

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 and Life Insurance Company 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.

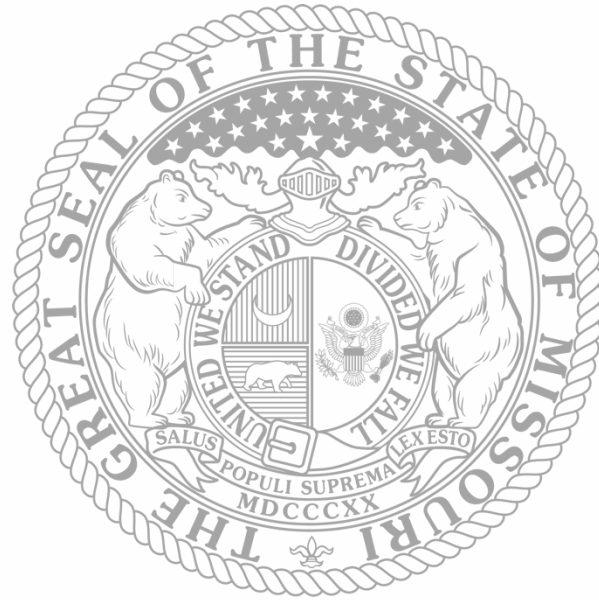
Based on such findings and conclusions, I hereby ORDER that the report of the financial examination of Coventry Health and Life Insurance Company as of December 31, 2020 be and is hereby ADOPTED as filed and for Coventry Health and Life Insurance Company to take the following action or actions, which I consider necessary to cure any violation of law, regulation or prior order of the Director revealed by such report: (1) 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 06th day of June, 2022.



Chlora Lindley-Myers

Chlora Lindley-Myers, Director
Department of Commerce and Insurance



REPORT OF
FINANCIAL EXAMINATION OF

COVENTRY HEALTH AND LIFE INSURANCE COMPANY

AS OF
DECEMBER 31, 2020

TABLE OF CONTENTS

SCOPE OF EXAMINATION	1
PERIOD COVERED.....	1
PROCEDURES.....	1
SUMMARY OF SIGNIFICANT FINDINGS	2
COMPANY HISTORY	2
GENERAL.....	2
MERGERS, ACQUISITIONS, AND MAJOR CORPORATE EVENTS	2
DIVIDENDS AND CAPITAL CONTRIBUTIONS	3
SURPLUS NOTES.....	3
MANAGEMENT AND CONTROL	3
BOARD OF DIRECTORS	3
SENIOR OFFICERS	4
PRINCIPAL COMMITTEES	4
CORPORATE RECORDS.....	4
HOLDING COMPANY, SUBSIDIARIES, AND AFFILIATES.....	4
ORGANIZATIONAL CHART	5
INTERCOMPANY TRANSACTIONS	5
TERRITORY AND PLAN OF OPERATION	6
GROWTH OF COMPANY AND LOSS EXPERIENCE	6
REINSURANCE	7
GENERAL.....	7
ASSUMED REINSURANCE	7
CEDED REINSURANCE.....	7
ACCOUNTS AND RECORDS	7
INDEPENDENT AUDITOR	7

ACTUARIAL OPINION	7
CONSULTING ACTUARY	7
INFORMATION SYSTEMS	8
FINANCIAL STATEMENTS.....	8
ASSETS.....	9
LIABILITIES, CAPITAL AND SURPLUS	10
STATEMENT OF REVENUE AND EXPENSES	11
RECONCILIATION OF CAPITAL AND SURPLUS	12
COMMENTS ON FINANCIAL STATEMENT ITEMS	13
FINANCIAL STATEMENT CHANGES RESULTING FROM EXAMINATION	13
SUMMARY OF RECOMMENDATIONS.....	13
SUBSEQUENT EVENTS.....	13
ACKNOWLEDGMENT	14
VERIFICATION.....	14
SUPERVISION	15

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 and Life Insurance Company (NAIC #81973)

hereinafter referred to as such, as CHL, or as the Company. Its administrative office is located at 15400 Calhoun Drive, Suite 300, Rockville, MD 20855; telephone number (800) 843-7421. 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 multiple-state financial examination of Coventry Health and Life Insurance Company. The last examination of the Company by the Department covered the period of January 1, 2013, 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 CHL included Investments; Claims Handling and Reserving; Premiums and Underwriting; Related Parties; Reinsurance; Healthcare Related Items; 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 Care of Missouri, Inc. 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

The Company incorporated in the state of Texas as American Service Life Insurance Company on April 15, 1968. In 1987, Coventry Corporation (DE) acquired the Company. In 1995, the Company changed its name to Coventry Health and Life Insurance Company. In 1999, the Company re-domesticated from Texas to the state of Delaware. In 2012, the Company re-domesticated to the state of Missouri.

