



# 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 WellCare 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 June 7, 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 11, 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 CGS 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 Michael Shanahan, Supervising Examiner, of the Financial Regulation Division.

4. Section 38a-14(e)(4)(B) of the CGS 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 13<sup>th</sup> day of June, 2024.



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Andrew N. Mais  
Insurance Commissioner



Exhibit A

EXAMINATION REPORT

OF

WELLCARE OF CONNECTICUT, INC.  
(NAIC #95310)

AS OF

DECEMBER 31, 2022

BY THE

CONNECTICUT INSURANCE DEPARTMENT



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WELLCARE OF CONNECTICUT, INC.

June 7, 2024

The Honorable Andrew N. Mais  
Insurance Commissioner  
State of Connecticut Insurance Department  
153 Market Street, 6<sup>th</sup> 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 made an examination of the conditions and affairs of:

WELLCARE OF CONNECTICUT, INC.

(hereinafter referred to as the (Company or WCCT), a corporation with capital stock, incorporated under the laws of the State of Connecticut and having its statutory home office and main administrative office located at 7700 Forsyth Boulevard, St. Louis, Missouri. The report of such examination is submitted herewith.

SCOPE OF EXAMINATION

The previous examination of the Company was conducted by the Financial Regulation Division of the Connecticut Insurance Department (Department) as of December 31, 2017. The current examination covers the period from January 1, 2018 to December 31, 2022.

The current examination was conducted as part of a multi-state examination (the Coordinated Examination) of the Centene Corporation (Centene) holding company, in which the Department served as a participating state and assisted the Texas Department of Insurance (TDI), in the simultaneous examination of eighty-five (85) regulated entities domiciled in thirty-four (34) states, including Connecticut and its regulated entities. The Coordinated Examination not only provided information on each insurer individually but also provided a structure for regulators to understand and evaluate risks of the companies within the holding company as a whole.

As part of the examination planning procedures, the Department reviewed the following materials submitted by the Company from 2018 through 2022:

- statutory audit reports completed by the Company's independent certified public accountant, KPMG, LLP (KPMG);
- Board of Director (Board) and Committee minutes (through the latest 2023 minutes available);
- Management's Discussion and Analysis;
- Statements of Actuarial Opinion;

## WELLCARE OF CONNECTICUT, INC.

- reports of the Company's internal audit department;
- documentation supporting Section 404 of the Sarbanes Oxley Act (SOX);
- 8-K and 10-K reports filed with the Securities and Exchange Commission (SEC); and
- Annual statements filed with the Department.

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

Work papers prepared by the Company's independent certified public accountants KPMG were reviewed and relied upon to the extent deemed appropriate.

Risk & Regulatory Consulting, LLC (RRC) was engaged by the Illinois Department of Insurance to assist in the review of the Company's pricing/underwriting risks for the coordinated examination.

The examination was conducted on a full scope, comprehensive basis in accordance with the procedures outlined in the NAIC Financial Condition Examiners Handbook (the Handbook). The Handbook requires that we plan and perform the examination to evaluate the financial condition and identify prospective risks of the Company by obtaining information about the Company, including corporate governance, identifying inherent risks within the Company, and evaluating 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 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 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 incorporated as WellCare of Connecticut, Inc. on April 8, 1994, to develop and operate as a health maintenance organization (HMO) in the State of Connecticut. The Company



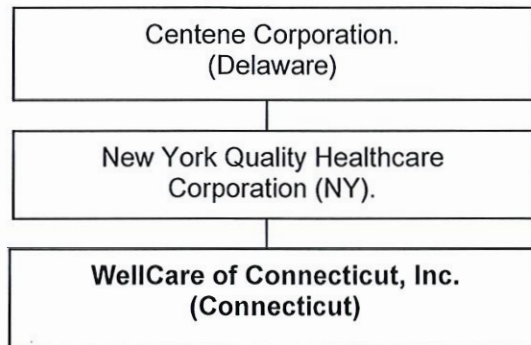
## WELLCARE OF CONNECTICUT, INC.

was formed as a health care center pursuant to Section 38a-178 of the CGS and was licensed and commenced business on March 1, 1995.

On September 28, 2000, the Company changed its name to FirstChoice HealthPlans of Connecticut, Inc. The Company was a wholly owned subsidiary of WellCare of New York, Inc., which was a wholly owned subsidiary of The WellCare Management Group, Inc., (WCMG). On July 31, 2002, WCMG was purchased by WellCare Health Plans, Inc. (WHP), formerly known as WellCare Group, Inc. On January 23, 2020, WHP was purchased by Centene, a publicly traded managed care service company. The Company is a wholly owned subsidiary of New York Quality Healthcare Corporation (the "Parent"), which is a wholly owned subsidiary of Centene, its ultimate parent.

