



MIKE CHANEY
Commissioner of Insurance
State Fire Marshal

MISSISSIPPI INSURANCE DEPARTMENT

501 N. WEST STREET, SUITE 1001
WOOLFOLK BUILDING
JACKSON, MISSISSIPPI 39201
www.mid.ms.gov

MAILING ADDRESS
Post Office Box 79
Jackson, Mississippi 39205-0079
TELEPHONE: (601) 359-3569
FAX: (601) 359-2474

MARK HAIRE
Deputy Commissioner of Insurance

RICKY DAVIS
State Chief Deputy Fire Marshal

June 21, 2019

CERTIFIED MAIL RETURN RECEIPT REQUESTED

Ms. Carol Pigott, President & CEO
HMO of Mississippi, Inc.
3545 Lakeland Drive
Flowood, MS 39232

RE: Report of Examination as of December 31, 2017

Dear Ms. Pigott:

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.

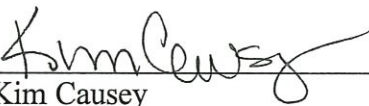
Pursuant to Miss. Code Ann. § 83-5-209(6)(a) (Rev. 2011), the Mississippi Department of Insurance shall continue to hold the content of said report as private and confidential for a period of ten (10) days from the date of the Order. After the expiration of the aforementioned 10-day period, the Department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

**IN RE: REPORT OF EXAMINATION OF
HMO OF MISSISSIPPI, INC.**

CAUSE NO. 19-7437

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 HMO of Mississippi, Inc. is a Mississippi-domiciled health maintenance organization ("HMO") which was certified as an HMO by the Mississippi Department of Insurance on October 1, 1995.

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 HMO of Mississippi, Inc. and appointed Kimberly Strong, Examiner-In-Charge, to conduct said examination.

IV.

That on or about May 28, 2019, the draft Report of Examination concerning HMO of Mississippi, Inc. for the period of January 1, 2013, through December 31, 2017, was submitted to the Department by the Examiner-In-Charge, Kimberly Strong.

V.

That on or about May 30, 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 the draft report. On or about June 7, 2019, the Company responded by email.

CONCLUSIONS OF LAW

VI.

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 Report of Examination, the Company's rebuttal, and all relevant examiner work papers, that the Report of Examination of HMO of Mississippi, 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, HMO of Mississippi, 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 HMO of Mississippi, Inc. take the necessary actions and implement the necessary procedures to properly and promptly comply with all recommendations contained in the Report of Examination.

SO ORDERED, this the 21st day of June 2019.



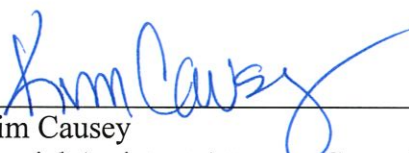
J. Mark Haire

J. MARK HAIRE
DEPUTY COMMISSIONER OF INSURANCE
STATE OF MISSISSIPPI

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 21st day of June 2019, to:

**Ms. Carol Pigott, President & CEO
HMO of Mississippi, Inc.
3545 Lakeland Drive
Flowood, MS 39232**



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

HMO of Mississippi, Inc.

as of

December 31, 2017

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

State of Mississippi,

County of Madison,

Kimberly Strong, being duly sworn, states as follows:

1. I have authority to represent the Mississippi Insurance Department in the examination of HMO of Mississippi, 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 HMO of Mississippi, 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.


Kimberly Strong, CPA, CFE
Examiner-in-Charge

Subscribed and sworn before me by Kimberly Strong on this 19th day of June, 2019

(SEAL)




Notary Public

My commission expires October 29, 2021 [date].



MIKE CHANEY
Commissioner of Insurance
State Fire Marshal

MARK HAIRE
Deputy Commissioner of
Insurance

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FAX: (601) 576-2568

June 14, 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:

HMO OF MISSISSIPPI, INC.

