

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 Cox Health Systems Insurance Company for the period ended December 31, 2022, 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 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.

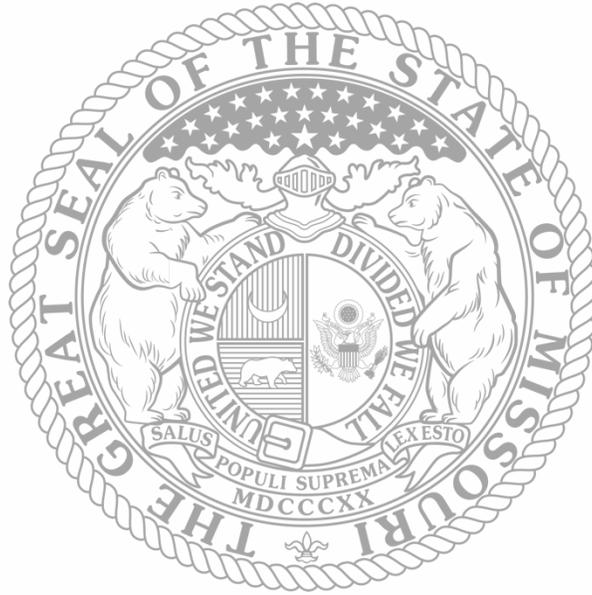
Based on such findings and conclusions, I hereby ORDER that the report of the financial examination of Cox Health Systems Insurance Company as of December 31, 2022, be and is hereby ADOPTED as filed and for Cox Health Systems Insurance Company to take the following action or actions, which I consider 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 April, 2024.



Chlora Lindley-Myers

Chlora Lindley-Myers, Director
Department of Commerce and Insurance



REPORT OF
FINANCIAL EXAMINATION OF

COX HEALTH SYSTEMS INSURANCE COMPANY

AS OF
DECEMBER 31, 2022

STATE OF MISSOURI
DEPARTMENT OF COMMERCE & INSURANCE

JEFFERSON CITY, MISSOURI

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Springfield, MO
March 15, 2024

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

Director Lindley-Myers:

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

Cox Health Systems Insurance Company (NAIC #60040)

hereinafter referred to as such, as CHSIC, or as the Company. Its administrative office is located at 3200 South National, Springfield, Missouri 65801, telephone number 417-269-6762. The fieldwork for this examination began on July 24, 2023, and concluded on the above date.

SCOPE OF EXAMINATION

Period Covered

The Missouri Department of Commerce and Insurance (Department) has performed a single-state financial examination of Cox Health Systems Insurance Company. The last examination of the Company by the Department covered the period of January 1, 2016, through December 31, 2018. The current examination covers the period of January 1, 2019, through December 31, 2022, as well as a review of any material transactions and events occurring subsequent to the examination period through the date of this report. This examination was performed concurrently with the examination of the Company's direct parent, Cox Health Systems HMO, Inc. (CHMO).

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 CHSIC included investments, capital and surplus, underwriting, claims and reserves, reinsurance, and related parties. The examination also included a review and evaluation of information technology general controls.

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

Cox Health Systems Insurance Company was incorporated in the state of Missouri on March 15, 1994, and was issued a certificate of authority by the Department on September 23, 1994, under Chapter 376, RSMo (Life, Health and Accident Insurance). The Company commenced business on April 1, 1995, and converted to a nonprofit corporation effective January 1, 2015.

Mergers, Acquisitions, and Major Corporate Events

There were no mergers, acquisitions, or major corporate events during the examination period.

Dividends and Capital Contributions

CHMO owns 100% of the issued and outstanding common stock of CHSIC and is therefore the direct parent of CHSIC. The Company has neither declared nor paid any dividends since inception. In 2019, CHSIC received a capital contribution in the amount of \$1,500,000 from its direct parent, CHMO. No other capital contributions were made to CHSIC during the examination period.

