

**REPORT OF  
EXAMINATION**

**OF**

**CENTENE VENTURE COMPANY ALABAMA HEALTH PLAN, INC.**

**HUNTSVILLE, AL**

**AS OF**

**DECEMBER 31, 2022**

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**EXAMINER'S AFFIDAVIT**

**STATE OF ALABAMA  
COUNTY OF MONTGOMERY**

Jacob A. Grissett, CFE (Fraud), being duly sworn, states as follows:


1. I have the authority to represent Alabama in the examination of Centene Venture Company Alabama Health Plan, Inc.
2. Alabama is accredited under the National Association of Insurance Commissioners Financial Regulation Standards and Accreditation.
3. I have reviewed the examination workpapers and examination report, and the examination of Centene Venture Company Alabama Health Plan, Inc. was performed in a manner consistent with the standards and procedures required by the State of Alabama.

The affiant says nothing further.

  
\_\_\_\_\_  
Jacob A. Grissett, CFE (Fraud)

Subscribed and sworn before me by Jacob A. Grissett on the 30th day of May 2024.

(Seal)

  
\_\_\_\_\_  
(Signature of Notary Public)

My commission expires 2/16/28



KAY IVEY  
GOVERNOR

MARK FOWLER  
COMMISSIONER

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DEPARTMENT OF INSURANCE  
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CHIEF EXAMINER  
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SCOTT F. PILGREEN

GENERAL COUNSEL  
REYN NORMAN

May 30, 2024

Honorable Mark Fowler  
Commissioner of Insurance  
Alabama Department of Insurance  
201 Monroe Street, Suite 502  
Montgomery, AL 36104

Dear Commissioner Fowler:

Pursuant to your instructions and in compliance with the statutory requirements of the State of Alabama and the resolutions adopted by the National Association of Insurance Commissioners, a full scope financial and market conduct examination as of December 31, 2022 has been made of

**Centene Venture Company Alabama Health Plan, Inc.  
Huntsville, AL**

And was completed remotely with support from company management located in St. Louis, Missouri. The Company's statutory home office is located at 7027 Old Madison Pike NW, Huntsville, AL 35806. The report of examination is submitted herewith. Where the description "Company" appears herein, without qualification, it will be understood to indicate Centene Venture Company Alabama Health Plan, Inc.

## SCOPE OF EXAMINATION

We have performed an examination of Centene Venture Company Alabama Health Plan, Inc., a single state company. An organizational exam was conducted for the period beginning October 31, 2019, through March 26, 2020. The current examination covers the period March 27, 2020, through December 31, 2022. This examination was the first full-scope examination of the Company.

The examination was conducted in accordance with the *NAIC Financial Condition Examiners Handbook*. The handbook requires that we plan and perform the examination to evaluate the financial condition, assess corporate governance, identify current and prospective risks of the Company, and evaluate system controls and procedures used to mitigate those risks. An examination also includes identifying and evaluating significant risks that could cause an insurer's surplus to be materially misstated both currently and prospectively.

The examination was conducted in accordance with applicable statutory requirements of the *Code of Alabama 1975*, as amended, the Alabama Insurance Department regulations, bulletins, and directives, and in accordance with the procedures and guidelines promulgated by the NAIC, as deemed appropriate, and in accordance with generally accepted examination standards and practices.

Concurrent examinations of the Company's 83 affiliates were completed by their respective states with Texas being the lead state and facilitating the coordinated examination.

The Alabama Department of Insurance relied on the examination work performed in the coordinated examination to complete much of the financial examination. Work completed on key activities of the Company by Florida on investments and premiums; Missouri on related parties; Illinois on capital and surplus and pricing; Wisconsin on reinsurance assuming; Mississippi on reinsurance ceding; Texas on reserving; and North Carolina on claims handling were accepted to support conclusions in the respective areas of work. In addition, reviews related to corporate governance, audit function assessment, IT general control assessment, prospective risks, reviews related to fraud were utilized. Procedures specific to the Alabama entity were performed and the Company's compliance with Alabama laws and regulations was determined. Market Conduct procedures included a review of territory, plan of operation, advertising and marketing, policyholders' complaints, claims payment practices, producer licensing, underwriting and rating, and privacy standards.