3545 Lakeland Drive
Flowood, Mississippi 39232

License #	NAIC Group #	NAIC #	FEETS#
9500047	1126	95289	95289-MS-2017-8

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

SCOPE OF EXAMINATION

We have performed our single-state examination of HMO of Mississippi, Inc. ("Company" or "HMOMS"). The last exam was completed as of December 31, 2012. This examination covers the period January 1, 2013 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 and identify prospective risks of the Company by obtaining information about the Company, including corporate governance, identifying and assessing inherent risks within the Company, and evaluating system controls and procedures used to mitigate those risks. An examination also includes assessing the principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation, management's compliance with Statutory Accounting Principles and annual statement instructions, when applicable to domestic state regulations.

All accounts and activities of the Company were considered in accordance with the risk-focused examination process.

COMMENTS AND RECOMMENDATIONS OF PREVIOUS EXAMINATION

There were no comments or recommendations of the Report of Examination as of December 31, 2012.

HISTORY OF THE COMPANY

HMOMS was incorporated on June 21, 1995, pursuant to the laws of the State of Mississippi, to operate as a for-profit health maintenance organization. The Company was licensed effective October 1, 1995, under the Mississippi's Health Maintenance Organization, Preferred Provider Organization and Other Prepaid Health Benefit Plans Protection Act. HMOMS was formed as a wholly-owned subsidiary of Blue Cross & Blue Shield of Mississippi, A Mutual Insurance Company (BCBSMS).

CORPORATE RECORDS

The minutes of the meetings of the shareholder and board of directors, prepared during the period under examination, were reviewed and appeared to be complete with regard to the matters brought up at the meetings for deliberation, which included approval of the Company's investment transactions and actions of the Company's officers.

MANAGEMENT AND CONTROL

Stockholder

The Company's Articles of Incorporation authorize the issuance of 2,000,000 shares of common stock. HMOMS' organizational documents did not specify a par value or stated value for the common stock; however, HMOMS deemed this class of stock to have a stated value of \$10.00 per share. BCBSMS owns 100% of the 250,000 issued shares of HMOMS stock. The Company paid no dividends during the examination period.

Board of Directors

The Articles of Incorporation and Bylaws vest the management and control of the Company's business affairs with the Board of Directors ("Board"). The members of the duly elected Board, along with their place of residence and principal occupation, at December 31, 2017, were as follows:

Name and Residence	Principal Occupation
Richard John Hale, Chairman Madison, Mississippi	Owner, RJ Farms
James Herbert Finley, Vice Chairman Morton, Mississippi	Owner, Finley Services, LLC
Jeffery Thomas Leber Madison, Mississippi	Executive Vice President & Chief Financial Officer - Blue Cross & Blue Shield of Mississippi, A Mutual Insurance Company
Mary Carol Pigott Jackson, Mississippi	President and Chief Executive Officer – Blue Cross & Blue Shield of Mississippi, A Mutual Insurance Company
Cheri Denise Green Madison, Mississippi	Vice President & Corporate Secretary – Blue Cross & Blue Shield of Mississippi, A Mutual Insurance Company

Committees

There were no committees of the board of directors as of December 31, 2017.

Officers

Name	Title
Mary Carol Pigott	President and Chief Executive Officer
Jeffery Thomas Leber	Chief Financial Officer
Cheri Denise Green	Vice President & Secretary

Conflict of Interest

The Company had formal procedures whereby disclosure was made to the Board of any material interest or affiliation on the part of any officer or director that was, or would likely be, a conflict with the official duties of such persons. Written statements were signed annually by all officers and members of the Board of Directors.

Corporate Governance

The risk- focused surveillance approach requires examiners to consider the insurer's corporate governance and established risk management processes. This evaluation includes assessing the "tone-at-the-top", board of directors and management oversight and understanding and conveyance of the necessity of internal controls to employees. Strong corporate governance encompasses a clearly defined vision of ethics, appropriate goals, effective strategy, effective implementation of the strategy, and appropriate reporting systems emphasizing feedback and transparency.

