

JUN 17 2022

FILED

CERTIFICATION

June 17, 2022

I, Eric Dunning, Director of Insurance of the State of Nebraska, do hereby certify that the attached is a full and correct copy of the Financial Examination Report of

COVENTRY HEALTH CARE OF NEBRASKA, INC.

AS OF

DECEMBER 31, 2020

The report is now on file and forming a part of the records of this Department.

I hereto subscribe my name under the seal of my office at Lincoln, Nebraska.



A handwritten signature in blue ink, appearing to read "Eric Dunning".

DIRECTOR OF INSURANCE

CERTIFICATE OF ADOPTION

Notice of the proposed report for the financial examination of

COVENTRY HEALTH CARE OF NEBRASKA, INC.

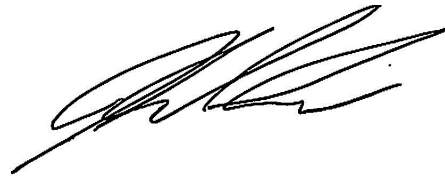
11819 MIAMI STREET, SUITE 101

OMAHA, NEBRASKA 68164

dated as of December 31, 2020, verified under oath by the examiner-in-charge on
May 19, 2022, and received by the company on May 24, 2022, has been adopted
without modification as the final report pursuant to Neb. Rev. Stat. § 44-5906(3) (a).

Dated this 7th day of June 2022.

STATE OF NEBRASKA
DEPARTMENT OF INSURANCE

A handwritten signature in black ink, appearing to read 'Justin C. Schrader', written over a horizontal line.

Justin C. Schrader, CFE
Chief Financial Examiner

STATE OF NEBRASKA

Department of Insurance

EXAMINATION REPORT

OF

COVENTRY HEALTH CARE OF NEBRASKA, INC.

as of

December 31, 2020

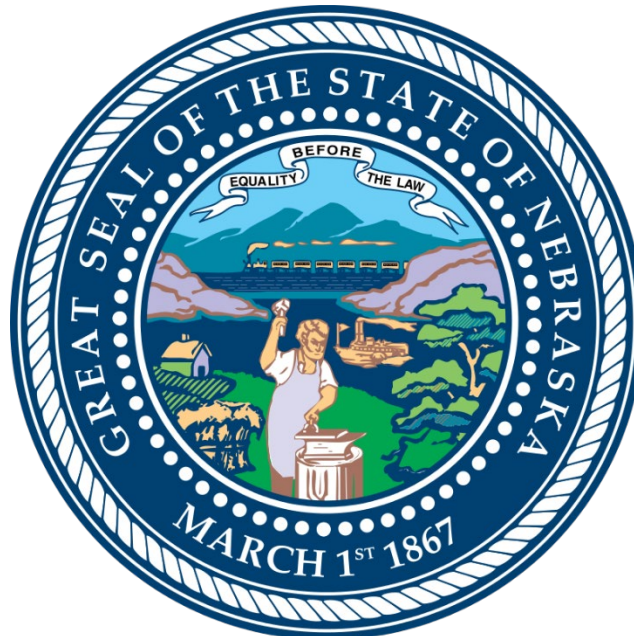


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Lincoln, Nebraska
April 28, 2022

Honorable Eric Dunning
Director of Insurance
Nebraska Department of Insurance
1526 K Street, Suite 200
Lincoln, Nebraska 68508

Dear Sir:

Pursuant to your instruction and authorizations, and in accordance with statutory requirements, an examination has been conducted of the financial condition and business affairs of:

COVENTRY HEALTH CARE OF NEBRASKA, INC.
11819 Miami Street, Suite 101
Omaha, NE, 68164

(hereinafter also referred to as the “Company”), and the report of such examination is respectfully presented herein.

INTRODUCTION

The State of Nebraska last examined the Company as of December 31, 2015. The current financial condition examination covers the intervening period to and includes the close of business on December 31, 2020 and such subsequent events and transactions as were considered pertinent to this report. The State of Nebraska and 25 other states participated in this examination and assisted in the preparation of this report.

The same examination staff conducted concurrent financial condition examinations of 58 of the company’s insurance company affiliates.

