



**DEPARTMENT OF INSURANCE, FINANCIAL
INSTITUTIONS AND PROFESSIONAL REGISTRATION**

P.O. Box 690, Jefferson City, Mo. 65102-0690

ORDER

After full consideration and review of the report of the financial examination of Cigna HealthCare of St. Louis, Inc. for the period ended December 31, 2015, together with any written submissions or rebuttals and any relevant portions of the examiner's workpapers, I, Chlora Lindley-Myers, Director of the Missouri Department of Insurance, Financial Institutions and Professional Registration pursuant to section 374.205.3(3)(a), RSMo, adopt such examination report. After my consideration and review of such report, workpapers, and written submissions or rebuttals, I hereby incorporate by reference and deem the following parts of such report to be my findings and conclusions to accompany this order pursuant to section 374.205.3(4), RSMo: summary of significant events; subsequent events; company history; corporate records; management and control; fidelity bonds and other insurance; pensions, stock ownership and insurance plans; territory and plan of operation; growth of company; loss experience; reinsurance; accounts and records; statutory deposits; financial statements; examination changes; comments on financial statements; and summary of recommendations.

Based on such findings and conclusions, I hereby ORDER that the report of the financial examination of Cigna HealthCare of St. Louis, Inc. as of December 31, 2015 be and is hereby ADOPTED as filed and for Cigna HealthCare of St. Louis, Inc. to take the following action or actions, which I consider necessary to cure any violation of law, regulation or prior order of the Director revealed by such report: (1) account for its financial condition and affairs in a manner consistent with the Director's findings and conclusions.

So ordered, signed and official seal affixed this 15th day of May, 2017.



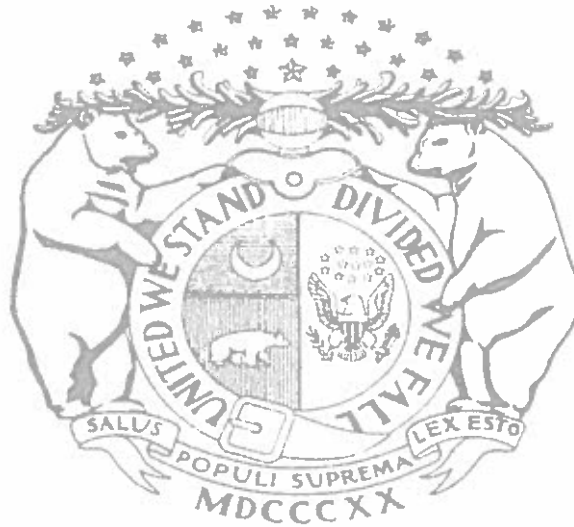
Chlora Lindley-Myers, Director
Department of Insurance, Financial Institutions
and Professional Registration

REPORT OF
FINANCIAL EXAMINATION

CIGNA HEALTHCARE OF
ST. LOUIS, INC.

As of:
DECEMBER 31, 2015

FILED
MAY 25 2017
DIRECTOR OF INSURANCE,
FINANCIAL INSTITUTIONS &
PROFESSIONAL REGISTRATION



STATE OF MISSOURI
DEPARTMENT OF INSURANCE, FINANCIAL INSTITUTIONS
AND PROFESSIONAL REGISTRATION

JEFFERSON CITY, MISSOURI

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March 27, 2017
Saint Louis, MO

Honorable Chlora Lindley-Myers, Acting Director
Missouri Department of Insurance, Financial
Institutions and Professional Registration
301 West High Street, Room 530
Jefferson City, Missouri 65101

Acting Director Lindley-Myers:

In accordance with your financial examination warrant, a comprehensive financial examination has been made of the records, affairs and financial condition of

Cigna HealthCare of St. Louis, Inc.

hereinafter also referred to as the Company. The Company's main office is located at 900 Cottage Grove Road, Bloomfield, CT 06002; phone number (860) 260-6000. Examination fieldwork began on December 12, 2015, and concluded on the above date.

SCOPE OF EXAMINATION

Period Covered

We have performed a multi-state examination of Cigna HealthCare of St. Louis, Inc. The last examination of the Company was completed as of December 31, 2010. This examination covers the period of January 1, 2011, through December 31, 2015. This examination also includes material transactions or events occurring subsequent to December 31, 2015.

