



**DEPARTMENT OF INSURANCE, FINANCIAL
INSTITUTIONS AND PROFESSIONAL REGISTRATION**

P.O. Box 690, Jefferson City, Mo. 65102-0690

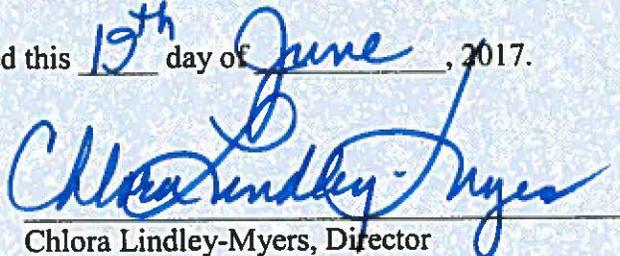
ORDER

After full consideration and review of the report of the financial examination of Coventry Health and Life Insurance Company for the period ended December 31, 2015, together with any written submissions or rebuttals and any relevant portions of the examiner's workpapers, I, Chlora Lindley-Myers, Director of the Missouri Department of Insurance, Financial Institutions and Professional Registration pursuant to section 374.205.3(3)(a), RSMo, adopt such examination report. After my consideration and review of such report, workpapers, and written submissions or rebuttals, I hereby incorporate by reference and deem the following parts of such report to be my findings and conclusions to accompany this order pursuant to section 374.205.3(4), RSMo: summary of significant events, subsequent events, company history, corporate records, management and control, fidelity bonds and other insurance, territory and plan of operation, growth of company, loss experience, reinsurance, accounts and records, statutory deposits, financial statements, examination changes, comments on financial statements, and summary of recommendations.

Based on such findings and conclusions, I hereby ORDER that the report of the financial examination of Coventry Health and Life Insurance Company as of December 31, 2015 be and is hereby ADOPTED as filed and for Coventry Health and Life Insurance Company to take the following action or actions, which I consider necessary to cure any violation of law, regulation or prior order of the Director revealed by such report: (1) account for its financial condition and affairs in a manner consistent with the Director's findings and conclusions.

So ordered, signed and official seal affixed this 19th day of June, 2017.





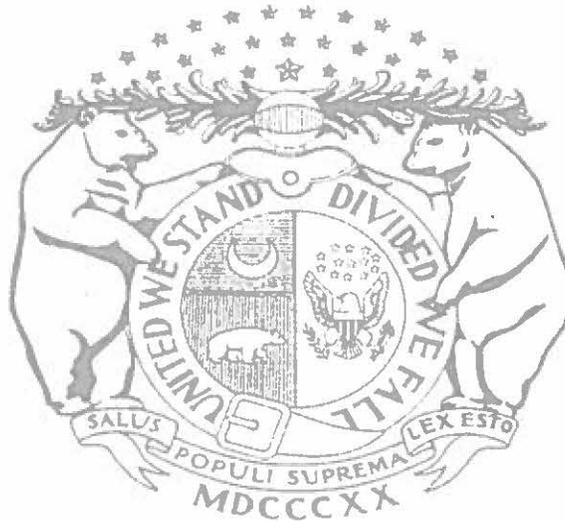
Chlora Lindley-Myers, Director
Department of Insurance, Financial Institutions
and Professional Registration

REPORT OF
FINANCIAL EXAMINATION

COVENTRY HEALTH AND LIFE
INSURANCE COMPANY

As of:
DECEMBER 31, 2015

FILED
JUN 29 2017
DIRECTOR OF INSURANCE
FINANCIAL INSTITUTIONS
PROFESSIONAL REGISTRAR



STATE OF MISSOURI
DEPARTMENT OF INSURANCE, FINANCIAL INSTITUTIONS
AND PROFESSIONAL REGISTRATION

JEFFERSON CITY, MISSOURI

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March 23, 2017
Saint Louis, MO

Honorable Chlora Lindley-Myers, Director
Missouri Department of Insurance, Financial
Institutions and Professional Registration
301 West High Street, Room 530
Jefferson City, Missouri 65101

Director Lindley-Myers:

In accordance with your financial examination warrant, a comprehensive financial examination has been made of the records, affairs and financial condition of

Coventry Health and Life Insurance Company

hereinafter also referred to as the Company. The Company's main office is located at 550 Maryville Centre Drive, Suite 300, Saint Louis, MO 63141; phone number (800) 843-7421. Examination fieldwork began on March 14, 2016 and concluded on the above date.

