

STATE OF MISSOURI



DEPARTMENT OF INSURANCE, FINANCIAL INSTITUTIONS AND PROFESSIONAL REGISTRATION

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

RE: Examination Report of Cox Health Systems Insurance Company for the period
ended December 31, 2011

ORDER

After full consideration and review of the report of the financial examination of Cox Health Systems Insurance Company for the period ended December 31, 2011, together with any written submissions or rebuttals and any relevant portions of the examiner's workpapers, I, John M. Huff, Director, 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 findings, subsequent events, company history, corporate records, management and control, fidelity bond and other insurance, pension, stock ownership and insurance plans, territory and plan of operations, growth of the company and loss experience, reinsurance, accounts and records, statutory deposits, financial statements, financial statement changes resulting from examination, and comments on financial statement items.

Based on such findings and conclusions, I hereby ORDER, that the report of the Financial Examination of Cox Health Systems Insurance Company as of December 31, 2011, be and is hereby ADOPTED as filed and for Cox Health Systems Insurance Company 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) implement, and verify compliance with each item, if any, mentioned in the Comments on Financial Statement Items and/or Summary of Recommendations section of such report; (2) 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 2nd day of May, 2013.

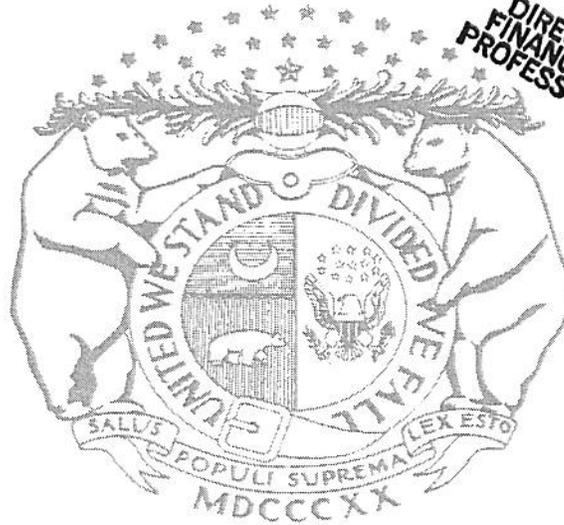


John M. Huff, Director
Department of Insurance, Financial Institutions
and Professional Registration

FINANCIAL EXAMINATION

Cox Health Systems Insurance Company

AS OF:
DECEMBER 31, 2011



FILED
MAY 19 2013
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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April 9, 2013
Saint Louis, Missouri

Honorable John M. Huff, Director
Missouri Department of Insurance, Financial Institutions
and Professional Registration
301 West High Street, Room 530
Jefferson City, MO 65101

Director Huff:

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

Cox Health Systems Insurance Company

also referred to as the "Company." The examination was conducted at the Company's main office at 3200 South National, Springfield, MO 65801, telephone number (417) 269-6762 and at the Missouri Department of Insurance, Financial Institutions and Professional Registration (Department) office in St. Louis, Missouri. This examination began on October 29, 2012, and concluded on the above date.

Period Covered

We performed a single-state examination of Cox Health Systems Insurance Company. The prior exam was completed as of December 31, 2007. This examination covers the period of January 1, 2008 through December 31, 2011.

Procedures

We conducted our examination in accordance with the National Association of Insurance Commissioners (NAIC) Financial Condition Examiners Handbook, except where practices, procedures and applicable regulations of the Department or statutes of the state of Missouri prevailed. 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 system 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.

SUMMARY OF SIGNIFICANT FINDINGS

The NAIC Annual Statement Instructions require the appointed actuary to make the Actuarial Opinion and the Actuarial Memorandum available to the board of directors. The appointed actuary is further required to report to the board each year on the items within the scope of the Actuarial Opinion. The minutes of the board of directors should indicate that the appointed actuary has presented such information to the board and that the Actuarial Opinion and the Actuarial Memorandum were made available (page 9, Actuarial Opinion, paragraph 3). For the period under examination, there is no evidence that the appointed actuary reported to the board or made the Actuarial Opinion and Actuarial Memorandum available to the board as required.