SCOPE OF EXAMINATION

The examination was conducted pursuant to and in accordance with both the NAIC Financial Condition Examiners Handbook (Handbook) and Section §44-5904(1) of the Nebraska Insurance Statutes. The Handbook requires that examiners plan and perform the examination to evaluate the financial condition and identify prospective risks of the Company by obtaining information about the Company, including but not limited to: corporate governance, identifying and assessing inherent risks within the Company, and evaluating system controls and procedures used to mitigate those risks. The examination also includes assessing the principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation and management's compliance with Statutory Accounting Principles and Annual Statement Instructions when applicable to domestic state regulations.

The examination was completed under coordination of the holding company group approach with the Connecticut Insurance Department as the coordinating state and the insurance departments from the following states: Arizona, Florida, Georgia, Illinois, Iowa, Kansas, Louisiana, Maine, Michigan, Minnesota, Missouri, Nebraska, North Carolina, New Jersey, New York, Ohio, Oklahoma, Pennsylvania, Tennessee, Texas, Utah, Vermont, Virginia, Washington, and West Virginia. The coordinated examination separated all of the entities into six subgroups: Connecticut as the lead state and exam facilitator for subgroup 1, Missouri as the exam facilitator for subgroup 2, Pennsylvania as the exam facilitator for subgroup 3, and Tennessee as the exam facilitator for subgroups 5 and 6. Subgroup 4 did not participate in this examination. The company was part of subgroup 2 and relied upon work performed by other states. The companies examined under this approach benefit to a large degree from common management, systems and

processes, and internal control and risk management functions that are administered at the consolidated or business unit level.

The coordinated examination applies procedures sufficient to comprise a full scope financial examination of each of the companies in accordance with the examination procedures and standards promulgated by the NAIC and by the respective state insurance departments where the companies are domiciled. The objective is to enable each domestic state to report on their respective companies' financial condition and to summarize key results of examination procedures.

The Nebraska Department of Insurance made a general review of the Company's operations and the manner in which its business has been conducted in order to determine compliance with statutory and charter provisions. The Company's history was traced and has been set out in this report under the caption "Description of Company." All items pertaining to management and control were reviewed, including provisions for disclosure of conflicts of interest to the Board of Directors and the departmental organization of the Company. The Articles of Incorporation and By-Laws were reviewed, including appropriate filings of any changes or amendments thereto. The minutes of the meetings of the Shareholders and Board of Directors held during the examination period were read and noted. Attendance at meetings, proxy information, election of Directors and Officers, and approval of investment transactions were also noted.

The fidelity bond and other insurance coverages protecting the Company's property and interests were reviewed. Certificates of Authority to conduct the business of insurance in the various states were inspected, and a survey was made of the Company's general plan of operation.

Data reflecting the Company's growth during the period under review, as developed from the Company's filed annual statements, is reflected in the financial section of this report under the caption "Body of Report."

The Company's reinsurance facilities were ascertained and noted and have been commented upon in this report under the caption "Reinsurance." Accounting records and procedures were tested to the extent deemed necessary through the risk-focused examination process. The Company's method of claims handling and procedures pertaining to the adjustment and payment of incurred losses were also noted.

All accounts and activities of the Company were considered in accordance with the risk-focused examination process. This included a review of workpapers prepared by Ernst and Young LLP, the Company's external auditors, during their audit of the Company's accounts for the years ended December 31, 2020. Portions of the auditor's workpapers have been incorporated into the workpapers of the examiners and have been utilized in determining the scope and areas of emphasis in conducting the examination. This utilization was performed pursuant to Title 210 (Rules of the Nebraska Department of Insurance), Chapter 56, Section 013.

Any failure of items to add to the totals shown in schedules and exhibits appearing throughout this report is due to rounding.

DESCRIPTION OF COMPANY

HISTORY

The Company was formed as Principal Health Care, Inc. of Nebraska with the adoption of its Articles of Incorporation on August 10, 1987 and subsequent filing with the Secretary of State of the State of Nebraska on August 18, 1987. The purpose of the Company was the

transaction of any and all lawful business for which corporations may be incorporated under Sections 21-2001 to 21-20,134 of Article 20 of the Revised Statutes of Nebraska.

