



MIKE CHANEY
Commissioner of Insurance
State Fire Marshal

MARK HAIRE
Deputy Commissioner of Insurance

RICKY DAVIS
State Chief Deputy Fire Marshal

MISSISSIPPI INSURANCE DEPARTMENT

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June 28, 2019

CERTIFIED MAIL RETURN RECEIPT REQUESTED

Mr. Aaron Sisk, President
Ambetter of Magnolia, Inc.
111 East Capitol Street, Suite 500
Jackson, MS 39201

RE: Report of Examination as of December 31, 2017

Dear Mr. Sisk:

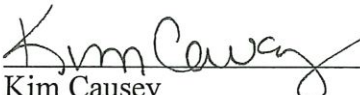
In accordance with Miss. Code Ann. §§ 83-5-201 et seq. and 83-41-337(1) (Rev. 2011), an examination of your Company has been completed. Enclosed herewith is the Order adopting the report and a copy of the final report as adopted.

Pursuant to Miss. Code Ann. § 83-5-209(6)(a) (Rev. 2011), the Mississippi Department of Insurance shall continue to hold the content of said report as private and confidential for a period of ten (10) days from the date of the Order. After the expiration of the aforementioned 10-day period, the Department of Insurance will open the report for public inspection.

If you have any questions or comments, please feel free to contact me.

Sincerely,

MIKE CHANEY
COMMISSIONER OF INSURANCE

BY 
Kim Causey
Special Assistant Attorney General

MC/KC/bs
Encls. Order w/exhibit

**BEFORE THE COMMISSIONER OF INSURANCE
OF THE STATE OF MISSISSIPPI**

**RE: REPORT OF EXAMINATION OF
AMBETTER OF MAGNOLIA, INC.**

CAUSE NO. 19-7441

ORDER

THIS CAUSE came on for consideration before the Commissioner of Insurance of the State of Mississippi ("Commissioner"), or his designated appointee, in the Offices of the Commissioner, 1001 Woolfolk Building, 501 North West Street, 10th Floor, Jackson, Hinds County, Mississippi, pursuant to Miss. Code Ann. §§ 83-5-201 et seq. and 83-41-337(1) (Rev. 2011). The Commissioner, having fully considered and reviewed the Report of Examination together with any submissions or rebuttals and any relevant portions of the examiner's work papers, makes the following findings of fact and conclusions of law, to-wit:

JURISDICTION

I.

That the Commissioner has jurisdiction over this matter pursuant to the provisions of Miss. Code Ann. §§ 83-5-201 et seq. and 83-41-337(1) (Rev. 2011).

II.

That Ambetter of Magnolia, Inc. is a Mississippi-domiciled health maintenance organization ("HMO") which was initially certified as an HMO by the Mississippi State Department of Health on May 13, 2015.

FINDINGS OF FACT

III.

That the Commissioner, or his appointee, pursuant to Miss. Code Ann. §§ 83-5-201 et seq. and 83-41-337(1) (Rev. 2011), called for an examination of Ambetter of Magnolia, Inc. and appointed David Palmer, Examiner-In-Charge, to conduct said examination.

IV.

That on or about May 23, 2019, the draft Report of Examination concerning Ambetter of Magnolia, Inc. for the period of May 13, 2015 through December 31, 2017, was submitted to the Mississippi Department of Insurance by Examiner-In-Charge, David Palmer.

V.

That on or about May 29, 2019, pursuant to Miss. Code Ann. § 83-5-209(2) (Rev. 2011), the Department forwarded to the Company a copy of the draft report and allowed the Company a 15-day period to submit any rebuttal to said draft. As of June 28th, the Company has not responded.

CONCLUSIONS OF LAW

VII.

The Commissioner, pursuant to Miss. Code Ann. § 83-5-209(3) (Rev. 2011), must consider and review the report along with any submissions or rebuttals and all relevant portions of examiner work papers and enter an Order: (1) adopting the Report of Examination as final or with modifications or corrections; (2) rejecting the Report of Examination with directions to reopen; or (3) calling for an investigatory hearing.

IT IS, THEREFORE, ORDERED, after reviewing the draft Report of Examination and all relevant examiner work papers, that the draft Report of Examination of Ambetter of Magnolia, Inc., attached hereto as Exhibit "A", should be and same is hereby adopted as final.

