

CERTIFICATION

June 17, 2013

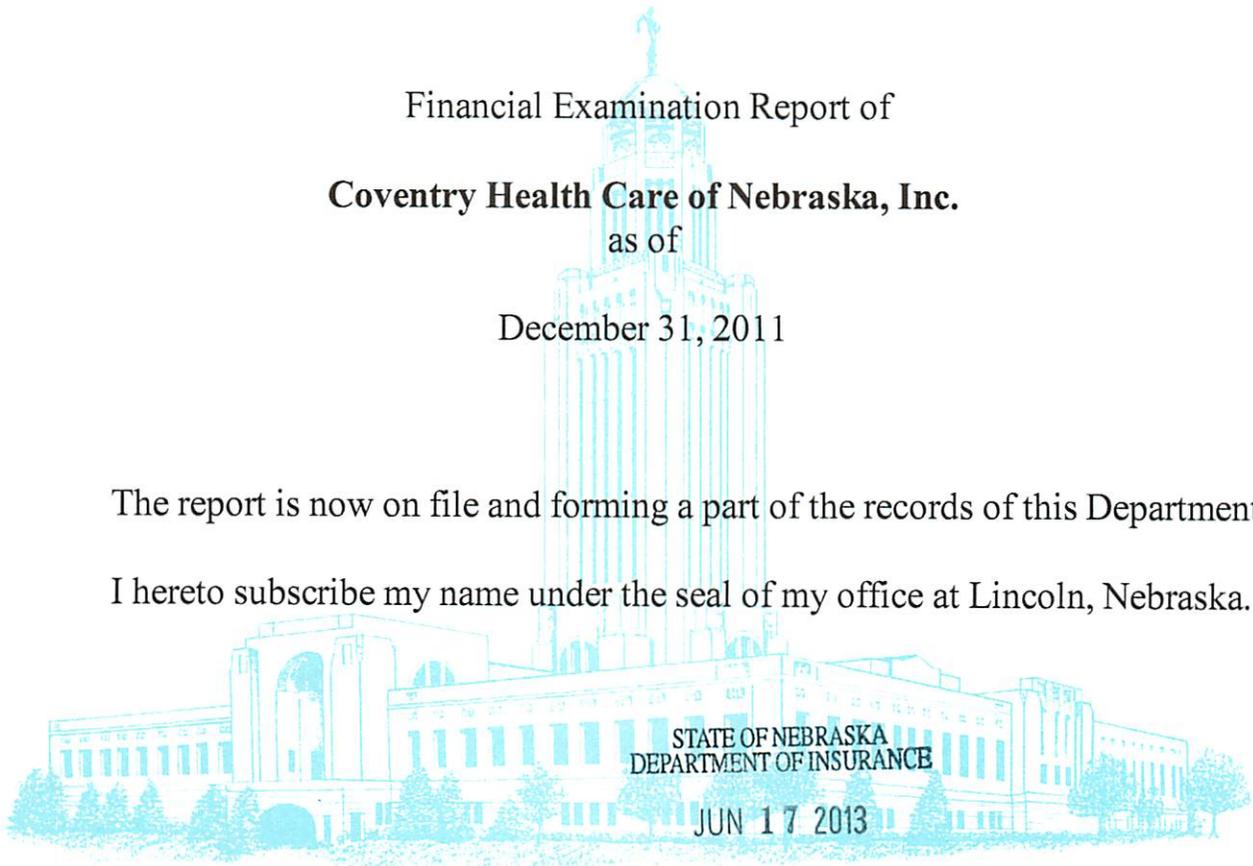
I, Bruce R. Range, Director of Insurance of the State of Nebraska, do hereby certify that the attached is a full and correct copy of the

Financial Examination Report of
Coventry Health Care of Nebraska, Inc.
as of

December 31, 2011

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.