SUBSEQUENT EVENTS

There were no events occurring subsequent to year-end, through the end of field work, which had a material effect upon the year-end financial statements.

COMPANY HISTORY

General

Cox Health Systems Insurance Company was incorporated on March 31, 1994, and commenced business on January 4, 1995, under Chapter 376 RSMo (Life and Accident Insurance). The Company was formed for the purpose of selling life and health insurance. As of December 31, 2011, the Company has written group and individual health insurance only.

Capital Stock and Paid-In Surplus

Cox Health Systems HMO, Inc. owns 100% of the issued and outstanding common stock of the Company. As of December 31, 2011, the Company was authorized to issue 800,000 shares of common stock with a par value of \$1 per share. There were 800,000 shares issued and outstanding for a balance of \$800,000 in the capital account.

The Company had \$6,689,682 of paid-in surplus as of December 31, 2011. The Company received \$2,273,707 in capital contributions from its parent, Cox Health Systems HMO, Inc., in 2011. The contribution was reimbursement for \$1,500,000 in principal and \$773,707 in interest on surplus notes paid by the Company to its parent. No other changes to paid-in surplus were noted during the examination period.

Dividends

The Company has neither declared nor paid any dividends since inception.

Acquisitions, Mergers and Major Corporate Events

There were no major corporate events during the examination period.

Surplus Debentures

In 1997, Cox Health Systems Insurance Company issued a surplus note to its parent, Cox Health Systems HMO, Inc., with a par value of \$1.4 million. Subsequent \$500,000 notes were issued in 2001, 2003, and 2004 for a total par value of \$2.9 million. The Company repaid the notes issued from 2001 through 2004 in 2011. The total principal payment was \$1.5 million; the total interest payment was \$773,707. The Department approved the payments. At year-end 2011, the original surplus note of \$1.4 million had accrued interest of \$1.3 million.

Below is the balance of the surplus notes for each year during the examination period:

<u>Year</u>	<u>Balance</u>
2008	\$4,424,915
2009	\$4,626,575
2010	\$4,850,060
2011	\$2,709,003

CORPORATE RECORDS

A review was made of the Company's articles of incorporation and bylaws. The bylaws were amended in December 2012 to include a provision that one of the members of the board of directors shall reside in the Skaggs Community Hospital Association service area near Branson, Missouri. The amendment was approved by the board of directors and by the Department.

The minutes of the meetings of the stockholder and board of directors were reviewed for the period under examination. The minutes of the Management Committee of Cox Health Plans, LLC covered events relating to the Company and were also reviewed. The minutes provided sufficient documentation that major corporate transactions were evaluated and approved by the board of directors.

MANAGEMENT AND CONTROL

Board of Directors

The management of the Company is vested in a board of nine (9) directors. The directors serving at December 31, 2011 were as follows:

<u>Name</u>	<u>Principal Occupation and Business Affiliation</u>
Joseph W. Turner Strafford, Missouri	President Great Southern Bank
Ken E. Meyer Springfield, Missouri	President-Owner Meyer Communications
Dona K. Elkins Nixa, Missouri	Retired President EDCO
Robert H. Bezanson Springfield, Missouri	President and CEO Cox Health Systems
Jerry G. Jared Rogersville, Missouri	Chairman and CEO Jared Enterprises
Robert E. Roundtree Springfield, Missouri	President Roundtree Capital Management

Clifford M. Costley Physician
Monett, Missouri Cox Health Systems

Chris W. Nattinger President
Springfield, Missouri Skyline Investment Company

The ninth board position was unfilled as of December 31, 2011. Larry Schmitt of Branson, Missouri was subsequently appointed to the board at the February 2013 meeting.