Surplus Notes

CHSIC issued surplus notes to Lester E. Cox Medical Centers of \$1,400,000 on August 31, 1997, and of \$4,000,000 on January 31, 2018. The interest rate on the notes may not exceed 5% and any repayment of principal or interest require prior approval by the Department. There have been no payments of interest or principal on the surplus notes. As of December 31, 2022, the total accumulated balance of principal and interest is \$7,497,046.

MANAGEMENT AND CONTROL

Board of Directors

The management of the Company is vested in a Board of Directors (Board) that are elected at the annual meeting of the stockholder. The Company's Bylaws specify that the Board shall consist of no less than nine and no more than twenty-one members. The Directors elected and serving as of December 31, 2022, were as follows:

<u>Name and Address</u>	<u>Principal Occupation and Business Affiliation</u>
Max D. Buetow Springfield, MO	President and CEO CoxHealth
Janice K. Harris Springfield, MO	Retired Teacher Springfield Public Schools
Timothy L. Jones Springfield, MO	Executive Vice President and Physician Lester E. Cox Medical Centers
Rita M. Needham Springfield, MO	Retired Chief Executive Officer Missouri Association of Manufacturers
Clifford M. Costley Monett, MO	Medical Director of Regional Services and Physician, Lester E. Cox Medical Centers
Jerry G. Jared Rogersville, MO	Retired Chairman and Chief Executive Officer Jared Enterprises, Inc.
Norman J. Mechlin Springfield, MO	Physician Ferrell Duncan Clinic
J. Brent Singleton Springfield, MO	Senior Wealth Advisor and Director Mercer Advisors
Bill W. Jones Branson, MO	President, Chief Executive Officer, and Chairman Branson Bank

Senior Officers

The officers elected and serving, as of December 31, 2022, were as follows:

<u>Name</u>	<u>Office</u>
Matthew J. Aug	President
*Lisa J. Odom	Chief Financial Officer
Susan M. Sanchez	Chief Information Officer

*Effective June 13, 2023, Lisa Odom left the Company and was replaced by Jennifer A. Henderson.

Principal Committees

The Bylaws provide the Board the authority to establish committees on both a standing and ad hoc basis, as deemed necessary. The Board has not established any committees specific to CHSIC. Rather, the Company participates in the following management committees maintained by its affiliate, Cox HealthPlans, LLC (CHP).

- Quality Improvement Committee
- Compliance Committee
- Enterprise Risk Management Committee

- Utilization Management Committee
- Benefits Committee
- Regulatory Committee
- HIPAA Steering Committee

Corporate Records

The Company's Articles of Incorporation and Bylaws were reviewed. There were no revisions to either document during the examination period. The minutes of the Board were reviewed for the period under examination.

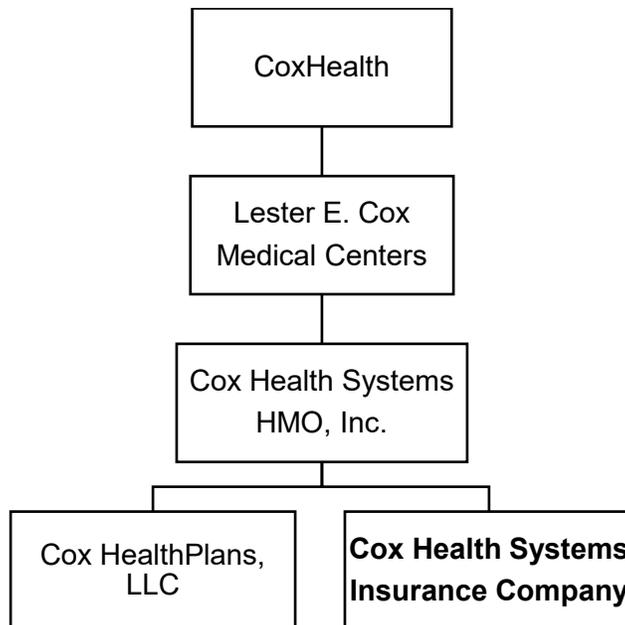
Holding Company, Subsidiaries, and Affiliates