STATE OF NEBRASKA
DEPARTMENT OF INSURANCE

JUN 17 2013

FILED



NEBRASKA
OF INSURANCE

7 2013

Bruce R. Range

DIRECTOR OF INSURANCE

NEBRASKA
OF INSURANCE

7 2013

STATE OF NEBRASKA

Department of Insurance

EXAMINATION REPORT

OF

COVENTRY HEALTH CARE OF NEBRASKA, INC.

as of

December 31, 2011



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Omaha, Nebraska
May 3, 2013

Honorable Joseph Torti, III
Chairman, Financial Condition (E) Committee, NAIC
Deputy Director and Superintendent of Insurance
Rhode Island Division of Insurance
1511 Pontiac Avenue, Bldg #69-2
Cranston, Rhode Island 02920

Honorable John M. Huff
Chair, Midwestern Zone, NAIC
Director of Insurance
Missouri Department of Insurance
301 West High Street, Room 530
Jefferson City, Missouri 65101

Honorable Bruce R. Ramage
Director of Insurance
Nebraska Department of Insurance
941 "O" Street, Suite 400
Lincoln, Nebraska 68508

Dear Sirs:

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.
15950 W. Dodge Road, Suite 400
Omaha, Nebraska 68113**

(hereinafter also referred to as the "Company" or "Plan") and the report of such examination is respectfully presented herein.

INTRODUCTION

The Company was last examined as of December 31, 2008 by the State of Nebraska. The current financial condition examination covers the intervening period to, and including, the close of business on December 31, 2011, and includes such subsequent events and transactions as were

considered pertinent to this report. The State of Nebraska participated in this examination and assisted in the preparation of this report.

SCOPE OF EXAMINATION

This 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.

A general review was made 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 shareholder, Board of Directors and committees, held during the examination period, were read and noted. Attendance at meetings, proxy information, election

of Directors and Officers, approval of investment transactions and authorizations of salaries were also noted.

The fidelity bond and other insurance coverages protecting the Company's property and interests were reviewed, as were plans for employee welfare and pension. 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 & Young, LLP, the Company's external auditors, during their audit of the Company's accounts for the years ended December 31, 2010 and 2011. 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 Plan 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 Corporation 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, 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. Various investors and the public currently hold the stock of Coventry Health Care, Inc. After this transaction, the ultimate controlling person of the Plan 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 Plan 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.

The Articles of Incorporation state that the duration of the corporation is perpetual.

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 2011 Annual Statement, is represented by the following (subsidiaries are denoted through the use of indentations, and unless otherwise indicated, all subsidiaries are 100% owned):

Fidelity Management & Research (10.43%)
Wellington Management (9.22%)
Vanguard Group (5.43%)
JP Morgan Asset Management (5.28%)
Other Public Investors (69.63%)
 Coventry Health Care, Inc.
 Coventry Health Care of Nebraska, Inc.
 Coventry Health Care of Iowa, Inc.
 Coventry Financial Management Services, Inc.
 Coventry Health Care of Delaware, Inc.
 Coventry Health Care of Georgia, Inc.
 Coventry Health Care of Louisiana, Inc.
 Coventry Health Care of Pennsylvania, Inc.
 Health America Pennsylvania, Inc.
 Coventry Prescription Management Services, Inc.
 Coventry Health and Life Insurance Company
 Health Assurance Pennsylvania, Inc.
 Southern Health Services, Inc.
 Coventry Transplant Network, Inc.
 Group Health Plan of Delaware, L.L.C.
 Coventry Health Care of Missouri, Inc.
 Health Care USA of Missouri, L.L.C.
 Coventry Health Care of Kansas, Inc.
 Coventry Management Services, Inc.
 Carelink Health Plans, Inc.
 Coventry Healthcare Management Corporation
 Well Path Select, Inc.
 CHC Casualty Risk Retention Group, Inc.
 Coventry Health Care of Illinois, Inc.
 Coventry Health Care of Texas, Inc.
 OmniCare Health Plan, Inc.
 Altius Health Plans, Inc.
 Health Assurance Financial Services, Inc.
 First Health Group Corp.
 Group Dental Services, Inc.
 Health Care USA of Tennessee
 Well Path of South Carolina, Inc.
 MHNet Specialty Services, L.L.C.
 Coventry Health Care National Network, Inc.
 Coventry Health Care National Accounts, Inc.
 Coventry Health Care Workers' Compensation, Inc.
 Florida Health Plan Administrators, L.L.C.
 Coventry Consumers Advantage, Inc.