IT IS FURTHER ORDERED that a copy of the adopted Report of Examination, accompanied with this Order, shall be served upon the Company by certified mail, postage pre-paid, return receipt requested.

IT IS FURTHER ORDERED that the Mississippi Department of Insurance shall continue to hold the content of this report as private and confidential information for a period of ten (10) days from the date of this Order, pursuant to Miss. Code Ann. § 83-5-209(6)(a) (Rev. 2011).

IT IS FURTHER ORDERED, pursuant to Miss. Code Ann. § 83-5-209(4) (Rev. 2011), that within thirty (30) days of the issuance of the adopted report, Ambetter of Magnolia, Inc. shall file affidavits executed by each of its directors stating under oath that they have received a copy of the adopted report and related orders.

IT IS FURTHER ORDERED that Ambetter of Magnolia, Inc. take the necessary actions and implement the necessary procedures to ensure that all recommendations contained in the Report of Examination are properly and promptly complied with.

SO ORDERED, this the 28th day of June 2019.

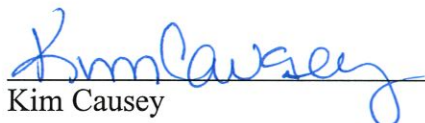


J. Mark Haire
J. MARK HAIRE
DEPUTY COMMISSIONER OF INSURANCE

CERTIFICATE OF MAILING

I hereby certify that a true and correct copy of the above and foregoing Order and a copy of the final Report of Examination, as adopted by the Mississippi Department of Insurance, was sent by certified mail, postage pre-paid, return receipt requested, on this the 28th day of June 2019, to:

**Mr. Aaron Sisk, President
Ambetter of Magnolia, Inc.
111 East Capitol Street, Suite 500
Jackson, MS 39201**



Kim Causey
Special Assistant Attorney General

Kim Causey
Special Assistant Attorney General
Counsel for the Mississippi Department of Insurance
Post Office Box 79
Jackson, MS 39205-0079
(601) 359-3577
Miss. Bar No. 10816



Mississippi Insurance Department

Report of Examination

of

AMBETTER OF MAGNOLIA, INC.

as of

December 31, 2017

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**EXAMINER'S AFFIDAVIT AS TO STANDARDS AND
PROCEDURES USED IN AN EXAMINATION**

State of Texas,

County of Collin,

David Palmer, being duly sworn, states as follows:

1. I have authority to represent the Mississippi Insurance Department in the examination of Ambetter of Magnolia, Inc. as of December 31, 2017.
2. The Mississippi Insurance Department 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 Ambetter of Magnolia, Inc. was performed in a manner consistent with the standards and procedures required by the National Association of Insurance Commissioners and the Mississippi Insurance Department.

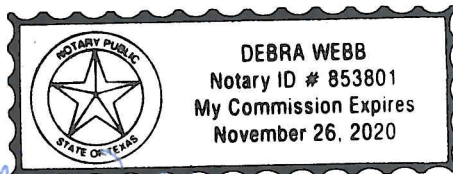
The affiant says nothing further.



Examiner's Signature

Subscribed and sworn before me by David Palmer on this 26th day of June, 2019.

(SEAL)



Debra Webb

Notary Public

My commission expires November 26, 2020 [date].



MIKE CHANEY
Commissioner of Insurance
State Fire Marshal

MARK HAIRE
Deputy Commissioner of
Insurance

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May 28, 2019

Honorable Mike Chaney
Commissioner of Insurance
Mississippi Insurance Department
1001 Woolfolk Building
501 North West Street
Jackson, Mississippi 39201

Dear Commissioner Chaney:

Pursuant to your instructions and authorization and in compliance with statutory provisions, an examination has been conducted, as of December 31, 2017, of the affairs and financial condition of:

AMBETTER OF MAGNOLIA, INC.
111 East Capitol Street, Suite 500
Jackson, MS 39201

License #	NAIC Group #	NAIC #	FEETS#	MATS#
1400016	1295	15762	15762-MS-2017-2	MS-MS099-18

This examination was commenced in accordance with Miss. Code Ann. § 83-5-201 *et seq.* and § 83-41-337. The examination was performed in Jackson, Mississippi, at the main administrative home office of the Company. The report of examination is herewith submitted.