SCOPE OF EXAMINATION

Period Covered

We have performed a multi-state examination of Coventry Health and Life Insurance Company. We performed our examination as part of a coordinated examination of Aetna Inc., led by examiners from the state of Connecticut; Missouri was a lead state within the coordinated examination structure. The last examination of the Company was completed as of December 31, 2012. This examination covers the period of January 1, 2013 through December 31, 2015. This examination also includes material transactions or events occurring subsequent to December 31, 2015.

Procedures

This examination was conducted as a full scope comprehensive examination. We conducted our examination in accordance with the NAIC Financial Condition Examiners Handbook (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. Key activities identified were: Investments; Claims Handling and Reserving; Premiums and Underwriting; Taxes and Expenses; Related Parties; Reinsurance; and, Affordable Care Act (ACA) and Medical Loss Ratio (MLR).

This examination report includes significant findings of fact, as mentioned in Section 374.205 RSMo (Examination, director may conduct...), 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 or the Company. The examiners relied upon information and workpapers provided by the Company's independent auditor KPMG LLP, for its audit covering the period from January 1, 2015, through December 31, 2015. Such reliance included taxes, internal control narratives and tests of internal controls.

SUMMARY OF SIGNIFICANT EVENTS

During the current examination period, the Company was included in a merger between its parent, Coventry Health Care, Inc. and Aetna Inc. (Aetna).

On July 3, 2015, Aetna announced a proposed acquisition of Humana, Inc. (Humana).

SUBSEQUENT EVENTS

On February 1, 2016, the Company's Kentucky Medicaid business was transferred to Aetna Better Health of KY, an affiliate. An assignment agreement was approved by the Missouri Department of Insurance, Financial Institutions and Professional Registration (Department) and by the Kentucky Department of Insurance. Medicaid-related assets and liabilities were transferred to Aetna Better Health of KY; the Company made a \$96.7 million capital contribution to Aetna Better Health of KY.

On July 21, 2016, the United States Department of Justice (DOJ) sued to block Aetna's proposed acquisition of Humana; Aetna and Humana appealed the ruling. On December 5, 2016, trial commenced in the U.S. District Court for the District of Columbia (Court). On January 23, 2017, the Court upheld the DOJ decision blocking the merger. On February 14, 2017, Aetna and Humana mutually ended their merger agreement.

COMPANY HISTORY

General

The Company originally incorporated in the state of Texas as American Service Life Insurance Company on April 15, 1968. Coventry Corporation (DE) acquired the Company in 1987. In 1995 the Company changed its name to Coventry Health and Life Insurance Company.

In 1997, Coventry Corporation formed Coventry Health Care, Inc., a wholly-owned subsidiary.

Capital Stock and Paid-in Surplus

The Company is authorized to issue 1,000 shares of \$2,500.00 par value common capital stock. At year-end 2015, all 1,000 shares were outstanding for a reported \$2.5 million in common capital stock. All of the Company's shares are held by its immediate parent, Aetna Health Holdings, LLC (DE).

Dividends

The Company paid the following dividends during the current examination period:

<u>Year</u>	<u>Amount</u>
2013	\$ 20,000,000
2014	40,000,000
2015	-
Total	<u>\$ 60,000,000</u>

Acquisitions, Mergers and Major Corporate Events

On May 7, 2013, the Company's prior parent, Coventry Health Care, Inc., completed a merger with Aetna Inc. Coventry Health Care, Inc. survived the merger as a wholly-owned subsidiary of Aetna Inc. On January 1, 2014, Coventry Health Care, Inc. was merged into Aetna Health Holdings, LLC.

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

Surplus Debentures

No surplus debentures were issued or outstanding during the current examination period.

CORPORATE RECORDS

The Company's articles of incorporation and bylaws were reviewed. There were no changes to the articles of incorporation or bylaws during the current examination period.

