



STATE OF CONNECTICUT

INSURANCE DEPARTMENT

ORDER ADOPTING REPORT OF EXAMINATION

I, Andrew N. Mais, Insurance Commissioner of the State of Connecticut, having fully considered and reviewed the Examination Report (the "Report") of **HNE OF CONNECTICUT, INC.** (the "Company") as of December 31, 2022, do hereby adopt the findings and recommendations contained therein based on the following findings and conclusions.

TO WIT:

1. I, Andrew N. Mais, Insurance Commissioner of the State of Connecticut and as such is charged with the duty of administering and enforcing the provisions of Title 38a of the Connecticut General Statutes ("C.G.S.").
2. The Company is a domestic insurer authorized to transact the business of insurance in the State of Connecticut.
3. On May 30 2024, the verified Report of the Company was filed with the Connecticut Insurance Department (the "Department").
4. In accordance with C.G.S. §38a-14(e)(3), the Company was afforded a period of thirty (30) days within which to submit to the Department a written submission or rebuttal with respect to any matters contained in the Report.
5. On June 7, 2024, the Company filed a written submission indicating that they were in agreement with all of the recommendations contained in the Report. A copy of the Report is attached hereto and incorporated herein as Exhibit A.

NOW, THEREFORE, it is ordered as follows:

1. That the Report of the Company is hereby adopted as filed with the Department.
2. That the Company shall comply with the recommendations set forth in the Report, and that failure by the Company to so comply shall result in sanctions or administrative action as provided by Title 38a of the C.G.S.
3. Section 38a-14(e)(4)(A) of the C.G.S. requires that:

"The secretary of the Board of Directors or similar governing body of the entity shall provide a copy of the report or summary to each director and shall certify to the Commissioner, in writing, that a copy of the report or summary has been provided to each director."

Please address the certification to the Commissioner but send said certification to the care/attention of William Arfanis, Assistant Deputy Commissioner of the Financial Regulation Division.

4. Section 38a-14(e)(4)(B) of the C.G.S. requires that:

"Not later than one hundred twenty days after receiving the report or summary the chief executive officer or the chief financial officer of the entity examined shall present the report of summary to the entity's Board of Directors or similar governing body at a regular or special meeting."

This will be verified by the Insurance Department either through analysis or examination follow-up.

Dated at Hartford, Connecticut, this 10th day of June, 2024.



Andrew N. Mais
Insurance Commissioner



EXHIBIT A

EXAMINATION REPORT

OF

HNE OF CONNECTICUT, INC.
(NAIC # 15521)

AS OF DECEMBER 31, 2022

BY THE

CONNECTICUT INSURANCE DEPARTMENT



TABLE OF CONTENTS

	<u>Page</u>
Salutation	1
Scope of the Examination	1
History	2
Organizational Chart	3
Management and Control	4
Related Party Agreements	5
Territory and Plan of Operation	5
Information Technology Controls	6
Accounts and Records	6
Financial Statements	
Assets	6
Liabilities, Capital and Surplus	6
Statement of Revenue and Expenses	7
Gross Paid In and Contributed Surplus	7
Unassigned Funds (Surplus)	7
Subsequent Event	8
Conclusion	8
Signature	9

May 30, 2024

The Honorable Andrew N. Mais
Insurance Commissioner
State of Connecticut Insurance Department
153 Market Street, 6th Floor
Hartford, Connecticut 06103

Dear Commissioner Mais:

In compliance with your instructions and pursuant to the requirements of Section 38a-14 of the Connecticut General Statutes (CGS), the undersigned has conducted a financial examination of the condition and affairs of

HNE of Connecticut, Inc.

(hereinafter referred to as the Company or HNE CT), a corporation incorporated under the laws of the State of Connecticut and having its home and administrative office located at One Monarch Place, Springfield, Massachusetts. The report of such examination is submitted herewith.

SCOPE OF THE EXAMINATION

The previous examination of the Company was conducted by the Financial Regulation Division of the Connecticut Insurance Department (Department) as of December 31, 2019. The current examination, which covers the period from January 1, 2020, through December 31, 2022, was conducted virtually. A concurrent examination of Health New England, Inc., (HNE), the Company's parent, was conducted by the Commonwealth of Massachusetts Division of Insurance (MDOI).