On August 17, 1987, the parent company, Principal Health Care, Inc., submitted an application for the acquisition of the business and assets of the health maintenance organizations operated as divisions of Group Health Plan, Inc. and its affiliate corporation, GroupCare, Inc. under the trade names Personal HealthCare and Personal HealthCare Plus. This acquisition was approved by the Nebraska Department of Insurance, effective October 1, 1987. Personal HealthCare business became a part of Principal Health Care, Inc. of Nebraska, and Personal HealthCare Plus business became a part of Principal Health Care, Inc. Plus of Nebraska.

In January of 1989, the name of the corporation was changed to Principal Health Care of Nebraska, Inc.

Effective June 1, 1989, Principal Health Care Plus of Nebraska, Inc. was merged into Principal Health Care of Nebraska, Inc. This merger was approved by the stockholder of each corporation and by the Nebraska Department of Insurance. The Articles of Merger stated that the purpose of the corporation shall be to carry on the business of a health maintenance organization, and to carry on such other business as may be necessary, convenient, or desirable in connection therewith.

Effective March 31, 1998, 40% of Coventry Health Care, Inc., a newly formed Delaware holding company, was acquired by Principal Health Care, Inc. In exchange for stock, Principal Health Care, Inc. contributed certain assets to Coventry Health Care, Inc. including 100% of the outstanding stock of Principal Health Care of Nebraska, Inc. After this transaction, the ultimate controlling person of the Company remained Principal Mutual Life Insurance Company by virtue of the 40% holding in Coventry Health Care, Inc. through Principal Health Care, Inc.

Effective January 1, 2000, Principal Health Care of Nebraska, Inc. changed its name to its present form, Coventry Health Care of Nebraska, Inc.

On July 1, 2007, the Company completed a merger with Exclusive Healthcare, Inc. (EHI), which was acquired from Mutual of Omaha Insurance Company and United of Omaha Life Insurance Company during 2007. The merger was accounted for in accordance with Statement of Statutory Accounting Principles (SSAP) No. 68, *Business Combinations and Goodwill*, as a statutory merger. As a result of the merger, EHI's common and preferred stock were deemed canceled by operation of law.

On May 7, 2013, Aetna completed the acquisition of the Company's former parent, Coventry Health Care, Inc. Coventry Health Care, Inc. was subsequently merged into Aetna Health Holdings, LLC on January 1, 2014.

On November 28, 2018, CVS Health Corporation (CVS Health) completed the acquisition of Aetna Inc. (Aetna). As a result of this acquisition, CVS Health has become the ultimate parent of the Company.

MANAGEMENT AND CONTROL

Holding Company

The Company is a member of an insurance holding company system as defined by Nebraska Statute. An organizational listing flowing from the "Ultimate Controlling Person," as reported in the 2020 Annual Statement, is represented by the following (subsidiaries are denoted through the use of indentations, and unless otherwise indicated, all subsidiaries are 100% owned):

- CVS Health Corporation (DE)
- CVS Pharmacy, Inc. (RI)
- CVS Health Clinical Trial Services LLC (CT)
- CVS Cabot Holdings Inc (DE) (0.28%)