The minutes of the meetings and the unanimous written consents of the Board of Directors were reviewed for the period under examination. The minutes and consents appear to properly document the review and approval of major corporate transactions and events for the period under examination.

MANAGEMENT AND CONTROL

Board of Directors

Management of the Company is vested in a Board of Directors. Directors serving at December 31, 2015, were as follows:

<u>Name and Address</u>	<u>Affiliation</u>
Frank J. D'Antonio St. Louis, MO	President Coventry Health Care of Missouri
Brad J. Clothier Overland Park, KS	President Coventry Health Care of Kansas
Michael D. Bahr South Jordan, UT	President Coventry Health and Life Insurance Company
Dale G. Mackel Omaha, NE	President Coventry Health Care of Iowa Coventry Health Care of Nebraska
Jerry J. Bellizzi Hartford, CT	Vice-President, Tax Aetna Life Insurance Company
John J. Stelben Bethesda, MD	Chief Financial Officer, Government Services Aetna, Inc.
Michael G. Murphy Louisville, KY	Chief Executive Officer/Vice-President Coventry Health and Life Insurance Company
Elaine R. Cofrancesco Hartford, CT	Treasurer/Vice-President Coventry Health and Life Insurance Company
Gregory S. Martino Blue Bell, PA	Senior Government Relations Specialist Aetna, Inc.

Officers

The officers of the Company serving and reported on the Jurat page of the Annual Statement at December 31, 2015, were as follows:

<u>Name</u>	<u>Position</u>
Michael D. Bahr	President
Michael G. Murphy	Vice-President and Chief Executive Officer
Scott D. Miller	Controller
Elaine R. Cofrancesco	Vice-President and Treasurer
Edward Chung-I Lee	Vice-President and Secretary
Kevin J. Casey	Senior Investment Officer

Audit Committee

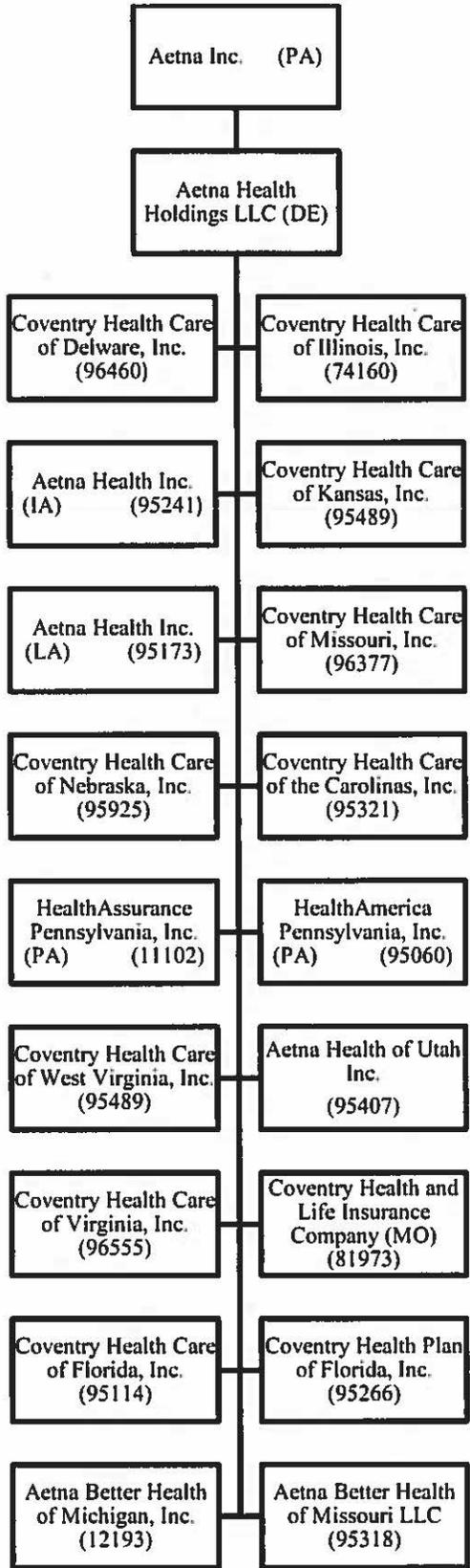
The Company does not have an Audit Committee. The Company relies upon the Audit Committee of its immediate parent, Aetna Health Holdings, LLC, to fulfill the requirement of RSMo 375.1030 (Annual audit required, report filed, when--extensions granted, when--audit committee required, when.).

