

# STATE OF MISSOURI



## DEPARTMENT OF COMMERCE & INSURANCE

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

### ORDER

After full consideration and review of the report of the financial examination of Coventry Health Care of Missouri, Inc. for the period ended December 31, 2020, 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 Commerce and Insurance 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 finding, company history, management and control, territory and plan of operation, growth of company and loss experience, reinsurance, accounts and records, financial statements, comments on financial statement items, financial statement changes resulting from examination, and summary of recommendations.

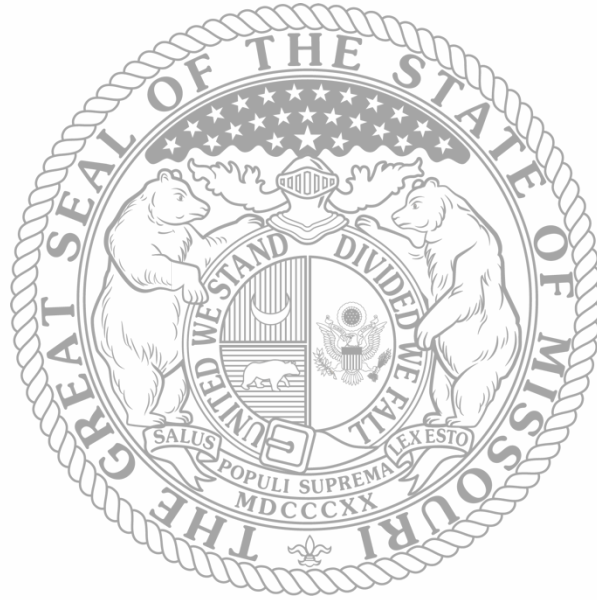
Based on such findings and conclusions, I hereby ORDER that the report of the financial examination of Coventry Health Care of Missouri, Inc. as of December 31, 2020 be and is hereby ADOPTED as filed and for Coventry Health Care of Missouri, Inc. to take the following action or actions, which I consider 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 06<sup>th</sup> day of June, 2022.



A handwritten signature in blue ink that reads "Chlora Lindley-Myers".

Chlora Lindley-Myers, Director  
Department of Commerce and Insurance



REPORT OF  
FINANCIAL EXAMINATION OF

# COVENTRY HEALTH CARE OF MISSOURI, INC.

AS OF  
DECEMBER 31, 2020

STATE OF MISSOURI  
DEPARTMENT OF COMMERCE & INSURANCE

JEFFERSON CITY, MISSOURI

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St. Louis, MO  
April 28, 2022

Honorable Chlora Lindley-Myers, Director  
Missouri Department of Commerce and Insurance  
301 West High Street, Room 530  
Jefferson City, Missouri 65101

Director Lindley-Myers:

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

**Coventry Health Care of Missouri, Inc. (NAIC #96377)**

hereinafter referred to as such, as CHC-MO, or as the Company. Its administrative office is located at 1285 Fern Ridge Parkway, Suite 200, St. Louis, MO 63141; telephone number (314) 506-1700. The fieldwork for this examination began on April 1, 2021, and concluded on the above date.

**SCOPE OF EXAMINATION**

**Period Covered**

The Missouri Department of Commerce and Insurance (Department) has performed a multi-state financial examination of Coventry Health Care of Missouri, Inc. The last examination of the Company by the Department covered the period of January 1, 2011, through December 31, 2015. The current examination covers the period of January 1, 2016, through December 31, 2020, as well as a review of any material transactions and events occurring subsequent to the examination period through the date of this report.

**Procedures**

We conducted our examination in accordance with the National Association of Insurance Commissioners (NAIC) *Financial Condition Examiners Handbook (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, assess corporate governance, identify current and prospective risks of the Company, and evaluate system controls and procedures used to mitigate those risks. An examination also includes the identification and evaluation of significant risks that could cause the Company's surplus to be materially misstated, both on a current and prospective basis.

This examination also included a review of significant estimates made by management and evaluation of management's compliance with Statutory Accounting Principles. The examination does not attest to the fair presentation of the financial statements included herein. If, during the course of the examination an adjustment is identified, the impact of such adjustment will be documented separately following the Company's financial statements.

All accounts and activities of the Company were considered in accordance with the risk-focused examination process. Those activities considered in the examination as key to CHC-MO included Investments; Claims Handling and Reserving; Premiums and Underwriting; Related Parties; Reinsurance; and Capital and Surplus. The examination also included a review and evaluation of information technology general controls.