CVS Shaw Holdings Inc (DE) (0.28%)
 Omnicare, LLC (DE) (0.28%)
 Caremark Rx, L.L.C. (DE)
 RxAmerica, L.L.C. (DE)
 CVS Caremark Part D Services, L.L.C. (DE)
 Caremark Ulysses Holding Corporation (NY) and owned affiliates
 Part D Holding Company, L.L.C. (DE)
 SilverScript Insurance Company (TN)
 Accendo Insurance Company (UT)
 Aetna Inc. (PA)
 Aetna Financial Holdings, LLC (DE) and owned affiliates
 Aetna International Inc. (CT) and owned affiliates
 Aetna Life Insurance Company (CT)
 Aetna International LLC (CT)
 Aetna Health and Life Insurance Company (CT)
 Aetna Health Insurance Company of New York (NY)
 Aetna Health Insurance Company (PA)
 Health Re, Inc. (VT)
 Echo Merger Sub, Inc. (DE)
 Aetna Corporate Services LLC (DE)
 Phoenix Data Solutions LLC (DE)
 Active Health Management, Inc. (DE) and owned affiliates
 ASI Wings, LLC (DE)
 AUSHC Holdings, Inc. (CT) and owned affiliate
 Continental Life Insurance Company of Brentwood, Tennessee (TN)
 American Continental Insurance Company (TN)
 Aetna Health Holdings, LLC (DE)
 Coventry Health Care of Nebraska, Inc. (NE)
 Coventry Transplant Network, Inc. (DE)
 Coventry Consumer Advantage, Inc. (DE)
 Coventry Health Care National Network, Inc. (DE)
 Coventry Health Care of Illinois, Inc. (IL)
 Coventry Health Care of Kansas, Inc. (KS)
 Coventry Health Care of Missouri, Inc. (MO)
 Coventry Health Care of Virginia, Inc. (VA)
 Coventry Health Care of West Virginia, Inc. (WV)
 Coventry Health and Life Insurance Company (MO)
 Aetna Better Health of Kentucky Insurance Company (KY)
 Coventry Prescription Management Services, Inc.
 Aetna Health of California Inc. (CA)
 Aetna Health Inc. (CT)
 Aetna Health Inc. (FL)
 Aetna Florida Inc. (FL)
 Aetna Health Inc. (GA)
 Aetna Health of Iowa Inc. (IA)
 Aetna Health Inc. (LA)

Aetna Health Inc. (ME)
 Aetna Health of Michigan Inc. (MI)
 Aetna Health Inc. (NJ)
 Aetna Health of Utah Inc. (UT)
 Aetna Health Inc. (NY)
 Aetna Better Health Inc. (NY)
 Aetna Health Inc. (TX)
 Aetna Health of Ohio Inc. (OH)
 Aetna Better Health Inc. (CT)
 Aetna Better Health Inc. (GA)
 Aetna Better Health Premier Plan MMAI Inc. (IL)
 Aetna Better Health, Inc. (LA)
 Aetna Better Health of Michigan Inc. (MI)
 Aetna Better Health of North Carolina Inc. (NC)
 Aetna Better Health of Nevada Inc. (NV)
 Aetna Better Health of Missouri LLC (MO)
 Aetna Better Health of Washington Inc. (WA)
 Aetna Better Health Inc. (NJ)
 Aetna Better Health of Oklahoma Inc. (OK)
 Aetna Better Health Inc. (OH)
 Aetna Better Health Inc. (PA)
 Aetna Better Health of Kansas Inc. (KS)
 Aetna Better Health of Tennessee Inc. (TN)
 Aetna Better Health of California Inc. (CA)
 Aetna Health Inc. (PA)
 Aetna ACO Holdings Inc (DE) (39.5%)
 Texas Health + Aetna Health Insurance Holding Company LLC (TX)
 (50%)
 Texas Health + Aetna Health Insurance Company (TX)
 Texas Health + Aetna Health Plan Inc. (TX)
 Innovation Health Holdings, LLC (DE) (50%)
 Innovation Health Insurance Company (VA)
 Innovation Health Plan, Inc.
 Banner Health and Aetna Health Insurance Holding Company LLC (DE)
 (51%)
 Banner Health and Aetna Health Insurance Company (AZ)
 Banner Health and Aetna Health Plan Inc. (AZ)
 Allina Health Aetna Insurance Holding Company LLC (DE) (50%)
 Alina Health and Aetna Insurance Company (MN)
 Sutter Health and AHI Holding Company LLC (DE)
 Sutter Health and Aetna Administrative Services LLC (DE)
 Sutter Health and Aetna Insurance Company (CA)

This listing includes only direct and indirect parents and subsidiaries of the insurance companies under exam.

Shareholder

Article IV of the Articles of Incorporation provides that, “the aggregate number of shares which the Corporation is authorized to issue is 1,000 shares, all of which shall be common stock, and the par value shall be \$5.00 per share.” All of the Company’s 1,000 issued shares are held by the Company’s parent, Aetna Health Holdings, LLC.