SCOPE OF EXAMINATION

We have performed our full-scope, single state examination of Ambetter of Magnolia, Inc. (“Company”) as part of a coordinated examination on the part of the lead state of Texas. This is the first examination of the Company. This examination covers the period May 13, 2015, through December 31, 2017.

We conducted our examination in accordance with the NAIC *Financial Condition Examiners Handbook*. 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 identifying and evaluating significant risks that could cause an insurer’s surplus to be materially misstated both currently and prospectively.

All accounts and activities of the Company were considered in accordance with the risk-focused examination process. This may include assessing significant estimates made by management and evaluating 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.

This examination report includes significant findings of fact and general information about the insurer 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 separately communicated to other regulators and/or the Company.

COMMENTS AND RECOMMENDATIONS OF PREVIOUS EXAMINATION

This is the first examination of the Company and therefore, there was no previous examination report.

HISTORY OF THE COMPANY

The Company is a Mississippi domestic stock Health Maintenance Organization (HMO) insurance company. The Company was licensed as a HMO on May 13, 2015 and commenced business on May 13, 2015 under the laws of the State of Mississippi. The Company was formed for purposes of providing individual health plans to enrollees in the individual commercial market on the Health Insurance Marketplace in Mississippi.

The authorized stock of the Company at the time of incorporation was 3,000 shares of common stock; par value \$1 per share. At December 31, 2017, the Company had 1,000 shares issued and outstanding to its immediate parent, Celtic Insurance Company.

CORPORATE RECORDS

The minutes of the meetings of Stockholders and Board of Directors (“Board”), regarding the Company’s business affairs as recorded during the period covered by the examination, were reviewed and appeared to be complete and in order with regard to recording action on matters brought up at the meetings for deliberation.

MANAGEMENT AND CONTROL

Board of Directors

The Articles of Incorporation and Bylaws vest the management and control of the Company’s business affairs with the Board. The members of the duly elected Board, along with their place of residence, number of years as Director, and principal occupation, at December 31, 2017, were as follows:

Name and Residence	Year Elected/Appointed	Principal Occupation
Aaron Sisk Madison, Mississippi	2017	President of Magnolia Health Plan and AmBetter of Magnolia, Inc.
Keith Harvey Williamson St. Louis, Missouri	2015	General Counsel of Centene Corporation
Jeffrey Alan Schwaneke St. Louis, Missouri	2016	Chief Financial Officer of Centene Corporation

Committees

Pursuant to Section 14 of the Model Audit Rule, the Company designated the Centene’s Audit Committee to be the Audit Committee for the Company. The following directors served on the Audit Committee at December 31, 2017:

Name and Residence	Year Elected/Appointed	Principal Occupation
John Roberts* St. Louis, MO	2011	Retired
Frederick Eppinger Grafton, MA	2011	Retired
Vicki Escarra Chicago, IL	2016	Chief Executive Officer of Opportunity International

* Chairman

Officers

Name	Year Elected/Appointed	Title
Aaron Sisk	2016	President
Jeffrey Alan Schwaneke	2016	Treasurer
Keith Harvey Williamson	2015	Secretary
Tricia L. Dinkelman	2015	Vice President, Tax

Conflict of Interest

The Company has formal procedures whereby disclosure was made to the Board of any material interest or affiliation on the part of any officer or director that is, or would likely be, a conflict with their official duties. These procedures were reviewed, and no conflicts or exceptions to the Company's policies were noted.

HOLDING COMPANY STRUCTURE

The Company is a member of an insurance holding company system as defined in Miss. Code Ann. § 83-6-1. Holding Company Registration Statements were filed during the examination period with the MID in accordance with Miss. Code Ann. § 83-6-5 and § 83-6-9. The statements and applicable amendments that were filed with the MID during the examination period were reviewed and it appeared that any changes and material transactions by and between the Company and its affiliates were appropriately disclosed.

Organizational Chart

A simplified organizational chart as of December 31, 2017, reflecting the holding company system, is shown below. Schedule Y of the Company's 2017 annual statement provided a list of all related companies of the holding company group.