Procedures

This examination was conducted as a full scope comprehensive examination. We conducted our examination in accordance with the NAIC Financial Condition Examiners Handbook (Handbook). The Handbook requires that we plan and perform the examination to evaluate the financial condition and identify prospective risks of the Company by obtaining information about the Company, including corporate governance, identifying and assessing inherent risks within the Company and evaluating systems controls and procedures used to mitigate those risks. An examination also includes assessing the principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation, management's compliance with statutory accounting principles and Annual Statement instructions when applicable to domestic state regulations.

All accounts and activities of the Company were considered in accordance with the risk-focused examination process. This may include assessing significant estimates made by management and evaluating management's compliance with Statutory Accounting Principles. The examination does not attest to the fair presentation of the financial statements included herein. The impact of any adjustments identified during the course of the examination is documented separately following the Company's financial statements. Key activities identified were: Investments; Claims Handling and Reserving; and Premiums and Underwriting.

The examiners relied upon information and workpapers provided by the Company's independent auditor PricewaterhouseCoopers LLP, for its audit covering the period from January 1, 2015, through December 31, 2015. Such reliance included internal control narratives and tests of internal controls.

SUMMARY OF SIGNIFICANT EVENTS

On September 23, 2011, the Company merged with Cigna HealthCare of Ohio, Inc. The Company continued as the surviving entity.

On July 23, 2015, the Company's ultimate controlling entity, Cigna, Corporation (Cigna), entered into an agreement to merge with Anthem, Inc. (Anthem), with Anthem continuing as the surviving company.

SUBSEQUENT EVENTS

On July 21, 2016, the U.S. Department of Justice (DOJ), along with certain state attorneys general, filed a civil antitrust lawsuit in the U.S. District Court for the District of Columbia (Court) seeking to block the acquisition of Cigna by Anthem. On January 18, 2017, Anthem provided notice to Cigna that Anthem had elected to extend the termination date under the Merger Agreement from January 31, 2017 until April 30, 2017. On February 8, 2017 following the conclusion of the trial, the Court ruled in favor of the DOJ; Anthem filed notice that it would appeal the Court's ruling.

On February 14, 2017, Cigna commenced litigation against Anthem in the Delaware Court of Chancery (Delaware Court), seeking damages and a declaratory judgment that its termination of the Merger Agreement was lawful. Also on February 14, 2017, Anthem initiated its own litigation against Cigna in the Delaware Court seeking a temporary restraining order to enjoin Cigna from terminating the Merger Agreement. On February 15, 2017, the Delaware Court granted Anthem's motion for a temporary restraining order and issued an order enjoining Cigna from terminating the Merger Agreement. The temporary restraining order became effective immediately and remains in place pending any further order from the Delaware Court.

For the period ending December 31, 2016, the Company reported a net loss of \$2.35 million. This amount exceeds 20% of the Company's capital and surplus in excess of its required minimum. As a result, the Company triggered a material adverse finding as defined in Section 375.539 RSMo (Hazardous operation, discontinuation determination, standards for--issuance of order by director, hearing procedure).

COMPANY HISTORY

General

Cigna HealthCare of St. Louis, Inc. was incorporated in the State of Missouri on May 2, 1985, as a Health Maintenance Organization (HMO) under Sections 354.400 – 354.550 RSMo (Health Maintenance Organizations). The Company commenced business on February 1, 1986, and was federally qualified on April 14, 1986.

Capital Stock and Paid-in Surplus

The Company has the authority to issue 1,000 shares of \$1 par value common stock. There were 1,000 shares issued and outstanding on December 31, 2015, for a balance of \$1,000 in the Company's capital stock account. All 1,000 shares are owned by Healthsource, Inc., the Company's parent.

Dividends

No dividends were declared or paid during the current examination period. The Company incorrectly recorded the returns of capital to its parent as dividends in its general ledger for 2013 and 2014. These should have been treated as returns of capital due to a negative surplus position. Corrections were made in the 2015 financial statements.

Acquisitions, Mergers and Major Corporate Events

On September 23, 2011, the Company merged with Cigna HealthCare of Ohio, Inc. The Company continued as the surviving entity.

On July 23, 2015, the Company's ultimate controlling entity, Cigna, Corporation, entered into an agreement to merge with Anthem, Inc., with Anthem, Inc. continuing as the surviving company.

Surplus Debentures

No surplus debentures were issued or outstanding during the current examination period.

