

STATE OF MISSOURI



DEPARTMENT OF COMMERCE & INSURANCE

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

ORDER

After full consideration and review of the report of the financial examination of Medica Central Insurance Company for the period ended December 31, 2023, together with any written submissions or rebuttals and any relevant portions of the examiner's workpapers, I, Angela L. Nelson, Director of the Missouri Department of Commerce and Insurance 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 finding, company history, management and control, territory and plan of operation, growth of company and loss experience, reinsurance, accounts and records, financial statements, comments on financial statement items, financial statement changes resulting from examination, and summary of recommendations.

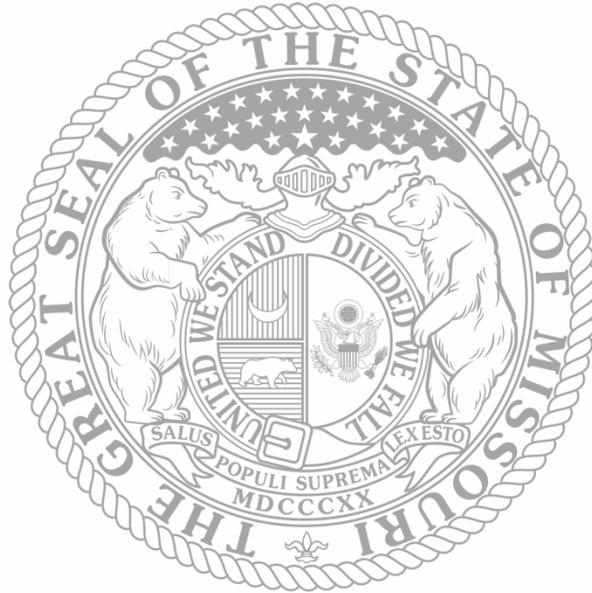
Based on such findings and conclusions, I hereby ORDER that the report of the financial examination of Medica Central Insurance Company as of December 31, 2023, be and is hereby ADOPTED as filed and for Medica Central Insurance Company to take the following action or actions, which I consider necessary 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 14th day of April, 2025.



A handwritten signature in blue ink that reads "Angela L. Nelson".

Angela L. Nelson, Director
Department of Commerce and Insurance



REPORT OF
FINANCIAL EXAMINATION OF

MEDICA CENTRAL INSURANCE COMPANY

AS OF
DECEMBER 31, 2023

STATE OF MISSOURI
DEPARTMENT OF COMMERCE & INSURANCE

JEFFERSON CITY, MISSOURI

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Jefferson City, MO
January 31, 2025

Honorable Angela L. Nelson, Director
Missouri Department of Commerce and Insurance
301 West High Street, Room 530
Jefferson City, Missouri 65101

Director Nelson:

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

Medica Central Insurance Company (NAIC #16592)

hereinafter referred to as such, as MCTIC, or as the Company. Its administrative office is located at 1277 Deming Way, Madison, WI 53717, telephone number (608) 836-1400. The fieldwork for this examination began on June 18, 2024, and concluded on the above date.

SCOPE OF EXAMINATION

Period Covered

The Missouri Department of Commerce and Insurance (Department) has performed a multi-state financial examination of Medica Central Insurance Company. The current examination covers the period of May 24, 2019, the first day the Company had the authority to make accident and health insurance business, through December 31, 2023, as well as a review of any material transactions and events occurring subsequent to the examination period through the date of this report.

Procedures

We conducted our examination in accordance with the National Association of Insurance Commissioners (NAIC) *Financial Condition Examiners Handbook (Handbook)*, except where practices, procedures, and applicable regulations of the Department or statutes of the state of Missouri prevailed. 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 the identification and evaluation of significant risks that could cause the Company's surplus to be materially misstated, both on a current and prospective basis.

This examination also included a review of significant estimates made by management and evaluation of 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.

All accounts and activities of the Company were considered in accordance with the risk-focused examination process. Those activities considered in the examination as key to MCTIC included Investments, Reserving and Claims Handling, Premiums and Underwriting, and Related Party. The examination also included a review and evaluation of information technology general controls.

This examination was conducted as part of a coordinated examination of the Medica Insurance Group, which consists of eight insurance companies domiciled in various states. The Minnesota Department of Commerce is the lead state regulator for the group. Along with Missouri, Wisconsin and Nebraska participated in the coordinated examination. The examination was also conducted concurrently with the examinations of the Company’s Missouri-domiciled affiliate, Medica Central Health Plan.

This examination report includes significant findings of fact, as mentioned in Section 374.205 RSMo (Examination, director may conduct, when...) and general information about the Company 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 are separately communicated to other regulators and/or the Company.