This examination was conducted as part of a coordinated examination of the Aetna Inc. group, which consists of sixty insurance companies domiciled in twenty-seven states. The Connecticut Insurance Department (CID) is the lead state regulator for the group. Along with Missouri, twenty-six other states participated in the coordinated examination. The examination was also conducted concurrently with the examinations of the Company's Missouri domiciled affiliates, Coventry Health and Life Insurance Company and Aetna Better Health of Missouri LLC.

This examination report includes significant findings of fact, as mentioned in Section 374.205 RSMo (Examination, director may conduct, when...) and general information about the Company and its financial condition. There may be other items identified during the examination that, due to their nature (e.g., subjective conclusions, proprietary information, etc.), are not included within the examination report but are separately communicated to other regulators and/or the Company.

### **SUMMARY OF SIGNIFICANT FINDINGS**

None.

### **COMPANY HISTORY**

#### **General**

Group Health Plan of Greater St. Louis (GHP), a not-for-profit health services corporation, incorporated on March 2, 1978. In 1982, GHP merged with Midwest Health Plan, changing its name to Group/Mid-West Health Plan. In 1984, the Company's name reverted to Group Health Plan of Greater St. Louis. In 1985, GHP converted to a for-profit corporation named New Group Health Plan, Inc. and registered the fictitious name Group Health Plan, Inc.

On January 30, 1990, a subsidiary of Coventry Health Care, Inc. acquired New Group Health Plan, Inc. and changed its name to Group Health Plan, Inc. In 2000, the Company became a direct subsidiary of Coventry Health Care, Inc.

In 2011, several entities were merged into the Company. On May 1, the Department approved the merger of Mercy Health Plans of Missouri, Inc. into the Company. On June 1, the Department approved the merger of ForeSee Health, Inc. into the Company. On December 31, the Department approved the merger of MHP, Inc., the holding company parent of Mercy Health Plans of Missouri, Inc., into the Company.

On September 1, 2011, the Company changed its name from Group Health Plan, Inc. to Coventry Health Care of Missouri, Inc. On May 7, 2013, Coventry Health Care, Inc., the Company's then-parent, completed a merger with Aetna Inc. On January 1, 2014, Coventry Health Care, Inc., which had survived the merger as a wholly-owned subsidiary of Aetna Inc., merged into Aetna Health Holdings, LLC.

#### **Mergers, Acquisitions, and Major Corporate Events**

In February 2017, Aetna Inc. and Humana, Inc. mutually ended their merger agreement, which had been proposed in July 2015. In November 2018, CVS Health Corporation completed its acquisition of Aetna Inc. and its subsidiaries, including the Company.

**Dividends and Capital Contributions**

The Company paid dividends to its immediate parent, Aetna Health Holdings, LLC, as indicated below. Ordinary dividends comprised \$15,895,893 of the total below. Extraordinary dividends comprised \$136,604,107 of the total. The Department approved all extraordinary dividends. There were no capital contributions during the exam period.

<b>Year</b>	<b>Amount</b>
2017	\$ 50,000,000
2018	50,000,000
2019	30,000,000
2020	22,500,000
<b>Total</b>	<b>\$ 152,500,000</b>

**Surplus Notes**

There were no surplus notes issued or outstanding during the current examination period.

**MANAGEMENT AND CONTROL**

**Board of Directors**

The management of the Company is vested in a Board of Directors appointed by the shareholders. The Company’s Bylaws specify that there shall be not less than three or more than fifteen members. The Board of Directors appointed and serving as of December 31, 2020, were as follows:

**Name and Address**

John Anders  
St. Louis, MO

James Boyman  
West Hollywood, CA

Davin Reinecke  
St. Louis, MO

**Principal Occupation and Business Affiliation**

Senior Market Compliance Consultant  
CVS Health

President, CHC-MO  
Vice-President, Aetna Market President, CVS Health

Chief Financial Officer, CHC-MO  
Aetna Market Chief Financial Officer, CVS Health

**Senior Officers**

The officers elected and serving, as of December 31, 2020, were as follows:

**Name**

James Boyman  
Edward Lee  
Tracy Smith  
Davin Reinecke  
Robert Parslow  
Peter Keller  
Bryan Lane  
Whitney Lavoie  
Scott Miller  
Kevin Casey

**Office**

President  
Vice-President and Secretary  
Vice-President and Treasurer  
Chief Financial Officer  
Corporate Controller  
Assistant Corporate Controller  
Assistant Corporate Controller  
Assistant Corporate Controller  
Assistant Corporate Controller  
Senior Investment Officer

**Principal Committees**

The Company does not have any committees. The audit committee of Aetna Health Holdings, LLC, CHC-MO’s immediate parent, serves as the Company’s audit committee.