### ORGANIZATIONAL CHART

The following is a portion of the Company's organizational chart as of December 31, 2022:



### MANAGEMENT AND CONTROL

According to the bylaws, the annual meeting of the shareholders of the Company for the election of directors and for the transaction of such other business as may properly come before such meeting shall be held on a date during a month in each year as may be fixed by the President. At all meetings of shareholders, a quorum shall be had when there shall be present the holders of a majority of the voting power of the shares entitled to vote at such meeting.

The business, property and affairs of the Company shall be under the direction and government of a Board composed of not less than three (3) nor more than ten (10) directors, provided however, whenever all of the issued and outstanding shares of stock are owned beneficially and of record by less than three (3) shareholders, the Board may consist of less than three (3) directors, but not less than the number of shareholders.

A regular meeting of the Board shall be held immediately following the annual shareholders' meeting. Special meetings of the Board shall be held at the call of the President.

## WELLCARE OF CONNECTICUT, INC.

A majority of the entire Board shall constitute a quorum for the transaction of business. The vote of the majority of the directors present at a meeting at which a quorum is present shall be the act of the Board.

The members of the Board serving the Company on December 31, 2022, were as follows:

<u>Name</u>	<u>Title</u>
Benjamin Mark Craig	President, Medicare Markets at Centene Corporation
Judi Ellen Neveux	Assistant Secretary, Medicare Market Maine at Centene Corporation
Richard St. Patrick Parnell	Vice President & Treasurer, Operations at Centene Corporation

### Committees

The Board, by resolution adopted by the affirmative vote of directors holding a majority of directorships, at a meeting at which a quorum is present, may designate two (2) or more directors to constitute a committee to exercise those functions of the Board as shall be provided in the resolution.

The Company's Audit Committee as of December 31, 2022, was the Audit Committee of the Board of Directors of Centene Corporation. It consisted of the following members:

<u>Name</u>	<u>Title</u>
Orlando Ayala	Retired Chairman Emerging Markets, Microsoft Corporation
Jessica L. Blume	Retired Vice Chairman of Deloitte, LLP
Christopher J. Coughlin	Former Executive VP and CFO of Tyco, International, Ltd.
Wayne S. DeVeydt,	Executive Chairman of Surgery Partners, Inc.
William L. Trubeck, Chair	Business and Financial Consulting – Retired Financial

### Officers

According to the bylaws, the officers of the Company shall consist of a President, Secretary, Treasurer, and such other officers as may from time to time be elected or appointed by the Board such other officers to have such powers and perform such duties as may be determined by the Board. The same person may hold the office of President and Treasurer or of Secretary and Treasurer. The officers shall be elected by the Board by majority vote at the first meeting following the annual shareholders' meeting and shall hold office for one year or until their successors are elected. In the case of death, resignation, or removal from office of any officer, the Board may elect a successor to hold office until the next annual meeting or until his successor shall be elected.

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

<u>Name</u>	<u>Title</u>
Benjamin M. Craig	President
Traci Lynn Dinkelman	Vice President of Tax
James E. Snyder, III	Treasurer and Vice President
Janet Robey Alonzo	Secretary and Vice President
Judi Ellen Neveux	Assistant Secretary



## WELLCARE OF CONNECTICUT, INC.

### RELATED PARTY TRANSACTIONS

#### Management Services Agreement with Centene Management Company, LLC.

Effective January 1, 2022, the Company has a contract with Centene Management Company, LLC., (CMC) a wholly-owned subsidiary of Centene, to provide certain management, administrative services and claims processing utilization review, payroll services and the majority of the administrative functions for the Company, excluding certain sales and marketing functions and other professional consulting expenses.

CMC also provides accounting, legal and financial services, management of information and computer systems, data processing, administration of benefits, adjudication and processing of claims, customer service, network credentialing services and coordination of communications to members and providers. This agreement was restated effective January 1, 2023.

#### Management Services Agreement with Comprehensive Health Management, Inc.

The Company contracted with Comprehensive Health Management, Inc., a related party, to provide day-to-day management services of the Company's operations. This agreement was replaced by the Management Services Agreement with Centene Management Company LLC and remained active for run-out purposes only after January 1, 2022.