Holding Company, Subsidiaries and Affiliates

The Company is part of an Insurance Holding Company System as defined by RSMo 382.010 (Definitions). The Company is a wholly-owned subsidiary of Aetna Health Holdings, LLC (DE) which is a direct subsidiary of Aetna Inc. (PA), a publicly-traded corporation. Aetna Inc. is the ultimate controlling entity in the holding company system.

Organizational Chart

The following is an abridged organizational chart showing the insurance holding company system at December 31, 2015. All subsidiaries are wholly-owned unless otherwise noted.



Intercompany Agreements

The Company had the following significant transactions with affiliates.

Guarantor Agreement

Parties: The Company and Aetna Inc.

Effective: January 1, 2014

Terms: In the event of the Company's insolvency, Aetna will pay all expenses and claims incurred by the Company during insolvency pursuant to the obligation with employer groups and subscribers until the end of the subscription contract period for which premiums have been received.

Rate(s): There are no rates associated with this agreement.

Fees: There were no fees associated with this agreement during 2015.

Tax Sharing Agreement

Parties: Aetna Inc. and its subsidiaries, including the Company

Effective: May 8, 2013

Terms: Aetna and its subsidiaries file consolidated federal and state income tax returns. The federal or state income tax liability (or benefit) and alternative minimum tax liability are calculated as if each subsidiary filed a separate tax return. The agreement provides the Company with an enforceable right to recoup federal and state income taxes paid in prior years in the event of future net losses the Company may incur or to recoup net losses carried forward as an offset to future income subject to federal and state income taxes.

Aetna acts as agent for the group for the payment of all federal and state income taxes, the receipt of all tax refunds, and all dealings with the IRS or other federal or state agencies. Payments by the subsidiaries to Aetna are to be made in time to reasonably permit Aetna to make required estimated payments. Differences between the estimated tax liabilities or benefits of loss carry forwards generated and the actual tax liabilities or benefits of loss carry forwards on the tax return will be settled within ninety days of filing the income tax return.

Rate(s): There are no rates associated with this agreement.

Fees: The Company incurred federal income tax expense of \$91.6 million in 2014 and \$149.8 million in 2015. The Company incurred state income tax expense of \$576 thousand in 2014 and \$1.5 million in 2015.

Administrative Services Agreement

Parties: The Company and Aetna Health Management, LLC (AHM)

Effective: January 1, 2014

Terms: Under the agreement, AHM provides administrative services to the Company. Some of the services provided include: finance; operational services; procurement services; legal services; quality assessment; utilization review; disease management; patient management; case management; customer service; provider network and credentialing services; facilities; marketing; insurance and

risk management; data processing; and, pharmacy services. There is also a provision that allows the Company to use AHM for rebate services.

Rate(s): Rates are based on a percentage of premiums equal to AHM's unreimbursed actual cost. The agreement includes an annual true-up provision.

Fees: The Company incurred expenses of \$335.7 million under this agreement in 2014 and \$314.2 million under this agreement in 2015.

Intercompany Services Agreement

Parties: The Company and Aetna Medicaid Administrators LLC (AMA)

Effective: July 1, 2013

Terms: Under the agreement, AMA provides services related to the administration of the Company's Medicaid business.

Rate(s): AMA charges \$7.00 for each health risk questionnaire (HRQ) completed each month and \$.90 for each interactive voice recognition (IVR) welcome call completed each month.

Fees: The Company paid AMA \$36.5 million under this agreement in 2014 and \$54.4 million under this agreement in 2015.

Mental Health Services Agreements

Parties: The Company and certain of its affiliates and MHNet Specialty Services, LLC (MHNet)

Effective: June 1, 2008

Terms: MHNet provides mental health and substance abuse services to the Company and certain of its affiliated health plans.

