,502</u>
Income from operations	3,539	1,820
Provision for income taxes	<u>942</u>	<u>510</u>
Net income	<u>\$ 2,597</u>	<u>\$ 1,310</u>

See accompanying notes to the financial statements.

**HealthPlan Services Insurance Agency, LLC**

**Statements of Changes in Equity  
For the Years Ended December 31, 2023 and 2022  
(In thousands)**

	Share Capital	Member's Equity	Total
Balance as of January 1, 2022	\$ 1	\$ 4,429	\$ 4,430
Net income	-	1,310	1,310
Balance as of December 31, 2022	1	5,739	5,740
Net income	-	2,597	2,597
Balance as of December 31, 2023	<u>\$ 1</u>	<u>\$ 8,336</u>	<u>\$ 8,337</u>

See accompanying notes to the financial statements.

**HealthPlan Services Insurance Agency, LLC**

**Statements of Cash Flows**

**For the Years Ended December 31, 2023 and 2022**

**(In thousands)**

	<u>2023</u>	<u>2022</u>
Cash flows from operating activities:		
Net income	\$ 2,597	\$ 1,310
Adjustments to reconcile net income to net cash (used in) provided by operating activities:		
Changes in assets and liabilities:		
Prepaid expense and other assets	(154)	(8)
Accrued liabilities	1	516
Other liabilities	943	5
Net cash provided by operating activities	<u>790</u>	<u>513</u>
Cash flows from investing activities:		
Related party receivable, net	<u>(3,387)</u>	<u>(1,823)</u>
Net cash used in investing activities	<u>(3,387)</u>	<u>(1,823)</u>
Net increase in cash and cash equivalents	-	-
Cash and cash equivalents:		
Beginning of year	<u>-</u>	<u>-</u>
End of year	<u>\$ -</u>	<u>\$ -</u>

See accompanying notes to the financial statements.



## HealthPlan Services Insurance Agency, LLC

### Notes to Financial Statements (In Thousands)

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#### Note 1. Description of Business and Organization and Summary of Significant Accounting Policies

HealthPlan Services Insurance Agency, LLC (“HPSIA”, “our”, “we”, or the “Company”) is a wholly-owned subsidiary of HealthPlan Services, Inc. The Company is a provider of Business Process Services (“BPS”).

A summary of the Company’s significant accounting policies are as follows:

**Basis of Accounting:** The financial statements of the Company have been prepared on the accrual basis of accounting in conformity with accounting principles generally accepted in the United States of America (“U.S. GAAP”). Under the accrual basis of accounting, revenues are recognized when earned and expenses are recognized when incurred. The financial statements have been prepared for the purpose of meeting the requirements of Section 137 of the Companies Act, 2013, read with rules thereunder, by Wipro Limited, the Company’s ultimate holding company.

These financial statements have been prepared on a going concern basis, which assumes the realization of assets and satisfaction of liabilities in the normal course of business.

**Use of estimates:** The preparation of these financial statement 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 financial statements and the reported amounts of revenues and expenses during the reporting period. The Company reviews its estimates, including but not limited to, recoverability of long-lived assets, on a regular basis, and makes adjustments based on historical experiences and existing and expected future conditions. These evaluations are performed, and adjustments are made as information is available. Management believes that these estimates are reasonable; however, actual results could differ from these estimates.

**Basis of preparation of financial statements:** All amounts included in the financial statements are reported in thousand USD except share and per share data, unless otherwise stated.

**Accounts receivable:** Accounts receivable are uncollateralized customer obligations that are recorded when the Company performs its services. The Company determines its allowance for credit losses considering a number of factors, including the overall aging of the receivables, previous history with the customer, contractual terms of the Company’s contracts, and the customer’s current ability to pay its obligation to the Company. Upon completion of all collection efforts, remaining uncollectible accounts are written off. The Company did not have an allowance for credit losses as of December 31, 2023 or 2022 because it was not considered material. They had bad debts of \$44 and \$8, for the period ended December 31, 2023 and 2022, respectively.

**Prepaid expenses and other current assets:** Prepaid expenses and other current assets consist primarily of prepayments related to insurance, postage, and repair and maintenance contracts.