CORPORATE RECORDS

The Articles of Incorporation and the Bylaws were reviewed. No amendments were made to either document during the current examination period.

The minutes of the meetings of the shareholder and the Board of Directors were reviewed for the current examination period. The minutes of the meetings appear to reflect proper approval of the significant transactions and corporate events for the current examination period.

MANAGEMENT AND CONTROL

Board of Directors

Management of the Company is vested in a Board of Directors. Directors serving at December 31, 2015, were as follows:

<u>Name</u>	<u>Address</u>	<u>Affiliation</u>
Frank Monahan	Clayton, MO	President Cigna HealthCare of St. Louis, Inc.
Michael Crompton	Bloomfield, CT	Accounting Director Cigna HealthCare of St. Louis, Inc.
Peter McCauley	Chicago, IL	Market Medical Executive Connecticut General Life

Officers

The officers of the Company serving and reported on the Jurat page of the Annual Statement at December 31, 2015, were as follows:

<u>Name</u>	<u>Office</u>
Frank Monahan	President
Anna Krishtul	Secretary
Scott Lambert	Vice President and Treasurer
Gregory Allen	Vice President
Rebecca Croes	Vice President
Edward Stacey, Jr.	Vice President
Joann Hart	Vice President
Glenn Gerhard	Vice President
Brent Sanders	Vice President
Aslam Khan	Vice President
Michael Crompton	Vice President
Maureen Ryan	Vice President
Mark Fleming	Vice President

Audit Committee

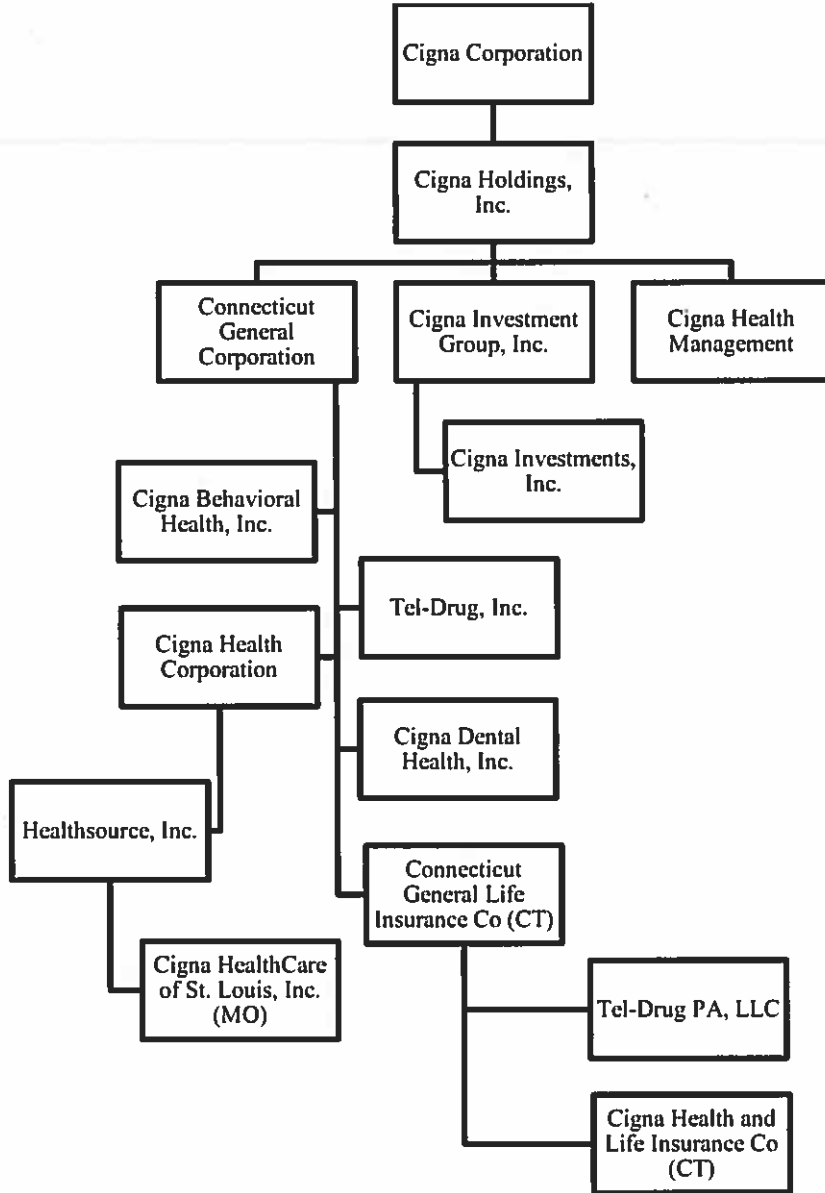
The Company does not have an Audit Committee. The Company relies upon the Audit Committee of an intermediate parent, Connecticut General Corporation to fulfill the requirement of RSMo 375.1030 (Annual audit required, report filed, when--extensions granted, when--audit committee required, when.).

