

STATE OF CONNECTICUT
INSURANCE DEPARTMENT

In the Matter of:
HealthyCT, Inc.
a Connecticut domiciled health insurance company.
Docket No. EX 16-54

ORDER OF SUPERVISION

WHEREAS, the Insurance Commissioner of the State of Connecticut ("Commissioner") hereby finds as follows:

- 1. The Commissioner has jurisdiction over the subject matter and of HealthyCT, Inc. ("HealthyCT").
2. HealthyCT is a Connecticut-domiciled health insurer having its principal office at 35 Thorpe Ave, Suite 104, Wallingford, CT 06492 and holds a license to transact the business of insurance in Connecticut. HealthyCT was formed in 2011 as a non-profit entity in Connecticut with the intent to participate in the Connecticut health care market as a Consumer Oriented and Operated Plan (CO-OP) as identified in Section 1322 of the Patient Protection and Affordable Care Act.
3. As of July 1, 2016, pursuant to General Statutes § 38a-962b, HealthyCT is in such condition as to render the continuance of its business hazardous to its policyholders and the public. The Commissioner makes this determination based upon the findings set forth herein.
4. Pursuant to subsections (3), (5) (6), (16) and (20) of Conn. Agencies Regs. § 38a-8-103, HealthyCT is in a hazardous financial condition.
5. Because HealthyCT's condition renders the continuance of its business hazardous to the public or to its insureds, the Commissioner has authority under General Statutes § 38a-962b to enter an order to initiate administrative supervision of HealthyCT, effective immediately.
6. HealthyCT has submitted to the Department a risk-based capital report, (the RBC Report) pursuant to Conn. Agencies Regs. § 38a-72-2. The RBC Report indicates that HealthyCT was materially above Company Action Level as of December 31, 2015. On June 30, 2016, the Department updated the RBC Report, which estimates that HealthyCT will be at a "Mandatory Control Level" as of December 31, 2016.
7. Although HealthyCT's financial results prior to June 30, 2016 indicated a need for heightened scrutiny, the company maintained adequate capital position, sustainable liquidity, and was expected to remain solvent for the foreseeable future. However, on June 30, 2016, the U.S. Department of Health and Human Services, Centers for Medicare & Medicaid Services (CMS) announced in its Risk Adjustment Report for the Benefit Year 2015 that it would ask

HealthyCT to pay \$13,400,000 to CMS pursuant to the Risk Adjustment program. The CMS Risk Adjustment Report changed HealthyCT's financial outlook, requiring this Order.

8. The Commissioner has authority under Conn. Agencies Regs. §§ 38a-72-1 through 38a-72-13 to enter this order of supervision.

9. It is in the best interests of HealthyCT's policyholders and creditors to run-off the existing operations of HealthyCT in such a manner as would maximize the availability of funds to satisfy the interests of policyholders, creditors, and other constituents.

10. HealthyCT is in such condition that regulatory control of the insurer is appropriate to help safeguard its financial security and is in the best interests of the policyholders and creditors of the insurer and of the public as HealthyCT administers the run-off of its existing business.

IT IS THEREFORE ORDERED THAT:

11. HealthyCT is hereby placed under the administrative supervision of the Commissioner pursuant to General Statutes § 38a-962b and under the terms herein, effective at the time the Commissioner signs this order.

12. HealthyCT shall submit to the Commissioner, for the Commissioner's approval, no later than July 15, 2016, a comprehensive run-off plan approved by HealthyCT's Board of Directors. Said run-off plan shall include, but not be limited to, cash flow projections to demonstrate that HealthyCT has sufficient assets and cash flow to pay both claims and operating expenses as those obligations become due. HealthyCT will update the run-off plan upon the request of the Commissioner.

13. Within three business days of the date of this order, HealthyCT shall submit to the Commissioner for inspection all current contracts between HealthyCT and its creditors, vendors and reinsurers. Within one business day of the date of this order, HealthyCT will submit to the Commissioner a list of HealthyCT's main contact persons at each of its creditors, vendors and reinsurers.

14. The period of administrative supervision by the Commissioner shall commence upon execution of this Order. The period of supervision pursuant to this Order shall be coterminous with the run-off of HealthyCT's existing insurance business, unless the Commissioner takes further action pursuant to her authority under Title 38a of the Connecticut General Statutes.

15. The determination that HealthyCT shall be subject to administrative supervision by the Commissioner may be abated and thereby released from administrative supervision by the Commissioner if HealthyCT complies with the orders of supervision provided herein and, during the period of supervision, HealthyCT shall have attained sufficient liquidity, surplus, and reserves such that the Commissioner in her sole discretion determines the supervision of HealthyCT is no longer necessary for the protection of policyholders, claimants, creditors, or is no longer in the public interest.