SUMMARY OF SIGNIFICANT FINDINGS

There were no material adverse findings, significant non-compliance issues, or material changes to the financial statements noted during the examination.

COMPANY HISTORY

General

The Company was incorporated on May 10, 2019, as SSM Health Insurance Company. The Company was issued a certificate of authority to write accident and health insurance under Section 376.010 – 376.130, RSMo (Life, Health, and Accident Insurance), on May 24, 2019. The Company began providing insurance coverage on January 1, 2020. Effective August 1, 2023, the Company’s Articles of Incorporation were amended to change the name of the corporation to Medica Central Insurance Company.

Mergers, Acquisitions, and Major Corporate Events

Effective December 1, 2021, Medica Holding Company, a Minnesota nonprofit corporation, acquired a 55% controlling interest in the Company.

Dividends and Capital Contributions

There were no dividends paid during the examination period. The Company received capital contributions during the examination period as follows:

Year	Amount
2019	\$ 600,000
2020	400,000
2021	4,026,900
Total	\$ 5,026,900

Surplus Notes

There were no surplus notes issued or outstanding during the examination period.

MANAGEMENT AND CONTROL

Board of Directors

The management of the Company is vested in a Board of Directors that are elected by the shareholders. The Company's Articles of Incorporation specify that there shall be not less than 9 and not more than 21 individuals. The Board of Directors elected and serving as of December 31, 2023, were as follows:

<u>Name and Address</u>	<u>Principal Occupation and Business Affiliation</u>
Matthew N. Kinsella St. Louis, Missouri	Chief Financial Officer SSM Health, Inc.
Timothy A. Johnson, MD St. Louis, Missouri	Physician, Healthcare Administration SSM Health, Inc.
Randall J. Combs St. Louis, Missouri	Chief Financial Officer SSM Health, Inc.
Karen D. Rewerts St. Louis, Missouri	System Vice President – Financial Operations SSM Health, Inc.
David H. Ellenbogen Minnetonka, Minnesota	Senior Vice President and General Counsel Medica Services Company, LLC
David S. Docherty Minnetonka, Minnesota	Dean Health Plan President and Market Leader Medica Services Company, LLC
David S. Webster, MD Minnetonka, Minnesota	Chief Clinical and Provider Strategy Officer Medica Services Company, LLC
Elizabeth F. Erickson Minnetonka, Minnesota	Chief Executive Officer Medica Services Company, LLC
Mary P. Quist Minnetonka, Minnesota	Senior Vice President – Finance Medica Services Company, LLC

Senior Officers

The officers elected and serving, as of December 31, 2023, were as follows:

<u>Name</u>	<u>Office</u>
David S. Docherty	President, MCTIC
Dean A. Sutton	Secretary, MCTIC
Elizabeth F. Erickson	Chief Executive Officer, Medica
David S. Webster	Chief Clinical & Provider Strategy Officer
Thomas H. Lindquist	SVP, Chief Marketing Officer
Scott R. Reid	SVP, Strategy & Business Development
Melissa A Durant	SVP, Chief People Officer
Daniel O. Abdul	Chief Information and Operations Officer

Principal Committees

The Company does not have any committees but relies on information and strategic guidance provided by the Board of Director Committees of Medica Holding Company including the following committees: Audit, Governance, Consumer Experience, Medical, Personnel and Compensation, and Finance. The Company's Bylaws allow the Audit Committee of the Board of Directors of

Medica Holding Company to serve as the audit committee of the Company.

Corporate Records

The Company's Articles of Incorporation (Articles) and Bylaws were reviewed. Effective June 29, 2020, the Articles were amended to change the aggregate number of authorized shares from 600,000 to 1,000,000. Effective December 1, 2021, the Bylaws were amended to streamline corporate governance after the acquisition by Medica Holding Company. Effective August 1, 2023, the Articles and Bylaws were amended to change the name of the Company to Medica Central Insurance Company.