Holding Company, Subsidiaries and Affiliates

The Company is a member of an insurance holding company system as defined by Chapter 382 RSMo (Insurance Holding Companies). The ultimate controlling entity is Cigna Corporation (DE), a publicly-traded company. The Company's immediate parent is Healthsource, Inc. (NH), an indirect subsidiary of Cigna Corporation.

Organizational Chart

A complete organizational chart can be found in the Annual Statement. The following chart shows the ownership structure of companies within the holding company system with which the Company maintains service agreements. All subsidiaries are 100% owned unless otherwise noted.



Intercompany Agreements

The Company had the following significant transactions with affiliates.

Line of Credit Agreement

Parties: The Company and Cigna Health Corporation (CHC)
Effective: October 1, 2005
Terms: Under the agreement CHC will loan funds to the Company to ensure the Company is able to meet its operational cash obligations while earning additional investment income. Loans are limited to the lesser of three percent (3%) of prior year admitted assets or twenty-five percent (25%) of surplus.
Rate(s): No funds were loaned under this agreement during the current examination period.

Management Services Agreement

Parties: CHC, Connecticut General Life Insurance Company (CGLIC), Cigna Health and Life Insurance Company (CHLIC) and the Company
Effective: January 1, 1994
Terms: Under the agreement, CHC provides underwriting, claims processing, financial services, personnel and payroll services, tax planning and tax return preparation, legal services, marketing and advertising services to the Company. CHC also secures insurance coverage for the company.
Rate(s): Expenses are allocated to the Company based upon expense type and the Company's plan participants as a percentage of total applicable participants within the Company and its affiliates. For 2015, the Company paid \$788,791 in fees under this agreement.

CIGNA Health Access Premium Billing Authorization Agreement

Parties: Cigna Corporation and certain subsidiaries, including the Company
Effective: November 1, 1996
Terms: This arrangement allows the Company and other HMOs to provide their CIGNA Health Access customers with a single premium bill.
Rate(s): There were no fees associated with this agreement in 2015.

Dental Consultation Agreement

Parties: Cigna Dental Health, Inc., CGLIC, International Rehabilitation Associates, Inc., and CHC subsidiaries, including the Company
Effective: October 1, 2000.
Terms: Cigna Dental Health, Inc. provides dental consultations at the request of CHC with respect to select dental cases.
Rate(s): A fee is charged for each individual dental consultation. There were no fees associated with this agreement in 2015.

Investment Advisory Agreement

Parties: The Company and CIGNA Investments, Inc. (CII)
Effective: January 1, 2002
Terms: Services provided under this agreement include investment management and brokerage services.
Rate(s): Compensation is calculated based on the proportionate share of the value of the Company's assets managed by CII to the total value of all assets managed by CII. Fees are paid quarterly. The Company paid \$8,739 in fees under this agreement in 2015.

Intercompany Services Agreement

Parties: Cigna Health Management (CHM) f/k/a International Rehabilitation Associates (d/b/a Intracorp), CGLIC, and certain CHC subsidiaries, including the Company
Effective: January 1, 2001
Terms: CHM provides access to certain consulting services with respect to utilization, case, demand, disease and care management services and other consultative services.
Rate(s): Fees are charged on a per member per month basis with an allowable annual adjustment. The Company paid no fees under this agreement in 2015.

Network Access Agreement

Parties: CGLIC and CHLIC, along with participating subsidiaries, including the Company
Effective: June 1, 2001
Terms: This agreement permits CGLIC and participating Cigna HMO subsidiaries to utilize the networks of participating providers of affiliated health maintenance organizations. An HMO may also provide or receive certain administrative services associated with network access.
Rate(s): Costs are allocated on a per member per month basis. The Company paid no fees under this agreement in 2015.