**Revenue recognition:** The Company’s operating revenues consist of fees charged for other administrative services and fees based upon premiums collected on behalf of or collected by the insurance carriers.

Revenue is recognized upon transfer of control of promised products or services to customers in an amount that reflects the consideration the Company expects to receive in exchange for those products or services. To recognize revenues, the Company applies the following five step approach: (1) identify the contract with a customer, (2) identify the performance obligations in the contract, (3) determine the transaction price, (4) allocate the transaction price to the performance obligations in the contract, and (5) recognize revenues when a performance obligation is satisfied. At contract inception, the Company assesses its promise to transfer products or services to a customer to identify separate performance obligations. The Company applies judgement to determine whether each product or services promised to a customer are capable of being distinct, and are distinct in the context of the contract. If not, the promised products or services are combined and accounted for as a single performance obligation. The Company allocates the arrangement consideration to separately identifiable performance obligations based on their relative stand-alone selling price or the residual method. Stand-alone selling prices are determined based on sale prices for the components when it is regularly sold separately. In cases where the Company is unable to determine the stand-alone selling price, the Company uses

## HealthPlan Services Insurance Agency, LLC

### Notes to Financial Statements (In Thousands)

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third-party prices for similar deliverables or the Company uses expected cost-plus margin approach in estimating the stand-alone selling price.

For performance obligations where control is transferred over time, revenues are recognized by measuring progress towards completion of the performance obligation. The selection of the method to measure progress towards completion requires judgment and is based on the nature of the promised products or services to be provided.

Revenues are recognized ratably over contractual periods or as claims processing and administrative services are performed. Minimum fixed and determinable revenue provided in contracts is also recognized on a straight-line basis, limited to amounts billable according to contractual terms. Revenues from customers with certain contingent rights and revenues based on a percentage of collected cash are not recognized until the corresponding cash is collected. For some of these carriers, whereby the Company has the authority to withhold the amounts related to agent commissions, such collections are directly recognized as revenue. Revenue collected in advance is recorded as a contract liability (deferred revenue) until the related services are performed.

Any change in scope or price is considered as a contract modification. The Company accounts for modifications to existing contracts by assessing whether the services added are distinct and whether the pricing is at the stand-alone selling price. Services added that are not distinct are accounted for on a cumulative catch up basis, while those that are distinct are accounted for prospectively, either as a separate contract if the additional services are priced at the stand-alone selling price, or as a termination of the existing contract and creation of a new contract if not priced at the stand-alone selling price.

The Company accounts for variable considerations such as volume discounts, rebates, and pricing incentives to customers as a reduction of revenue on a systematic and rational basis over the period of the contract. The Company estimates an amount of such variable consideration using expected value method or the single most likely amount in a range of possible consideration depending on which method better predicts the amount of consideration to which the Company may be entitled.

Revenues are shown net of allowances/returns, sales tax, value added tax, goods and services tax, and applicable discounts and allowances.

Incremental costs that relate directly to a contract and incurred in securing a contract with a customer are recognized as an asset when the Company expects to recover these costs and amortized over the contract term.

The Company recognizes contract fulfilment costs as an asset if those costs specifically relate to a contract or to an anticipated contract, the costs generate or enhance resources that will be used in satisfying performance obligations in the future; and the costs are expected to be recovered. The asset recognized is amortized on a systematic basis consistent with the transfer of goods or services to the customer to which the asset relates.

The Company assesses the timing of the transfer of goods or services to the customer as compared to the timing of payments to determine whether a significant financing component exists. As a practical expedient, the Company does not assess the existence of a significant financing component when the difference between payment and transfer of deliverables is a year or less. If the difference in timing arises for reasons other than the provision of financing to either the customer or us, no financing component is deemed to exist.

The Company may enter into arrangements with third party suppliers to resell products or services. In such cases, the Company evaluates whether it is the principal (i.e., report revenues on a gross basis) or agent (i.e., report revenues on a net basis). In doing so, the Company first evaluates whether it controls the good or service before it is transferred to the customer. If the Company controls the good or service before it is transferred to the customer, the Company is the principal; if not, it is the agent.