All accounts and activities of the Company were considered in accordance with the risk-focused examination process. This included assessing significant estimates made by management and evaluating management's compliance with statutory accounting principles. The examination does not attest to the fair presentation of the financial statements included herein. If, during the course of the examination an adjustment is identified, the impact of such adjustment will be documented separately following the Company's financial statements.

This examination report includes significant findings of fact, as mentioned in the *Code of Alabama 1975*, as amended, and general information about the insurer and its financial condition. There may be other items identified during the examination that, due to their nature, are not included within the examination report but separately communicated to other regulators and/or the Company.

The Company's annual statements for each year under examination were compared with or reconciled to the corresponding general ledger account balances.

KPMG LLP was the Company's certified public accountants (CPAs) for the years under examination. The examiners reviewed the CPAs' workpapers, copies of which were incorporated into the examination as deemed appropriate. Work completed by the Company's independent auditor supporting its 2022 audit of the Company was accepted to support conclusions in certain areas of the examination. Control and substantive tests in the examination of the key activities were utilized.

A signed certificate of representation for the Company was obtained during the course of the examination. In this certificate, management attested to having valid title to all assets and to the nonexistence of unrecorded liabilities as of December 31, 2022.

## **ORGANIZATION AND HISTORY**

The Company was incorporated on October 31, 2019, as a Health Maintenance Organization (HMO), as defined in ALA. CODE § 27-21A-1(7)(1975). The original certificate of incorporation was filed for record in the office of the Alabama Secretary of State on October 31, 2019. The Company commenced business with initial capital and surplus amounting to \$10,506,826.

The Company became a member of Centene Corporation insurance holding company system on the date of its incorporation. As of December 31, 2022, the Company was a wholly owned subsidiary of Next Door Neighbors, Inc. (NDNI), which was a wholly owned subsidiary of Next Door Neighbors, LLC (NDNL).

NDNL was a jointly owned subsidiary of Centene Corporation and Ascension Care Management (ACM). Effective May 1, 2023, ACM divested its ownership stake and Centene Corporation became the sole owner of both the Company and NDNL. Refer to the **SUBSEQUENT EVENTS** section for more information.

On March 31, 2022, the Company received a capital contribution amounting to \$3,500,000 from Next Door Neighbors, Inc.

## **MANAGEMENT AND CONTROL**

### **Stockholder**

The Company is a stock corporation with ultimate control vested in its stockholders. On December 31, 2022, 100% of the Company's issued and outstanding stock was owned by NDNI. NDNI is 100% owned by NDNL, which was a jointly owned subsidiary of Centene Corporation and ACM. Effective May 1, 2023, ACM divested its ownership stake and NDNL became a solely owned subsidiary of Centene Corporation.

### **Board of Directors**

Board members elected and serving on December 31, 2022, were as follows:

<b><u>Director/Residence</u></b>	<b><u>Principal Occupation</u></b>
Katie Nicole Casso St. Louis, MO	SVP, Corporate Controller & CAO Centene Corporation
Richard Jong Youl Chong Edwardsville, IL	SVP, Business Operations Centene Corporation
Ajay Kumar Gupta Austin, TX	Medical Director Centene Corporation
Adam Scott Durall Florissant, MO	Sr. Director, Finance, Risk & Insurance Centene Corporation
Kirk David Fischer Atlantic Beach, FL	SVP, Network Development & Contracting Centene Corporation
Ijaz Iqbal Mobile, AL	Chief Medical Officer Ascension Providence



## Officers

Officers of the Company elected by the board of directors are serving at December 31, 2022, were as follows:

<u>Officer</u>	<u>Title</u>
Thomas Robert Lindquist	President
James Edward Snyder III	Treasurer
Janet Robey Alonzo	Secretary
Tricia Lynn Dinkelman	Vice President of Tax
Charlie Willie Fields, Jr.	Assistant Secretary

## Committees

The following committee was functioning on behalf of the Company as of December 31, 2022:

### Audit and Compliance Committee

William Trubeck (chair)  
Orlando Ayala  
Jessica Blume  
Christopher Coughlin  
Wayne DeVeydt

## Conflict of Interest

The conflict of interest statements filed by the officers and directors of the Company were reviewed for the period covered by this examination. There were no disclosures that indicated any officers or directors had a conflict of interest.

## **CORPORATE RECORDS**

The Company's articles of incorporation, by-laws, and amendments thereto were inspected and found to provide for the operation of the Company in accordance with Alabama statutes and regulations and with accepted corporate practices.

