

## Amended Explanation Page

This Amendment No. 2 filing on July 24, 2020 is in remedy of items identified in the NAIC Financial & Reporting Analysis Data Validation Notification (QAANN\_16347\_07232020\_132529) dated July 23, 2020.

Items 1 & 2 in the Notification have been remedied via Email to Jon Borcharding in your office via provision of the crosscheck error explanation provided for XXAAU900391 and XXAAU900392 that was included in the 2019 Annual Statement Filing.

This Amendment No. 2 filing today is in remedy of Items 3 -11 and is accomplished through amended filings of:

- Pg 26 – Notes to Financial Statement
  - This is only needed to accomplish correction of the Electronic input for Note 1310.
  - No changes to the written/hardcopy Notes.
- Pg SI01 – Summary Investment Schedule
  - This page was inadvertently overlooked in the Amendment No. 1 filing on 7/21/2020.



# ANNUAL STATEMENT

## For the Year Ending DECEMBER 31, 2019

### OF THE CONDITION AND AFFAIRS OF THE

# Clover HMO of New Jersey Inc.

NAIC Group Code 4918 , 4918 NAIC Company Code 16347 Employer's ID Number 38-4057194  
(Current Period) (Prior Period)

Organized under the Laws of New Jersey , State of Domicile or Port of Entry NJ

Country of Domicile United States

Licensed as business type: Life, Accident & Health[ ] Property/Casualty[ ] Hospital, Medical & Dental Service or Indemnity[ ]  
 Dental Service Corporation[ ] Vision Service Corporation[ ] Health Maintenance Organization[X]  
 Other[ ] Is HMO Federally Qualified? Yes[ ] No[X] N/A[ ]

Incorporated/Organized 11/21/2017 Commenced Business 01/01/2019

Statutory Home Office 30 Montgomery Street, 15th Floor , Jersey City, NJ, US 07302  
(Street and Number) (City or Town, State, Country and Zip Code)

Main Administrative Office 30 Montgomery Street, 15th Floor  
(Street and Number)  
Jersey City, NJ, US 07302 (201)432-2133  
(City or Town, State, Country and Zip Code) (Area Code) (Telephone Number)

Mail Address 30 Montgomery Street, 15th Floor , Jersey City, NJ, US 07302  
(Street and Number or P.O. Box) (City or Town, State, Country and Zip Code)

Primary Location of Books and Records 30 Montgomery Street, 15th Floor  
(Street and Number)  
Jersey City, NJ, US 07302 (201)432-2133  
(City or Town, State, Country and Zip Code) (Area Code) (Telephone Number)

Internet Website Address N/A

Statutory Statement Contact Joseph Wagner (410)274-6891  
(Name) (Area Code)(Telephone Number)(Extension)  
joe.wagner@cloverhealth.com (000)000-0000  
(E-Mail Address) (Fax Number)

### OFFICERS

Name	Title
Vivek Garipalli	Chief Executive Officer
Joseph Wagner	Chief Financial Officer #

### OTHERS

Wendy Richey, Chief Medicare Compliance Officer	Gia Lee, General Council #
Rachel Fish, Chief People Officer	Andrew Toy, President & Chief Technology Officer
Mark Spektor, Chief Medical Officer	Sophia Chang, Chief Clinical Informatics Officer

### DIRECTORS OR TRUSTEES

Vivek Garipalli	Edward Berde
Justin Doheny	

State of New Jersey  
 County of Hudson ss

The officers of this reporting entity being duly sworn, each depose and say that they are the described officers of the said reporting entity, and that on the reporting period stated above, all of the herein described assets were the absolute property of the said reporting entity, free and clear from any liens or claims thereon, except as herein stated, and that this statement, together with related exhibits, schedules and explanations therein contained, annexed or referred to, is a full and true statement of all the assets and liabilities and of the condition and affairs of the said reporting entity as of the reporting period stated above, and of its income and deductions therefrom for the period ended, and have been completed in accordance with the NAIC Annual Statement Instructions and Accounting Practices and Procedures manual except to the extent that: (1) state law may differ; or, (2) that state rules or regulations require differences in reporting not related to accounting practices and procedures, according to the best of their information, knowledge and belief, respectively. Furthermore, the scope of this attestation by the described officers also includes the related corresponding electronic filing with the NAIC, when required, that is an exact copy (except for formatting differences due to electronic filing) of the enclosed statement. The electronic filing may be requested by various regulators in lieu of or in addition to the enclosed statement.