Rates: Rates are charged on a per-member-per-month (PMPM) basis and vary according to the underlying plan.

Fees: The Company paid \$47.8 million for services under this agreement in 2014 and \$35.8 million in 2015.

Pharmacy Benefits Administration Agreements

Parties: The Company, Coventry Prescription Management Services (CPMS) and Coventry Health Care (CHC) of Delaware, CHC of Illinois, CHC of Kansas, CHC of Missouri, CHC of Nebraska, CHC of the Carolinas, CHC of West Virginia, CHC of Virginia, CHC of Florida, Coventry Health Plan of Florida, HealthAssurance Pennsylvania, HealthAmerica Pennsylvania, Aetna Health of Utah, Aetna Health Inc. (LA), Aetna Health Inc. (IA) and Aetna Health Inc. (GA)

Effective: January 1, 2011

Terms: There are multiple agreements to which the Company, CPMS and individual state-based affiliates are parties. Under the agreements, CPMS administers pharmacy benefits for health plans offered by the Company or its affiliates. Payments to CPMS are reduced by a PMPM rebate credit.

Rate(s): The PMPM rates vary by affiliate and benefit provider and are determined by formula. Rates change annually subject to Department approval.

Fees: Under the agreements, the Company paid fees, net of rebate, of \$215.6 million in 2014 and \$228.4 million in 2015.

Excess Risk Reinsurance

Parties: The Company and affiliates: Aetna Better Health of Michigan, CHC of Virginia, CHC of Nebraska, Aetna Better Health of Missouri, CHC of Kansas, CHC of Louisiana, CHC of Delaware, CHC of Iowa, CHC of Missouri, CHC of West Virginia, CHC of the Carolinas, CHC of Illinois, Aetna Health of GA, HealthAmerica PA and Altius Health Plans

Effective: January 1, 2015

Terms: Under separate agreements, the Company assumed reinsurance from its affiliates on an excess risk basis. The agreements with Aetna Better Health of Michigan and CHC of Nebraska terminated effective April 1, 2016. The remaining agreements terminated effective January 1, 2016.

Rates: Limits, deductibles and premiums varied by plan.

Terms: In 2015, the Company assumed \$28.8 million in premiums and \$12.6 million in losses.

FIDELITY BONDS AND OTHER INSURANCE

The Company's insurance coverage is administered through Aetna Inc., which purchases insurance coverage for itself and its subsidiaries. The Company is included on a Financial Institutions Insurance Company Bond issued by Travelers Casualty and Surety Company of America with a liability limit of \$10 million and a \$5 million deductible. This coverage exceeds the suggested minimum amount of fidelity insurance prescribed by the NAIC.

Aetna Inc. maintains other coverage including Errors and Omissions, General Liability, Business Auto, Commercial General Liability, Workers Compensation and Professional Liability. The Company's insurance coverage appears adequate.

TERRITORY AND PLAN OF OPERATION

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

The Company's primary business is underwriting health insurance products marketed by affiliated health maintenance organizations in various states. In 2015, the Company wrote over \$1.0 billion of direct premiums in each of three lines: Comprehensive, Medicare and Medicaid. The Company's products include health maintenance organizations, preferred provider organizations, point-of-service, Medicare Advantage and Medicare Prescription Drug Plans (Medicare Part D).

The Company acquires business through independent agents and brokers, from benefit consultants and directly from employer groups. Through affiliated agreements, the Company has access to personnel who sell and service the Company's various products.

GROWTH OF COMPANY

The following exhibit illustrates the Company's growth over the past five years.

	2011	2012	2013	2014	2015
Total revenue (000s)	2,393,673	3,303,568	3,441,147	4,565,519	4,066,136
Change from prior year (%)	12.7	38.0	4.2	32.7	(10.9)
Total capital and surplus (000s)	339,933	478,073	585,882	704,240	949,347
Change from prior year (%)	(14.4)	40.6	22.6	20.2	34.8
Premium : Surplus ratio	7.04	6.91	5.87	6.48	4.28

The Company's revenue has generally increased over the past five years. Increased revenue has contributed to a general increase in capital and surplus over the past five years.