Minutes of the meetings of the board of directors were reviewed for the period under examination. The minutes appeared to be complete with respect to actions taken on matters before the respective bodies for deliberation and action.

## HOLDING COMPANY AND AFFILIATE MATTERS

### Holding Company

The Company is subject to the Alabama Insurance Holding Company Regulatory Act as defined in ALA. CODE § 27-29-1(1975). In connection therewith, the Company is registered with the Alabama Department of Insurance as registrant of an Insurance Holding Company system. The Company is responsible for holding company registration and periodic filings in accordance with ALA. CODE § 27-29-4(1975), and ALA. ADMIN. CODE 482-1-055(1994).

### Dividends to Stockholders

No dividends were paid to stockholders during the period under examination.

### Management and Service Agreements

The following agreements between the Company and its affiliates were in effect during the examination period.

#### *Tax Sharing Agreement – Centene Corporation*

Effective December 31, 2022, with retroactive applicability to tax year ended December 31, 2019, the Company entered into an amended tax sharing agreement with Centene Corporation. The agreement is a restatement of the first tax sharing agreement effective December 31, 2002. The agreement establishes a formal method for the allocation and payment of federal, state, and local income tax liabilities related to the consolidated federal tax returns of Centene Corporation and its subsidiaries filed each year. The agreement was approved by the Department on January 9, 2023.

#### *Master Services Agreement – Ascension Care Management, LLC*

Effective January 1, 2021, the Company became a party with ACM and NDNL to a Master Services Agreement by Statement of Work # 4. This original agreement was entered into on January 1, 2020. ACM agrees to provide clinical support and network services.

Management Services Agreement – Centene Management Company, LLC

Effective January 1, 2021, the Company became a party with Centene Management Company, LLC (CMC) and NDNL to a Management Services Agreement by Statement of Work # 6. This original agreement was entered into on January 1, 2020. CMC agrees to provide the Company with certain administrative functions, activities and/or services including product development and CMS bid filing, enrollment and billing, provider contracting and network management, claims processing, utilization management, quality improvement, finance and accounting services, and IT systems.

Dental Services Agreement – Envolve Dental, Inc.

Effective January 1, 2021, the Company entered into a Dental Services Agreement with Envolve Dental, Inc. (EDI). EDI represents and warrants that the network providers include geographically dispersed providers from throughout the Company's service area. EDI agrees to provide or arrange for the provision of all covered dental services, including but not limited to, preventive and comprehensive services.

PBM Services – Envolve Pharmacy Solutions, Inc.

Effective October 15, 2020, the Company entered into a Pharmacy Benefit Management Services Agreement with Envolve Pharmacy Solutions, Inc. (EPS). EPS provides and/or subcontracts to deliver pharmacy services through retail, mail order and specialty pharmacies and claims adjudication services. EPS agrees to provide certain services including claims processing, eligibility management, utilization management, and pharmacy network management.

Vision Services Agreement – Envolve Vision, Inc.

Effective January 1, 2021, the Company entered into a Vision Services Agreement with Envolve Vision, Inc. (EVI). EVI provides and arranges covered vision services to covered person. EVI represents and warrants that the network providers include geographically dispersed providers from throughout the Company's service area. EVI agrees to provide all covered vision services, including but not limited to, preventive eye exams with refraction, medical eye services, eyewear and medically necessary eyewear, and prosthetics.

Radiology Services Management Agreement – National Imaging Associates, Inc.

Effective June 1, 2022, the Company entered into a Radiology Services Management Agreement with National Imaging Associates, Inc. (NIA). NIA specializes in the management of covered radiology services and provides assistance to managed care plans in the management of utilization and cost for covered radiology services. Covered services include the establishment and implementation of a utilization management program, and claims processing for covered radiology services.

Administrative Services Agreement – Envolve PeopleCare, Inc.