Officers

The officers of the Company serving and reported on the Jurat page of the Annual Statement at December 31, 2011 were as follows:

<u>Name</u>	<u>Position</u>
Jeffrey C. Bond	President
Dona K. Elkins	Secretary
Joseph W. Turner	Treasurer
Matthew J. Aug	Assistant Treasurer
Kerry A. Randolph	Chief Medical Officer
Ethan A. Sheffield	Vice President of Marketing

Committees

The Company does not have any formal board committees in place. In order to comply with the requirements of RSMo 375.1030, the entire board of directors is deemed to constitute the Audit Committee.

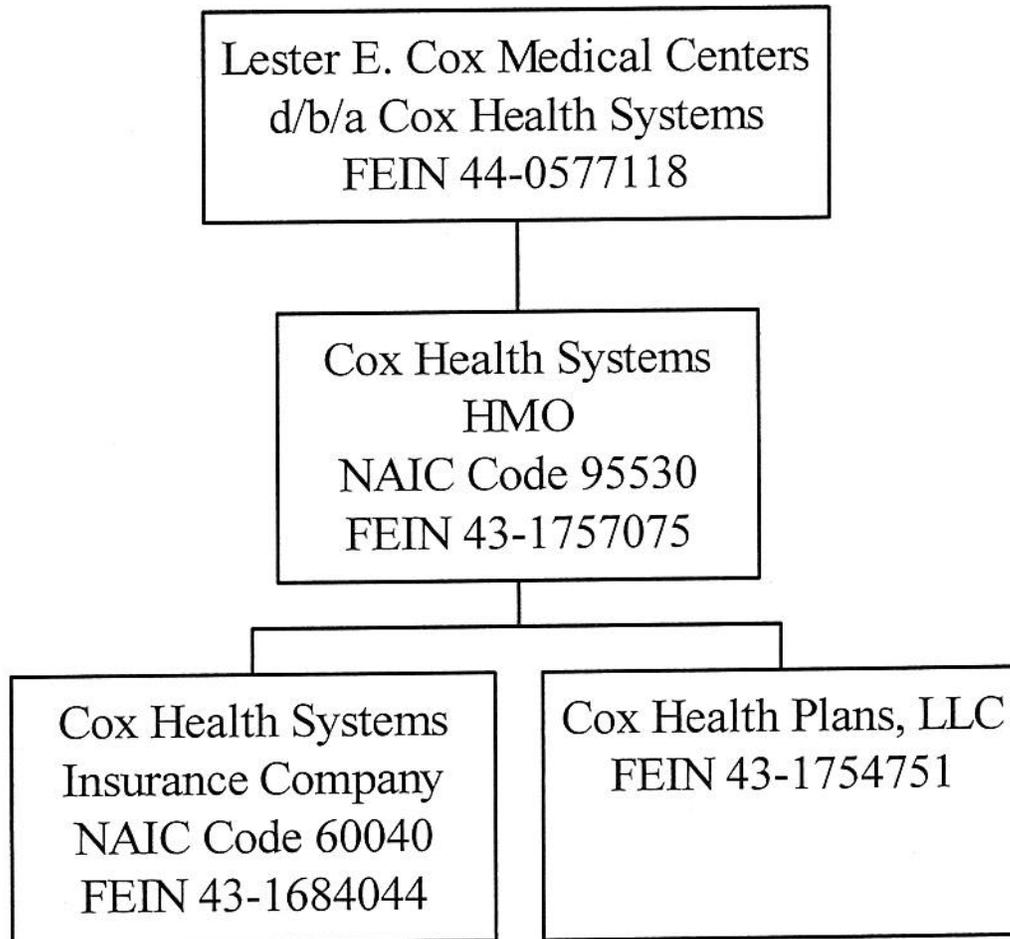
Holding Company, Subsidiaries and Affiliates

The Company is a member of an insurance holding company system as defined in Section 382.010 RSMo (Definitions).