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. On February 24, 2015, the Company organized a wholly-owned subsidiary, Aetna Better Health of Kentucky Insurance Company.

Mergers, Acquisitions, and Major Corporate Events

In November 2016, the Company's Medicaid business was transferred to Aetna Better Health of Kentucky Insurance Company. In February 2017, Aetna Inc. and Humana, Inc. mutually terminated 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 \$66,010,581 of the total below. Extraordinary dividends comprised \$828,989,419 of the total. The Department approved all extraordinary dividends. There were no capital contributions during the exam period.

Year	Amount
2017	\$ 200,000,000
2018	250,000,000
2019	200,000,000
2020	245,000,000
Total	\$ 895,000,000

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 shareholder. The Company's Bylaws specify that there shall be not less than nine or more than eleven members. The Board of Directors appointed and serving as of December 31, 2020, were as follows:

<u>Name and Address</u>	<u>Principal Occupation and Business Affiliation</u>
John Anders St. Louis, MO	Senior Market Compliance Consultant CVS Health
James Bostian Morrisville, NC	Vice-President, Aetna Market President CVS Health
James Boyman West Hollywood, CA	President, CHL Vice-President, Aetna Territory Leader, CVS Health
Robert Healy Hartford, CT	Vice-President, Insurance Capital Management & Leasing Finance, CVS Health
John Maroney Hartford, CT	Vice-President, Enterprise Risk Management CVS Health
Gregory Martino Blue Bell, PA	Executive Director Government Affairs CVS Health
Tracy Smith Cumberland, RI	Vice-President and Treasurer, CHL Vice-President, CVS Health
Cathleen Tinker Wichita, KS	Lead Director Market Compliance CVS Health
Robert Walker Hartford, CT	Chief Financial Officer, Consumer Health & Service CVS Health

Senior Officers

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

<u>Name</u>	<u>Office</u>
James Boyman	President
Edward Lee	Vice-President and Secretary
Kevin Casey	Senior Investment Officer
Peter Keller	Assistant Corporate Controller
Bryan Lane	Assistant Corporate Controller
Whitney Lavoie	Assistant Corporate Controller
Scott Miller	Assistant Corporate Controller
Robert Parslow	Corporate Controller
Tracy Smith	Vice-President and Treasurer

Principal Committees

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

Corporate Records

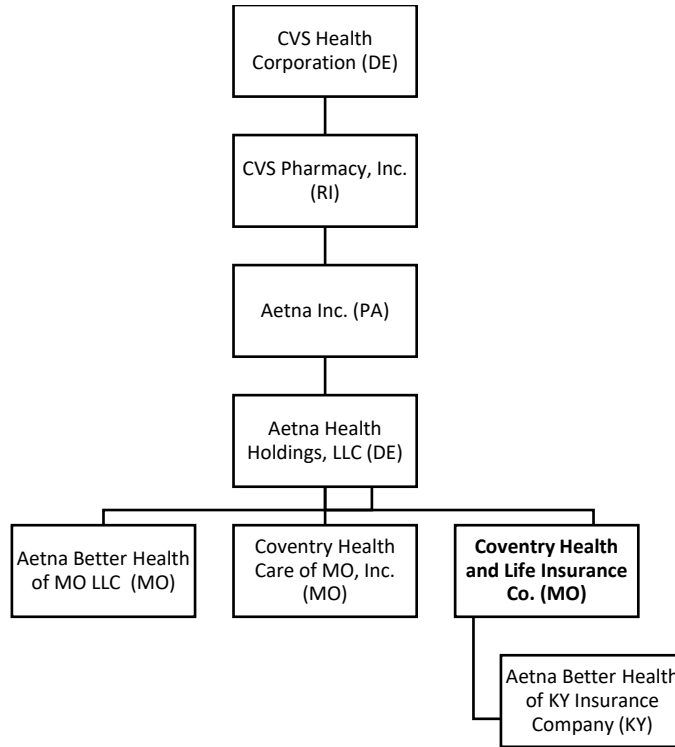
The Company’s Articles of Incorporation and Bylaws were reviewed. Both documents were amended in 2019 to reflect the Company’s new home office address. The minutes of the shareholder’s meetings and the Board of Directors’ meetings were reviewed for the period under examination.