\_\_\_\_\_  
(Signature)  
 Vivek Garipalli  
(Printed Name)  
 1.  
 Chief Executive Officer  
(Title)

\_\_\_\_\_  
(Signature)  
 Joseph Wagner  
(Printed Name)  
 2.  
 Chief Financial Officer  
(Title)

\_\_\_\_\_  
(Signature)  
(Printed Name)  
 3.  
(Title)

Subscribed and sworn to before me this \_\_\_\_\_ day of \_\_\_\_\_, 2020

a. Is this an original filing?  
 b. If no: 1. State the amendment number  
 2. Date filed  
 3. Number of pages attached

Yes[ ] No[X]  
 2  
 07/24/2020  
 4

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

# Notes to Financial Statements

## 1. Summary of Significant Accounting Policies

### A. Accounting Practices

The accompanying statutory-basis financial statements have been prepared in conformity with accounting practices prescribed or permitted by the New Jersey Department of Banking and Insurance ("NJ DOBI").

The NJ DOBI recognizes only statutory accounting practices prescribed or permitted by the State of New Jersey for determining and reporting the financial condition and results of operations of an insurance company, for determining its solvency under the New Jersey State Insurance Law. The National Association of Insurance Commissioners' ("NAIC") Accounting Practices and Procedures Manual ("NAIC SAP") has been adopted as a component of prescribed or permitted practices by the State of New Jersey. For purposes of preparing the financial statements of the Company, no differences exist between the accounting practices prescribed by the State of New Jersey and the NAIC.

A reconciliation of the Company's net income and capital and surplus between NAIC SAP and practices prescribed and permitted by the state of New Jersey is shown below:

		SSAP#	F/S Page	F/S Line	2019	2018
<b>NET INCOME</b>						
(1)	State basis (Page 4, Line 32, Columns 2 & 3)	XXX	XXX	XXX	\$(6,774,600)	\$6,092
(2)	State Prescribed Practices that increase/(decrease) NAIC SAP:					
(201)						
(299)	Total				\$0	\$0
(3)	State Permitted Practices that increase/(decrease) NAIC SAP:					
(301)						
(399)	Total				\$0	\$0
(4)	NAIC SAP (1-2-3=4)	XXX	XXX	XXX	\$(6,774,600)	\$6,092
<b>SURPLUS</b>						
(5)	State basis (Page 3, Line 33, Columns 3 & 4)	XXX	XXX	XXX	\$8,139,944	\$8,311,303
(6)	State Prescribed Practices that increase/(decrease) NAIC SAP:					
(601)						
(699)	Total				\$0	\$0
(7)	State Permitted Practices that increase/(decrease) NAIC SAP:					
(701)						
(799)	Total				\$0	\$0
(8)	NAIC SAP (5-6-7=8)	XXX	XXX	XXX	\$8,139,944	\$8,311,303

### B. Use of Estimates in the Preparation of the Financial Statements.

The preparation of financial statements in conformity with Statutory Accounting Principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities. It also requires disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the period. Actual results could differ from those estimates.

### C. Accounting Policy

Health capitation premiums are recognized in the period members are entitled to related health care services. Health care service costs and the related liabilities for claims payable are recorded when medical services are authorized, as well as when services are provided without authorization to the extent such services are expected to be ultimately authorized. Expenses are charged to operations as incurred.

In addition, the Company uses the following accounting policies:

- (1) Short-term investments are stated at amortized cost.
- (2) Bonds are stated at amortized cost using the scientific interest method. The Company does not own any mandatory convertible securities or SVO-Identified bond ETFs.
- (3) The Company had no common stock.
- (4) The Company had no preferred stock.
- (5) The Company had no mortgage loans.
- (6) The Company had no loan-backed securities.

## Notes to Financial Statements

- (7) The Company carries its 100% owned subsidiaries, MSPNJ, LLC and Principium Health, LLC, on an audited GAAP equity basis in accordance with SSAP No. 97; 8b.III.
- (8) The Company had no investments in joint ventures or partnerships. The Company carries investments in limited liability companies on an audited GAAP equity basis.
- (9) The Company had no derivatives.
- (10) The Company utilizes anticipated investment income as a factor in the premium deficiency calculation.
- (11) Unpaid losses and loss adjustment expenses include amounts determined from claims estimates and loss reports and an amount, based on past experience, for losses incurred but not reported. Such liabilities are necessarily based on assumptions and estimates and while management believes the amount is adequate, the ultimate liability may be in excess of or less than the amount provided. The methods for making such estimates and for establishing the resulting liability are continually reviewed and any adjustments are reflected in the period determined.
- (12) The Company's capitalization policy has not changed.
- (13) The Company's pharmaceutical rebate receivables are based on actual billed rebates. Any rebates billed and unpaid after 90 days are non-admitted.