Lester E. Cox Medical Centers, doing business as Cox Health Systems, is the ultimate controlling entity and is a community-owned, not-for-profit health care organization. The organization consists of various entities, all of which are related to the health care industry including hospitals, a nursing home, home care companies, physician services, mental health services and the insurance companies.

Organizational Chart

The following is an abridged organizational chart which depicts the holding company system at December 31, 2011. All subsidiaries are wholly-owned unless otherwise noted. Only entities that are directly related to the Company are listed.



Intercompany Transactions

The Company enters into various agreements with affiliates. Active agreements are discussed below:

Management Agreement

- Parties: The Company and Cox Health Plans, LLC
- Effective: January 1, 2002. Most recent amendment effective January 1, 2009
- Terms: Cox Health Plans, LLC provides comprehensive administrative, financial and managerial services for the Company including premium processing, claims management and provider network administration.
- Rate(s): Cox Health Plans, LLC receives a fluctuating rate between 7.0% and 9.5% of the Company's net premium revenue each month as compensation for this arrangement. The Company incurred fees of \$10,525,339 in 2011 under this agreement.

Administrative Services Agreement

Parties: The Company and Cox Health Systems

Effective: January 1, 2004. Most recent amendment effective January 1, 2009

Terms: The Company provides comprehensive administrative services to Cox Health Systems for their self-funded employee health plan. Services include claims processing, coordination of benefits, enrollment, member services, medical management, reporting, production of HIPAA Certificate of Credible Coverage forms, administration of grievance procedures and other services as necessary.

Rate(s): Services under this agreement are transferred to Cox Health Plans, LLC through a separate Management Agreement under which the Company is charged the same annual fee. Thus, both services and fees are passed through the Company with no financial impact. The Company earned fees of \$2,693,666 in 2011 under this agreement.

Indemnity Agreement

Parties: The Company and Cox Health Systems

Effective: June 18, 1999

Terms: Cox Health Systems agrees to indemnify the Company from any and all liability, loss or damage suffered as a result of the Company's failure to perform its obligations arising under insurance coverage it has issued or assumed should the Company become insolvent or otherwise financially incapable of furnishing such coverage.

Rate(s): The Company incurred \$0 in fees in 2011 under this agreement.

Company Agreement

Parties: The Company and Cox Health Systems

Effective: May 1, 2004. Assignment to Cox Health Systems effective October 31, 2005

Terms: Primrose Health Care Service (an affiliated company) and its network providers agree to provide health care services to the Company's members. Pursuant to the assignment, Cox Health Systems assumes all contractual rights, responsibilities and obligations of Primrose.

Rate(s): The Company incurred \$33,750 in fees in 2011 under this agreement.

Additional Discounts Agreement

Parties: The Company and Cox Health Systems

Effective: January 1, 2002. Most recent amendment effective January 1, 2006

Terms: Cox Health Systems provides the Company with additional provider discounts of up to 7% of total premiums billed by the Company when the Company's medical loss ratio exceeds 86% during a calendar year.

Rate(s): The Company earned \$5,078,018 in fees in 2011 under this agreement.

Conversion Policy Agreement

Parties: The Company and Cox Health Systems HMO, Inc. ("Cox HMO")

Effective: January 1, 1997. Amendment effective January 1, 2008

Terms: This agreement allows the Company to write a conversion policy that is available to Cox HMO members.

Rate(s): The Company earned \$1,287 in fees in 2011 under this agreement.

Dual Option Product Agreement

Parties: The Company and Cox HMO

Effective: October 1, 2002

Terms: The companies agree to jointly offer health benefit programs to employer groups of 26 or more and to equally share in the profits and losses of such programs.

Rate(s): The Company incurred \$81,695 in fees in 2011 under this agreement.

Point of Service Rider

Parties: The Company and Cox HMO

Effective: January 1, 2007. Most recent amendment effective November 1, 2008

Terms: This agreement sets forth the duties of each party relating to the POS product marketed by Cox HMO. The Company provides the indemnity benefits included in the POS product and Cox HMO provides the HMO benefits.