16. During the period of supervision, HealthyCT shall not undertake, engage in, commit to accept, or renew any insurance obligations including without limitation, insurance or reinsurance policies or any similar arrangements or agreements or, without the prior written approval of the Commissioner, make any material change in any insurance or reinsurance agreement which would increase the financial obligations of HealthyCT in any material respect. Moreover, HealthyCT shall not engage in activities beyond those that are routine in the day-to-day conduct of its business in run-off and are otherwise consistent with its run-off plan to be filed with, and found acceptable by, the Commissioner, without the prior approval of the Commissioner or her designee. The routine day-to-day conduct of HealthyCT's business in run-off includes but is not limited to:

- (a) paying and settling claims and insurance obligations unless otherwise prohibited by this Order, subject to the direction and approval of the Commissioner;
- (b) engaging, directing, discharging, and compensating counsel (including reasonable costs incurred) with respect to such claims or other matters;
- (c) paying settlements or judgments with respect to such claims;
- (d) notwithstanding paragraph 17(d) below, investing the assets of HealthyCT and liquidating such assets in an appropriate manner as required to pay claims, operating expenses, settlements, and other charges in the ordinary course of business and subject to the provisions of this Order;
- (e) submitting information to reinsurers with respect to HealthyCT's reinsured claims and adjustment expenses; and
- (f) taking all actions necessary and appropriate to recover all sums due to HealthyCT from reinsurers and others.

17. The following activities, to the extent not necessary for the adjusting and payment of claims, and expenses associated with claims adjusting and settlement, are understood to be outside the day-to-day conduct of HealthyCT's business in run-off, and in no event shall HealthyCT engage in or undertake the following activities without the prior approval of the Commissioner or her designee:

- (a) Dispose of, convey, or encumber any of its assets or its business in force.
- (b) Withdraw any amounts from its bank accounts.
- (c) Lend any of its funds.
- (d) Invest any of its funds.
- (e) Transfer any of its property.
- (f) Incur any debt, obligation, or liability.
- (g) Merge or consolidate with another company.

- (h) Write new or renewal business.
- (i) Enter into any new reinsurance contract or treaty, or modify any reinsurance contract or treaty.
- (j) Terminate, surrender, forfeit, convert, or lapse any insurance policy, certificate, or contract, except for nonpayment of premiums due.
- (k) Release, pay, or refund premium deposits, unearned premiums, or other reserves on any insurance policy, certificate, or contract.
- (l) Make any material change in management.
- (m) Increase salaries and benefits of officers or directors or pay bonuses, dividends or other payments deemed preferential.

To obtain the prior approval of the Commissioner as to any of the foregoing actions, HealthyCT shall make a written recommendation to the Commissioner containing reasons in support of approval.

18. The Commissioner shall have the final authority to approve or disapprove the initiation, settlement, or withdrawal by HealthyCT of any action, dispute, arbitration, litigation, or proceeding of any kind involving HealthyCT that is not in the ordinary course of business. To propose any such conduct, HealthyCT shall prepare a written report to the Commissioner with a recommendation for approval or disapproval with the reasons therefore.

19. Without the prior written approval of the Commissioner, HealthyCT shall not (i) add any individual who is not currently a senior executive officer of HealthyCT, to the board of directors of HealthyCT or (ii) move the principal offices or records of HealthyCT to a location outside of Connecticut.

20. HealthyCT shall file with the Department a monthly financial statement consisting of a balance sheet and income statement, along with a statement of cash flow, a claims ageing report, a cash report, quarterly RBC projections, and membership enrollment report, on the 25th day of each month as of the end of the prior month.

21. At least annually, HealthyCT shall submit an actuarial analysis prepared by a qualified actuary as defined in Conn. Agencies Regs. § 38a-53-1.

22. HealthyCT shall submit to the Department any additional reports that the Department reasonably determines as necessary to ascertain the financial condition of HealthyCT.

23. HealthyCT shall submit any and all reports or items required by this Order, and all requests for the Commissioner's action or approval to:

Kathy Belfi
Director of Financial Regulation

Connecticut Insurance Department
P.O. Box 816
Hartford, Connecticut 06142-0816
(860) 297-3968
Kathy.Belfi@ct.gov

24. The Commissioner may retain, at HealthyCT's expense, such experts (including, but not limited to, attorneys, actuaries, accountants, and investment advisors) not otherwise a part of the Commissioner's staff, as the Commissioner reasonably believes is necessary to assist in the supervision of HealthyCT.

25. HealthyCT shall continue to comply with all obligations under law, including applicable financial, regulatory, and tax reporting requirements.

26. Nothing in this order shall preclude the Commissioner from taking further action as the Commissioner in her sole discretion deems appropriate and in the best interest of HealthyCT's policyholders and the public, including commencement of further legal proceedings if and as necessary under Chapter 704c of the Connecticut General Statutes.

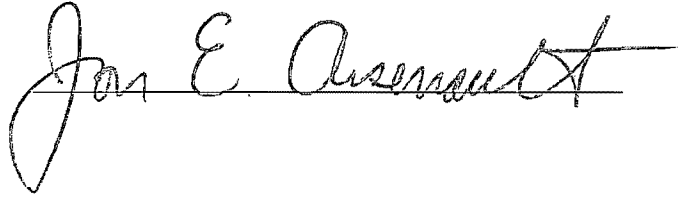
The foregoing Order of Supervision for HealthyCT is entered and shall be effective at 10:00
a.m. on this 1st day of July 2016.



Katharine L. Wade
Insurance Commissioner

CERTIFICATE OF SERVICE

I hereby certify that a copy of the foregoing Order of Supervision was served upon Kenneth R. Lalime, Chief Executive Officer, HealthyCt, Inc., by hand delivery at the offices of the Connecticut Insurance Department on this 1st day of July, 2016.

A handwritten signature in cursive script, reading "Jan E. Auerbach", written over a horizontal line.