**Corporate Records**

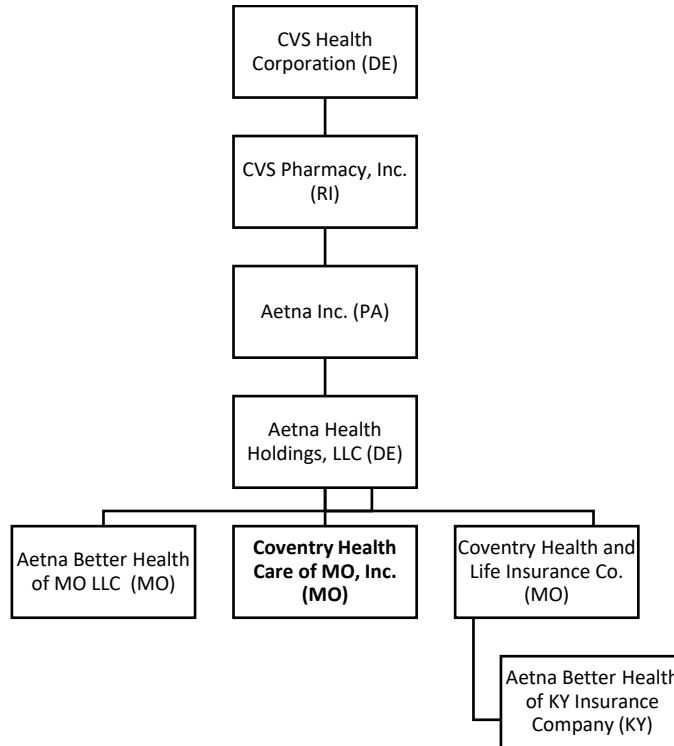
The Company’s Articles of Incorporation and Bylaws were reviewed. There were no changes to either document during the current examination period. The minutes of the shareholder’s meetings and the Board of Director’s meetings were reviewed for the period under examination.

**Holding Company, Subsidiaries, and Affiliates**

CHC-MO is a member of an Insurance Holding Company System, as defined by Section 382.010 RSMo (Definitions). Aetna Health Holdings, LLC (DE) is the Company’s immediate parent. CVS Health Corporation (DE) is the ultimate controlling entity in the group. CVS Health Corporation is a publicly-traded company listed on the New York Stock Exchange as CVS.

**Organizational Chart**

The following organizational chart depicts the applicable portion of the holding company group as of December 31, 2020. All subsidiaries shown are wholly-owned unless otherwise noted.



**Intercompany Transactions**

The following agreements represent significant contracts executed with affiliated entities that were in effect during the examination period. A brief description of these agreements are as follows:

Guarantor Agreement: The agreement, effective January 1, 2014, includes CVS Health Corporation (CVS), Aetna Inc. (Aetna) and Aetna’s wholly-owned subsidiaries, including the Company. In the event of the Company’s insolvency, Aetna will pay all expenses and claims incurred by the Company through the end of the contract period for which premiums have been received.



**Tax Sharing Agreement:** Under an agreement that became effective January 1, 2019, CVS Health Corporation (CVS) and its subsidiaries, including CHC-MO, file a consolidated federal income tax return. The Company’s tax liability is determined as if the Company filed a stand-alone return. Federal income tax receivables or payables are due from or to CVS.

**Administrative Services Agreement:** The agreement, effective January 1, 2014, includes the Company and Aetna Health Management, LLC (AHM). Under the agreement, AHM provides administrative services to the Company. Some of the services include legal, quality assessment, utilization review, disease management, patient management, case management, customer service, provider network and credentialing services, facilities, marketing, insurance and risk management, data processing, and pharmacy services. There is also a provision that allows the Company to use AHM for rebate services.

**Mental Health Service Agreement:** The agreement, effective January 1, 2001, includes the Company and MHNet Specialty Services, LLC (MHNet). Under this agreement, MHNet provides managed behavioral health services to the Company’s members. This agreement was terminated effective December 1, 2020.