Shareholder

The Amended Articles of Incorporation provide 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, Coventry Health Care, Inc., and no cash dividends have been paid to the shareholder during the period under examination.

The Company received capital contributions of \$9.5 million in 2011 and \$6 million in 2010, from its parent, Coventry Health Care, Inc.

The Amended and Restated 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.”

Board of Directors

The Company’s Amended and Restated By-Laws Article III Section 2 provide that, “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 regards to meetings, the By-Laws Article III Section 4 state, “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.”

The following persons were serving as Directors at December 31, 2011:

<u>Name and Residence</u>	<u>Principal Occupation</u>
Charles R. Stark Elkhorn, Nebraska	President, Chief Executive Officer of the Plan
Michael A. Nelson Omaha, Nebraska	Chief Operating Officer of the Plan
Michael D. Bahr Highland, Utah	Executive Vice President, Commercial Business of Coventry Health Care, Inc.
Thomas C. Zielinski Bryn Mayr, Pennsylvania	Executive Vice President of Coventry Health Care, Inc.
John J. Ruhlmann Bethesda, Maryland	Senior Vice President and Corporate Controller of Coventry Health Care, Inc.

Officers

The Amended and Restated 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 Officers elected and serving the Company at December 31, 2011:

<u>Name</u>	<u>Office</u>
Charles R. Stark	President and Chief Executive Officer
Michael A Nelson	Chief Operating Officer
Dale G. Mackel	Chief Financial Officer
John R. Ruhlman	Corporate Controller and Treasurer
Shirley A. Roquemore. Smith	Secretary
Melinda L. Tuozzo	Assistant Treasurer
Jonathan D. Weinberg	Assistant Secretary
Alan Gard	Actuary

TRANSACTIONS WITH AFFILIATES

Management Services Agreement - Coventry Health Care of Iowa, Inc.

Effective January 1, 2003, the Plan entered into a Management Services Agreement with its affiliate, Coventry Health Care of Iowa, Inc. (CHCIA). Under the terms of this agreement CHCIA provides the Plan with financial, accounting and human resource services. The fee for these services is based on a monthly capitation of \$0.40 times the number of Plan members.

Management Services Agreement - Coventry Health Care, Inc.

Effective April 1, 2010, the Plan entered into a Management Services Agreement with its parent, Coventry Health Care, Inc. (CHC), to provide management services including senior management services, actuarial consulting, advertising and public relations consulting, marketing, purchasing services, pharmacy services, corporate and legal services, regulatory compliance and governmental affairs and reporting, accounting services, tax compliance and consulting, facilities management, risk management, payroll services, and human resources consulting. This agreement was amended on March 1, 2012, to adjust the compensation paid to CHC for its services.

Management Services Agreement - Coventry Management Services, Inc.

Effective April 1, 2010, the Plan entered into a Management Services Agreement with its affiliate, Coventry Management Services, Inc., to provide the Plan with information systems and service center services. This agreement was amended on March 1, 2012, to adjust the compensation paid to Coventry Health Care, Inc. for its services.

Prescription Management Agreements

Effective January 1, 2011, the Plan entered into two Prescription Management Agreements with its affiliate, Coventry Prescription Management Services, Inc. (CPMS). The first agreement was for CPMS to administer the Medicare Advantage Prescription Drug Plans for

the Plan. This agreement was amended on November 22, 2011, to adjust the fees paid to CPMS for its services. The second agreement was for CPMS to administer outpatient pharmacy benefits to members of the various health plans sold by the Plan. This agreement has been most recently amended on November 26, 2012, to adjust the fees paid to CPMS for its services rendered.

Administrative Service Agreement for Point of Service Product

Effective January 1, 1999, the Plan entered into an Administrative Service Agreement pertinent to the point-of-service product it jointly markets with its affiliate, Coventry Health and Life Insurance Company (CHL). Under the provisions of this agreement, the indemnity group insurance coverage pertinent to this product (the “Self-Referral Coverage Option”) is underwritten by CHL but administered by the Plan.

Administrative Service Agreement for Preferred Provider Organization

Effective January 1, 2000, the Plan entered into an Administrative Service Agreement pertinent to the Preferred Provider Organization (PPO) product marketed by CHL. Under the provisions of this agreement, the Plan provides services and furnishes its provider network to Coventry Health and Life Insurance Company for such Company's PPO business written in Nebraska.