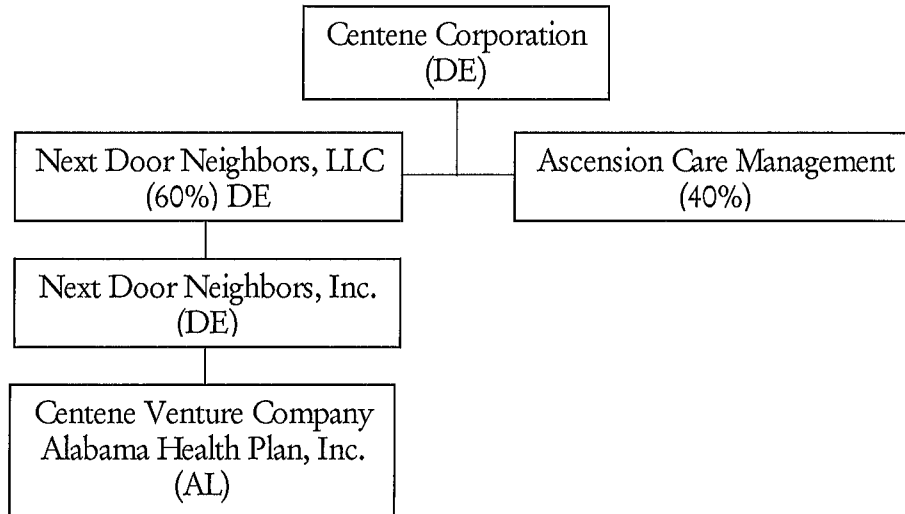
Effective January 1, 2021, the Company entered into an Administrative Services Agreement with Envolve PeopleCare, Inc. (EPC), under which EPC provided web-based nurse line triage services to the Company. This agreement terminated effective January 1, 2022.

Participating Provider Agreements – Ascension Care Management Health Partners Gulf Coast, LLC (1/1/2021), Ascension Care Management Health Partners Birmingham, LLC (1/1/2022), St. Vincent's Health System-Birmingham (1/1/2021), St. Vincent's Health System d/b/a Ascension Florida (1/1/2020), and St. Vincent's Physician Alliance (1/1/2020)

Effective on the dates above, the Company entered into Participating Provider Agreements with a number of health care providers and facilities which were subsidiaries of Ascension. These providers provide covered health care services to covered persons in a participating network. Under each agreement, the providers agree to provide or arrange for the provision of certain health care services including hospital, practitioner, ancillary providers, federally qualified health center services, facility providers, long term service and support, and home and community-based services.

## ORGANIZATIONAL CHART

The following chart presents the structure of companies directly related to the Company as of December 31, 2022. Ownership is 100% of the subsidiary except where noted below.



## **FIDELITY BONDS AND OTHER INSURANCE**

Centene Venture Company of Alabama Health Plans, Inc. is a named insured on a fidelity bond issued by Zurich American Insurance Company. The bond was in effect as of December 31, 2022. The bond amount was applicable to criminal activity resulting from employee dishonesty. The amount of the fidelity bond maintained by the Company exceeded the minimum amount required by ALA. CODE § 27-21A-6(1975).

In addition to the above coverage, the Company was a named insured under policies affording the following protections:

- Commercial General Liability Insurance with Zurich American Insurance Company
- Automobile Liability Insurance with Zurich American Insurance Company
- Umbrella Liability Insurance with XL Specialty Insurance Company
- Workers Compensation and Employers' Liability Insurance with American Zurich Insurance Company
- Managed Care Liability Insurance with General Security Indemnity Company of Arizona
- Directors and Officers Liability Insurance with National Union Fire Insurance Company of Pittsburgh

It was assessed that the Company held adequate coverage in force covering the hazards to which the Company may have been exposed to.

## **EMPLOYEE AND AGENT WELFARE**

The Company's duties and functions are performed by employees of affiliated entities in accordance with the terms of the administrative, management, and services agreement with CMC. The Company contracts with independent agents to market its products. Because the Company does not have any direct employees, no liabilities are accrued relating to pensions or post employee benefits.

### **Compliance with 18 U.S.C § 1033**

18 U.S.C. § 1033(e)(1)(A) and ALA. ADMIN. CODE 482-1-146 (2009) prohibit individuals who have been convicted of specified criminal activity from engaging in the business of insurance without written consent from the Commissioner of Insurance. The examiners verified that criminal background checks were

performed for newly hired staff and that the Company had a procedure in place to determine whether existing employees have been convicted of a felony. Reviews of the Company's policy and procedures did not identify any instances of non-compliance.