	<u>Domiciliary State/Country</u>
Centene Corporation	DE
Envolve Holdings, Inc.	DE
Cenpatco Behavioral Health, LLC	CA
Envolve PeopleCare, Inc.	DE
Envolve Pharmacy Solutions, Inc.	DE
Envolve Benefit Options	DE

Envolve Vision Benefits, Inc.	DE
Envolve Dental, Inc.	DE
Centene Management Company	WI
Celtic Group, Inc.	DE
Celtic Insurance Company	IL
Ambetter of Magnolia	MS

Parent and Affiliated Companies

The following is information concerning the Company’s affiliates and subsidiary:

Centene Corporation: This is a Delaware stock corporation, and is the ultimate controlling company of the insurance holding company group. Centene Corporation (“Centene”) is a multi-line healthcare enterprise that serves as a major intermediary for both government-sponsored and privately insured health care programs. The main lines of Centene include Medicare, Medicaid, The Health Insurance Marketplace System, Tricare, as well as traditional commercial insurance. Centene also contracts with other healthcare and commercial organizations to provide specialty services, including behavioral health care services, case management software, correctional insurance, in-home health services, life and health management, vision, pharmacy benefits management, and telehealth services.

Envolve PeopleCare, Inc.: This company, a subsidiary of Envolve Holdings LLC, and a wholly owned subsidiary of Centene Corporation, provides certain services to and on behalf of health maintenance organizations and other health care providers.

Envolve Vision, Inc.: This company, a subsidiary of Envolve Benefit Options, Inc., and a wholly owned subsidiary of Centene Corporation, provides covered vision care services through participating providers.

Centene Management Company LLC: This company, a wholly owned subsidiary of Centene Corporation, provides certain administrative services to and on behalf of health maintenance organizations and other health care providers.

Envolve Pharmacy Solutions, Inc.: This company, a subsidiary of Envolve Holdings LLC, and a wholly owned subsidiary of Centene Corporation, provides management services for the delivery of pharmacy benefits.

Cenpatico Behavioral Health, LLC: This company, a subsidiary of CenCorp Health Solutions, Inc., and a wholly owned subsidiary of Centene Corporation, coordinates covered behavioral health and home behavioral health services through participating providers.

Envolve Dental Inc.: This company, a subsidiary of Envolve Benefit Options, Inc., and a wholly owned subsidiary of Centene Corporation, provides and coordinates covered dental care services through participating providers.

Affiliated and Related Party Transactions

Management Agreement

Effective July 1, 2015, the Company entered into a Management Agreement with Centene Management Company, LLC (CMC) whereby CMC provided program planning and development services, a management information system, financial systems and services, claims administration, provider and enrollee services and records, utilization review, and quality assurance. The Company paid 15% of its revenues to CMC for the above referenced services. In addition to above noted expenses, the Company was liable for other expenses incurred by the Company or on its behalf including, but not limited to travel, payment to providers and suppliers, fees and expenses associated with audits, including external audits, preparation of the Company's tax returns, expenses for legal, actuarial and other consulting services, advertising, and all licensing and certification fees.

Pharmacy Benefit Management Agreement

Effective January 1, 2017, the Company became a party to a Pharmacy Benefit Management agreement with Envolve Pharmacy Solutions, Inc., in which Envolve Pharmacy Solutions, Inc. provided the management and delivery of pharmacy benefits to the Company eligible enrollees. Services included, but were not limited to claims processing, eligibility management, benefits management, utilization management, pharmacy network management, and call center services. Duration of the agreement was for one year, and shall be automatically renewed for successive one year periods.

Disease Management Program Services Agreement

Effective January 1, 2017, the Company entered into a Disease Management Program Services Agreement with Envolve PeopleCare, Inc. These services included individualized education programs and member interactions, which were conducted through a combination of telephonic, in-home and printed materials. The programs varied based on disease state and level of acuity of the members' illness or risk status. The agreement shall renew automatically for successive one-year renewal terms.

Services Agreement

Effective January 1, 2017 the Company entered into Services Agreement with Envolve PeopleCare, Inc. The services primarily consisted of utilizing professional registered nurses to provide health information and advice to enrolled members during designated hours of operation. Initial term of the agreement was one year, and shall automatically renew for additional terms of one year unless terminated.