As part of the examination planning procedures, the Department reviewed the following materials submitted by the Company:

- Board of Director (Board) and Committee minutes from 2022 through the latest 2023 meeting;
- statutory audit report from 2020 through 2022 completed by the Company's independent certified public accountants, Deloitte & Touche, LLP (D&T);
- Management's Discussion and Analysis from 2020 through 2022; and
- Annual Statements filed with the Department from 2020 through 2022.

A comprehensive review was made of the financial analysis files and documents submitted to the Financial Analysis Unit of the Department, reports from the National Association of Insurance Commissioners (NAIC) database, as well as the independent audit report which indicated no material concerns with respect to financial condition or regulatory compliance issues.

Work papers prepared by D&T, in connection with its 2022 annual statutory audit were reviewed and relied upon to the extent deemed appropriate.

HNE OF CONNECTICUT, INC.

Under the supervision of the MDOI, KPMG, LLP (KPMG) was engaged to conduct all phases of testing for HNE and its subsidiaries.

The examination was conducted in accordance with the NAIC Financial Condition Examiners Handbook (the 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.

This examination report includes significant findings of fact 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 and/or the Company.

Failure of items in this report to add to totals or for totals to agree with captioned amounts is due to rounding.

HISTORY

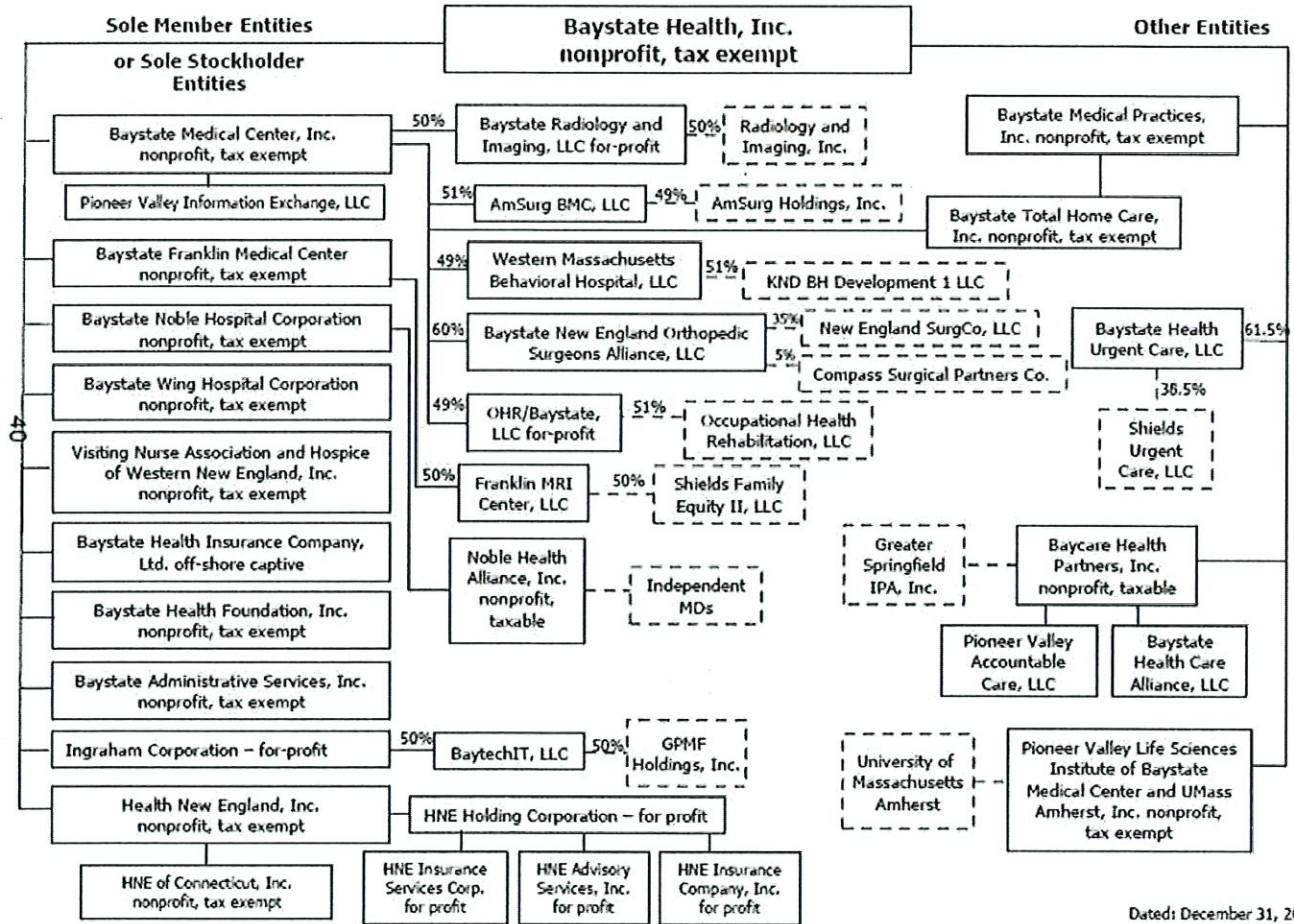
The Company was formed on March 4, 2014, and licensed as Health Care Center by the Department on May 7, 2014. The Company was organized and is operated exclusively for the purpose of the promotion of social welfare within the meaning of section 501(c)(4) of the Internal Revenue Code. Funding for the Company occurred in March and April of 2014, when HNE contributed capital in the amount of \$5,500,000.