## **MARKET CONDUCT ACTIVITIES**

### **Territory**

The Company was authorized to transact business in the state of Alabama. The Company's certificate of authority was issued by the state of Alabama's Department of Insurance with an effective date of April 9, 2020, and remains in effect until suspended, cancelled, or revoked, as long as fees and taxes are paid.

### **Plan of Operation**

Centene Venture Company Alabama Health Plan, Inc. an Alabama domestic company, was incorporated October 31, 2019. The Company is a managed care company that offers Medicare Advantage plans in Bibb, Blount, Chilton, Escambia, Jefferson, Mobile, Shelby, and St. Clair counties. The Company commenced business on January 1, 2021.

### **Advertising and Marketing**

The Company has an active website: <https://www.centene.com>. The Company's website provided contact information and the physical location of the Company. The website provided basic product information, links for Products & Services, Who We Are, Why We're Different, Careers, and News with the Company.

### **Policyholders' Complaints**

The Company recorded all its complaints in its complaints register in the required format. The complaint register contained Medicare grievances received during the examination period. No Department of Insurance complaints were received during the examination period. No further review was deemed necessary.

### **Claims Payment Practices**

The Company wrote Medicare Advantage policies associated with Medicare Title XVIII during the examination period. The administration of this business,

including claims payment practices, is subject to regulation by the Centers for Medicare & Medicaid Services (CMS). Since the business is regulated by CMS, a claims review was not performed as a part of the examination.

### Compliance with Producer Licensing Requirements

#### Appointments

A sample of 114 premium transactions were randomly selected from the direct written premium for the purpose of testing whether the producers were licensed in Alabama and appropriately appointed by the Company. It was determined eight producers were not appointed by the Company as required by ALA. CODE § 27-7-4(a) (2001), which states:

No person shall in this state sell, solicit, or negotiate insurance for any class or classes of insurance unless the person is then licensed for that line of authority in accordance with this chapter. Any insurer accepting business directly from a person not licensed for that line of authority and not appointed by the insurer shall be liable to a fine up to three times the premium received from the person.

The eight producers did not receive compensation from Centene Venture Company of Alabama, Inc.

#### Terminations

One Alabama terminated producer was not provided with a termination letter during the examination period. It was determined that the Company was not in compliance with ALA. CODE § 27-7-30.1(a) (2001), which states:

Within 15 days after making the notification required by subsection (e) of Section 27-7-30, the insurer shall mail a copy of the notification to the producer at his or her last known address. If the producer is terminated for cause for any of the reasons listed in Section 27-7-19, the insurer shall provide a copy of the notification to the producer at his or her last known address by certified mail, return receipt requested, postage prepaid or by overnight delivery using a nationally recognized carrier.



The Company was unable to provide a copy of termination notices between May 1, 2022 and December 31, 2022; therefore, it was determined that the Company was not in compliance with ALA. CODE § 27-21A-16(f), which states:

All records necessary for the complete examination of a health maintenance organization domiciled in this state shall be maintained in a location approved by the commissioner.

### Underwriting and Ratings

During the examination period, the Company did not file any policy forms with the Alabama Department of Insurance. The Company issued Medicare Advantage policies only. The Company's Medicare policy forms were approved by the Centers for Medicare and Medicaid Services.

### Privacy Standards

The Company's privacy notice was reviewed for compliance with ALA. ADMIN. CODE 482-1-122 (2002). The Company sent out the initial notices to new business policyholders when a policy was written. The Company provided notices to its customers that indicated the types of information collected, the way the information is used, and the manner that it is collected.

In accordance with ALA. ADMIN CODE 482-1-122-.06(B) (2002), the Company is not required to issue annual notices since it does not share customer and/or consumer personal information with any nonaffiliated third parties, except as allowed under the law, and the Company has not changed its practices regarding disclosing nonpublic personal information from the most recent disclosure sent to consumers.

The Company had reasonable administrative, technical, and physical safeguards in place to secure the privacy of protected health information.

### **SPECIAL DEPOSITS**

The Company maintained the following deposit with the respective statutory authority on December 31, 2022, as required by law:

State	Book Value	Fair Value
Alabama*	\$112,157	\$109,634

\*Held for the protection of all policyholders

## FINANCIAL CONDITION AND GROWTH OF THE COMPANY

The following schedule presents financial data taken from copies of filed annual statements, which reflects the growth of the Company for the years indicated:

Year*	Net	Admitted	Liabilities	Capital and
	Premium Income			
2020	-	\$10,511,343	\$4,517	\$10,506,826
2021	\$3,763,073	\$10,952,884	\$4,001,587	\$6,951,297
2022	\$16,450,032	\$18,948,585	\$7,601,466	\$11,347,119

\*Data was obtained from the Company's Annual Statements filed with the Alabama Department of Insurance.