LOSS EXPERIENCE

The following exhibit reflects the annual underwriting results of the Company over the past five years (in 000s).

	2011	2012	2013	2014	2015
Net premium income	\$ 2,393,468	\$ 3,303,368	\$ 3,441,035	\$ 4,566,221	\$ 4,069,883
Change in unearned premium	-	-	-	(682)	(3,733)
Other revenue	205	200	112	(21)	(14)
Total underwriting deductions	(2,309,934)	(3,290,947)	(3,253,186)	(4,341,336)	(3,686,289)
Net underwriting gain	<u>\$ 83,739</u>	<u>\$ 12,621</u>	<u>\$ 187,961</u>	<u>\$ 224,182</u>	<u>\$ 379,847</u>

The Company's premium income generally increased over the past five years. The Company generated a net underwriting gain for each of the past five years.

REINSURANCE

General

Reinsurance is not a significant part of the Company's operations. Assumed premiums declined from 4% of direct premiums in 2013 to less than 1% of direct premiums in 2015. Ceded premiums never exceeded 1% of direct premiums during the current examination period. Direct, assumed and ceded business for the years under examination period are detailed below.

	2013	2014	2015
Direct Written Premiums	\$ 3,316,637,663	\$ 4,511,048,399	\$ 4,048,003,648
Reinsurance Assumed	131,433,006	59,864,956	28,801,083
Reinsurance Ceded	(7,035,543)	(4,692,119)	(6,921,936)
Net Written Premiums	<u>\$ 3,441,035,126</u>	<u>\$ 4,566,221,236</u>	<u>\$ 4,069,882,795</u>

Assumed

The Company assumed reinsurance from affiliates under separate excess of loss agreements. Most of these agreements terminated January 1, 2016.

Ceded

For 2013, the Company had a quota share agreement with Bankers' Life under which the Company ceded part of its Medicare Part D program. In 2014 and 2015, the Company ceded premiums to the U.S. Department of Health and Human Services under provisions of the Affordable Care Act.

The Company is contingently liable for all reinsurance losses ceded to others. This contingent liability would become an actual liability in the event that any assuming reinsurer should fail to perform its obligations under its reinsurance agreement with the Company.

ACCOUNTS AND RECORDS

General

The Company uses PeopleSoft® financial accounting software to prepare its financial statements. The Company's primary care application is IDX, which is used to manage in-plan services, benefits tracking, enrollment and eligibility, provider contracts, provider networks, claims processing and premium billing.

Independent Accountants

The Company's 2015 financial statements were audited by the certified public accounting firm of KPMG LLP. The 2015 audit workpapers were reviewed and used in the course of the examination as deemed appropriate.

Actuarial Opinion

For 2013, reserves and related actuarial items were reviewed and certified by Tuvy Guss, Vice President and Corporate Actuary for Coventry HealthCare, Inc. For 2014 and 2015, reserves and related actuarial items were reviewed and certified by Appointed Actuary John Stenson, FSA, MAAA.

Consulting Actuary

Pursuant to a contract with the Department, Karen Elsom, FSA, MAAA of Lewis & Ellis, Inc., reviewed the underlying actuarial assumptions and actuarial methods used in determining the adequacy of reserves and related liabilities. The Company's reserves, as of the examination date, were deemed adequate.

Information Systems

Connecticut contracted with Exam Resources to perform an information technology (IT) review in accordance with the Handbook. Exam Resources determined that the IT general control environment is effective and that IT risks have been sufficiently mitigated to allow for reliance on general controls.