HNE OF CONNECTICUT, INC.

ORGANIZATIONAL CHART

The following is an organizational chart that identifies the relationship of the Company and its parent and affiliates as of December 31, 2022:

Baystate Health, Inc. Corporate Organizational Chart



Dated: December 31, 2022

HNE OF CONNECTICUT, INC.

MANAGEMENT AND CONTROL

The Company is a non-stock corporation formed for the purpose of conducting the business of an insurance company.

The bylaws provide that the Company is managed by a Board of not less than eight (8) or more than sixteen (16) directors appointed by HNE at the annual meeting. The annual meeting may be held anywhere in the United States, on the second Tuesday in November, or on another date as determined by the Chairman of the Board or the President/Chief Executive Officer of HNE.

Regular meetings of the Board shall be held on a date and at a place and time as determined by the Chairman of the Board or the President/Chief Executive Officer of HNE.

At any meeting of the Directors, a majority of the Directors shall constitute a quorum for the transaction of business.

The Board may appoint such committees as deemed necessary. Board committees shall act under the supervision of the Board. The standing committees of the Board shall include an Executive Committee. The Audit and Compliance Committee of Baystate Health, Inc. which acts as the Audit Committee of HNE shall have full audit oversight duties of the Company.

Members of the Board serving the Company at December 31, 2022, were as follows:

<u>Director</u>	<u>Title and Principal Business Affiliation</u>
Mark Alvin Keroack MD, MPH	President and Chief Executive Officer and Chair Baystate Health, Inc.
Richard Allen Segool MD	Managing Partner Pioneer Valley Pediatrics
Frederick William Fuller, III	Retired President Holyoke Card and Paper
Raymond McCarthy	SVP, Chief Financial Officer, & Treasurer Baystate Health, Inc.
James Michael Kessler Esq	Retired General Counsel
Richard Evan Swift	President and Chief Executive Officer Health New England
MaryLynn Ostrowski Ireland PhD	President and Chief Executive Officer Riverside Industries
Keith M. LeDoux	Vice President, Sales and Business Development Health New England, Inc.

HNE OF CONNECTICUT, INC.

David Leon Fried DDS

Dentist

David L. Fried DMD General Dentistry

Officers serving the Company as of December 31, 2022, were as follows:

Officer

Title

Richard E. Swift

President and Chief Executive Officer

Lisa M Cohen

Treasurer

Judith Michele Danek

Secretary

It was noted that for the prior examination report, the Company did not comply with Sections 38a-14(e)(4)(A) and 38a-14(e)(4)(B) of the CGS) which requires Board notification of the examination report. The Company has created a process to ensure compliance with the CGS going-forward. It is recommended that the Company ensure compliance with this new process.

RELATED PARTY AGREEMENTS

Capital Maintenance Agreement

The Company entered into a Capital Maintenance Agreement with HNE effective November 13, 2014. The terms of the agreement stated that HNE will provide the Company with sufficient funds to maintain an adjusted capital ratio equal to or greater than 300 percent of the authorized control level as defined by the NAIC's risk based capital calculation.

Intercompany Services Agreement

The Company entered in an Intercompany Services Agreement with HNE, HNE Advisory Services, Inc., HNE Insurance Company, HNE Holding Company, and HNE Insurance Services (the Group). HNE provides medical and administrative services between itself and its subsidiaries. Services provided by HNE include: medical services; marketing and planning functions; enrollment services; claims processing; screening and auditing services; accounting services; member and provider relations; quality assurance; utilization review and peer review services; and other administrative services. Expenses under this agreement are allocated based upon the direct costs of the services plus a proportionate share of the costs incurred for the benefit of the Group.