It was noted that the Company's management as of December 31, 2017 consisted of a CEO, CFO and Secretary. Information regarding the Board members, committees and other related information can be found in the "Management and Control" section of this report.

The Company operated under a service agreement with BCBSMS, whereby BCBSMS provided certain administrative and management services. As of January 1, 1999, the Company's membership was reduced to zero. There were no groups enrolled, no premiums received and no claims paid during the period under examination.

Management maintains effective controls over its IT environment through utilization of systems of its affiliate, BCBSMS. The Company's organizational structure appears appropriate for the size and nature of the Company.

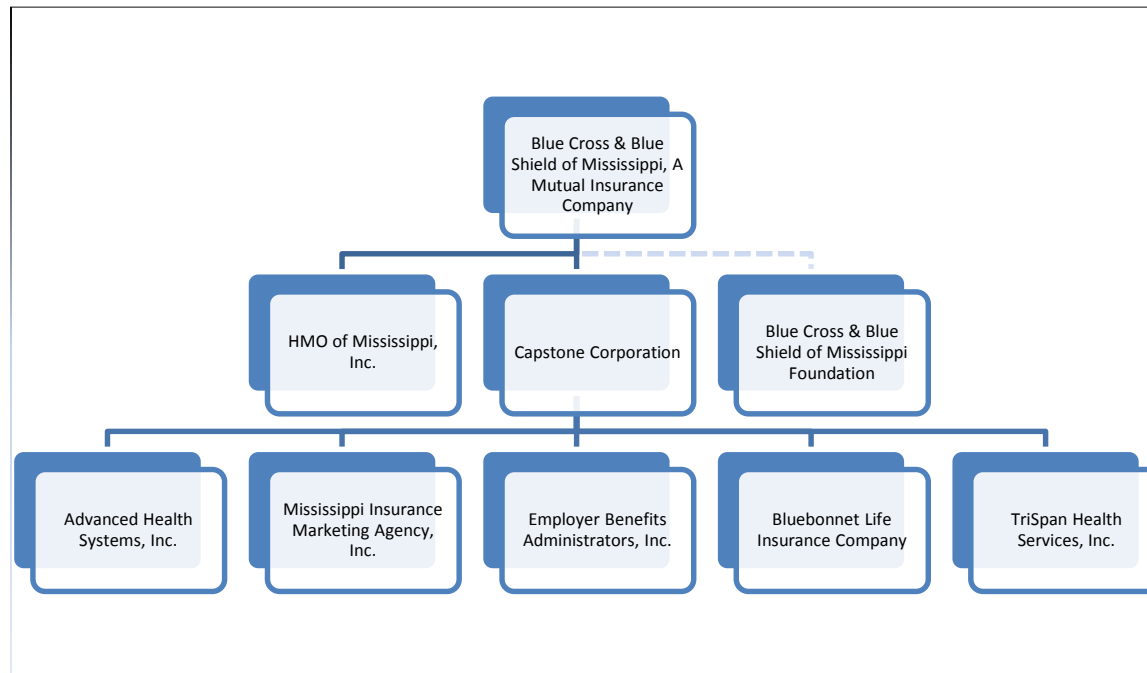
Management competence is a consideration in the overall assessment of corporate governance. In our review of this area, we considered factors such as management's experience level and management turnover. Management has significant experience with the Company and the health insurance industry; as well as, access to resources available through BCBSMS.

HOLDING COMPANY STRUCTURE

The Company is a member of an insurance holding company system as defined in Miss. Code Ann. § 83-6-1. The Company was required to file with the MID, Holding Company Registration Statements in accordance with Miss. Code Ann. §§ 83-6-5 and 83-6-9. These filings set forth material changes in structure, identity or relationships of affiliates and any material transactions by and between the Company and its affiliates.