Mental Health & Substance Abuse Agreement

Parties: Cigna Behavioral Health, Inc. and CHC on behalf of its subsidiaries, including the Company
Effective: January 1, 1990.
Terms: Cigna Behavioral Health, Inc. provides mental health and substance abuse services to subsidiaries of CHC.
Rate(s): Charges are based on the cost of services provided. The Company paid \$114,793 in fees under this agreement in 2015.

Participating Mail Order Pharmacy Agreement

Parties: Tel-Drug, Inc., Tel-Drug of Pennsylvania, L.L.C. and subsidiaries of CHC, including the Company

Effective: January 1, 2005

Terms: Under the agreement, Tel-Drug, Inc. provides mail order pharmaceutical services to members of the subsidiaries of CHC, including the Company

Rate(s): Fees are the lesser of 1) ingredient costs plus dispensing fees less co-payment, coinsurance or deductibles or 2) Tel-Drug's usual and customary retail price. The Company paid no fees under this agreement in 2015.

Pharmacy Claims Agreement

Parties: CHC and the Company

Effective: January 1, 1998

Terms: The Company arranges for the submission of pharmacy claims to CHC for payment, and later reimburses CHC.

Rate(s): Charges are based on cost of services provided. There were no fees associated with this agreement in 2015.

Consolidated Federal Income Tax Agreement

Parties: CIGNA Corporation and its participating subsidiaries, including the Company

Effective: January 1, 1997

Terms: Payments are made to Cigna Corporation based on each subsidiary's taxable income. In the case of a taxable loss, Cigna Corporation pays the subsidiary a refund to the extent that Cigna Corporation can utilize the loss in the consolidated tax return.

Fee Sharing Agreement

Parties: Cigna Corporation and several of its subsidiaries, including the Company

Effective: August 12, 2014

Terms: Under the agreement, Cigna Corporation provides services related to the Health Insurance Providers Fee (Fee) which is imposed on entities engaged in providing health insurance for any United States health risk. These services include filing IRS Form 8963, paying the Fee, and any other actions that may be required. Amendment One delegated to CHLIC the authority to perform these actions on behalf of Cigna Corporation.

Rate(s): The fee is allocated among the participating subsidiaries based on estimates of each subsidiary's proportion of premium for the corresponding fee year. There were no charges related to this agreement in 2015.

FIDELITY BONDS AND OTHER INSURANCE

The Company is a named insured on a \$10 million crime and fidelity policy, with a \$2.5 million deductible. The fidelity bond meets the suggested minimum coverage of the NAIC and the requirements of Section 354.425 RSMo (Bonding of officers who disburse or invest funds – bond requirements).

The Company is also a named insured on policies with the following types of coverage: commercial general liability, employers' liability, automobile liability, umbrella liability, workers compensation, and errors and omissions. These coverages appear to provide adequate insurance for the Company's exposure.

PENSIONS, STOCK OWNERSHIP AND INSURANCE PLANS

The Company does not have employees. Services are provided through agreements with affiliates. Employee benefit costs, including retirement costs, are included in intercompany charges. Expenses and liabilities related to employee benefits appear to have been properly reported in the Annual Statement.

TERRITORY AND PLAN OF OPERATION

The Company is licensed in Missouri as a HMO under Chapter 354 RSMo (Health Service Corporations, Health Maintenance Organizations and Prepaid Dental Plans). The Company is also licensed in Illinois and Kansas. Over 99% of business written in 2015 was in Kansas or Missouri.

The Company's only line of business in 2015 was Commercial, although it expanded into Medicare in 2016. In 2015 the Company offered a range of managed care products consisting of a gate-keeper Commercial HMO Plan, a gate-keeper Commercial HMO Plan with an opt-out benefit, a Commercial HMO Plan with open Access, and a Commercial HMO Plan with open Access and an opt-out benefit. The Company reported 974 members at year-end 2015. The Company markets its business primarily to employer groups of 150 or more and does not market to individuals. The Company contracts with an affiliate, Connecticut General Life Insurance Company, to utilize its network of participating providers. Marketing services are provided by affiliates CGLIC and Cigna Health and Life Insurance Company through a Management Services Agreement.

GROWTH OF COMPANY

The following exhibit illustrates the Company's growth over the past five years.