## REINSURANCE

### Assumed Reinsurance

The Company has not engaged in any reinsurance assumptions.

### Ceded Reinsurance

#### Excess of Loss Reinsurance Agreement with Bankers Reserve Life Insurance Company of Wisconsin

On December 31, 2022, the Company had a specific excess of loss reinsurance agreement with Bankers Reserve Life Insurance Company, an affiliate. The agreement covers 90 percent of hospital losses in excess of \$250,000 per covered person, up to \$3,000,000 per covered person with respect to covered Medicare Advantage recipients.

## ACCOUNTS AND RECORDS

The Company maintained its accounting, premiums, and losses data electronically. The Company maintained additional electronic workpapers, reconciliations and statements in its database of imaged records. The Company's bylaws, previously approved by the Department, allowed for the books and records to be maintained outside the State of Alabama.

Four information requests were submitted to the Company where the requested items were not provided within ten (10) working days. It was determined the

Company was not in compliance with ALA. ADMIN. CODE 482-1-118-.06(1999), which states:

“The insurer shall provide, within ten (10) working days, any record or response requested in writing by any duly appointed deputy, assistant, employee or examiner of the commissioner. When the requested record or response is not produced or cannot be produced by the insurer within ten working days, the nonproduction shall be deemed a violation of this rule, unless the Commissioner or duly appointed person making the request grants an extension in writing or the insurer can demonstrate to the satisfaction of the Commissioner that there is a reasonable justification for the delay.”

#### Compliance with Escheat Laws

The Company had no outstanding checks deemed to be unclaimed property.

## FINANCIAL STATEMENTS

The following financial statements are based on the statutory financial statements filed by the Company with the Alabama Department of Insurance and present the financial condition of the Company for the period ending December 31, 2022.

The accompanying comments on the financial statements reflect any examination adjustments to the amount reported in the annual statement and should be considered an integral part of the financial statements.

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**Centene Venture Company Alabama Health Plan, Inc.**  
**Statement of Assets**  
**For the Year Ended December 31, 2022**

	Assets	Nonadmitted Assets	Net Admitted Assets
Bonds	\$108,673	-	\$108,673
Cash, cash equivalents, and short-term investments	17,596,344	-	17,596,344
Subtotals, cash and cash equivalents	\$17,705,017	-	\$17,705,017
Investment income due and accrued	998	-	998
Premiums and considerations: Uncollected premiums and agents' balances in the course of collection	16,851	-	16,851
Accrued retrospective premiums	728,821	-	728,821
Amounts receivable relating to uninsured plans	176,486	-	176,486
Health care and other amounts receivable	522,363	266,008	256,355
Aggregate write-ins for other- than-invested assets	\$142,952	\$78,895	\$64,057
Total assets	\$19,293,488	\$344,903	\$18,948,585

**THE NOTES TO THE FINANCIAL STATEMENTS ARE AN  
INTEGRAL PART THEREOF.**

**Centene Venture Company Alabama Health Plan, Inc.**  
**Statement of Liabilities**  
**For the Year Ended December 31, 2022**

	Covered	Uncovered	Total
<b>LIABILITIES</b>			
Claims unpaid	\$2,799,790	-	\$2,799,790
Accrued medical incentive pool and bonus amounts	50,852	-	50,852
Unpaid claims adjustment expenses	26,739	-	26,739
Aggregate health policy reserves	218,067	-	218,067
Premiums received in advance	379	-	379
General expenses due or accrued	157,616	-	157,616
Ceded reinsurance premiums payable	1,406	-	1,406
Amounts due to parent, subsidiaries and affiliates	3,805,444	-	3,805,444
Liability for amounts held under uninsured plans	541,173	-	541,173
<b>Total liabilities</b>	<b>\$7,601,466</b>	<b>-</b>	<b>\$7,601,466</b>
<b>SURPLUS</b>			
Common capital stock	XXX	XXX	100,000
Gross paid in and contributed surplus	XXX	XXX	13,913,412
Unassigned funds (surplus)	XXX	XXX	(2,666,293)
<b>Total capital and surplus</b>	<b>XXX</b>	<b>XXX</b>	<b>\$11,347,119</b>
<b>Total liabilities, capital and surplus</b>	<b>XXX</b>	<b>XXX</b>	<b>\$18,948,585</b>