CHSIC is a member of an Insurance Holding Company System, as defined by section 382.010, RSMo (Definitions). CoxHealth, a nonprofit corporation, is the ultimate controlling entity of the group. The following is a description of the business operations of the directly affiliated entities:

- CoxHealth – A nonprofit corporation and ultimate controlling entity organized to promote and support the interests and purposes of the healthcare entities within the holding company system.
- Lester E. Cox Medical Centers – A nonprofit corporation owning and operating hospitals, and various healthcare related entities.
- Cox Health Systems HMO, Inc. – A nonprofit Health Maintenance Organization, currently writing Medicare Advantage business, effective January 1, 2023.
- Cox HealthPlans, LLC – A management and consulting company licensed as a third-party administrator (TPA) that provides utilization review and other administrative services to CHMO and CHSIC.

Organizational Chart

The following organizational chart depicts the applicable portion of the holding company group as of December 31, 2022. All subsidiaries are wholly-owned unless otherwise noted. All entities are incorporated and domiciled in Missouri.



Intercompany Transactions

The following agreements represent significant contracts executed with affiliated entities that were in effect as of December 31, 2022. A brief description of these agreements are as follows:

Management Agreement: Effective January 1, 2002, CHSIC and CHP entered into a Management Agreement under which CHP provides comprehensive administrative, financial, and managerial services for the Company, including premium processing, claims management and provider network administration.

Indemnity Agreement: Effective June 18, 1999, CHSIC and CoxHealth entered into an Indemnity Agreement under which CoxHealth agrees to indemnify CHSIC from any and all liability, loss, or damage suffered as a result of the Company's failure to perform its obligations arising under insurance coverage it has issued or assumed, should the Company become insolvent or otherwise financially incapable of furnishing such coverage.

Additional Discounts Agreement: Effective January 1, 2002, CHSIC and Lester E. Cox Medical Centers entered into an Additional Discounts Agreement under which Lester E. Cox Medical Centers provides the Company with additional provider discounts when its medical loss ratio exceeds an agreed upon percentage during a calendar year.

Wellness Services Agreement: Effective December 10, 2011, CHSIC and Lester E. Cox Medical Centers entered into a Wellness Services agreement under which Lester E. Cox Medical Centers provides wellness services to members of the Company who hold the wellness and health status improvement rider.

Specialty Medication Agreement: Effective July 1, 2017, CHSIC and Medical Developments, Inc., entered into a Specialty Medication Agreement under which the Company pays a discounted rate for certain specialty prescription medications for qualified members requiring additional care due to chronic diseases as a part of the group plan.

TERRITORY AND PLAN OF OPERATION

CHSIC is licensed in the state of Missouri under Chapter 376, RSMo. (Life, Health and Accident Insurance). The Company is not licensed in any other states. The Company's business is currently limited to individual and group accident and health insurance, with group preferred provider plans (PPO) accounting for a significant proportion of its business. The Company does not currently write life insurance business.

The Company's service area is concentrated in southwestern Missouri. Business is produced through a combination of direct employees, outside brokers, and online distribution channels. The Company had 27,072 members as of December 31, 2022.

GROWTH OF COMPANY AND LOSS EXPERIENCE

The Company experienced a decline in membership and premiums in year-end 2019. While premiums fluctuated during the examination period, the Company reported net income in three out of four years with underwriting gain reported in 2020 and 2022. The decline in premiums was partially offset by an increase in other health business for short-term and small group self-funded plans which trended positively during the examination period.

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	\$ 48,085	\$ 132,627	\$ (396)	\$ 352	\$ 20,584	644.32%
2020	54,553	143,170	3,155	3,878	24,462	585.28%
2021	52,774	137,385	(1,933)	(1,414)	23,049	596.06%
2022	55,776	140,468	2,693	2,986	26,035	539.54%

The Company experienced a mix of underwriting profits and losses during the exam period with significant losses reported for the year-ended 2021. Underwriting losses in year-end 2021 were caused by a combination of decline in premiums and increase in benefit costs which resulted in a high medical loss ratio for year-end 2021.