Rate(s): The Company receives 3% of the aggregate monthly premium as compensation. The Company earned fees of \$135,421 in 2011 under this agreement.

Income Tax Apportionment Agreement

Parties: The Company and Cox HMO

Effective: December 31, 2004

Terms: This agreement allows the entities to file consolidated federal and state income tax returns. The respective tax liabilities are determined as if each entity were a stand-alone company.

Rate(s): No fees were incurred or earned by the Company in 2011 under this agreement.

Cox Health Fitness Centers Services Agreement

Parties: The Company, Cox HMO and Cox Health Systems

Effective: January 1, 2009

Terms: Under this agreement, the Company and Cox HMO will offer to certain fully-insured members the option to have access to the Cox Fitness Centers. The insurance companies will reimburse Cox Health Systems for services provided according to the agreement.

Rate(s): No fees were incurred by the Company in 2011 under this agreement.

Wellness Services Agreement

Parties: The Company and Cox Health Systems

Effective: December 10, 2011

Terms: The Company offers its members the ability to purchase wellness riders with their policies. Cox Health Systems agrees to provide certain services related to the wellness rider based on the level of service chosen up to and including a health risk assessment, an individual report, bi-weekly newsletters, health and wellness educational opportunities and coaching.

Rate(s): For each wellness rider sold by the Company, a fee ranging from \$30 to \$100 per employee per service is charged by Cox Health Systems based on the level of the rider. The Company incurred fees of \$148,765 in 2011 under this agreement and a similar agreement previously in effect.

FIDELITY BONDS AND OTHER INSURANCE

The Cox Health Systems Insurance Company is covered for fiduciary insurance coverage under a policy insuring Cox Health and its subsidiaries. This insurance policy provides \$2,000,000 in fiduciary liability coverage with a \$20,000 deductible. The coverage meets the minimum recommended level of fidelity coverage required by NAIC guidelines.

Cox Health Systems Insurance Company is also covered under Cox Health self-insured insurance policies providing coverage for directors and officers liability, employment practices liability, excess healthcare liability, healthcare umbrella liability and workers' compensation.

PENSIONS, STOCK OWNERSHIP AND INSURANCE PLANS

The Company has no employees. Cox Health, the ultimate controlling entity in the Cox Health Systems holding company system, leases employees to the management company, Cox Health Plans, LLC, for the administration of insurance policies issued by the Company. As the employer, Cox Health provides employee benefits. These benefits include paid vacation, paid sick leave, medical, vision and dental insurance, life insurance, deferred compensation, a pension plan, and other postretirement benefits plans. The expenses related to employee benefits are recorded through intercompany accounts.

TERRITORY AND PLAN OF OPERATION

The Company is licensed in the state of Missouri under RSMo Chapter 376 (Life and Accident Insurance). The Company is not licensed in any other states. The Company's business is currently limited to individual and group accident and health insurance. Although the Company has authority to write life insurance business, it has no plans to do so at this time.

The Company's service area is concentrated in southwestern Missouri. Business is produced mostly through outside brokers and through salaried employees of the parent company, Cox Health. The Company had 30,301 insureds as of December 31, 2011.

The Company's primary products are the group preferred provider plans (PPO). These plans provide groups a choice of benefit levels and premiums to offer their members. The Company also has a preferred provider plan for individuals with a child-only option. The PPO plans allow members to use providers of their choice or to use providers from an established network that has a contractual arrangement with the Company. PPO members are responsible for deductibles and coinsurance. Co-payments are greater if out-of-network providers are used.

The Company also provides an indemnity rider in conjunction with the Point of Service (POS) product written by Cox Health Systems HMO, Inc ("HMO"). The POS members of the HMO can use the HMO's network of providers through a primary care physician or use any out-of-network provider of their choice. The Company is at risk for any losses incurred when the HMO member goes out-of-network for other than emergency care.