Organizational Chart

The following chart depicts the Company's organizational structure at December 31, 2017. A brief description of the Company's parent and affiliates, including their principal activities, follows the organizational chart.



Parent and Affiliated Companies

BLUE CROSS & BLUE SHIELD OF MISSISSIPPI, A MUTUAL INSURANCE COMPANY (BCBSMS): BCBSMS is the ultimate controlling entity and was incorporated in 1947 under the laws of the State of Mississippi. It provides hospitalization and other health care benefits under contract to subscribers. This company also performs administrative services and processes claims for other Blue Cross & Blue Shield plans and for certain other programs.

CAPSTONE CORPORATION (CAPSTONE): Capstone, a wholly owned subsidiary of BCBSMS, was incorporated on November 2, 1984, under the laws of the State of Mississippi, as a for-profit holding company for the interests of BCBSMS.

BLUE CROSS & BLUE SHIELD OF MISSISSIPPI FOUNDATION (BCBSMSFD): BCBSFD, a non-profit corporation, is a philanthropic affiliate of BCBSMS. It is a private, charitable foundation operated exclusively to fund and support 501(c)(3) organizations and programs that positively impact the health of Mississippians. It is reflected with a dotted line denoting the lack of control by BCBSMS.

ADVANCED HEALTH SYSTEMS, INC. (AHS): AHS, a wholly owned subsidiary of Capstone Corporation, was incorporated on December 14, 1984, under the laws of the State of Mississippi, as Automated Health Systems, Inc., with its business being the facilitation of electronic submission of claims by providers. The Company's name was changed to Advanced

Health Systems, Inc., and, in 1994, its business purposes were expanded to include utilization management, managed care services for clients, employers and groups; the development and maintenance of provider networks; providing health care provider management and consulting; and providing computerized information management.

MISSISSIPPI INSURANCE MARKETING AGENCY, INC. (MIMA): MIMA, a wholly owned subsidiary of Capstone Corporation, was incorporated on September 19, 1986, under the laws of the State of Mississippi. The primary purpose of this company is that of a general insurance agency, which includes the selling and brokerage of insurance coverage and the administration of claims and other services.

EMPLOYER BENEFITS ADMINISTRATORS, INC. (EBA): EBA, a wholly owned subsidiary of Capstone Corporation, was incorporated on September 18, 1986, under the laws of the State of Mississippi, as a third party administrator for self-insured, partially insured and insured employee benefit plans. The name was changed from Bluestone Administrative Services, Inc. in February 1987.

BLUEBONNET LIFE INSURANCE COMPANY (BBLIC): BBLIC, a wholly owned subsidiary of Capstone Corporation, was incorporated on June 11, 1984, under the laws of the State of Louisiana, as a life and accident and health insurance company. On October 13, 1989, Capstone Corporation acquired BBLIC and moved its domicile to Mississippi effective at the close of business March 31, 1997. The principal activity of this company is to provide life, cancer, and disability insurance coverage.

TRISPAN HEALTH SERVICES, INC. (THS): THS, a wholly owned subsidiary of Capstone Corporation, was incorporated on April 21, 2005, under the laws of the State of Mississippi. The primary purpose of this company was to execute contracts related to federal and/or state government health care programs.

Affiliated and Related Party Transactions

Tax Sharing Agreement with BCBSMS:

Effective January 1, 1996, the Company was a party to a Tax Sharing Agreement with BCBSMS which provided for an allocation of tax liability based on the amount of taxable income or taxable loss. This agreement was in effect during the examination period.

Service and Lease Agreement with BCBSMS:

Effective August 31, 1996, HMOMS entered into a Service and Lease Agreement with BCBSMS; whereby, BCBSMS provided certain business services to the Company. These services included; general management services, financial services, accounting, printing, mailing, corporate data systems and programming, public relations, personnel, payroll, purchasing, legal, and other services. BCBSMS allocated or directly charged HMOMS its portion of salaries, travel, fees, and expenses.