#### Consolidated Federal Tax Allocation Agreement

The Company's federal income tax return is filed on a consolidated basis with its ultimate parent company, Centene. Allocation of federal income taxes with affiliates subject to the tax sharing agreement is based upon separate income tax return calculations with credit for net losses that can be used on a consolidated basis.

#### Management Services Agreement with National Imaging Associates, Inc.

The Company has a Management Services Agreement with National Imaging Associates, Inc. (Radiology Services). to provide covered radiology services to its members. In January 2023, Centene divested its controlling interest in National Imaging Associates, Inc. and it is no longer an affiliate.

#### Pharmacy Benefits Agreement with Centene Pharmacy Solutions, Inc.

Centene Pharmacy Solutions provides administrative services in conjunction with Pharmacy Benefits Manager services provided by an unrelated party.

#### Dental Services Agreement between WellCare of Connecticut and Envolve Dental, Inc.

Provides dental services to enrollees via a network of dental providers and provides administrative services related to the dental benefit.

#### Vision Services Agreement between WellCare of Connecticut and Envolve Vision, Inc.

Provides vision services to enrollees via a network of vision providers and provides administrative services related to the vision benefit.

## WELLCARE OF CONNECTICUT, INC.

### Administrative Services Agreement with Envolve PeopleCare, Inc.

Effective July 1, 2021, the Company entered into an Administrative Services Agreement with Envolve PeopleCare, Inc. to provide nurse advice line triage services. This agreement terminated effective January 1, 2022.

### TERRITORY AND PLAN OF OPERATION

As of December 31, 2022, the Company was licensed only in the states of Connecticut and North Carolina. The Company currently writes Title XVIII Medicare government sponsored insurance programs. It is approved to operate in all eight (8) counties of Connecticut as an independent physician association (IPA) model HMO. Under this type of arrangement, agreements are entered into with IPAs, physician health organizations and individual physicians for the provision of all medical care to the Company's enrollees for a specified fee for the services rendered.

### REINSURANCE

The Company had an excess of loss reinsurance agreement with PartnerRe America Insurance Company, to provide coverage equal to 80% of claims per covered person in excess of \$5,000,000. Effective January 1, 2023, the Company entered into a reinsurance agreement with Bankers Reserve Life Insurance Company of Wisconsin, an affiliated insurer, to provide coverage equal to 90% of claims per covered person in excess of \$5,000,000.

### INFORMATION TECHNOLOGY CONTROLS

TDI performed a risk-based assessment and review of the Company's Information Technology General Controls (ITGCs) in accordance with NAIC requirements as outlined in the Handbook. The guidance and direction used to perform the review of the Company's ITGCs was derived from Exhibit C Part 1 – Information Technology Planning Questionnaire (ITPQ) and Exhibit C Part 2 – Information Technology Work Program. The Company's responses to the ITPQ were evaluated, and certain controls within the IT control environment were tested to assess whether the selected controls were designed effectively and were functioning properly. Based upon the risk-based assessment and review, the Company's ITGCs were determined to be effective.

### ACCOUNTS AND RECORDS

The Company uses PeopleSoft for the general ledger accounting system, nVision and One Stream for financial reporting and eFreedom for statutory financial reporting.



WELLCARE OF CONNECTICUT, INC.

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	Nonadmitted Assets	Net Admitted Assets
Bonds	\$ 23,912,017		\$ 23,912,017
Cash and cash equivalents	8,432,625		8,432,625
Investment income due and accrued	130,989		130,989
Premiums and considerations:			
Uncollected premiums and agents' balances in course of collection	34,908		34,908
Accrued retrospective premiums	6,335,346		6,335,346
Amounts receivable relating to uninsured plans	4,991,362		4,991,362
Net deferred tax asset	179,214		179,214
Receivables from parent, subsidiaries and affiliates	9,515,289		9,515,289
Health care and other amounts receivable	9,479,305	\$265,593	9,213,712
Aggregate write-ins for other than invested assets	117,130	117,130	0
Total	<u>\$63,128,185</u>	<u>\$382,723</u>	<u>\$62,745,462</u>



WELLCARE OF CONNECTICUT, INC.