GROWTH OF COMPANY

The Company's surplus has increased since the prior examination. The chart below indicates the Company's premium, surplus and premiums-to-surplus ratio for the past four years:

	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
Net Premiums Earned (000's)	59,222	74,527	80,423	91,451
Change from Prior Year	8.8%	25.8%	7.9%	13.7%
Capital and Surplus (000's)	8,511	9,167	9,677	11,911
Change from Prior Year	5.1%	7.7%	5.6%	23.1%
Premiums: Surplus	7.0	8.1	8.3	7.7

LOSS EXPERIENCE

The following exhibit reflects the annual underwriting results of the Company over the last four years.

	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
Premiums earned	\$ 59,222,003	\$ 74,527,501	\$ 80,423,314	\$ 91,451,471
Dual option income	(514,162)	(488,456)	(304,282)	(81,695)
Total UW deductions	<u>58,664,841</u>	<u>73,247,822</u>	<u>78,946,283</u>	<u>90,080,213</u>
Net UW gain	43,000	791,223	1,172,749	1,289,563
Investment Income*	<u>604,777</u>	<u>557,267</u>	<u>527,631</u>	<u>416,521</u>
Net Income (pre-tax)*	<u>\$ 647,777</u>	<u>\$ 1,348,490</u>	<u>\$ 1,700,380</u>	<u>\$ 1,706,084</u>

*Capital gains taxes are included in investment income amounts shown.

REINSURANCE

General

The Company secures reinsurance to protect against large or catastrophic claims. The Company's premiums on a direct and ceded basis for the years under examination were as follows:

	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
Direct business	\$ 59,708,774	\$ 75,208,337	\$ 81,191,426	\$ 92,413,465
Reinsurance ceded	<u>(486,771)</u>	<u>(681,286)</u>	<u>(768,112)</u>	<u>(961,994)</u>
Net premium income	<u>\$ 59,222,003</u>	<u>\$ 74,527,051</u>	<u>\$ 80,423,314</u>	<u>\$ 91,451,471</u>

Ceded

Medical Excess Agreement (PPO)

Effective January 1, 2011, the Company entered into a medical excess reinsurance agreement with HCC Life Insurance Company (Kennesaw, GA). The agreement provides coverage for the Company's fully-insured group and individual policies. Under the agreement, the Company cedes 90% of losses in excess of \$300,000 per covered individual up to a maximum of \$2 million per covered individual per contract period.

Medical Excess Agreement (POS)

Effective January 1, 2011, the Company entered into a medical excess reinsurance agreement with HCC Life Insurance Company (Kennesaw, GA). The agreement provides coverage for the Company's out-of-network, point-of-service (POS) policies. Under the agreement, the Company cedes 90% of losses in excess of \$300,000 per covered individual up to a maximum of \$2 million per covered individual per contract period.

ACCOUNTS AND RECORDS

Independent Accountants

For each year during the period under examination, the Company's financial statements were audited by the certified public accounting firm of BKD, LLP. The 2011 audit work papers were reviewed and used in the course of the examination as deemed appropriate.

Actuarial Opinion

For each year during the period under examination, claims-related reserves and other actuarial items were reviewed and certified by Michael L. Round, ASA, MAAA, of the firm Rational Systems, Inc. Mr. Round determined the 2011 claims-related reserves and other actuarial items to be 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.

Consulting Actuary

Pursuant to a contract with the Department, Karen E. Elsom, FSA, MAAA, of Lewis & Ellis, Inc., reviewed the adequacy of the Company's reserves and related actuarial items at December 31, 2011. The Lewis & Ellis, Inc. Statement of Actuarial Opinion concluded that all actuarial items included in the review were fairly stated in accordance with accepted actuarial loss reserving standards and principles, met the requirements of the insurance laws of Missouri, and reasonably provided for all unpaid loss and loss adjustment expense obligations of the Company under the terms of its policies and agreements.