**NOTES TO THE FINANCIAL STATEMENTS ARE AN INTEGRAL  
PART THEREOF**

**Centene Venture Company Alabama Health Plan, Inc.**  
**Statement of Revenue and Expenses**  
**For the Years Ended December 31, 2022, 2021, and 2020**

	2022	2021	2020
Member months	16,810	4,146	-
Net premium income	\$16,450,032	\$3,763,073	-
Total revenues	\$16,450,032	\$3,763,073	-
<b>HOSPITAL AND MEDICAL</b>			
Hospital/ medical benefits	10,759,443	2,430,611	-
Other professional services	485,785	196,446	-
Emergency room and out-of-area	455,409	82,498	-
Prescription drugs	937,592	168,810	-
Incentive pool, withhold adjustments and bonus amounts	34,853	29,209	-
Subtotal	12,673,082	2,907,574	-
Net reinsurance recoveries	48,222	-	-
Total hospital and medical	\$12,624,860	\$2,907,574	-
Claims adjustment expenses	159,354	39,893	-
General administrative expenses	4,880,980	2,140,575	13,262
Increase in reserves for life and accident and health contracts	(2,157,453)	2,162,143	-
Total underwriting deductions	\$15,507,741	\$7,250,185	\$(13,262)
Net underwriting gain or (loss)	942,291	(3,487,112)	(13,262)
Net investment gains (losses)	249,058	2,354	6,733
Net gain or (loss) from agents' or premium balances charged off	(16,907)	(4,176)	-
Aggregate write-ins for other income or expenses	(311)	-	(56)
Net income or (loss) after capital gains tax and before all other federal income taxes			(6,585)
Federal and foreign income taxes incurred	-	1	1
Net income (loss)	\$1,174,131	\$(3,488,935)	\$(6,586)

**NOTES TO THE FINANCIAL STATEMENTS ARE AN INTEGRAL  
PART THEREOF**

**Centene Venture Company Alabama Health Plan, Inc.**  
**Capital and Surplus Account**  
**For the Years Ended December 31, 2022, 2021, and 2020**

	2022	2021	2020
Capital and surplus prior reporting year	\$6,951,297	\$10,506,826	\$0
Net income or (loss)	1,174,131	(3,488,935)	(6,586)
Change in nonadmitted assets	(278,309)	(66,594)	-
Paid in capital	-	-	100,000
Paid in surplus	3,500,000	-	10,413,412
Net change in capital and surplus	\$4,395,822	\$(3,555,529)	\$10,506,826
Capital and surplus end of reporting year	\$11,347,119	\$6,951,297	\$10,506,826

**NOTES TO THE FINANCIAL STATEMENTS ARE AN INTEGRAL  
PART THEREOF**



## NOTES TO FINANCIAL STATEMENTS

### Note 1 – Claim Adjustment Expenses

\$159,354

The above captioned amount is the same as reported by the Company in its 2022 annual statement.

During all years under examination, the Claims Adjustment Expenses columns 1 & 2 within the Underwriting and Investment Exhibit, Part 3 – Analysis of Expenses was not completed per the NAIC Annual Statement Instructions since management, administration, and other fees were reported as a one-line expense on Line 14. As determined by the coordinated examination, the Company was not in compliance with the NAIC Annual Statement Instructions, which states,

A reporting entity that pays any affiliated entity (including a managing general agent) for the management, administration, or service of all or part of its business or operations shall allocate these costs to the appropriate expense classification item (salaries, rent, postage, etc.) as if these costs had been borne directly by the company. Do not report management, administration, or similar fees as one-line expenses. The reporting entity may estimate these expense allocations based on a formula or other reasonable basis.

### Analysis of Changes to Surplus

No adjustments were made to surplus as a result of this examination.

## CONTINGENT LIABILITIES AND PENDING LITIGATION

The review of contingent liabilities and pending litigation included an inspection of representations made by the Company's managers, a review of the Company's records and files for the period under examination, and a review of the records subsequent to the examination date. The reviews performed did not identify any items that would have a material effect on the Company's financial condition in the event of an adverse outcome.