TERRITORY AND PLAN OF OPERATION

In 2017, HNE was notified by the Center for Medicare and Medicaid Services (CMS) that, due to low enrollment in the Company's Connecticut Medicare Advantage Plans (Plans), it would need to close these Plans. Pursuant to CMS guidelines, a Medicare Plan must have at minimum, 500 individuals in each plan within three years of the start of the plan.

Beginning January 1, 2018, the Company no longer offered health coverage but remains in existence. There were no outstanding claims payable as of December 31, 2022.

HNE OF CONNECTICUT, INC.

INFORMATION TECHNOLOGY (IT) CONTROLS

KPM, engaged by the MDOI, reviewed the adequacy and effectiveness of the IT systems controls to determine the level of reliance to be placed on the information generated by the data processing systems. Based upon the assessment and review, the Company's IT general controls were determined to be effective.

ACCOUNTS AND RECORDS

The Company uses a single platform (Amisys) to process all of its financial transactions. Amisys is a software application supplied by DST Health Systems.

FINANCIAL STATEMENTS

The following statements represent the Company's financial position, as filed by the Company as of December 31, 2022. No adjustments were made to surplus as a result of the examination.

ASSETS

	Assets	Non-admitted Assets	Net Admitted Assets
Bonds	\$500,032		\$500,032
Cash, cash equivalents and short-term investments	3,805,244		3,805,244
Investment income due and accrued	3,204		3,204
Total	<u>\$4,308,480</u>		<u>\$4,308,480</u>

LIABILITIES, CAPITAL AND SURPLUS

Total Liabilities	\$0
Gross paid in and contributed surplus	\$5,500,000
Unassigned funds (surplus)	<u>(1,191,520)</u>
Total capital and surplus	4,308,480
Total liabilities, capital and surplus	<u>\$4,308,480</u>

HNE OF CONNECTICUT, INC.

STATEMENT OF REVENUE AND EXPENSES

Member Months	0
Total Revenues	\$0
Less:	
General administrative expenses	(1,337)
Total underwriting deductions	(1,337)
Net underwriting gain or (loss)	1,337
Net investment income earned	25,366
Net investment gains (losses)	\$25,366
Net income or (loss) after capital gains tax and before all other federal income taxes	0
Net Income	\$26,703
CAPITAL & SURPLUS ACCOUNT	
Capital and surplus prior reporting year	\$4,281,777
Net income or (loss)	26,703
Net change in capital and surplus	26,703
Capital and surplus end of reporting year	<u>\$4,308,480</u>

GROSS PAID IN AND CONTRIBUTED SURPLUS \$5,500,000

During the period under examination, there were no changes to the balance of this account which represents HNE's investment in the Company.

UNASSIGNED FUNDS (SURPLUS) (\$1,191,520)

There was no significant change in the captioned account during the examination period.

HNE OF CONNECTICUT, INC.

SUBSEQUENT EVENT

On February 15, 2024, Baystate Health Inc. formally announced that it has reached a definitive agreement for Health New England to become a part of Point32Health.

CONCLUSION

As of December 31, 2022, the Company reported admitted assets of \$4,308,480, liabilities of \$0, and capital and surplus of \$4,308,480. During the period under examination, admitted assets decreased \$291, liabilities decreased \$0 and capital and surplus decreased \$291.

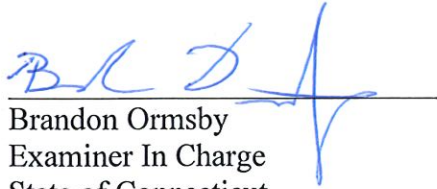
HNE OF CONNECTICUT, INC.

SIGNATURE

In addition to the undersigned, William Arfanis, CFE, FLMI of the Department participated in the examination

I, Brandon Ormsby, do solemnly swear that the foregoing report on examination is hereby represented to be a full and true statement of the condition and affairs of the subject insurer as of December 31, 2022, to the best of my information, knowledge and belief.

Respectfully submitted,



Brandon Ormsby
Examiner In Charge
State of Connecticut
Insurance Department

State of Connecticut

ss.

County of Hartford

Subscribed and sworn to before me,



Notary Public on this 28 day of May, 2024