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	\$ 132,627	\$ 118,140	89.08%
2020	143,170	123,262	86.09%
2021	137,385	124,161	90.37%
2022	140,468	122,430	87.16%

REINSURANCE

General

The Company's premium activity on a direct written, assumed, and ceded basis for the period under examination is detailed below:

(\$000s omitted)

Premium Type	2019	2020	2021	2022
Direct Premiums Written	\$ 133,759	\$ 144,392	\$ 138,952	\$ 142,201
Reinsurance Ceded:				
Affiliates	-	-	-	-
Non-Affiliates	1,132	1,222	1,567	1,733
Net Premiums Written	\$ 132,627	\$ 143,170	\$ 137,385	\$ 140,468

Assumed Reinsurance

The Company did not assume any premiums during the period under examination.

Ceded Reinsurance

CHSIC has a medical excess of loss reinsurance agreement with Zurich American Insurance Company (Zurich). Under the terms of the 2022 reinsurance agreement, Zurich agreed to reimburse 90% of net excess loss above \$600,000, once the \$700,000 aggregate specific minimum has been met. There is no maximum benefit coverage limit for each covered plan, except short-term medical plans which have a limit of \$1,000,000. This agreement was updated

in 2023 to increase the aggregate specific minimum from \$700,000 to \$770,000 and to add coverage for specific prescription drugs, at 95% of losses in excess of \$600,000.

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

ACCOUNTS AND RECORDS

Independent Auditor

The certified public accounting (CPA) firm, BKD, LLP (BKD), of Fort Wayne, Indiana, performed the statutory audits of the Company for years 2019 through 2021 of the examination period. In 2022, BKD merged with Dixon Hughes Goodman and began operating under the name FORVIS, LLP (FORVIS). FORVIS performed the 2022 statutory audit of the Company. Reliance was placed upon the CPA workpapers as deemed appropriate. Such reliance included, but was not limited to, identification of key processes and controls and substantive testing procedures.

Actuarial Opinion

The Company's actuarial opinion regarding reserves and other actuarial items was issued by Kimberly S. Shores, FSA, MAAA, for all years in the examination period. Ms. Shores is employed by Lewis & Ellis, Inc. in Overland Park, Kansas.

Consulting Actuary

Pursuant to a contract with the Department, Donna Novak, ASA, FCA, MAAA of NovaRest Actuarial Consulting, reviewed the underlying actuarial assumptions and methodologies used by CHSIC to determine the adequacy of reserves and other actuarial items. Ms. Novak 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, 2022.

Information Systems

Kim Dobbs, CFE, AES, CISA, Information Systems Financial Examiner-in-Charge with the Department, assisted by IT Examiner Specialist, Alicia Galm, CFE, conducted a review of the Company's information systems.

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 Cox Health Systems Insurance Company for the period ending December 31, 2022. 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, 2022

	Assets	Nonadmitted Assets	Net Admitted Assets
Bonds	\$ 25,287,828	\$ -	\$ 25,287,828
Cash, Cash Equivalents, and Short- Term Investments	24,374,660	-	24,374,660
Receivables for Securities	8,075	-	8,075
Investment Income Due and Accrued	143,753	-	143,753
Premiums and Considerations:			
Uncollected Premiums and Agents' Balances in the Course of Collection	89,823	-	89,823
Accrued Retrospective Premiums	157,187	-	157,187
Reinsurance:			
Amounts Recoverable from Reinsurers	444,192	-	444,192
Health Care and Other Amounts Receivable	5,253,702	-	5,253,702
Aggregate Write-Ins for Other-Than- Invested Assets	16,964	-	16,964
TOTAL ASSETS	\$ 55,776,184	\$ -	\$ 55,776,184