Insolvency Plan Agreement with BCBSMS:

Effective September, 1, 1995, HMOMS entered into an Insolvency Plan Agreement whereby, BCBSMS guaranteed the solvency of the Company. Pursuant to this agreement, BCBSMS agreed to continue coverage for members of HMOMS, in the event of insolvency. As of the examination date, HMOMS had no members.

FIDELITY BOND AND OTHER INSURANCE

The Company's parent maintained a commercial insurance policy for employee theft with a limit of \$5,000,000. This amount meets the NAIC suggested minimum fidelity coverage for a company of its size. The Company also maintained an insurance program that appeared to provide adequate coverage to protect it from hazards that it may encounter. All subsidiaries and affiliates of BCBSMS were named insureds on the policies.

PENSION, STOCK OWNERSHIP AND INSURANCE PLANS

The Company did not have any employees. Pursuant to a service agreement, the day-to-day operations of the Company were performed by BCBSMS. As such, no provision was made in financial statements for obligations under any benefit plan.

TERRITORY AND PLAN OF OPERATION

HMOMS was authorized to do business as a Health Maintenance Organization (HMO) in the State of Mississippi.

As of January 1, 1999, the Company discontinued writing policies. During the period under examination, HMOMS received no premium, had no enrollees, and paid no claims. HMOMS maintained its company license, certificate of authority, and minimum statutory capital and surplus during the examination period.

GROWTH OF COMPANY

HMOMS is a dormant corporation and does not produce premium revenue. Increases to capital and surplus are the result of investment income.

REINSURANCE

The Company had no policies in force during the period under examination and therefore reinsurance was not required.

ACCOUNTS AND RECORDS

The Company's 2017 trial balances were tied to the financial statements within the statutory Annual Statements filed with the MID, with no material exceptions noted. The Company was audited annually by an independent CPA firm.

The Company is licensed as a health maintenance organization pursuant to Miss. Code Ann. § 83-41-325(2)(a), which requires the Company to maintain a net worth of \$1,000,000.

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 deposits at December 31, 2017.

Description of Security	State Deposited	Par Value	Fair Value
Bond - FHLB	Mississippi	\$50,000	\$49,716
Bond - FHLB	Mississippi	\$50,000	\$49,276
Bond - FFCB	Mississippi	\$65,000	\$65,000
Bond - SM EDU BLDG CORP MISS	Mississippi	\$65,000	\$74,988
Bond - UNIV OF MISS EDL BLDG CP	Mississippi	\$200,000	\$216,162
Bond – OXFORD MS SER B G/O UNLTD	Mississippi	\$100,000	\$99,449
Total		\$530,000	\$554,591

FINANCIAL STATEMENTS

Introduction

The following financial statements consist of a Statement of Assets, Liabilities, Capital and Surplus as of December 31, 2017, a Statement of Revenue and Expenses for the year ended December 31, 2017, a Reconciliation of Capital and Surplus for the examination period ended December 31, 2017 and a Reconciliation of Examination Adjustments to Surplus at December 31, 2017.

Statement of Assets, Liabilities, Capital and Surplus
December 31, 2017

Assets

Bonds	\$ 2,192,348
Common stocks	4,037
Cash and short-term investments	388,604
Total cash and invested assets	2,584,989
Investment income receivable	7,509
Federal income tax receivable	1,215
State income tax receivable	1,969
Total admitted assets	\$ 2,595,682

Liabilities and Capital and Surplus

Accounts payable and accrued expenses	12,292
Amounts due to parent	5,189
Total liabilities	17,481
Common capital stock	2,500,000
Unassigned funds (surplus)	78,201
Total capital, surplus and other funds	2,578,201
Total liabilities and capital and surplus	\$ 2,595,682

Statement of Revenue and Expenses
For the examination period ended December 31, 2017

Revenue		
Investment income	\$	59,073
		59,073
Expenses		
Administrative expenses		40,682
		40,682
Income before income taxes		18,391
Federal income tax benefit		(1,204)
		19,595
Net income	\$	19,595