Holding Company, Subsidiaries, and Affiliates

CHL 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 follows:

Administrative Services Agreement: The Company and Aetna Health Management, LLC (AHM) are parties to an administrative services agreement that became effective January 1, 2014. Under the agreement, AHM provides services, including accounting and processing of claims and premiums. In exchange, CHL remits a portion of its earned Medicare premium revenue to AHM.

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

Administrative Health Services Agreement: CHL and MHN Specialty Services, LLC (MHN) are parties to an administrative health services agreement originally effective June 1, 2008. Under the agreement, MHN provides mental health services to the Company’s members. This agreement was terminated effective December 31, 2020.

Tax Sharing Agreement: Under an agreement that became effective January 1, 2019, CVS Health Corporation (CVS) and its subsidiaries, including CHL, 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.

TERRITORY AND PLAN OF OPERATION

The Company is licensed in Missouri under Chapter 376 RSMo (Life, Health and Accident Insurance Laws). The Company is also licensed in forty-eight other states and the District of Columbia.

The Company writes Medicare and Medicare Supplement business. The Company markets its products through independent agents and brokers and through benefits consultants.

GROWTH OF COMPANY AND LOSS EXPERIENCE

After declining in 2017, the Company's premiums have increased each subsequent year. CHL continues to generate underwriting gains and produce net income each year. The decline in capital and surplus reflects significant dividend payments for the period 2017 through 2020.

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	\$ 1,512,484	\$ 2,484,541	\$ 71,120	\$ 77,623	\$ 1,145,328	2.2
2017	1,354,270	1,673,549	118,097	114,897	1,108,392	1.5
2018	1,251,184	1,728,046	36,959	47,633	963,924	1.8
2019	1,200,025	2,047,301	39,023	64,549	881,463	2.3
2020	1,192,802	2,100,484	136,240	116,487	806,709	2.6

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	\$ 2,484,525	\$ 2,032,750	81.8%
2017	1,673,538	1,305,696	78.0%
2018	1,728,042	1,419,916	82.2%
2019	2,047,292	1,718,269	83.9%
2020	2,100,483	1,672,531	79.6%

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	\$ 2,496,428	\$ 1,695,391	\$ 1,715,674	\$ 2,053,943	\$ 2,115,151
Reinsurance Assumed:					
Affiliates	1,177	0	0	0	0
Reinsurance Ceded:					
Non-Affiliates	8,069	6,713	6,588	7,143	14,663
Net Premiums Written	\$ 2,489,536	\$ 1,688,679	\$ 1,709,086	\$ 2,046,800	\$ 2,100,488

Assumed Reinsurance

The company assumed reinsurance from affiliates under separate excess of loss agreements. These agreements terminated January 1, 2016. No business was assumed from 2017 through 2020.

Ceded Reinsurance

Effective April 1, 2014, the Company entered into a quota share agreement with Fresenius Medical Care Reinsurance Company (Cayman) covering Medicare Advantage Plans. Under the agreement, the Company cedes 100% of eligible expenses incurred per program participant per agreement year.

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, MA 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 2018, reserves and related actuarial items were reviewed and certified by John M. Stenson, FSA, MAAA of Hartford, CT. For 2019 through 2020, reserves and related actuarial items were reviewed and certified by Jeffrey Drzazgowski, FSA, MAAA of Hartford CT. Both 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 CHL 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

	Assets	Nonadmitted Assets	Net Admitted Assets
Bonds	\$ 528,791,330	\$	\$ 528,791,330
Stocks:			
Common Stocks	425,001,808		425,001,808
Mortgage Loans on Real Estate:			
First Liens	15,223,353		15,223,353
Cash, Cash Equivalents, and Short- Term Investments	104,685,441		104,685,441
Other Invested Assets	27,724,784		27,724,784
Receivables for Securities	503,750		503,750
Investment Income Due and Accrued Uncollected Premiums and Agents' Balances in the Course of Collection	1,166,915	891,143	275,772
Accrued Retrospective Premiums	51,551,113		51,551,113
Amounts Receivable Relating to Uninsured Plans	13,483,700		13,483,700
Net Deferred Tax Asset	3,848,869	233,498	3,615,371
Guaranty Funds Receivable or on Deposit	685,510		685,510
Health Care and Other Amounts Receivable	15,023,025	1,273	15,021,752
Premium Taxes Recoverable	631,227		631,227
Prepaid Expenses	70	70	
TOTAL ASSETS	\$ 1,193,927,702	\$ 1,125,984	\$ 1,192,801,718