Vision Services Agreement and Delegated Services Agreement

Effective January 1, 2017, the Company entered into a Vision Services Agreement with Envolve Vision, Inc. Under the terms of this agreement, Envolve Vision, Inc. agreed to provide or arrange for the provision of covered vision care services to the Company's enrolled members. The same parties also entered into a Delegated Services Agreement under the Original Agreement, under which OptiCare Vision Company, Inc. agreed to provide quality improvement, utilization

management, case management, benefit administration, claims adjudication and provider payment, network development and maintenance, and provider credentialing with respect to Vision care covered by the Company. Initial term of this agreement was one year, and shall be automatically renewed for successive one year periods.

Behavioral Services Agreement

Effective January 1, 2017, the Company entered into a Behavioral Health Services Agreement with Cenpatico Behavioral Health, LLC (Cenpatico). Under the terms of this agreement Cenpatico agreed to arrange for the provision of covered behavioral health and home health behavioral services through participating providers. Initial term of this agreement was thirteen months, and shall be automatically renewed for successive one year periods.

Dental Services Agreement

Effective January 1, 2017, the Company entered into a Dental Services Agreement with Envolve Dental, Inc. The services primarily consisted of providing dental benefit services eligible Medicare Advantage – Part D enrollees. Initial term of the agreement was one year, and shall automatically renew for additional terms of one year unless terminated.

Tax Allocation Agreement

The Company was also a party to a Tax Sharing Agreement with Centene Corporation and its subsidiaries. Tax liability was allocated to each subsidiary based on the subsidiary's contribution to consolidated taxable income. Within 90 days of the return filing date, a subsidiary shall pay to Parent, or Parent to a subsidiary, an amount equal to the difference between consolidated tax reflected on the pro-forma Federal tax return and the aggregate amount of the estimated installments of the respective consolidated tax.

FIDELITY BOND AND OTHER INSURANCE

The Company's parent company, Centene Corporation, maintained a fidelity bond in the amount of \$10 million single loss limit of liability, which met the NAIC's suggested minimum amount for fidelity coverage. Centene Corporation had additional coverage, including general liability, auto, umbrella and workers' compensation.

PENSIONS, STOCK OWNERSHIP AND INSURANCE PLANS

The Company did not have any direct employees, nor did it provide any benefits or welfare programs for its officers or directors.

TERRITORY AND PLAN OF OPERATION

The Company was licensed in the State of Mississippi to provide individual health plans to enrollees in the individual commercial market on the Health Insurance Marketplace. The Company is required to provide such services to residents throughout the State of Mississippi.

GROWTH OF COMPANY

The review of the growth of the Company was performed based on balances reported in the annual statements filed with the MID during the period under examination.

	2017	2016	2015
Total admitted assets	\$62,108,000	\$49,659,940	\$40,255,205
Total liabilities	\$44,469,845	\$41,226,473	\$35,935,039
Total capital and surplus	\$17,638,156	\$8,433,467	\$4,320,166
Members enrolled	47,766	28,427	15,257
Total revenues	\$298,414,303	\$126,122,631	\$35,709,882
Net underwriting gain (loss)	\$14,782,628	\$1,412,693	\$2,365,422
Net investment income	\$493,847	\$158,815	\$0
Net Income	\$9,177,397	\$66,654	\$901,357

REINSURANCE

Assumed

On July 1, 2015, the Company completed an assumption reinsurance agreement with its affiliate Magnolia Health Plan, Inc. (“Magnolia”). The Company assumed the in-force insurance contracts issued to individuals through the Mississippi Health Insurance Marketplace during the 2015 calendar year through June 30, 2015. The Company received \$18.4 million in cash and cash equivalents and \$4.4 million in other assets with an aggregate value equal to 100% of the liabilities assumed.

Ceded

Effective January 1, 2017, the Company had a reinsurance agreement with PartnerRe America Insurance Company, for the calendar year 2017, to reinsure hospital inpatient and specialty pharmacy services for its enrollees equal to 90% of expenses in excess of \$250,000 per covered person per agreement term up to \$2,500,000 per member per agreement term. In 2017, the agreement contained a swing premium provision, in which a provisional premium is paid monthly based on membership, and is increased if claims paid by the reinsurer obtain a specific level, as defined in the contract.