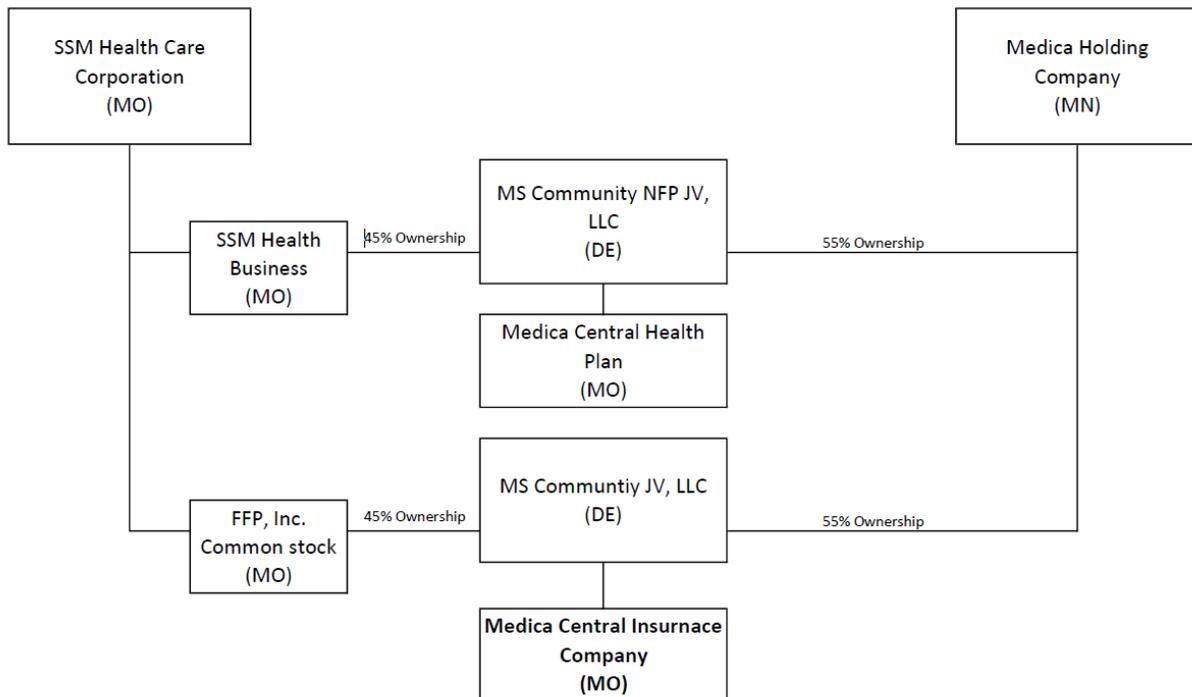
The minutes of the Board, Board committees, and shareholders, were reviewed for the period under examination.

Holding Company, Subsidiaries, and Affiliates

MCTIC is a member of an Insurance Holding Company System, as defined by Section 382.010 RSMo (Definitions). The Company is wholly owned by MS Community JV, LLC. MS Community NFP JV, LLC is owned 55% by Medica Holding Company (Medica) and 45% by FPP, Inc. which is owned by SSM Health Care Corporation (SSM HCC). Medica and SSM HCC are organized as nonprofit corporations.

Organizational Chart

The following organizational chart depicts the applicable portion of the holding company group as of December 31, 2023.



Intercompany Transactions

The following agreements represent significant contracts executed with affiliated entities that were in effect as of December 31, 2023. A brief description of these agreements are as follows:

Administrative Service Agreement (Medica Services Company, LLC or MSC): MCTIC is party to an agreement with MSC. Under the terms of the agreement, MSC provides certain administrative services to the Company through the use of Statements of Work (SOWs). The effective date of this agreement is December 1, 2021.

Administrative Service Agreement (SSM HCC): MCTIC is a party to an agreement with SSM HCC. Under the terms of the agreement, SSM HCC provides certain administrative services to the Company through the use of SOWs. The effective date of this agreement is December 1, 2021.

Medicare Advantage/Part D Pharmacy Benefit Management Services Agreement: MCTIC is a party to an agreement with Navitus Health Solutions LLC (Navitus) under which Navitus provides pharmacy benefit management services for the Company's Medicare Advantage Prescription Drug (MAPD) plan. The effective date of this agreement is October 1, 2020.

Pharmacy Management Service Agreement: MCTIC is a party to an agreement with Navitus under which Navitus provides pharmacy benefit management services for the Company's prescription drug plans except for MAPD plan. The effective date of this agreement is January 1, 2020.

Shared Services Agreement: MCTIC is a party to an agreement with Dean Health Service Company, LLC (DHSC). Under the terms of the agreement, DHSC provides certain administrative services to the Company as outlined in the agreement. The effective date of this agreement is December 1, 2021.

Capitation Service Agreement: MCTIC is a party to a capitation service agreement with SSM HCC and Medica Health Management, LLC (MHM). Under the terms of the agreement, MCTIC transfers the actuarial risk of medical provider costs for covered health care services from MCTIC to SSM HCC and MHM through the allocation of premiums to funds from which claims will be paid. The effective date of this agreement is December 1, 2021.