STATUTORY DEPOSITS

Deposits with the State of Missouri

The funds on deposit with the Department as of December 31, 2015, as reflected below, were sufficient to meet the capital deposit requirements (\$600,000) for the State of Missouri in accordance with Section 376.290 RSMo (Deposit and transfer of securities):

<u>Type of Security</u>	<u>Par Value</u>	<u>Fair Value</u>	<u>Statement Value</u>
Columbia MO SD	\$ 110,000	\$ 111,158	\$ 110,000
Columbia MO SD	210,000	212,211	210,000
Columbia MO SPOB Rev	150,000	159,471	159,453
Springfield MO SPOB Rev	100,000	104,088	103,780
Jackson County MO SCD GO	200,000	210,302	212,700
Metro St. Louis SWR Rev	150,000	157,293	156,900
US Treasury Note	690,000	691,484	683,395
	<u>\$ 1,610,000</u>	<u>\$ 1,646,007</u>	<u>\$ 1,636,228</u>

Deposits with Other States

The Company also has funds on deposit with other states in which it is licensed. Those deposits as of year-end 2015 were as follows:

<u>State</u>	<u>Security</u>	<u>Par Value</u>	<u>Fair Value</u>	<u>Statement Value</u>
Arkansas	US Treasury Note	\$ 175,000	\$ 175,547	\$ 173,866
Florida	US Treasury Note	1,110,000	1,110,000	1,110,000
Georgia	US Treasury Note	50,000	49,744	49,946
Massachusetts	US Treasury Note	105,000	102,297	96,813
New Mexico	US Treasury Note	110,000	110,344	109,288
North Carolina	US Treasury Note	475,000	462,773	437,966
South Carolina	US Treasury Note	140,000	140,438	139,093
Texas	US Treasury Note	2,200,000	2,206,875	2,185,750
Virginia	US Treasury Note	175,000	174,825	172,079
		<u>\$4,540,000</u>	<u>\$4,532,843</u>	<u>\$4,474,801</u>

FINANCIAL STATEMENTS

The following financial statements are based on the statutory financial statements filed by the Company with the Department and present the financial condition of the Company for the period ending December 31, 2015. The accompanying Comments on Financial Statements reflect any examination adjustments to the amounts reported in the annual statement and should be considered an integral part of the financial statements.

There may have been additional differences found in the course of this examination, which are not shown in the Comments on Financial Statements. These differences were determined to be immaterial in relation to the financial statements, and therefore were only communicated to the Company and noted in the workpapers for each individual Annual Statement item.

ASSETS

	Assets	Non-admitted	Net Admitted Assets
Bonds	\$ 1,421,068,402	\$ -	\$ 1,421,068,402
Common stocks	3,253,690	-	3,253,690
Cash, cash equivalents and short-term investments	(7,810,021)	-	(7,810,021)
Receivables for securities	53,080	-	53,080
Investment income due and accrued	13,599,571	-	13,599,571
Uncollected premiums and agents' balances	43,629,987	4,244,805	39,385,182
Accrued retrospective premiums	13,109,744	-	13,109,744
Amounts recoverable from reinsurers	68,119,259	-	68,119,259
Amounts receivable relating to uninsured plans	39,598,207	-	39,598,207
Current federal and foreign income tax recoverable	9,338,289	-	9,338,289
Net deferred tax asset	39,035,351	2,247,698	36,787,653
Furniture and equipment	246,820	246,820	-
Receivables from parent, subsidiaries and affiliates	60,900,095	-	60,900,095
Health care and other amounts receivable	1,874,236	-	1,874,236
Deposits	500,000	500,000	-
Prepays	29,361,045	29,361,045	-
State taxes receivable	161,005	-	161,005
Other assets	352,015	120,499	231,516
Total Assets	\$ 1,736,390,775	\$ 36,720,867	\$ 1,699,669,908

LIABILITIES, CAPITAL AND SURPLUS

	Covered	Uncovered	Total
Claims unpaid	\$ 454,197,253	\$ 45,689,664	\$ 499,886,917
Accrued medical incentive pool and bonus amounts	27,950,115	-	27,950,115
Unpaid claims adjustment expenses	8,556,729	-	8,556,729
Aggregate health policy reserves	104,439,545	-	104,439,545
Aggregate health claim reserves	1,347,985	-	1,347,985
Premiums received in advance	41,568,536	-	41,568,536
General expenses due or accrued	52,615,799	-	52,615,799
Amounts withheld or retained for the account of others	2,969,128	-	2,969,128
Remittances and items not allocated	2,982,741	-	2,982,741
Amounts due to parent, subsidiaries and affiliates	199,393	-	199,393
Liability for amounts held under uninsured plans	2,832,267	-	2,832,267
Abandoned property liability	1,337,599	-	1,337,599
Other liabilities	3,635,866	-	3,635,866
Total Liabilities	\$ 704,632,956	\$ 45,689,664	\$ 750,322,620
Estimated Health Insurer Fee Accrual			\$ 72,710,000
Common capital stock			2,500,000
Gross paid in and contributed surplus			340,163,654
Unassigned funds (surplus)			533,973,634
Total capital and surplus			\$ 949,347,288
Total liabilities, capital and surplus			\$1,699,669,908