D. **Going Concern**

Management has evaluated the Company's ability to continue as a going concern. In Management's assessment there is no substantial doubt in the Company's ability to continue as a going concern

**2. Accounting Changes and Corrections of Errors**

None

**3. Business Combinations and Goodwill**

- A. Statutory Purchase Method - None
- B. Statutory Merger - None
- C. Assumption Reinsurance - None
- D. Impairment Loss - None

**4. Discontinued Operations**

- A. Discontinued Operation Disposed of or Classified as Held for Sale - None
- B. Change in Plan of Sale of Discontinued Operation - None
- C. Nature of Any Significant Continuing Involvement with Discontinued Operations After Disposal - None
- D. Equity Interest Retained in Discontinued Operation After Disposal - None

**5. Investments**

- A. Mortgage Loans, including Mezzanine Real Estate Loans - None
- B. Debt Restructuring - None
- C. Reverse Mortgages - None
- D. Loan-Backed Securities - None
- E. Dollar Repurchase Agreements and/or Securities Lending Transactions - None
- F. Repurchase Agreements Transactions Accounted for as Secured Borrowing - None
- G. Reverse Repurchase Agreements Transactions Accounted for as Secured Borrowing - None
- H. Repurchase Agreements Transactions Accounted for as a Sale - None
- I. Reverse Repurchase Agreements Transactions Accounted for as a Sale - None
- J. Real Estate - None
- K. Low-income housing tax credits (LIHTC) - None

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## Notes to Financial Statements

### L. Restricted Assets –

#### (1) Restricted Assets (Including Pledged)

	1	2	3	4	5	6	7
Restricted Asset Category	Total Gross (Admitted and Nonadmitted) Restricted from Current Year	Total Gross (Admitted and Nonadmitted) Restricted from Prior Year	Increase /(Decrease) (1 minus 2)	Total Current Year Nonadmitted Restricted	Total Current Year Admitted Restricted (1 minus 4)	Gross (Admitted and Nonadmitted) Restricted to Total Assets (a)	Admitted Restricted to Total Admitted Assets (b)
a. Subject to contractual obligation for which liability is not shown							
b. Collateral held under security lending agreements							
c. Subject to repurchase agreements							
d. Subject to reverse repurchase agreements							
e. Subject to dollar repurchase agreements							
f. Subject to dollar reverse repurchase agreements							
g. Placed under options contracts							
h. Letter stock or securities restricted as to sale-excluding FHLB capital stock							
i. FHLB capital stock							
j. On deposit with states	\$832,893	\$811,296	\$21,597	\$0	\$832,893	3.309%	3.380%
k. On deposit with other regulatory bodies							
l. Pledged as collateral to FHLB (including assets backing funding agreements)							
m. Pledged as collateral not captured in other categories							
n. Other restricted assets							
o. Total Restricted Assets	\$832,893	\$811,296	\$21,597	\$0	\$832,893	3.309%	3.380%

(a) Column 1 divided by Asset Page, Column 1, Line 28

(b) Column 5 divided by Asset Page, Column 3, Line 28

(2) Detail of Assets Pledged as Collateral Not Captured in Other Categories – None

(3) Detail of Other Restricted Assets – None

(4) Collateral Received and Reflected as Assets Within the Reporting Entity's Financial Statements – None

M. Working Capital Finance Investments – None

N. Offsetting and Netting of Assets and Liabilities – None

O. 5GI Securities – None

P. Short Sales – None

Q. Prepayment Penalty and Acceleration Fees - None

### 6. Joint Ventures, Partnerships and Limited Liability Companies

A. The Company does not have any Joint Ventures, Partnerships and Limited Liability Companies that exceed 10% of the admitted assets.

B. The Company does not have any impaired Joint Ventures, Partnerships and Limited Liability Companies.

### 7. Investment Income

A. Due and accrued income was excluded from surplus that are over 90 days past due with the exception of mortgage loans in default.

B. The Company had no investment income due and accrued excluded from surplus.

### 8. Derivative Instruments

None

## Notes to Financial Statements

### 9. Income Taxes

- A. The statutory basis of accounting requires that the Company record deferred tax assets and liabilities for certain temporary differences between statutory basis income before federal income taxes, plus certain items recorded directly to surplus, and taxable income as reflected in the Company's federal income tax return, subject to certain limitations.