The Company began writing policies issued through the Marketplace in 2016, which was the first year the Company participated in the transitional three-year reinsurance program established by the ACA. The ACA transitional reinsurance program ended for 2017 and later. At year-end 2017, for the policies issued in 2016, amounts recoverable for claims paid due to the ACA transitional reinsurance totaled \$913,794.

ACCOUNTS AND RECORDS

The 2017 trial balance of the Company's accounts were traced to the balance sheet of the Company's statutory annual statement filed with the MID, with no exceptions noted. The Company was audited annually by an independent CPA firm.

The Company utilized a blended platform of its operating system for the processing of its records. The Company maintained supporting documentation that was reviewed during the examination as applicable.

STATUTORY DEPOSITS

The Company's statutory deposits with the state of Mississippi complied with Miss. Code Ann. § 83-41-325(5). The following chart displays the Company's statutory deposits held at December 31, 2017:

<u>Description of Security</u>	<u>Par Value</u>	<u>Fair Value</u>
Certificate of Deposit	\$500,000	\$503,705
Total	\$500,000	\$503,705

FINANCIAL STATEMENTS

Introduction

The financial statements consist of a Statement of Assets, Liabilities, Surplus and Other Funds as of December 31, 2017, a Statement of Revenue and Expenses for the year ended December 31, 2017, and a Reconciliation of Capital and Surplus for the examination period ended December 31, 2017.

The following financial statements are based on the statutory financial statements filed by the Company with the Mississippi Insurance Department and present the financial condition of the Company for the period ending December 31, 2017.

**STATEMENT OF ASSETS, LIABILITIES, SURPLUS AND OTHER FUNDS
DECEMBER 31, 2017**

ASSETS

Bonds	\$19,479,034
Cash, cash equivalents, and short-term investments	29,202,173
Investment income due and accrued	144,355
Uncollected premiums and agents balances	188,959
Receivables from parents, subsidiaries, and affiliates	3,999,361
Current federal and foreign income tax recoverable	3,651,593
Net deferred tax asset	1,428,432
Receivables from parent, subsidiaries, and affiliates	2,574,142
Healthcare and other amounts receivable	1,301,658
Aggregate write-ins for other-than-invested assets	138,293
Total Assets	\$62,108,000

LIABILITIES, CAPITAL AND SURPLUS

Claims unpaid	\$29,545,188
Unpaid claims adjustment expenses	459,312
Premiums received in advance	3,805,290
General expenses due or accrued	2,434,780
Amounts due to parent, subsidiaries, and affiliates	1,939,494
Aggregate write ins for other liabilities	6,285,780
Total Liabilities	\$44,469,845
Aggregate write-ins for special surplus funds	\$5,388,742
Common capital stock	1,000
Gross paid in and contributed surplus	10,099,000
Unassigned funds (surplus)	2,149,414
Surplus as regards policyholders	\$17,638,156
Total liabilities and surplus	\$62,108,000

**STATEMENT OF REVENUE AND EXPENSES
FOR YEAR ENDED DECEMBER 31, 2017**

Member months	657,160
Revenues	
Net premium income	\$298,414,303
Total Revenue	\$298,414,303
Expenses	
Hospital/medical benefits	\$132,538,292
Other professional services	12,281,827
Emergency room and out-of-area	13,788,611
Prescription drugs	65,134,720
Net reinsurance recoveries	5,088,092
Total hospital and medical	\$218,655,358
Claims adjustment expenses	\$4,178,624
General administrative expenses	60,797,692
Total underwriting deductions	\$283,631,675
Net underwriting gain or (loss)	\$14,782,628
Net investment income earned	\$493,8447
Net investment gain (losses)	\$493,847
Net income or (loss) after capital gains and before income tax	(\$1,071,995)
Federal and foreign income taxes incurred	5,027,084
Net Income (loss)	\$9,177,397