**Pharmacy Rebate Agreement:** The Company and AHM are parties to a pharmacy rebate agreement that became effective January 1 2014. The agreement enables CHC-MO to receive manufacturers’ pharmacy rebates through AHM. CHC-MO remits a percentage of its pharmacy rebates to AHM as a fee. This agreement was terminated effective January 1, 2018.

**Quota Share Reinsurance Agreement:** This agreement, effective February 1, 2014, includes the Company and Coventry Health Care of Illinois, Inc. (CHC IL). Under this agreement, which covers Medicare Advantage policies issued in Illinois, CHC IL receives one hundred percent (100%) of the amounts received from CMS with respect to polices attaching during the term of the agreement. In return, CHC IL accepts as reinsurance 100% quota share with respect to any losses. This agreement terminated December 31, 2019. CHC-MO is not liable for claims incurred prior to the termination date after a six-month runout following the termination date.

**Quota Share Reinsurance Agreement:** This agreement, effective May 1, 2011, includes the Company and Coventry Health Care of Kansas, Inc. (CHC KS). Under this agreement, which covers Medicare Advantage policies issued in Kansas, CHC KS receives one hundred percent (100%) of the amounts received from CMS with respect to polices attaching during the term of the agreement. In return, CHC KS accepts as reinsurance 100% quota share with respect to any losses. This agreement terminated December 31, 2016.

**TERRITORY AND PLAN OF OPERATION**

The Company is licensed as a health maintenance organization (HMO) in Missouri under Chapter 354 RSMo (Health Service Corporations, Health Maintenance Organizations and Prepaid Dental Plans). The Company is also licensed in the four neighboring states of Arkansas, Illinois, Kansas and Oklahoma.

The Company’s sole line of business is Medicare. The Company markets its products through independent brokers and captive agents.

**GROWTH OF COMPANY AND LOSS EXPERIENCE**

The Company has generated underwriting gains and net income each year of the current examination period.

The table below summarizes the Company’s growth for the period under examination:

(\$000s omitted)

Year	Total Assets	Net Premiums Earned	Underwriting Gain (Loss)	Net Income (Loss)	Capital and Surplus	Ratio of Net Premiums to Surplus
2016	\$ 323	\$ 588	\$ 48	\$ 37	\$ 154	3.8
2017	310	884	76	62	164	5.4
2018	279	808	3	6	118	6.8
2019	273	865	38	38	127	6.8
2020	328	842	55	45	149	5.7

The table below summarizes the Company’s total revenues, incurred hospital and medical expenses, and medical loss ratios for the period under examination:

(\$000s omitted)

Year	Total Revenues	Total Hospital and Medical Benefits	Medical Loss Ratio
2016	\$ 588	\$ 470	79.8%
2017	884	700	79.2%
2018	808	676	83.6%
2019	865	706	81.6%
2020	842	664	78.8%

## REINSURANCE

### General

The Company’s premium activity on a direct written, assumed, and ceded basis for the period under examination is detailed below:

(\$000s omitted)

Premium Type	2016	2017	2018	2019	2020
Direct Premiums Written	\$ 906,407	\$ 953,694	\$ 894,540	\$ 971,718	\$ 866,145
Reinsurance Ceded:					
Affiliates	304,899	80,480	83,153	97,484	(2,561)
Non-Affiliates	2,808	3,492	3,105	3,061	9,321
<b>Net Premiums Written</b>	<b>\$ 598,700</b>	<b>\$ 869,722</b>	<b>\$ 808,282</b>	<b>\$ 871,173</b>	<b>\$ 859,385</b>

### Assumed Reinsurance

The Company did not assume any premiums during the period under examination

### Ceded Reinsurance

As detailed above in Intercompany Transactions, the Company has quota share agreements in place with two affiliates under which the Company cedes Medicare Advantage business.

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

## ACCOUNTS AND RECORDS

### **Independent Auditor**

The certified public accounting (CPA) firm, Ernst & Young LLP (E&Y), in Boston, Massachusetts, performed the statutory audit of the Company for the years 2019 through 2020. For the period of 2016 through 2018, Klynveld Peat Marwick Goerdeler LLP (KPMG) of Hartford, CT performed the statutory audit. Reliance was placed upon the CPA workpapers as deemed appropriate. Such reliance included, but was not limited to, walk-throughs, control testing and substantive testing.