LIABILITIES, CAPITAL AND SURPLUS

As of December 31, 2020

Claims Unpaid	\$ 202,639,578
Accrued Medical Incentive Pool and Bonus Amounts	5,739,381
Unpaid Claims Adjustment Expenses	3,097,766
Aggregate Health Policy Reserves	46,648,156
Premiums Received in Advance	682,535
General Expenses Due or Accrued	2,775,975
Current Federal and Foreign Income Tax Payable and Interest Thereon	16,693,426
Remittances and Items Not Allocated	1,856,099
Amounts Due to Parent, Subsidiaries, and Affiliates	97,377,939
Payable for Securities	5,503,723
Funds Held Under Reinsurance Treaties	1,811,402
Liability for Amounts Held Under Uninsured Plans	267,175
Escheat Payable	999,521
TOTAL LIABILITIES	\$ 386,092,676
Common Capital Stock	2,500,000
Gross Paid-In and Contributed Surplus	340,163,654
Unassigned Funds (Surplus)	464,045,388
TOTAL CAPITAL AND SURPLUS	\$ 806,709,042
TOTAL LIABILITIES AND SURPLUS	\$ 1,192,801,718

STATEMENT OF REVENUE AND EXPENSES

For the Year Ended December 31, 2020

Net Premium Income	\$ 2,100,487,356
Change in Unearned Premium Reserves and Reserve for Rate Credits	(3,604)
Other Income	(1,087)
Total Revenue	\$ 2,100,482,665
Hospital/Medical Benefits	1,192,068,877
Other Professional Services	98,679,740
Outside Referrals	55,591,800
Emergency Room and Out-of-Area	71,637,671
Prescription Drugs	262,127,295
Incentive Pool, Withhold Adjustments, and Bonus Amounts	6,337,726
Net Reinsurance Recoveries	(13,912,537)
Claims Adjustment Expenses	42,814,598
General Administrative Expenses	248,897,742
Increase in Reserves for Life and Accident and Health Contracts	177
Total Underwriting Deductions	\$ 1,964,243,089
Net Underwriting Gain (Loss)	\$ 136,239,576
Net Investment Income Earned	19,230,009
Net Realized Capital Gains	(1,369,805)
Net Investment Gain (Loss)	\$ 17,860,204
State Tax Penalties	(50)
Net Income (Loss) After Capital Gains Tax and Before All Other Federal Income Taxes	\$ 154,099,730
Federal and Foreign Income Taxes Incurred	37,612,720
NET INCOME (LOSS)	\$ 116,487,010

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

(\$000's omitted)

	2016	2017	2018	2019	2020
Capital and Surplus, Beginning of Year	\$ 949,347	\$ 1,145,328	\$ 1,108,392	\$ 963,924	\$ 881,463
Net Income (Loss)	77,623	114,897	47,633	64,549	116,487
Change in Net Unrealized Capital Gains (Losses)					
Less Capital Gains Tax	117,019	49,259	59,154	51,067	52,155
Change in Net Deferred Income Tax	(20,678)	(12,954)	(2,749)	1,352	1,951
Change in Nonadmitted Assets	22,401	12,229	740	572	(347)
Change in Unauthorized and Certified Reinsurance	(385)	(368)	753		
Dividends to Stockholders	0	(200,000)	(250,000)	(200,000)	(245,000)
Net Change in Capital and Surplus	195,981	(36,936)	(144,468)	(82,461)	(74,754)
Capital and Surplus, End of Year	\$ 1,145,328	\$ 1,108,392	\$ 963,924	\$ 881,463	\$ 806,709

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.

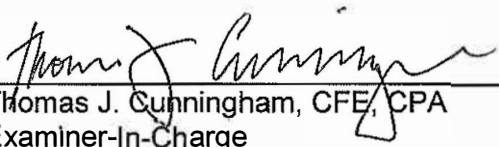
ACKNOWLEDGMENT

The assistance and cooperation extended by the officers and the employees of Coventry Health and Life Insurance Company 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

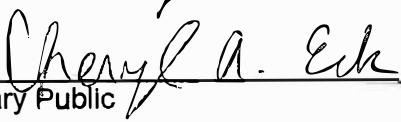
State of Missouri)
) ss
County of St. Louis)

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.

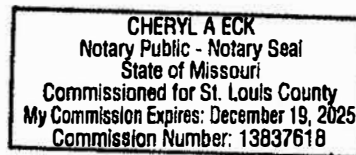


Thomas J. Cunningham, CFE, CPA
Examiner-In-Charge
Missouri Department of Commerce and
Insurance

Sworn to and subscribed before me this 2nd 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.

Michael R. Shadowens

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