**Reconciliation of Capital and Surplus
For the Examination Period Ended December 31, 2017**

	2017	2016	2015	2014	2013
Capital and Surplus, December 31, prior year	\$2,558,216	\$2,538,261	\$2,523,137	\$2,502,359	\$2,490,927
Net Income	19,595	19,728	15,238	21,508	11,252
Change in net unrealized capital gains (losses)	390	227	(114)	(292)	180
Change in net deferred income tax	(569)	47	97	211	136
Change in non- admitted assets	569	(47)	(97)	(649)	(136)
Capital and Surplus, December 31, current year	\$2,578,201	\$2,558,216	\$2,538,261	\$2,523,137	\$2,502,359

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

There were no changes made to the admitted assets, liabilities or surplus balances reported by the Company for the year ended December 31, 2017. The capital and surplus, which totaled \$2,578,201 as of the examination date, was determined to be reasonably stated and in compliance with Miss. Code Ann. §83-41-325.

MARKET CONDUCT ACTIVITIES

The Company was dormant during the period under examination. As such, no market conduct activities were performed or reviewed as part of the examination as of December 31, 2017.

COMMITMENTS AND CONTINGENT LIABILITIES

Blue Cross & Blue Shield of Mississippi, A Mutual Insurance Company, HMOMS' ultimate controlling parent, is a defendant in a single multi-district lawsuit (In re Blue Cross Blue Shield Antitrust Litigation), that is pending in the U.S. District Court for the Northern District of Alabama. In general, the suit alleges that the Association and the Blue Plans have engaged in a conspiracy to horizontally allocate geographic markets through license agreements, best efforts rules (which limit the percentage of non-Blue revenue of each plan), restrictions on acquisitions and other arrangements in violation of the Sherman Antitrust Act and related state laws. The cases were brought by two putative nationwide classes of plaintiffs, health plan subscribers and providers. Subsequent to year end, settlement discussions stalled and the case continues to move forward. It is reasonably possible that a change to the estimated accrued loss could occur in the near term and that such change could have a material effect on the financial condition of Blue Cross & Blue Shield of Mississippi, A Mutual Insurance Company.

As of December 31, 2017, the Plan accrued a loss contingency of approximately \$11.1 million for all legal matters in which the incurred loss could be reasonably estimated.

SUBSEQUENT EVENTS

On August 30, 2018, Articles of Dissolution for TriSpan Health Services, Inc. were filed with the Mississippi Secretary of State's Office. The sole shareholder, Capstone Corporation, approved the dissolution pursuant to a Plan of Dissolution on August 23, 2018.

During the 1st Quarter 2019 Jeffery Thomas Leber was replaced by Jennifer Jay Allen as Chief Financial Officer and board member of HMOMS.

COMMENTS AND RECOMMENDATIONS

The examination did not identify any material comments and recommendations.

ACKNOWLEDGMENT

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

Jimmy Blissett, CFE	Administrative Examiner
Kimberly Strong, CPA, CFE	Examiner-in-charge, Harper, Rains, Knight & Co.
Steve Sartin, CISA, CRISC	IT Examiner, Harper, Rains, Knight & Co.
Darlene Schaffer, CISA	IT Examiner
John Mayberry, FSA, MAAA	Examination Actuary, Lewis & Ellis
Katie Gilchrist	Market Conduct Examiner, Gilchrest Donnell, Attorneys & Counselors At Law
Ryan Davison, CFE	Financial Examiner, Lewis & Ellis
Ryan Dunbar	Financial Examiner, Harper, Rains, Knight & Co.
Rachel Cross	Financial Examiner, Harper, Rains, Knight & Co.

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

Respectfully submitted,



Kimberly Strong, CPA, CFE
Examiner-in-charge



Mark Cooley, CFE
Mississippi Insurance Department Designee