### **Actuarial Opinion**

For the years 2016 through 2017, reserves and related actuarial items were reviewed and certified by William R. Jones, FSA, MAAA of Hartford, CT. For 2018 reserves and related actuarial items were reviewed and certified by Jeffrey Drzazgowski, FSA, MAAA of Hartford CT. For 2019 through 2020 reserves and related actuarial items were reviewed and certified by Paul Conlin, FSA, MAAA of Downers Grove, IL. All three actuaries were employees of Aetna.

### **Consulting Actuary**

Pursuant to a contract with the CID, Karen Elsom, FSA, MAAA of Lewis & Ellis, Inc., reviewed the underlying actuarial assumptions and methodologies used by CHC-MO to determine the adequacy of reserves and other actuarial items. Karen Elsom determined that the Company made a reasonable provision for the reserves and other actuarial items that were reported in the statutory financial statements, as of December 31, 2020.

### **Information Systems**

In conjunction with this examination, CID contracted with Risk & Regulatory Consulting to conduct a review of the Company's information systems.

## 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, 2020. The accompanying comments on financial statements reflect any examination adjustments to the amounts reported in the financial statements and should be considered an integral part of the financial statements. The failure of any column of numbers to add to its respective total is due to rounding or truncation.

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

**ASSETS**

As of December 31, 2020

	<b>Assets</b>	<b>Nonadmitted Assets</b>	<b>Net Admitted Assets</b>
Bonds	\$ 217,332,389	\$ 0	\$ 217,332,389
Mortgage Loans on Real Estate:			
First Liens	5,188,518	0	5,188,518
Cash, Cash Equivalents, and Short- Term Investments	69,419,541	0	69,419,541
Other Invested Assets	1,797,845	0	1,797,845
Investment Income Due and Accrued	1,817,191	0	1,817,191
Uncollected Premiums and Agents' Balances in the Course of Collection	983,913	917,232	66,681
Accrued Retrospective Premiums	17,815,602	0	17,815,602
Amounts Receivable Relating to Uninsured Plans	5,048,679	0	5,048,679
Net Deferred Tax Asset	1,426,329	44,906	1,381,423
Health Care and Other Amounts Receivable	5,443,585	0	5,443,585
State Income Taxes Recoverable	2,971,202	0	2,971,202
Other Receivable	38,483	38,483	0
<b>TOTAL ASSETS</b>	<b>\$ 329,283,277</b>	<b>\$ 1,000,621</b>	<b>\$ 328,282,656</b>

**LIABILITIES, CAPITAL AND SURPLUS**

As of December 31, 2020

Claims Unpaid	\$ 53,482,031
Accrued Medical Incentive Pool and Bonus Amounts	19,476,024
Unpaid Claims Adjustment Expenses	727,010
Aggregate Health Policy Reserves	51,634,904
Premiums Received in Advance	423,085
General Expenses Due or Accrued	543,279
Current Federal and Foreign Income Tax Payable and Interest Thereon	2,693,882
Amounts Withheld or Retained for the Account of Others	25,790,730
Remittances and Items Not Allocated	918,711
Amounts Due to Parent, Subsidiaries, and Affiliates	20,120,874
Payable for Securities	1,075,396
Funds Held Under Reinsurance Treaties	1,162,446
Liability for Amounts Held Under Uninsured Plans	957,790
Abandoned Property Liability	242,471
<b>TOTAL LIABILITIES</b>	<b>\$ 179,248,633</b>
Common Capital Stock	10
Gross Paid-In and Contributed Surplus	74,443,448
Contingency Reserve	17,187,706
Unassigned Funds (Surplus)	57,402,859
<b>TOTAL CAPITAL AND SURPLUS</b>	<b>\$ 149,034,023</b>
<b>TOTAL LIABILITIES AND SURPLUS</b>	<b>\$ 328,282,656</b>