The By-Laws Article II, Section 3 provide that, “the Board of Directors may designate any place, either within or without the State of Nebraska, as the place of the meeting for any annual meeting or for any special meeting called by the Board of Directors. A waiver of notice signed by all Shareholders entitled to vote at a meeting may designate any place, either within or without the State of Nebraska, as the place for the holding of such meeting. If no designation is made, or if a special meeting be otherwise called, the place of meeting shall be the registered office of the Company in the State of Nebraska, except as otherwise provided in Section 11 of this Article, but any meeting may be adjourned to reconvene at any place designated by vote of a majority of the shares represented thereat.” Article II, Section 1 states that, “the annual meeting of the Shareholders shall be held during the first six months of each year, at the time stated in the notice of such meeting, for the purpose of electing Directors and for the transaction of such other business as may come before the meeting. If the day fixed for the annual meeting shall be a legal holiday, such meeting shall be held on the next succeeding business day. If the election of Directors shall not be held on the day designated herein for any annual meeting of the Shareholders, or at any adjournment thereof, the Board of Directors shall cause the election to be held at a special meeting of the Shareholders as soon thereafter as conveniently may be.”

During the year 2017 and 2019, the annual meeting of the Shareholder did not occur within the first six months of the year. The company corrected this starting in 2020.

The company made a dividend payment of \$75,000,000 and \$24,000,000 in 2018 and 2020 respectively. No other dividends were paid during the exam period.

Board of Directors

Per the Company's By-Laws, Article III, Section 2, "the number of Directors of the Company shall be no fewer than 5 and no more than 15, the number to be determined from time to time by a majority of the entire Board of Directors. The Directors shall be chosen by election by a majority of votes cast at such election by or on behalf of any Shareholder present or represented at the annual meeting. Each Director shall hold office until the next annual meeting of the Shareholders or until a successor shall have been duly elected and qualified or until his or her earlier death, resignation or removal."

In regard to meetings, Article III, Section 4 of the By-Laws states, "a regular meeting of the Board of Directors shall be held without other notice than this By-Law, immediately after, and at the same place as, the annual meeting of the Shareholders. The Board of Directors may provide, by resolution, the time and place, whether within or without the State of Nebraska, for the holding of additional regular meetings without other notice than such resolution." The By-Laws Article III, Section 14 also provide that, "any action required or permitted to be taken by the Board of Directors at a meeting or by resolution, may be taken without a meeting if a consent in writing, setting forth the action so taken, shall be signed by all of the Directors entitled to vote with respect to the subject matter thereof."

As of December 31, 2016, the Company only had three (3) members on the Board of Directors. On April 12, 2017, the Company elected two additional Directors, bringing the total to five. The number of Directors remained at five until November 16, 2019 when Frank

D’Antonio left the Company; a new Director was elected to replace Mr. D’Antonio on March 15, 2020. The Company has maintained five (5) Directors since that time.

The following persons were serving as Directors on December 31, 2020:

<u>Name and Residence</u>	<u>Principal Occupation</u>
James Benjamin Boyman West Hollywood, CA	President, Coventry Health Care of Nebraska
Marilyn Faye Flynn Elkhorn, NE	Retired
Alan Ray Gard Omaha, NE	Vice-President Segment, Actuary, CVS Health
Davin Henry Reinecke St. Louis, MO	Chief Financial Officer, Coventry Health Care of Nebraska
Cathleen Sue Tinker Wichita, KS	Lead Director Market Compliance, CVS Health

Officers

The By-Laws Article IV, Section 1 provide that, “the Officers of the Company shall be a President, a Secretary, a Treasurer and such other Officers, assistant Officers and acting Officers as may be deemed necessary. Any two or more offices may be held by the same person.”

The following is a listing of Senior Officers elected and serving the Company on December 31, 2020:

<u>Name</u>	<u>Office</u>
James Benjamin Boyman	President
Robert Joseph Parslow	Corporate Controller
Davin Henry Reinecke	Chief Financial Officer
Edward Chung-I Lee	Vice President & Secretary
Kevin James Casey	Senior Investment Officer
Tracy Louise Smith	Vice President & Treasurer

On August 6, 2021, the Board removed Davin H. Reinecke as Director and Chief Financial Officer of the Company and appointed Amy Fletcher in his position.