STATUTORY DEPOSITS

Deposits with the State of Missouri

The funds on deposit with the Department as of December 31, 2011, as reflected below, were deemed sufficient in par and market value to meet the deposit requirement for the state of Missouri in accordance with Section 376.290 RSMo (Deposit and transfer of securities).

<u>Type of Security</u>	<u>Par Value</u>	<u>Market Value</u>	<u>Statement Value</u>
US Treasury Note	<u>\$ 830,000</u>	<u>\$ 837,362</u>	<u>\$ 837,457</u>

FINANCIAL STATEMENTS

The following financial statements, with supporting exhibits, present the financial condition of the Company as of December 31, 2011, and the results of operations for the fiscal period then ended. Any examination adjustments to the amounts reported in the financial statements or comments regarding such are made in the "Comments on the Financial Statements" which follow the financial statements.

There may have been additional differences found in the course of this examination which are not shown in the "Comments on the 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 financial statement item.

ASSETS

	<u>Assets</u>	<u>Nonadmitted</u> <u>Assets</u>	<u>Net Admitted</u> <u>Assets</u>
Bonds	\$ 13,436,721	\$ -	\$ 13,436,721
Cash and short-term investments	12,615,247	-	12,615,247
Investment income due and accrued	84,529	-	84,529
Uncollected premiums	87,410	-	87,410
Amounts recoverable from reinsurers	256,277	-	256,277
Current federal income tax recoverable	28,368	-	28,368
Health care and other amounts receivable	856,699	-	856,699
Totals	<u>\$ 27,365,251</u>	<u>\$ -</u>	<u>\$ 27,365,251</u>

LIABILITIES

	<u>Covered</u>	<u>Uncovered</u>	<u>Total</u>
Claims unpaid	\$ 9,798,601	\$ 2,030,145	\$ 11,828,746
Unpaid claims adjustment expenses	100,000	-	100,000
Aggregate health policy reserves	900,000	-	900,000
Premiums received in advance	2,126,809	-	2,126,809
General expenses due or accrued	237,971	-	237,971
Net deferred tax liability	223,535	-	223,535
Amounts due to parent, subsidiaries and affiliates	37,209	-	37,209
Total liabilities	<u>\$ 13,424,125</u>	<u>\$ 2,030,145</u>	<u>\$ 15,454,270</u>
Common capital stock			\$ 800,000
Gross paid in and contributed surplus			6,689,682
Surplus notes			2,709,003
Unassigned funds (surplus)			1,712,295
Total capital and surplus			<u>\$ 11,910,980</u>
Total liabilities, capital and surplus			<u>\$ 27,365,250</u>

STATEMENT OF OPERATIONS

	<u>Uncovered</u>	<u>Total</u>
Member months		353,008
Net premium income		\$ 91,451,471
Dual Option		(81,695)
Total revenues		<u>91,369,776</u>
Hospital/medical benefits	\$ 11,198,939	65,251,198
Outside referrals	7,241	42,190
Prescription drugs	2,157,285	12,569,535
Net reinsurance recoveries	<u>-</u>	<u>(256,277)</u>
Total hospital and medical	13,363,465	77,606,646
Claims adjustment expenses	-	2,254,406
General administrative expenses	-	9,419,163
Increase in reserves for life and accident and health contracts	<u>-</u>	<u>800,000</u>
Total underwriting deductions	\$ 13,363,465	90,080,215
Net underwriting gain		1,289,561
Net investment income earned		422,821
Net realized capital gains		<u>(6,300)</u>
Net investment gains		416,521
Net income (pre-tax)		1,706,082
Federal and foreign income taxes incurred		<u>(140,620)</u>
Net income		<u><u>\$ 1,565,462</u></u>