LIABILITIES, CAPITAL AND SURPLUS

	1	2	3
	Covered	Uncovered	Total
Claims unpaid	\$18,714,794		\$18,714,794
Accrued medical incentive pool and bonus amount	3,357,010		3,357,010
Unpaid claims adjustment expenses	217,557		217,557
Aggregate health policy reserves	3,084,924		3,084,924
Premiums received in advance	1,357		1,357
General expenses due or accrued	452,085		452,085
Current federal and foreign income tax payable	1,702,919		1,702,919
Ceded reinsurance premiums payable	1,312		1,312
Amounts due to parent, subsidiaries and affiliates	530,495		530,495
Liability for amounts held under uninsured plans	6,377,423		6,377,423
Aggregate write-in for other liabilities	192,222		192,222
Total liabilities	\$34,632,098		\$34,632,098
Gross paid in and contributed surplus	XXX	XXX	31,577,481
Unassigned funds (surplus)	XXX	XXX	(3,464,117)
Total capital and surplus	XXX	XXX	\$28,113,364
Total liabilities, capital and surplus	<u>XXX</u>	<u>XXX</u>	<u>\$62,745,462</u>

WELLCARE OF CONNECTICUT, INC.

STATEMENT OF REVENUE AND EXPENSES

	Uncovered	Total
Net premium income	XXX	\$156,192,485
Total revenues	XXX	\$156,192,485
Hospital and Medical:		
Hospital/medical benefits		112,583,705
Other professional services		5,540,266
Emergency room and out-of-area		9,045,892
Prescription drugs		6,712,179
Incentive pool, withhold adjustments and bonus amount		2,652,271
Subtotal		136,534,313
Less:		
Total hospital and medical		136,534,313
Claims adjustment expenses		1,633,880
General administrative expenses		14,832,126
Total underwriting deductions		153,000,319
Net underwriting gain or (loss)		3,192,166
Net investment income earned		481,114
Net realized capital gains (losses)		(70,343)
Net investment gains or (losses)		410,771
Net gain or (loss) from agents' or premium balances		(27,003)
Net income or (loss), after capital gains tax and before all other federal income taxes		3,575,934
Federal and foreign income taxes incurred		754,040
Net income (loss)	XXX	<u>\$ 2,821,894</u>
<b>CAPITAL AND SURPLUS ACCOUNT</b>		
Capital and surplus prior reporting period		23,667,176
Net income (loss)		2,821,894
Change in net unrealized capital gain (losses) less capital		34,764
Change in net deferred income tax		(252,105)
Change in nonadmitted assets		1,841,635
Net change in capital and surplus		4,446,188
Capital and surplus end of reporting period		<u>\$28,113,364</u>

WELLCARE OF CONNECTICUT, INC.

CAPITAL AND SURPLUS

\$28,113,364

The following is a reconciliation of capital and surplus for the period under examination:

Beginning of the Examination Period, January 1, 2018	\$22,422,740
Net income	(2,203,288)
Change in net unrealized capital gains (losses) less capital gains tax of	(2,616)
Change in net deferred income tax	103,583
Change in nonadmitted assets	(207,055)
Dividends to stockholders	8,000,000
Net Change in Capital and Surplus for the Examination Period	5,690,624
Capital and Surplus, December 31, 2022	<u>\$28,113,364</u>

CLAIMS UNPAID

\$18,714,794

ACCRUED MEDICAL INCENTIVE POOL AND BONUS AMOUNT

\$3,357,010

UNPAID CLAIMS ADJUSTMENT EXPENSES

\$217,557

AGGREGATE HEALTH POLICY RESERVES

\$3,084,924

The TDI actuary performed a risk-based actuarial review of reserving and RRC performed a review the pricing/underwriting risks for the Company. Based upon the review, no material findings were noted which affected the Company's reserving or pricing/underwriting risk.

SUMMARY OF RECOMMENDATION

None noted.

SUBSEQUENT EVENT

In February 2024, the Company received a cash capital contribution of \$70,500,000 from Centene Corporation.

CONCLUSION

As of December 31, 2022, the Company reported admitted assets of \$62,745,462 liabilities of \$34,632,098, and capital and surplus of \$28,113,364. During the period under examination, admitted assets increased by \$27,093,322, liabilities increased by \$21,402,698, and capital and surplus increased by \$5,690,624.



WELLCARE OF CONNECTICUT, INC.

SIGNATURE

In addition to the undersigned, the following members of the Department participated in the examination: Mike Shanahan, CFE; Keith Kleindienst, CFE; and the professional services firms of RRC.

I, Wayne Shepherd, CFE, 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,

Wayne Shepherd

Wayne Shepherd, CFE  
Examiner-In-Charge  
State of Connecticut  
Insurance Department

State of Connecticut

ss. Hartford

County of Hartford

Subscribed and sworn to before me,

Notary Public on this 7 day of June, 2024.

[Signature]  
Notary Public

My Commission Expires June 30, 2026