Guarantor Agreement

The Plan and CHC, entered into a Guarantor Agreement effective April 8, 2002, whereby CHC agrees to protect subscribers and their dependents in the event of the Plan’s insolvency, or its inability to meet its financial obligations. CHC agrees to meet all obligations of the Plan prior to such inability and all obligations subsequent to such inability pursuant to the obligations of the Plan under its agreements with groups and subscribers until the end of the contract period for

which the Plan is liable. CHC will also arrange for continuation of benefits for eligible services received on or after insolvency by members confined in a hospital receiving acute-care services until the member is discharged or becomes covered under another plan. In no event will such benefits be continued by CHC for more than 365 days from the date of insolvency.

CHC agrees, in its capacity as guarantor, to provide the Plan with whatever guarantee or coverage is necessary to meet the applicable requirements of Nebraska and/or Iowa law.

Income Tax Allocation Agreement

This agreement, among the members of the affiliated group, provides for tax allocation based on separate return calculations with current credit for the tax benefit of net losses or current charge for taxes incurred on net income. Intercompany tax balances are settled at least annually in the fourth quarter of the following year.

TERRITORY AND PLAN OF OPERATION

As evidenced by current or continuous Certificates of Authority, the Company is licensed to transact business in Nebraska and Iowa.

The Plan provides a full range of risk-based and fee-based managed care products. The Plan manages and insures the health care benefits of subscribers under employee benefit plans in the private and public sectors. Services are typically provided under one-year contracts with employers under which the Plan will insure the health benefits of employees that select HMO coverage. HMO members also receive services under the standard contract that include utilization management, network management and claim services. The Plan also offers Administrative Services Only (ASO) contracts with employee benefit plans to provide a full range of health care options without assuming insurance risk. The Plan also offers Administrative Services Contracts (ASC) with employee benefit plans where the Plan pays all claims incurred and is reimbursed for all payments.

The marketing staff is currently composed of employees from both Coventry of Nebraska and Coventry of Iowa. The employees consist of 43 employees directly reporting to 9 managers or directors, who themselves report to other directors and the Regional Vice President of Sales. The products are sold either by direct appointments or through requests from agents, brokers, and consultants. Products are sold to groups with as few as two lives. Individual members consist of conversion and COBRA members.

The Plan does not offer Medicare Supplemental insurance.

REINSURANCE

Ceded

Coventry Health and Life Insurance Company, an affiliate, has provided the Plan with excess risk reinsurance coverage. This agreement became effective April 1, 2001. This Agreement was renewed in all of the subsequent years and again on April 1, 2011. An amendment effective April 1, 2011, replaces Article II of the Agreement. This Article sets out the deductible amount for eligible services and the percentage of those eligible services in excess of the deductible amount reinsured as follows:

Eligible Services deductible amount:

- \$350,000 of Eligible Charges for Loss as to each HMO and POS member
- \$250,000 of Eligible Charges for Loss as to each CoventryOne individual coverage member
- \$175,000 of Eligible Charges for Loss as to each Medicare member
- \$275,000 of Eligible Charges for Loss as to each Medicaid State Children's Health Insurance Program (SCHIP), Temporary Assistance for Needy Families (TANF) and Supplement Security Income (SSI) member

Percentage of Eligible Charges covered in excess of the deductible amount:

- 90% as to each HMO, POS, and CoventryOne individual coverage member
- 80% as to each Medicare, Medicaid SCHIP, Medicaid TANF, and Medicaid SSI member

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>2009</u>	<u>2010</u>	<u>2011</u>
Cash and invested assets	\$ 41,129,115	\$ 59,531,971	\$ 73,114,089
Total admitted assets	46,217,942	66,243,971	82,006,268
Claims unpaid	15,929,464	28,804,963	34,929,677
Total liabilities	25,760,797	43,880,724	49,505,049
Total capital and surplus	20,457,145	22,363,247	32,501,219
Total revenue	155,699,670	199,895,399	269,430,063
Total hospital and medical benefits/services	130,678,642	168,456,947	242,118,766
Claims adjustment expenses	8,896,235	10,372,925	12,464,404
General administrative expenses	17,654,219	22,762,866	20,688,386
Net investment gain	742,221	1,115,745	1,344,587
Net income (loss)	681,852	(4,030,955)	813,238
Membership	44,641	92,680	90,246

FINANCIAL STATEMENTS

The following statement of admitted assets and liabilities, together with the accompanying statement of revenue and expenses, reflects the financial condition of the Company at December 31, 2011 and its transactions during the year 2011 as determined through this examination. A reconciliation of the capital and surplus account for the period under review is also included.