TRANSACTIONS WITH AFFILIATES

Administrative Services Agreement

The Company and Aetna Health Management, LLC (AHM) are parties to an administrative services agreement under which AHM provides accounting as well as processing of premiums and claims services. Under this agreement, the Company remits a percentage of its earned Medicare premium revenue to AHM as a fee, subject to an annual true-up mechanism. The true-up is due to be settled with the affiliate by April 15th of the following contract year. The terms of the settlement required these amounts to be settled within 45 days after the end of the calendar quarter. Effective January 1, 2014, the agreement was amended to include terms and conditions to comply with Medicaid laws, regulations, and Centers for Medicare and Medicaid Services instructions. The agreement was also amended effective September 1, 2015; January 1, 2018; January 20, 2019; February 10, 2019; and January 1, 2020.

This agreement also enables the Company to receive manufacturers' pharmacy rebates from AHM under which the Company remits a percentage of its earned pharmaceutical rebates to AHM as a fee. AHM waived the collect of the rebates fee effective January 1, 2020.

Administrative Services Agreement

The Company entered into an agreement with Aetna Medicaid Administrators LLC (AMA), effective August 24, 2014. Under this agreement AMA provides services for Medicaid business. Per this agreement, AMA also collects the rebate received from the pharmaceutical industry or the manufacturers of the drugs earned by the Company. This agreement has been amended effective September 1, 2014; and October 1, 2015.

Tax Sharing Agreement

Entered into as of January 1, 2019, the Company is included in the consolidated federal income tax return of its ultimate parent, CVS, and CVS's other wholly-owned subsidiaries pursuant to the terms of a Tax Sharing Agreement. The Company's current federal and state income tax provisions are generally computed as if the Company were filing a separate federal and state income tax return; current income tax benefits, including those resulting from net operating losses, are recognized to the extent realized in the consolidated return. The Company has the enforceable right to recoup federal and state income taxes paid in prior years in the event of future net losses, which it may incur, or to recoup its net losses carried forward as an offset to future net income subjected to federal and state income taxes.

TERRITORY AND PLAN OF OPERATION

As evidenced by current or continuous Certificates of Authority, the Company is licensed as a Health Maintenance Organization (HMO) to transact business in Colorado, Iowa, Nebraska, and Nevada.

The Company's key business is offering insurance plans for Medicare-eligible individuals through the Medicare Advantage program through its annual contracts with Centers of Medicare and Medicaid Services (CMS) effective January 1, 2020. The Company also continues to manage its run-off claims stemming from previously issued Commercial contracts.

REINSURANCE

Ceded

Beginning in 2014, the Company was included in an Administrative Services Agreement between Fresenius Medical Care Holdings, Inc. (Fresenius) and AHM on behalf of itself and its affiliates whereby Fresenius provides certain health services to Aetna's Medicare

Advantage population, including members enrolled in plans underwritten by the Company, for a capitated fee payable to Fresenius' Captive Reinsurer. Incorporated into the service agreement is a quota share reinsurance agreement whereby the Company cedes to Fresenius and Fresenius covers 100% of eligible expenses per program participant. The Company had \$28,576 in reinsurance recoverable as of December 31, 2020.

General

All contracts reviewed contained standard insolvency, arbitration, errors and omissions, and termination clauses where applicable. All contracts contained the clauses necessary to assure reinsurance credits could be taken.