Tax Sharing Agreement: MCTIC is party to a tax sharing agreement with Dean Health Insurance, Inc., Dean Health Service Company, LLC, and MS Community JV, LLC. Under the terms of the agreement, the parties allocate their consolidated federal income tax for each period utilizing the separate return allocation method, with payments for losses utilized by FPP, Inc. in the consolidated return of the affiliated group. The effective date of this agreement is December 1, 2021.

TERRITORY AND PLAN OF OPERATION

The Company is licensed by the Missouri Department of Commerce and Insurance under Chapter 376 RSMo (Life, Health and Accident Insurance) as an accident and health organization. The Company is also licensed in Illinois and Oklahoma. MCTIC offers comprehensive health products through the Missouri individual marketplace on-and-off exchange in the St. Louis area.

GROWTH OF COMPANY AND LOSS EXPERIENCE

The Company started writing business in 2020. After several years of losses, MCTIC reported an underwriting gain and net income for 2023.

The table below summarizes the Company's growth for the period under examination:

(\$000s omitted)

Year	Total Assets	Net Premiums Earned	Underwriting Gain (Loss)	Net Income (Loss)	Capital and Surplus	Ratio of Net Premiums to Surplus
2019	\$ 6,600	\$ 0	\$ (5,151)	\$ (5,124)	\$ 5,239	0.0
2020	18,893	27,209	(1,300)	(1,781)	3,458	7.9
2021	19,356	34,369	(78)	(1,793)	5,692	6.0
2022	14,492	29,535	(1,332)	(938)	4,753	6.2
2023	11,111	23,481	164	754	5,122	4.6

The Company capitates all risk to its provider owned risk pools through a capitation service agreement that fixes the medical loss ratio on the covered business.

The table below summarizes the Company's total revenues, incurred hospital and medical expenses, and medical loss ratios for the period under examination:

(\$000s omitted)

Year	Total Revenues	Total Hospital and Medical Benefits	Medical Loss Ratio
2019	\$ 0	\$ 0	n/a
2020	27,209	20,867	77%
2021	34,369	26,598	77%
2022	29,535	23,324	79%
2023	23,481	20,299	86%

REINSURANCE

The Company did not assume or cede premiums during the examination period.

ACCOUNTS AND RECORDS

Independent Auditor

The certified public accounting (CPA) firm, RSM US LLP, in Minneapolis, MN, performed the statutory audit of the Company for 2023. The CPA firm of Deloitte & Touche LLP, in Minneapolis, MN, performed the statutory audit of the Company for years 2022, 2021, and 2020. The Company requested and received an exemption from the Department for filing audited financial statements for 2019. Reliance was placed upon the CPA workpapers as deemed appropriate.

Actuarial Opinion

The Company’s actuarial opinion regarding reserves and other actuarial items was issued by Mathew Capps, FSA, MAAA, CERA, for years 2023, 2022, 2021, and 2020. Mr. Capps is employed by Medica Services Company, LCC in Madison, WI. The Company requested and received an exemption from the Department for filing an actuarial opinion for 2019.

Consulting Actuary

Pursuant to a contract with the Minnesota Department of Commerce, Peggy Hermann, FSA, MAAA of The INS Companies, reviewed the underlying actuarial assumptions and methodologies used by MCTIC to determine the adequacy of reserves and other actuarial items. Ms. Hermann determined that the Company made a reasonable provision for the reserves and other actuarial items that were reported in the statutory financial statements, as of December 31, 2023.

Information Systems

Pursuant to a contract with the Minnesota Department of Commerce, Lisa Bringman and Dave Gordon, CISA, CIA, CFE (Fraud), CDFE, MBA, of The INS Companies, conducted a review of the Company’s information systems. Kimberly Dobbs, CFE, AES, CISA, Information Systems Financial Examiner-in-Charge with the Department, reviewed the work performed by ER.

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 Medica Central Insurance Company for the period ending December 31, 2023. The accompanying comments on financial statements reflect any examination adjustments to the amounts reported in the financial statements and should be considered an integral part of the financial statements. The failure of any column of numbers to add to its respective total is due to rounding or truncation.

There may have been additional differences found in the course of this examination, which are not shown in the “Comments on Financial Statement Items.” These differences were determined to be immaterial concerning their effect on the financial statements, and therefore were only communicated to the Company and noted in the workpapers for each individual key activity.