FINANCIAL STATEMENT December 31, 2011

<u>Assets</u>	<u>Assets</u>	<u>Assets Not Admitted</u>	<u>Net Admitted Assets</u>
Bonds	\$54,968,982		\$54,968,982
Cash and cash equivalents	14,880,817		14,880,817
Short-term investments	3,263,714		3,263,714
Receivables for securities	<u>578</u>		<u>578</u>
Subtotals, cash and invested assets	\$73,114,089		\$73,114,089
Investment income due and accrued	451,755		451,755
Uncollected premiums and agents' balances in the course of collection	1,693,145		1,693,145
Amounts recoverable from reinsurers	2,044,241		2,044,241
Amounts receivable relating to uninsured plans	21,454		21,454
Current federal income tax recoverable	44,804		44,804
Net deferred tax asset	2,798,913	\$2,141,371	657,542
Furniture and equipment	1,291,524	1,291,524	
Receivables from parent, subsidiaries and affiliates	83,734		83,734
Health care receivable	3,856,569		3,856,569
Prepaid rent	116,654	116,654	
Prepaid marketing	101,779	101,779	
Medicaid performance bond	205,638	205,638	
State income tax receivable/payable other	38,929		38,929
Rent deposit	4,500	4,500	
Variance in bond valuation	<u>6</u>	<u> </u>	<u>6</u>
Totals	<u>\$85,867,734</u>	<u>\$3,861,466</u>	<u>\$82,006,268</u>

Liabilities, Capital and Surplus

	<u>Covered</u>	<u>Uncovered</u>	<u>Total</u>
Claims unpaid	\$34,720,099	\$209,578	\$34,929,677
Unpaid claims adjustment expense	748,000		748,000
Premiums received in advance	3,191,572		3,191,572
General expenses due or accrued	3,306,099		3,306,099
Amounts withheld for others	19,832		19,832
Remittance and items not allocated	145,771		145,771
Amounts due to parent, subsidiaries, and affiliates	6,256,592		6,256,592
Liability for amounts held under uninsured plans	285,980		285,980
Due to capitated providers	583,593		583,593
Abandon property liability	5,012		5,102
Medicare payable	<u>32,921</u>	<u> </u>	<u>32,921</u>
Total liabilities	<u>\$49,295,471</u>	<u>\$209,578</u>	<u>\$49,505,049</u>
Common capital stock			\$ 5,000
Gross paid in and contributed surplus			112,518,452
Unassigned funds (surplus)			<u>(80,022,233)</u>
Total capital and surplus			<u>\$32,501,219</u>
Totals			<u>\$82,006,268</u>

REVENUE AND EXPENSES - 2011

	<u>Uncovered</u>	<u>Total</u>
Net premium income		<u>\$269,429,932</u>
Other revenue		\$ 131
Total revenues		<u>269,430,063</u>
Hospital/medical benefits		\$215,615,589
Other professional services		447,282
Outside referrals		1,341,845
Emergency room and out-of-area		10,958,405
Prescription drugs		16,456,598
Settlement expense		<u>77,589</u>
Subtotal		\$244,897,308
Net reinsurance recoveries		<u>2,778,542</u>
Total hospital and medical		\$242,118,766

Claims adjustment expenses	12,464,404
General administration expenses	20,688,386
Increase in reserves for life and accident and health contracts	<u>(3,524,606)</u>
Total underwriting deductions	<u>\$271,746,950</u>
Net underwriting gain	<u>\$ (2,316,887)</u>
Net investment income earned	\$ 1,317,641
Net realized capital gains	<u>26,946</u>
Net investment gains	<u>\$ 1,344,587</u>
Net gain (loss) from agents' or premium balances charged off	<u>\$ (18,721)</u>
Net income (loss) before federal income taxes	\$ (991,021)
Federal income taxes incurred	<u>(1,804,259)</u>
Net income	<u>\$ 813,238</u>