BODY OF REPORT

GROWTH

The following comparative data reflects the growth of the Company during the period covered by this examination:

	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>
Bonds	\$158,729,173	\$ 92,093,358	\$29,120,510	\$15,723,659	\$17,618,721
Cash and equivalent	14,011,766	4,771,729	2,634,257	8,015,864	28,293,352
Admitted assets	200,537,320	107,126,590	36,066,976	24,397,519	49,344,587
Claims unpaid	80,433,229	1,773,243	1,249,080	230,015	12,389,614
Aggregate health policy reserves	22,493,806	282	0	31	336,031
Total liabilities	118,843,903	13,296,145	14,010,971	707,488	24,814,974
Capital and surplus	81,693,417	93,830,445	22,056,005	23,690,030	24,529,613
Premium income	567,321,616	30,681,203	9,835,501	(156,022)	134,708,158
Total benefits	516,076,728	16,031,101	6,440,791	(503,769)	90,689,910
Net investment income	3,973,230	3,681,219	2,158,149	943,669	607,074
Net income	(8,267,744)	13,870,678	2,753,706	1,180,254	24,735,394

FINANCIAL STATEMENTS

The following financial statements are based on the statutory financial statements filed by the Company with the State of Nebraska Department of Insurance 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 annual statements and should be considered an integral part of the financial statements. A reconciliation of the capital and surplus account for the period under review is also included.

FINANCIAL STATEMENT
December 31, 2020

<u>Assets</u>	<u>Assets</u>	<u>Assets Not Admitted</u>	<u>Net Admitted Assets</u>
Bonds	\$17,618,721		\$17,618,721
Cash and cash equivalents	28,293,352		28,293,352
Receivables for securities	<u>313</u>		<u>313</u>
Subtotals, cash and invested assets	\$45,912,386		\$45,912,386
Investment income due and accrued	\$ 206,002		\$ 206,002
Uncollected premiums and agents' balances in the course of collection	84,338	\$36,120	48,218
Accrued retrospective premiums and contracts subject to redetermination	2,271,143		2,271,143
Receivable relating to uninsured plans	9,340		9,340
Net deferred tax asset	107,264	1,197	106,067
Health care and other amounts receivable	661,979		661,979
Premium taxes recoverable	<u>129,452</u>		<u>129,452</u>
Totals	<u>\$49,381,904</u>	<u>\$37,317</u>	<u>\$49,344,587</u>

Liabilities, Capital and Surplus

Claims unpaid	\$12,389,614
Accrued medical incentive pool and bonus amounts	430,000
Unpaid claims adjustment expenses	164,493
Aggregate health policy reserves	336,031
Premiums received in advance	17,590
General expenses due or accrued	1,333,813
Current federal and foreign income tax payable	6,332,865
Remittances and items not allocated	9,800
Amounts due to parents, subsidiaries, and affiliates	3,148,236
Payable for securities	250,000
Funds held under reinsurance treaties	36,753
Liability for amounts held under uninsured plans	264,217
Escheat payable	<u>101,562</u>
Total liabilities	<u>\$24,814,974</u>
Common capital stock	5,000
Gross paid in and contributed surplus	35,018,452
Unassigned funds (surplus)	<u>(10,493,839)</u>
Total capital and surplus	<u>\$24,529,613</u>
Total liabilities, capital, and surplus	<u>\$49,344,587</u>

SUMMARY OF OPERATIONS – 2020

Net premium income	\$134,708,158
Other revenues	<u>76</u>
Totals	<u>\$134,708,234</u>
Hospital/medical benefits	\$ 64,947,655
Other professional services	3,840,906
Outside referrals	4,226,864
Emergency room and out-of-area	3,521,279
Prescription drugs	13,697,968
Incentive pool, withhold adjustments and bonus amounts	<u>455,238</u>
Subtotal	\$ 90,689,910
Net reinsurance recoveries	<u>286,908</u>
Total hospital and medical	<u>\$ 90,403,002</u>
Claims adjustment expenses	\$ 2,057,349
General administrative expenses	11,313,941
Increase in reserves for life and accident and health contracts	<u>336,000</u>
Total underwriting deductions	<u>\$104,110,292</u>
Net underwriting gain	<u>30,597,942</u>
Net investment income earned	\$ 607,074
Net realized capitalized gains	<u>(17,097)</u>
Net investment gains	<u>\$ 589,977</u>
Regulatory fines	(600)
Federal income taxes incurred	<u>6,451,925</u>
Net income	<u>\$ 24,735,394</u>