#### A. Contract Asset and Liabilities

The timing of revenue recognition may differ from the timing of invoicing to customers. The Company classifies its right to consideration in exchange for deliverables as either an accounts receivable or an unbilled receivable (contract asset).

## HealthPlan Services Insurance Agency, LLC

### Notes to Financial Statements (In Thousands)

**Contract assets:** Contract assets include unbilled amounts from projects when revenues recognized exceed the amounts invoiced to customers related to time and materials contracts or volume-based contracts. Such amounts are recoverable from customers based upon various measures of performance, including achievement of certain milestones, completion of specified units or completion of a contract. Contract assets do not include capitalized costs to obtain and fulfill a contract.

**Contract liabilities:** Contract liabilities arise when amounts invoiced to customers exceed revenues recognized under the cost-to-cost measure of progress. Contract liabilities can also include advanced payments from customers on certain contracts.

Contract assets and liabilities are reported in a net position on a contract by contract basis at the end of each reporting period. The Company did not have contract assets or contract liabilities as of December 31, 2023, December 31, 2022 and January 1, 2022.

#### B. Remaining Performance Obligations

Revenue allocated to remaining performance obligations represent contracted revenue that has not yet been recognized, which includes unearned revenue and amounts that will be invoiced and recognized as revenue in future periods. Applying the practical expedient, the Company has not disclosed its right to consideration from customers in an amount that corresponds directly with the value to the customer of the Company's performance completed to date. These include contracts invoiced on a time and material basis or those that are volume-based.

#### C. Disaggregation of Revenues

The table below presents disaggregated revenues from contracts with customers by contract-type. The Company believes that the below disaggregation best depicts the nature, amount, timing, and uncertainty of revenue and cash flows from economic factors for the years ended December 31:

<b><u>Revenue by nature of contract</u></b>	<b><u>2023</u></b>	<b><u>2022</u></b>
Time & materials	\$17,819	\$10,322

**Income taxes:** The Company files consolidated income tax returns with HealthPlan Services, Inc. ("Parent Company") in the U.S. federal jurisdiction and various states, whenever applicable, and records its share of the consolidated federal tax liability on a separate return basis. The Company regularly reviews the likelihood of additional tax assessments and adjusts its reserves as additional information or events require. A valuation allowance is provided when it is more likely than not that some portion of the deferred tax asset will not be realized. The Company believes that its tax positions comply with applicable tax laws and that the Company has adequately provided for applicable tax matters as of December 31, 2023 and 2022.

The Company accounts for uncertain tax positions in accordance with Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") 740, *Income Taxes*. This guidance prescribes a minimum probability threshold that a tax position must meet before a financial statement benefit or liability is recognized. The minimum threshold is defined as a tax position that is more likely than not to be sustained upon examination by the applicable taxing authority, including resolution of any related appeals or litigation processes, based on the technical merits of the position. The tax benefit or liability to be recognized is measured as the largest amount of benefit or liability that is greater than 50% likely of being realized upon ultimate settlement. Management has determined there are no uncertain income tax positions requiring recognition in the accompanying financial statements. With few exceptions, the Company is no longer subject to income tax examinations by the U.S. federal, state, or local tax authorities for years before 2016.

## HealthPlan Services Insurance Agency, LLC

### Notes to Financial Statements (In Thousands)

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**Newly Adopted Accounting Standards:** June 2016, the FASB issued ASU No. 2016-13, *Financial Instruments – Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments* ("ASU 2016-13" or "ASC 326"). ASU 2016-13 revises the accounting requirements related to the measurement of credit losses and requires organizations to measure all expected credit losses for financial assets based on historical experience, current conditions, and reasonable and supportable forecasts about collectability. Assets must be presented in the financial statements at the net amount expected to be collected. During 2019, the FASB issued additional ASUs amending certain aspects of ASU 2016-13.