	2011	2012	2013	2014	2015
Total revenue	\$5,052,144	\$5,138,646	\$5,536,067	\$5,229,920	\$6,308,618
Change from prior year (%)	(16.4)	1.7	7.7	(5.5)	20.6
Total capital and surplus	5,996,592	3,862,854	2,317,540	2,086,993	8,906,142
Change from prior year (%)	(5.93)	(35.58)	(40.00)	(9.95)	326.75
Premium : Surplus ratio	0.84	1.33	2.39	2.51	0.71

The significant increase in capital and surplus in 2015 reflects a \$6.6 million paid-in surplus amount.

LOSS EXPERIENCE

The following exhibit reflects the annual underwriting results of the Company over the past five years.

	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>
Net premium income	\$ 5,052,144	\$ 5,138,646	\$ 5,797,626	\$ 5,431,046	\$ 5,979,595
Change in unearned premium	-	-	(261,559)	(201,126)	329,023
Other revenue	-	-	-	-	-
Total underwriting deductions	<u>(5,669,148)</u>	<u>(5,356,046)</u>	<u>(5,534,623)</u>	<u>(7,101,542)</u>	<u>(6,154,855)</u>
Net underwriting gain	<u>\$ (617,004)</u>	<u>\$ (217,400)</u>	<u>\$ 1,444</u>	<u>\$ (1,871,622)</u>	<u>\$ 153,763</u>

The Company's premium income generally increased over the past five years but there were underwriting losses in three of the five years, and a total underwriting loss for the examination period of \$2.5 million.

REINSURANCE

General

The Company cedes reinsurance primarily as a means to limit exposure to large losses.

Premiums written by the Company during the current examination period were as follows:

	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>
Direct Written Premiums	\$ 5,158,431	\$ 5,238,588	\$ 5,898,305	\$ 5,533,142	\$ 6,077,700
Ceded Premiums	<u>(106,287)</u>	<u>(99,943)</u>	<u>(100,679)</u>	<u>(102,096)</u>	<u>(98,105)</u>
Net Written Premiums	<u>\$ 5,052,144</u>	<u>\$ 5,138,645</u>	<u>\$ 5,797,626</u>	<u>\$ 5,431,046</u>	<u>\$ 5,979,595</u>

Ceded

The Company has one reinsurance agreement in place: a stop-loss treaty with Cigna Health and Life Insurance Company, an affiliate. The agreement was amended in January 2013 to change the reinsurer from Connecticut General Life Insurance Company. Under the agreement, the Company pays a monthly premium based on an established rate per member. The Company is reimbursed for eighty percent (80%) of the costs in excess of the deductible (\$150,000) per member.

The Company is contingently liable for all reinsurance losses ceded to others. This contingent liability would become an actual liability in the event that any assuming reinsurer should fail to perform its obligations under its reinsurance agreement with the Company.

ACCOUNTS AND RECORDS

General

The Company prepares its financial statements using the Oracle® general ledger system. Claims are processed using the Power MHS system.

Independent Accountants

The Company's 2015 financial statements were audited by the certified public accounting firm of PricewaterhouseCoopers LLP. The 2015 audit workpapers were reviewed and used in the course of the examination as deemed appropriate.

Actuarial Opinion

For 2011, reserves and related actuarial items were reviewed and certified by Rodney Hill, FSA, MAAA, Actuarial Senior Director for Cigna HealthCare, Inc. For 2012 and 2013, reserves and related actuarial items were reviewed and certified by Gregory Czar, FSA, MAAA, Actuarial Senior Director, Cigna HealthCare of St. Louis, Inc. For 2014 and 2015, reserves and related actuarial items were reviewed and certified by Gregory Malone, FSA, MAAA, Actuarial Senior Director, Cigna HealthCare of St. Louis, Inc.

Consulting Actuary

Pursuant to a contract with the Department, Michael Berman, FSA, MAAA of Merlinos & Associates, Inc., reviewed the underlying actuarial assumptions and actuarial methods used in determining the adequacy of reserves and related liabilities. The Company's reserves, as of the examination date, were deemed adequate.

Information Systems

In conjunction with this examination, Andrew Balas, CFE, AES, CPA, Information Systems Financial Examiner with the Department, conducted a review of the Company's information systems. No material exceptions were noted.

STATUTORY DEPOSITS

Deposits with the State of Missouri

The funds on deposit with the Department as of December 31, 2015, as referenced below, were sufficient to meet the capital deposit requirement for the State of Missouri in accordance with Section 354.410 RSMo (Certificate issued, when--annual deposit, requirements--capital account, amount, contents.).