CAPITAL AND SURPLUS ACCOUNT

	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>
Capital and surplus, beginning	\$77,118,614	\$81,693,417	\$93,830,445	\$22,056,005	\$23,690,030
Net income or (loss)	\$ (8,267,744)	\$13,870,678	\$ 2,753,706	\$ 1,180,254	\$24,735,394
Change in net unrealized capital gains	254,144	599	(37,016)	37,016	
Change in net deferred income tax	(1,581,989)	(2,115,531)	(270,700)	(120,802)	103,292
Change in non admitted assets	(829,608)	2,354,065	779,570	537,557	897
Surplus adjustment (paid-in)	15,000,000		(75,000,000)		(24,000,000)
Aggregate write-ins for gains or (losses) in surplus		(1,972,783)			
Net change for the year	\$ 4,574,803	\$12,137,028	\$(71,774,440)	\$ 1,634,025	\$ 839,583
Capital and surplus, ending	\$81,693,417	\$93,830,445	\$ 22,056,005	\$23,690,030	\$24,529,613

EXAMINATION CHANGES IN FINANCIAL STATEMENTS

Unassigned funds (surplus) in the amount of \$(10,493,839), as reported in the Company's 2020 Annual Statement, has been accepted for examination purposes. Examination findings, in the aggregate, were considered to have no material effect on the Company's financial condition.

COMPLIANCE WITH PREVIOUS RECOMMENDATIONS

The recommendations appearing in the previous report of examination are reflected below together with the remedial actions taken by the Company to comply therewith:

Number of Directors - It is recommended that the Company comply with its By-Laws and maintain a Board of Directors that has no fewer than five (5) and no more than 15 members.

Actions: The Company has partially complied with this recommendation. During the year 2016, the company had three (3) directors, and during the years 2017 and 2019 the company had four (4) directors. The company has taken the corrective action starting in the year 2020.

COMMENTARY ON CURRENT EXAMINATION FINDINGS

Appointed Actuary not presenting to the Board of Directors or Audit Committee

During the review of the Board of Directors minutes, the examiner noted that the Appointed Actuary was not presenting the Actuarial opinion at the Board of Directors meetings and instead, was just providing the Actuarial Opinion to the Board of Directors. It is recommended that the Company comply with the NAIC Annual Statement Instructions, page nine (9), that states, “the Appointed Actuary must report to the Board of Directors or the Audit Committee 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 or Audit Committee.”

SUMMARY OF COMMENTS AND RECOMMENDATIONS

The following comments and recommendations have been made as a result of this examination:

Appointed Actuary not presenting to the Board of Directors or Audit Committee - It is recommended that the Company comply with the NAIC Annual Statement Instructions, page nine (9), that states, “the Appointed Actuary must report to the Board of Directors or the Audit Committee 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 or Audit Committee.”

ACKNOWLEDGMENT

The courteous cooperation extended by the Officers and employees of the Company during this examination is hereby acknowledged.

In addition to the undersigned, Financial Examiners, Information Systems Specialists, and Actuarial Examiners with or contracted by the various state insurance departments, participated in this examination and assisted in the preparation of this report.

Respectfully submitted,



Santosh Ghimire, CFE
Examiner-in Charge
Department of Insurance
State of Nebraska

State of Nebraska,

County of Lancaster,

Santosh Ghimire, being duly sworn, states as follows:

1. I have authority to represent the Department of Insurance of the State of Nebraska in the examination of Coventry Health Care of Nebraska, Inc.
2. The Department of Insurance of the State of Nebraska is accredited under the National Association of Insurance Commissioners Financial Regulation Standards and Accreditation.
3. I have reviewed the examination work papers and examination report, and the examination of Coventry Health Care of Nebraska, Inc. was performed in a manner consistent with the standards and procedures required by the Department of Insurance of the State of Nebraska.

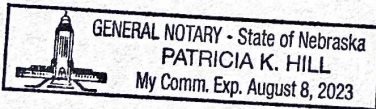
The affiant says nothing further.

Santosh Ghimire

Examiner-in-Charge's Signature

Subscribed and sworn before me by Santosh Ghimire on this 19 day of May, 2022.

(SEAL)



Patricia K. Hill
Notary Public

My commission expires 8.8.23 [date].