RECONCILIATION OF SURPLUS

	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
Capital and surplus, prior year	\$ 8,098,634	\$ 8,510,972	\$ 9,167,187	\$ 9,677,493
Net income	573,777	927,231	1,124,490	1,565,465
Change in net unrealized capital gains	(5,448)	(5,197)	(22,698)	7,406
Change in net deferred income tax	(14,805)	74,987	(812,449)	(196,019)
Change in nonadmitted assets	22,272	(217,256)	289,383	-
Change in surplus notes	(382,038)	201,660	223,485	(2,141,057)
Paid in (surplus adjustments)	613,758	-	-	2,273,707
Interest expense - surplus note	(231,720)	(201,659)	(223,485)	(132,650)
Prior period adjustment	(97,458)	(123,551)	(68,420)	856,635
Prior period income tax	<u>(66,000)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in capital and surplus	<u>412,338</u>	<u>656,215</u>	<u>510,306</u>	<u>2,233,487</u>
Capital and surplus, current year	<u>\$ 8,510,972</u>	<u>\$ 9,167,187</u>	<u>\$ 9,677,493</u>	<u>\$ 11,910,980</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

As noted in the Summary of Significant Findings (page 2), the appointed actuary did not make the Actuarial Opinion and the Actuarial Memorandum available to the board of directors or report to the board on the items within the scope of the Actuarial Opinion as required by the NAIC annual statement instructions. The Company should ensure that the Appointed Actuary makes the required presentation to the board and that the Actuarial Opinion and Actuarial Memorandum are made available to the board. The board's meeting minutes should document that the reports were made available and that the actuary made the required presentation.

ACKNOWLEDGMENT

The assistance and cooperation extended by Cox Health Systems Insurance Company during the course of this examination is hereby acknowledged and appreciated. In addition to the undersigned, John Boczkiewicz, CFE, CPA; Rick Stamper, CFE; Arthur Palmer, CFE, Jennifer Danz, AFE, CPA; and Andrew T. Balas, CFE, AES, CPA, examiners for the Department, and Karen E. Elsom, FSA, MAAA of Lewis & Ellis, Inc., participated in this examination.

VERIFICATION

State of Missouri)

) ss

City of St. Louis)

I on my oath swear that to the best of my knowledge and belief the above examination report is true and accurate and is comprised of only facts appearing upon the books, records or other documents of the Company, its agents or other persons examined or as ascertained from the testimony of its officers or agents or other persons examined concerning its affairs and such conclusions and recommendations as the examiners find reasonably warranted from the facts.


Thomas J. Cunningham, CFE, CPA
Examiner-in-Charge

Department of Insurance, Financial Institutions and Professional Registration

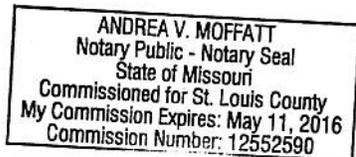
Sworn to and subscribed before me this 19th day of March 2013.
My commission expires:

5-11-2016


Notary Public

SUPERVISION

The examination process has been monitored and supervised by the undersigned. The examination report and supporting workpapers have been reviewed and approved. Compliance with the National Association of Insurance Commissioners procedures and guidelines as contained in the Financial Condition Examiners Handbook has been confirmed.





Michael Shadowens, CFE
Audit Manager
Department of Insurance, Financial Institutions and
Professional Registration



*Cox Health Systems Insurance Company
Cox Health Systems HMO, Inc.*

April 29, 2013

Mr. Frederick Heese
Missouri Department of Insurance
P.O. Box 690
Jefferson City, MO 65102-0690

RE: Company Responses to Examination Reports

Cox Health Systems HMO, Inc (CHMO)

Page 14 Item

Company Response: CHMO will have the appointed actuary make the actuarial opinion and the actuarial memorandum available to the board of directors and report to the board on the items within the scope of the actuarial opinion as required by the NAIC annual statement instructions. CHMO will document this in the board's meeting minutes.

Cox Health Systems Insurance Company (CHSIC)

Page 15 Item

Company Response: CHSIC will have the appointed actuary make the actuarial opinion and the actuarial memorandum available to the board of directors and report to the board on the items within the scope of the actuarial opinion as required by the NAIC annual statement instructions. CHSIC will document this in the board's meeting minutes.

Please include these responses in the report.