STATEMENT OF OPERATIONS

Member months	9,908,429
Net premium income	\$ 4,069,882,795
Change in unearned premium reserves	(3,732,700)
Other income	(14,168)
Total revenues	<u>4,066,135,927</u>
Hospital/medical benefits	2,159,664,927
Other professional services	132,527,283
Outside referrals	156,412,416
Emergency room and out-of-area	278,976,237
Prescription drugs	503,151,759
Incentive pool, withhold adjustments and bonus amounts	10,639,739
Net reinsurance recoveries	(68,089,944)
Total hospital and medical	<u>3,173,282,417</u>
Claims adjustment expenses	80,283,794
General administrative expenses	432,723,519
Total underwriting deductions	<u>3,686,289,730</u>
Net underwriting gain	379,846,197
Net investment income earned	36,977,784
Net realized capital gains	(5,592,516)
Net investment gains	<u>31,385,268</u>
Regulatory fines	(181,818)
Net income (pre-tax)	411,049,647
Federal and foreign income taxes incurred	(150,880,359)
Net income	<u>\$ 260,169,288</u>

RECONCILIATION OF SURPLUS

Capital and surplus prior reporting year	\$ 704,240,090
Net income	260,169,288
Change in net unrealized capital gains	(3,126,783)
Change in net deferred income tax	3,819,253
Change in nonadmitted assets	(15,745,818)
Prior year correction to current income taxes	(8,742)
Net change in capital and surplus	<u>245,107,198</u>
Capital and surplus end of reporting year	<u>\$ 949,347,288</u>

EXAMINATION CHANGES

There were no changes to the financial statements resulting from the examination.

COMMENTS ON FINANCIAL STATEMENTS

There were no comments on the financial statements resulting from the examination.

SUMMARY OF RECOMMENDATIONS

There were no recommendations resulting from the examination.

ACKNOWLEDGMENT

The assistance and cooperation extended by the officers and staff of Coventry Health and Life Insurance Company during the course of this examination is hereby acknowledged and appreciated. In addition to the undersigned, Andy Balas, CFE, AES, CPA; Richard Hayes, CFE; James Le, CPA, CPCU, ARE; and, Ken Tang, examiners for the Department, participated in this examination. Karen Elsom, FSA, MAAA, of Lewis & Ellis, Inc. reviewed the Company's reserves and related actuarial items.

VERIFICATION

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

I, Thomas J. Cunningham, on my oath swear that to the best of my knowledge and belief the above examination report is true and accurate and is comprised of only facts appearing upon the books, records or other documents of the Company, its agents or other persons examined or as ascertained from the testimony of its officers or agents or other persons examined concerning its affairs and such conclusions and recommendations as the examiners find reasonably warranted from the facts.



Thomas J. Cunningham, CFE, CPA
Examiner-in-Charge
Missouri Department of Insurance,
Financial Institutions and Professional Registration

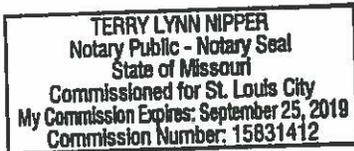
Sworn to and subscribed before me this 9 day of May 2017

My commission expires:

9-25-19



Notary Public



SUPERVISION

The examination process has been monitored and supervised by the undersigned. The examination report and supporting workpapers have been reviewed and approved. Compliance with NAIC procedures and guidelines as contained in the Financial Condition Examiners Handbook has been confirmed.



Michael Shadowens, CFE
Assistant Chief Financial Examiner, St. Louis
Missouri Department of Insurance, Financial
Institutions and Professional Registration