**STATEMENT OF REVENUE AND EXPENSES**

For the Year Ended December 31, 2020

Net Premium Income	\$ 859,385,281
Change in Unearned Premium Reserves and Reserve for Rate Credits	(16,982,077)
Other Revenue	74,201
<b>Total Revenue</b>	<b>\$ 842,477,405</b>
Hospital/Medical Benefits	557,739,766
Other Professional Services	19,450,123
Outside Referrals	12,575,166
Emergency Room and Out-of-Area	16,564,858
Prescription Drugs	60,967,614
Incentive Pool, Withhold Adjustments, and Bonus Amounts	12,192,183
Net Reinsurance Recoveries	(15,751,353)
Claims Adjustment Expenses	17,824,942
General Administrative Expenses	106,393,400
<b>Total Underwriting Deductions</b>	<b>\$ 787,956,699</b>
<b>Net Underwriting Gain (Loss)</b>	<b>\$ 54,520,706</b>
Net Investment Income Earned	6,801,299
Net Realized Capital Gains	(167,658)
<b>Net Investment Gain (Loss)</b>	<b>\$ 6,633,641</b>
<b>Net Income (Loss) After Capital Gains Tax and Before All Other Federal Income Taxes</b>	<b>\$ 61,154,347</b>
Federal and Foreign Income Taxes Incurred	15,954,960
<b>NET INCOME (LOSS)</b>	<b>\$ 45,199,387</b>

**RECONCILIATION OF CAPITAL AND SURPLUS**  
Changes from January 1, 2016 to December 31, 2020

*(\$000's omitted)*

	<b>2016</b>	<b>2017</b>	<b>2018</b>	<b>2019</b>	<b>2020</b>
Capital and Surplus, Beginning of Year	\$ 116,896	\$ 154,401	\$ 163,775	\$ 118,044	\$ 126,774
Net Income (Loss)	37,098	61,927	6,243	38,113	45,199
Change in Net Unrealized Capital Gains (Losses)					
Less Capital Gains Tax	477	43	(1,111)	1,101	29
Change in Net Deferred Income Tax	(848)	(3,733)	(2,006)	(424)	437
Change in Nonadmitted Assets	1,005	1,328	725	(60)	(906)
Change in Unauthorized and Certified Reinsurance	(227)	(191)	418	0	0
Dividends to Stockholders	0	(50,000)	(50,000)	(30,000)	(22,500)
Net Change in Capital and Surplus	37,505	9,374	(45,731)	8,730	22,260
<b>Capital and Surplus, End of Year</b>	<b>\$ 154,401</b>	<b>\$ 163,775</b>	<b>\$ 118,044</b>	<b>\$ 126,774</b>	<b>\$ 149,034</b>

**COMMENTS ON FINANCIAL STATEMENT ITEMS**

None.

**FINANCIAL STATEMENT CHANGES RESULTING FROM EXAMINATION**

None.

**SUMMARY OF RECOMMENDATIONS**

None.

**SUBSEQUENT EVENTS**

The COVID-19 pandemic has continued to develop, with significant uncertainty remaining regarding the full effect of COVID-19 on the U.S. and global insurance and reinsurance industry. The Department has been in communication with the Company regarding the impact of COVID-19 on its business operations and financial position. The Department continues to closely monitor the impact of the pandemic on the Company and will take necessary action if a solvency concern arises.

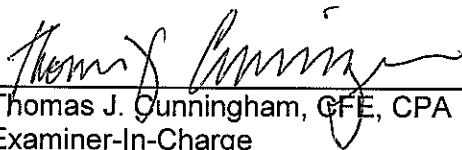
**ACKNOWLEDGMENT**

The assistance and cooperation extended by the officers and the employees of Coventry Health Care of Missouri, Inc. during the course of this examination is hereby acknowledged and appreciated. In addition to the undersigned, Ken Tang, CFE; Doug Daniels, CFE; and Justin Lamb, examiners for the Missouri Department of Commerce and Insurance, also participated in this examination.

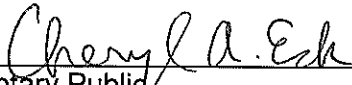
**VERIFICATION**

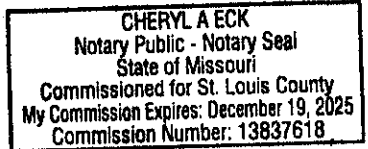
State of Missouri                    )  
  )    ss  
County of St. Louis                )

I, Thomas J. Cunningham, 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  
Missouri Department of Commerce and  
Insurance

Sworn to and subscribed before me this 2<sup>nd</sup> day of May, 2022.

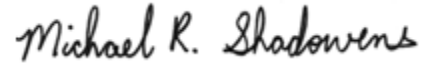
My commission expires: 12-19-2025   
Notary Public





**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 NAIC procedures and guidelines as contained in the *Financial Condition Examiners Handbook* has been confirmed, except where practices, procedures, and applicable regulations of the Missouri Department of Commerce and Insurance and statutes of the state of Missouri prevailed.



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Michael Shadowens, CFE  
Assistant Chief Financial Examiner  
Missouri Department of Commerce and  
Insurance