ASSETS

As of December 31, 2023

	Assets	Nonadmitted Assets	Net Admitted Assets
Cash, Cash Equivalents, and Short-Term Investments	\$ 9,903,980	\$ 0	\$ 9,903,980
Investment Income Due and Accrued	84,240	65,053	19,187
Current Federal and Foreign Income Tax Recoverable and Interest Thereon	268,104	0	268,104
Receivables from Parent, Subsidiaries, and Affiliates	677,526	320,302	357,224
Aggregate Write-Ins for Other-Than-Invested Assets	176,981	0	176,981
TOTAL ASSETS	\$ 11,110,831	\$ 385,355	\$ 10,725,476

LIABILITIES, CAPITAL AND SURPLUS

As of December 31, 2023

Claims Unpaid	\$ 120,621
Aggregate Health Policy Reserves	3,595,120
Premiums Received in Advance	451,286
General Expenses Due or Accrued	72,717
Amounts Due to Parent, Subsidiaries, and Affiliates	1,363,717
TOTAL LIABILITIES	\$ 5,603,461
Common Capital Stock	1,000,000
Gross Paid-In and Contributed Surplus	13,389,900
Unassigned Funds (Surplus)	(9,267,885)
TOTAL CAPITAL AND SURPLUS	\$ 5,122,015
TOTAL LIABILITIES AND SURPLUS	\$ 10,725,476

STATEMENT OF REVENUE AND EXPENSES

For the Year Ended December 31, 2023

Net Premium Income	\$ 23,480,763
Total Revenue	\$ 23,480,763
Hospital/Medical Benefits	8,937,008
Other Professional Services	589,094
Outside Referrals	442,953
Emergency Room and Out-of-Area	3,922,640
Prescription Drugs	6,407,114
Claims Adjustment Expenses	291,180
General Administrative Expenses	2,725,873
Total Underwriting Deductions	\$ 23,315,862
Net Underwriting Gain (Loss)	\$ 164,901
Net Investment Income Earned	385,194
Net Investment Gain (Loss)	\$ 385,194
Net Gain (Loss) from Agents' or Premium Balances Charged Off	(63,633)
Aggregate Write-Ins for Other Income or Expenses	(596)
Net Income (Loss) After Capital Gains Tax and Before All Other Federal Income Taxes	\$ 485,866
Federal and Foreign Income Taxes Incurred	(268,104)
NET INCOME (LOSS)	\$ 753,970

RECONCILIATION OF CAPITAL AND SURPLUS

Changes from May 24, 2019 to December 31, 2023

(\$000's omitted)

	2019	2020	2021	2022	2023
Capital and Surplus, Beginning of Year	\$ 0	\$ 5,239	\$ 3,458	\$ 5,692	\$ 4,753
Net Income (Loss)	(5,124)	(1,781)	(1,793)	(938)	754
Change in Nonadmitted Assets	0	0	0	0	(385)
Capital Changes: Paid In	600	400	4,027	0	0
Surplus Adjustments: Paid In	9,763	(400)	0	0	0
Net Change in Capital and Surplus	5,239	(1,781)	2,234	(938)	369
Capital and Surplus, End of Year	\$ 5,239	\$ 3,458	\$ 5,692	\$ 4,753	\$ 5,122

COMMENTS ON FINANCIAL STATEMENT ITEMS

None.

FINANCIAL STATEMENT CHANGES RESULTING FROM EXAMINATION

None.

SUMMARY OF RECOMMENDATIONS

None.

SUBSEQUENT EVENTS

Effective January 1, 2024, the Capitation Service agreement with SSM HCC was discontinued.

ACKNOWLEDGMENT

The assistance and cooperation extended by the officers and the employees of Medica Central Insurance Company during the course of this examination is hereby acknowledged and appreciated. In addition to the undersigned, Ethan Adrian, APIR, examiner for the Missouri Department of Commerce and Insurance, also participated in this examination.

VERIFICATION

State of Missouri)
) ss
County of Cole)

I, Brian D. Hammann, CPA, CFE, 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 Medica Central Insurance 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.

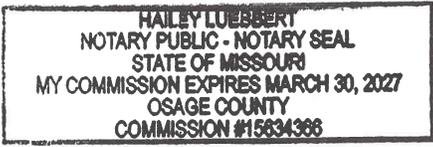
Brian D. Hammann

Brian D. Hammann, CPA, CFE
Examiner-In-Charge
Missouri Department of Commerce and
Insurance

Sworn to and subscribed before me this 26th day of February, 2025.

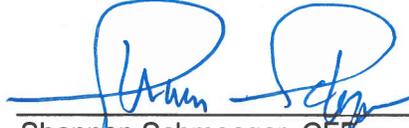
My commission expires: March 30, 2027 *Hailey Luebber*

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, except where practices, procedures, and applicable regulations of the Missouri Department of Commerce and Insurance and statutes of the state of Missouri prevailed.



Shannon Schmoeger, CFE
Chief Financial Examiner
Missouri Department of Commerce and
Insurance