<u>Type of Security</u>	<u>Par Value</u>	<u>Fair Value</u>	<u>Statement Value</u>
US Treasury Note	\$ 325,000	\$ 331,110	\$ 330,386

Deposits with Other States

The Company also had funds on deposit with the state of Illinois, in which it is licensed. Those funds on deposit as of December 31, 2015 were as follows:

<u>Type of Security</u>	<u>Par Value</u>	<u>Fair Value</u>	<u>Statement Value</u>
US Treasury Note	\$ 380,000	\$ 375,630	\$ 380,229

FINANCIAL STATEMENTS

The following financial statements are based on the statutory financial statements filed by the Company with the Department and present the financial condition of the Company for the period ending December 31, 2015. The accompanying Comments on Financial Statements reflect any examination adjustments to the amounts reported in the annual statement and should be considered an integral part of the financial statements.

There may have been additional differences found in the course of this examination, which are not shown in the "Comments on Financial Statements." These differences were determined to be immaterial in relation to the financial statements, and therefore were only communicated to the Company and noted in the workpapers for each individual Annual Statement item.

ASSETS

	Current Assets	Non-admitted	Net Admitted Assets
Bonds	\$ 3,473,998	\$ -	\$ 3,473,998
Cash, cash equivalents, short-term investments	9,440,820	-	9,440,820
Investment income due and accrued	47,336	-	47,336
Uncollected premiums	3,849	3,290	559
Net deferred tax asset	252,479	-	252,479
Current state income tax receivable	12,961	-	12,961
Broker commission receivable	27	27	
Premium tax receivable	25,618	-	25,618
Totals	\$ 13,257,088	\$ 3,317	\$ 13,253,771

LIABILITIES, CAPITAL AND SURPLUS

Claims unpaid	\$ 551,196
Unpaid claims adjustment expenses	9,563
Aggregate health policy reserves	719,432
Premiums received in advance	2,412
Current federal and foreign income tax payable	179,603
Ceded reinsurance premiums payable	7,698
Amounts withheld or retained for the account of others	55,880
Amounts due to parent, subsidiaries and affiliates	19,778
Commission payable	1,709
Credit balances due policyholders	4,237
Current premium tax payable	35,987
Escheat liabilities	527
Hilgenfeld lawsuit	2,757,185
Patient centered outcomes research institute liability	2,422
Total liabilities	4,347,629
Surplus appropriated for ACA Section 9010 fee	526,801
Common capital stock	1,000
Gross paid in and contributed surplus	33,252,450
Unassigned funds (surplus)	(24,874,109)
Total capital and surplus	8,906,142
Total liabilities, capital and surplus	\$ 13,253,771

STATEMENT OF OPERATIONS

Member months	12,387
Net premium income	\$ 5,979,595
Change in unearned premium reserves	<u>329,023</u>
Total revenues	6,308,618
Hospital/medical benefits	3,094,432
Other professional services	350,730
Outside referrals	113,983
Emergency room and out-of-area	533,445
Prescription drugs	746,153
Incentive pool, withhold adjustments and bonus amounts	2,143
Net reinsurance recoveries	<u>(417,820)</u>
Total hospital and medical	4,423,066
Claims adjustment expenses	84,019
General administrative expenses	1,068,430
Increase in reserves for life and accident and health contracts	<u>579,340</u>
Total underwriting deductions	6,154,855
Net underwriting gain	153,763
Net investment income earned	44,790
Net realized capital gains	<u>(769)</u>
Net investment gains	44,021
Net gain from agents' balances charged off	172
Net income (pre-tax)	197,956
Federal and foreign income taxes incurred	<u>243,802</u>
Net income	<u>\$ (45,846)</u>

RECONCILIATION OF SURPLUS

Capital and surplus prior reporting year	\$ 2,086,993
Net income	(45,846)
Change in net deferred income tax	252,479
Change in nonadmitted assets	12,516
Paid in (surplus adjustments)	<u>6,600,000</u>
Net change in capital and surplus	6,819,149
Capital and surplus end of reporting year	<u>\$ 8,906,142</u>

EXAMINATION CHANGES

There were no changes to the financial statements resulting from the examination.

COMMENTS ON FINANCIAL STATEMENTS

There were no comments on the financial statements resulting from the examination.

SUMMARY OF RECOMMENDATIONS

There were no recommendations resulting from the examination.