## SUBSEQUENT EVENTS

A review of events subsequent to the December 31, 2022, examination date was performed. The following item was noted during the review:

- Effective January 1, 2023, the Pharmacy Benefit Management agreement with Envolve Pharmacy Solutions, Inc. was amended and restated as an Administrative Pharmacy Services Agreement with Centene Pharmacy Services, Inc. f/k/a Envolve Pharmacy Solutions, Inc.
- Effective May 1, 2023, Ascension Care Management divested its ownership stake and Centene Corporation became the sole owner, indirectly or directly, of both the Company and Next Door Neighbors, LLC.

## **COMPLIANCE WITH PREVIOUS RECOMMENDATIONS**

This is the first full-scope coordinated examination of the Company with Texas and other coordinating states. The Company was the subject of an organizational examination. The organizational examination was reviewed and considered in the examiners' risk identification and assessment. Since there was not a previous full scope examination, procedures were not designed to determine whether the Company complied with previous examination recommendations.

## **COMMENTS AND RECOMMENDATIONS**

### **Appointed Producers – Page 12**

It is recommended that the Company properly appoint its producers as required by ALA. CODE § 27-7-4(a) (2001), which states:

No person shall in this state sell, solicit, or negotiate insurance for any class or classes of insurance unless the person is then licensed for that line of authority in accordance with this chapter. Any insurer accepting business directly from a person not licensed for that line of authority and not appointed by the insurer shall be liable to a fine up to three times the premium received from the person.

### **Terminated Producers – Page 12**

It is recommended that the Company provide terminated producers with termination letters as required by ALA. CODE § 27-7-30.1(a) (2001), which states:

Within 15 days after making the notification required by subsection (e) of Section 27-7-30, the insurer shall mail a copy of the notification to

the producer at his or her last known address. If the producer is terminated for cause for any of the reasons listed in Section 27-7-19, the insurer shall provide a copy of the notification to the producer at his or her last known address by certified mail, return receipt requested, postage prepaid or by overnight delivery using a nationally recognized carrier.

It is recommended that the Company maintain its records in order to comply with ALA. CODE § 27-21A-16(f) (1986), which states, "All records necessary for the complete examination of a health maintenance organization domiciled in this state shall be maintained in a location approved by the commissioner."

#### **Accounts and Records – Page 14**

It is recommended that the Company comply with ALA. ADMIN. CODE 482-1-118-.06(1999), which states:

The insurer shall provide, within ten (10) working days, any record or response requested in writing by any duly appointed deputy, assistant, employee or examiner of the commissioner. When the requested record or response is not produced or cannot be produced by the insurer within ten working days, the nonproduction shall be deemed a violation of this rule, unless the Commissioner or duly appointed person making the request grants an extension in writing or the insurer can demonstrate to the satisfaction of the Commissioner that there is a reasonable justification for the delay.

#### **Claim Adjustment Expenses – Page 21**

It is recommended that the Company complete the Underwriting and Investment Exhibit, Part 3 – Analysis of Expenses in accordance with the NAIC Annual Statement Instructions which states,

A reporting entity that pays any affiliated entity (including a managing general agent) for the management, administration, or service of all or part of its business or operations shall allocate these costs to the appropriate expense classification item (salaries, rent, postage, etc.) as if these costs had been borne directly by the company. Do not report management, administration, or similar fees as one-line expenses. The reporting entity may estimate these expense allocations based on a formula or other reasonable basis.


## CONCLUSION

Acknowledgment is hereby made of the courteous cooperation extended by the officers and employees of the Company during the course of this examination.

The customary insurance examination procedures, as recommended by the NAIC, have been followed to the extent appropriate in connection with the verification and valuation of assets and determination of liabilities set forth in this report.

Examiners representing Texas and 32 other states participated in the coordinated group examination, which included Centene Venture Company Alabama Health Plan, Inc. The Alabama Department of Insurance relied on the examination work performed by the group to complete much of the financial examination. In addition to the undersigned, Mora Perkins, MCM represented the Alabama Department of Insurance and participated in the examination of the Company.

Respectfully submitted,



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Jacob A. Grissett, CFE (Fraud)  
Examiner-in-Charge  
Alabama Department of Insurance