On January 1, 2023, the Company adopted the new accounting standard and all of the related amendments using the modified retrospective method. The modified retrospective transition allows application of the new standard at the adoption date and the recognition of a cumulative-effect adjustment to the opening balance of member's equity in the period of adoption with no adjustment to previously reported results. In accordance with this approach, the Company's financial statements for periods prior to January 1, 2023 were not revised to reflect the new accounting guidance. The adoption did not have a material impact on the Company's financial statements as of and for the year ended December 31, 2023.

#### Note 2. Related Party Transactions

Throughout 2023 and 2022, the Company has participated in various transactions with its Parent Company. These transactions were either in the form of cash transfers or expenses paid on behalf of the Company.

During the periods ended December 31, 2023 and 2022, the Company recorded \$17,819 and \$10,322, respectively, of net revenue for various services provided to Parent Company's customers. Additionally, certain expenses the Company incurs are recorded by our Parent Company as a passthrough expense which are then reimbursed by the Company. During the period ended December 31, 2023, the Company reimbursed the Parent Company for personnel expenses of \$12,055, general and administrative expenses of \$1,318, agent commissions of \$883 and other operating expenses of \$24. During the period ended December 31, 2022, we reimbursed Parent Company for personnel expenses of \$6,359, general and administrative expenses of \$608, agent commissions of \$664, subcontracting expenses of \$737, and operating expenses of \$134.

As of December 31, 2023 and 2022, the Company had net related party receivable balances due from Parent Company of \$9,892 and \$6,505, respectively. These related party receivables represent charges for software subscriptions, employee benefits, and information technology and data center resources. Amounts receivable under these arrangements are uncollateralized and are due on demand.

#### Note 3. Commitments and Contingencies

**Regulatory compliance:** The Company's activities are highly regulated by state and federal regulatory agencies under requirements that are subject to broad interpretations. The Company cannot predict the position that may be taken by these third parties that could require changes to the manner in which the Company operates.

*The Employee Retirement Income Security Act of 1974*, as amended ("ERISA") is an evolving area of law and is subject to ongoing regulatory and judicial interpretations. ERISA governs the relationships between certain health benefit plans and the fiduciaries of those plans. In general, ERISA is designed to protect the ultimate beneficiaries of the plans from wrongdoing by the fiduciaries. ERISA provides that a person is a fiduciary of a plan to the extent that such person has discretionary authority in the administration of the plan or with respect to the plan's assets.

Each employer is a fiduciary of the plan it sponsors, but there also can be other fiduciaries of a plan. ERISA imposes various express obligations on fiduciaries. For example, a fiduciary must prevent its plan from engaging in certain prohibited transactions with parties in interest or from acting under an impermissible conflict of interest with a plan. Generally, a party in interest with respect to a plan includes a fiduciary of the plan and persons that provide services to the plan.

## HealthPlan Services Insurance Agency, LLC

### Notes to Financial Statements (In Thousands)

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**State regulation:** The Company is subject to regulation under health care, insurance, and other laws of all 50 states, the District of Columbia, and Puerto Rico. Many states require the Company or its employees to receive regulatory approval or licensure to provide claims administration services. State regulators have relatively broad discretion to interpret these laws when granting, renewing, or revoking licenses or approvals. Regulators could construe some of these laws to prohibit or restrict practices that have been significant factors in the Company's operating procedures for many years.

**Litigation:** From time to time, the Company may be involved in various litigation matters in the ordinary course of business. Management is not aware of any litigation, pending or threatened, against the Company.

#### Note 4. Income Taxes

The Company files a consolidated federal tax return with other Wipro group companies in the U.S. and records its share of the consolidated federal tax expense/(benefit) on a separate return basis. The Company's income tax provision for the year ended December 31, 2023 and 2022, consisted of the following:

	2023	2022
Current Income tax expense	\$ 942	\$ 516
Deferred Income tax benefit	0	(6)
	\$ 942	\$ 510

Current income tax is measured at the amount expected to be recovered from or paid to tax authorities based on the taxable income for the period and the amount of \$942 and \$516 during the year ended December 31, 2023 and 2022 respectively, accurately reflects the Company's share of income taxes for the period.

#### Note 5. Subsequent Events

Management has evaluated subsequent events through March 30, 2024, which is the date through which the financial statements were available to be issued. No significant subsequent events have been identified by management.