CAPITAL AND SURPLUS ACCOUNT

	<u>2009</u>	<u>2010</u>	<u>2011</u>
Capital and surplus, beginning	<u>\$21,412,191</u>	<u>\$20,457,146</u>	<u>\$22,363,245</u>
Net income or (loss)	\$ 681,852	\$ (4,030,955)	\$ 813,238
Change in net deferred income tax	(51,337)	1,837,858	124,002
Change in nonadmitted assets	(1,585,566)	(1,824,176)	(299,267)
Surplus paid in		6,000,000	9,500,000
Vendor variance in long term investment between G/L and detail	6		(4)
Medicare Stat to GAAP RADV reserve adjustment			14,376
Stat to GAAP reserve adjustment	<u> </u>	<u> </u>	<u>\$ (91,000)</u>
Net change for the year	<u>\$ (955,045)</u>	<u>\$ 1,906,099</u>	<u>\$10,137,973</u>
Capital and surplus, ending	<u>\$20,457,146</u>	<u>\$22,363,245</u>	<u>\$32,501,218</u>

EXAMINATION CHANGES IN FINANCIAL STATEMENTS

Unassigned funds (surplus) in the amount of \$(80,022,233), as reported in the Company's 2011 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:

Internal Controls – It is recommended that the Plan strengthen its controls over statutory accounting and regulatory compliance issues.

Action: The Plan has complied with this recommendation.

Corporate Records – It is recommended that the Plan hold its annual shareholder meetings on a date which will comply with its By-Laws, and file its Amended By-Laws with the Department in compliance with Neb. Rev. State 44-32,118 of Nebraska Insurance Laws.

Action: The Plan has complied with this recommendation.

Policy Forms – It is recommended that the Plan revise policy forms that provide indemnity coverage to indicate the name of the company providing the coverage.

Action: The Plan has complied with this recommendation.

COMMENTARY ON CURRENT EXAMINATION FINDINGS

There were no additional findings warranting a comment in this report as a result of the examination.

SUBSEQUENT EVENTS

On August 19, 2012, Coventry Health Care, Inc., Aetna Inc. (Aetna) and Jaguar Merger Subsidiary, Inc. (Merger Sub) entered into an Agreement and Plan of Merger, pursuant to which, subject to the satisfaction or waiver of certain conditions, Merger Sub would be merged with and into Coventry Health Care, Inc., with Coventry Health Care, Inc. surviving the merger as a

wholly-owned subsidiary of Aetna. On May 7, 2013, the acquisition of Coventry Health Care, Inc. by Aetna was completed.

SUMMARY OF COMMENTS AND RECOMMENDATIONS

There are no comments or recommendations that have been made as a result of this examination.

ACKNOWLEDGEMENT

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

In addition to the undersigned, Kimberly A. Hurst, CFE, Brian J. Davis and Kevin L. Stubbs, Financial Examiners, all with the Nebraska Department of Insurance, and Joseph W. Detrick, CPA, CISA, CFE, AES and Jenny L. Jeffers, CISA, AES, Information Systems Auditors of Jennan Enterprises, LLC, participated in this examination.

Respectfully submitted,



Don Gaskill, CFE
Contract Examiner representing the
Department of Insurance
State of Nebraska

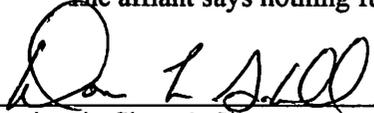
State of Kansas,

Jefferson Country,

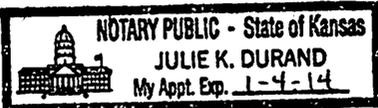
Don L. Gaskill, being duly sworn, states as follows:

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.


Examiner-in-Charge's Signature

Subscribed and sworn before me by Don L. Gaskill on this 9 day of May, 2013.

(SEAL) 


Notary Public

My commission expires 1-4-2014 [date].