LIABILITIES, CAPITAL AND SURPLUS

As of December 31, 2022

Claims Unpaid	\$ 23,016,693
Unpaid Claims Adjustment Expenses	230,089
Aggregate Health Policy Reserves	1,000,000
Premiums Received in Advance	3,728,195
General Expenses Due or Accrued	595,089
Amounts Due to Parent, Subsidiaries, and Affiliates	1,170,659
TOTAL LIABILITIES	\$ 29,740,725
Common Capital Stock	800,000
Gross Paid-In and Contributed Surplus	39,189,682
Surplus Notes	7,497,046
Unassigned Funds (Surplus)	(21,451,269)
TOTAL CAPITAL AND SURPLUS	\$ 26,035,459
TOTAL LIABILITIES AND SURPLUS	\$ 55,776,184

STATEMENT OF REVENUE AND EXPENSES

For the Year Ended December 31, 2022

Net Premium Income	\$ 140,467,643
Total Revenue	\$ 140,467,643
Hospital/Medical Benefits	92,753,882
Outside Referrals	2,594,480
Emergency Room and Out-of-Area	3,068,508
Prescription Drugs	24,859,137
Net Reinsurance Recoveries	846,177
Claims Adjustment Expenses	3,018,541
General Administrative Expenses	12,326,015
Total Underwriting Deductions	\$ 137,774,386
Net Underwriting Gain (Loss)	\$ 2,693,257
Net Investment Income Earned	494,419
Net Realized Capital Gains (Losses)	(201,667)
Net Investment Gain (Loss)	\$ 292,752
NET INCOME (LOSS)	\$ 2,986,009

RECONCILIATION OF CAPITAL AND SURPLUS

Changes from January 1, 2019, to December 31, 2022

(\$000's omitted)

	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>
Capital and Surplus, Beginning of Year	\$ 18,720	\$ 20,584	\$ 24,462	\$ 23,049
Net Income (Loss)	352	3,878	(1,414)	2,986
Change in Net Unrealized Capital Gains (Losses) Less Capital Gains Tax	1	-	-	-
Change in Nonadmitted Assets	10	-	-	-
Change in Surplus Notes	138	134	103	51
Surplus Adjustments:				
Paid In	1,500	-	-	-
Aggregate Write-Ins for Gains (Losses) in Surplus	(138)	(134)	(103)	(51)
Net Change in Capital and Surplus	1,864	3,878	(1,413)	2,986
Capital and Surplus, End of Year	\$ 20,584	\$ 24,462	\$ 23,049	\$ 26,035

COMMENTS ON FINANCIAL STATEMENT ITEMS

None.

FINANCIAL STATEMENT CHANGES RESULTING FROM EXAMINATION

None.

SUMMARY OF RECOMMENDATIONS

None.

SUBSEQUENT EVENTS

There were no significant subsequent events noted from December 31, 2022, through the date of the report.

ACKNOWLEDGMENT

The assistance and cooperation extended by the officers and the employees of Cox Health Systems Insurance Company during the course of this examination is hereby acknowledged and appreciated. In addition to the undersigned, Emily Pennington, CFE, Lisa Li, CFE, CPA, ARe, Kim Dobbs, CFE, AES, CISA, and Alicia Galm, CFE, examiners for the Missouri Department of Commerce and Insurance, also participated in this examination.

VERIFICATION

State of Missouri)
) ss
County of Cole)

I, Ronald Musopole, CFE, CIA, CRMA, MBA, 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 Cox Health Systems 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.

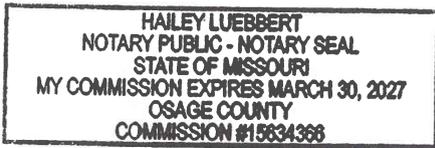


Ronald Musopole, CFE, CIA, CRMA, MBA
Examiner-In-Charge
Missouri Department of Commerce and
Insurance

Sworn to and subscribed before me this 29th day of March, 2024.

My commission expires: March 30, 2027


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.



Sara McNeely, CFE
Assistant Chief Financial Examiner
Missouri Department of Commerce and
Insurance