**RECONCILIATION OF CAPITAL AND SURPLUS
FOR EXAMINATION PERIOD ENDED DECEMBER 31, 2017**

	2017	2016	2015
Capital and Surplus, December 31, prior year	\$8,433,467	\$4,320,166	\$0
Net Income	9,177,397	66,654	901,357
Change in net unrealized capital gains (losses)	-	-	-
Change in net deferred income tax	(232,915)	686,268	975,079
Change in non-admitted assets	(1,739,790)	(1,739,622)	(556,270)
Capital Changes – Paid in	-	-	1,000
Surplus adjustments – Paid in	2,000,000	5,100,000	2,999,000
Capital and Surplus, December 31, current year	\$17,638,158	\$8,433,467	\$4,320,166

**RECONCILIATION OF EXAMINATION ADJUSTMENTS TO SURPLUS
DECEMBER 31, 2017**

As a result of this examination, there have been no changes made to the admitted assets, liabilities, and surplus balance reported by the Company in the December 31, 2017 annual statement as filed with the MID. The capital and surplus reported by the Company of \$17,638,158 is accepted as reasonably stated for purposes of the balance sheet per the examination. The Company's net worth, as determined by the examination, was in compliance with Miss. Code Ann. § 83-41-325(2).

MARKET CONDUCT ACTIVITIES

A full scope market conduct examination was not performed, however, specific areas of the Company's market conduct activities were reviewed. The specific areas reviewed included those items indicated below.

Privacy

As part of our testing, the Company's policies, practices and procedures regarding protection and disclosure of nonpublic personal information were reviewed to verify compliance with applicable state laws regarding privacy. The Company had a privacy policy in place for the protection of its policyholders. No material concerns were noted during the course of our testing regarding the Company's privacy policy.

Producer Appointment & Licensing

Based upon procedures performed during the course of the examination, the company appeared to have the appropriate producer licensing process in place and no material exceptions were noted.

Claims Handling

It was determined that a limited claims review was necessary due to the fact that the coordinated financial examination covered claims handling for all lines of business. No issues were noted related to the Company's policies, practices and procedures regarding claims administration.

Complaint Handling

No issues were noted related to the Company's policies, practices and procedures regarding complaint handling.

Network Adequacy

As part of our testing, the network adequacy policies and procedures that apply to the Company were reviewed. Performance against the established standards is measured and evaluated by the Company on an annual basis. No issues were noted related to the Company's policies, practices and procedures regarding network adequacy.

Grievances

As part of our testing, the Company's policies and procedures for handling first-level review of grievances involving an adverse determination, grievances not involving an adverse determination, and grievances from covered persons, or authorized representatives, were reviewed pursuant to applicable state statutes, rules and regulations. No issues were noted related to the Company's policies, practices and procedures regarding grievances.

Provider Credentialing

Based upon procedures performed during the course of the examination, the Company appeared to have the appropriate provider credentialing process. No exceptions were noted during the course of our testing regarding the Company's provider credentialing.

COMMITMENTS AND CONTINGENT LIABILITIES

At December 31, 2017, the Company was involved as a defendant in various litigation matters arising during normal business activities. Although the outcome of such legal actions cannot be predicted, in the opinion of management, the resolution of any currently pending or threatened actions should not have a material adverse effect on the surplus of the Company.

SUBSEQUENT EVENTS

The Company is subject to an annual fee under section 9010 of the ACA. A health insurance company's portion of the annual fee becomes payable once the entity provides health insurance for any U.S. health risk for each calendar year beginning on or after January 1 of the year the fee is due. The annual fee under section 9010 of the ACA was suspended for 2017, resumed for 2018, and was suspended again for 2019.

During the fourth quarter of 2018, Katherine Lemley replaced Keith Harvey Williamson as a Director.

COMMENTS AND RECOMMENDATIONS

The examination did not identify any material comments and/or recommendations deemed appropriate for inclusion in the examination report.

ACKNOWLEDGMENT

The examiners representing the Mississippi Insurance Department and participating in this examination were:

Examiner-in-charge: David Palmer, CFE

Examiner: Ryne Davison, CFE

Examiner: Justin Parr, AFE

Examiner: Jessica Lynch

Supervising Examiner: Katerina Bolbas, CFE

Department Designee: Mark Cooley, CFE

The courteous cooperation of the officers and employees responsible for assisting in the examination is hereby acknowledged and appreciated.

Respectfully submitted,



David Palmer, CFE
Examiner-in-charge



Mark Cooley, CFE
Mississippi Insurance Department Designee