The components of the net deferred tax asset/(liability) at December 31 are as follows:

1.

Description	12/31/2019			12/31/2018			Change		
	1 Ordinary	2 Capital	3 (Col. 1 + 2) Total	4 Ordinary	5 Capital	6 (Col. 4 + 5) Total	7 (Col. 1 - 4) Ordinary	8 (Col. 2 - 5) Capital	9 (Col. 7 + 8) Total
a. Gross Deferred Tax Assets	\$1,547,767	-	\$1,547,767	-	-	-	\$1,547,767	-	\$1,547,767
b. Statutory Valuation Allowance Adjustments	\$1,531,822	-	\$1,531,822	-	-	-	\$1,531,822	-	\$1,531,822
c. Adjusted Gross Deferred Tax Assets (1a - 1b)	\$15,945	-	\$15,945	-	-	-	\$15,945	-	\$15,945
d. Deferred Tax Assets Non-admitted	-	-	-	-	-	-	-	-	-
e. Subtotal Net Admitted Deferred Tax Asset (1c - 1d)	\$15,945	-	\$15,945	-	-	-	\$15,945	-	\$15,945
f. Deferred Tax Liabilities	\$15,945	-	\$15,945	-	\$(124)	\$(124)	\$15,945	\$124	\$16,069
g. Net Admitted Deferred Tax Asset/(Net Deferred Tax Liability) (1e - 1f)	-	-	-	-	\$124	\$124	-	\$(124)	\$(124)

2.

Description	12/31/2019			12/31/2018			Change		
	1 Ordinary	2 Capital	3 (Col. 1 + 2) Total	4 Ordinary	5 Capital	6 (Col. 4 + 5) Total	7 (Col. 1 - 4) Ordinary	8 (Col. 2 - 5) Capital	9 (Col. 7 + 8) Total
a. Federal Income Taxes Paid In Prior Years Recoverable Through Loss Carrybacks	-	-	-	-	-	-	-	-	-
b. Adjusted Gross Deferred Tax Assets Expected To Be Realized (Excluding The Amount Of Deferred Tax Assets From 2a Above) After Application of the Threshold Limitation (The Lesser of 2b1 and 2b2 below)	-	-	-	-	-	-	-	-	-
b1. Adjusted Gross Deferred Tax Assets Expected to be Realized Following the Balance Sheet Date	\$15,945	-	\$15,945	-	-	-	\$15,945	-	\$15,945
b2. Adjusted Gross Deferred Tax Assets Allowed per Limitation Threshold	XXX	XXX	-	XXX	XXX	-	XXX	XXX	-
c. Adjusted Gross Deferred Tax Assets (Excluding The Amount Of Deferred Tax Assets From 2a and 2b Above) Offset by Gross Deferred Tax Liabilities	-	-	-	-	-	-	-	-	-
d. Deferred Tax Assets Admitted as the result of application of SSAP No. 101 Total (2a + 2b - 2c)	-	-	-	-	-	-	-	-	-

3.

	Description	12/31/2019	12/31/2018
a.	Ratio Percentage Used To Determine Recovery Period And Threshold Limitation Amount	0%	0%
b.	Amount Of Adjusted Capital And Surplus Used To Determine Recovery Period And Threshold Limitation in 2(b)2 Above	\$0	\$0

4.

Description	12/31/2019		12/31/2018		Change	
	1 Ordinary	2 Capital	3 Ordinary	4 Capital	5 (Col. 1 + 3) Ordinary	6 (Col. 2 + 4) Capital
Impact of Tax-Planning Strategies						
a.	Determination of Adjusted Gross Deferred Tax Assets and Net Admitted Deferred Tax Assets, By Tax Character as a Percentage					
1.	Adjusted Gross DTAs Amount From Note 9A1(c)	\$15,945	-	-	-	\$15,945
2.	Percentage of Adjusted Gross DTAs by tax character attributable to the impact of tax planning strategies	-	-	-	-	-
3.	Net Admitted Adjusted Gross DTAs Amount from Note 9a1(c)	\$15,945	-	-	-	\$15,945
4.	Percentage of Net Admitted Adjusted Gross DTAs by tax character attributable to the impact of tax planning strategies	-	-	-	-	-

b.	Does the Company's tax-planning strategies include the use of reinsurance? (Yes / No)	No
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- B. Regarding deferred tax liabilities that are not recognized: Not Applicable

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## Notes to Financial Statements

C. Current income taxes incurred consist of the following major components:

	Description	1 12/31/2019	2 12/31/2018	3 (Col. 1 – 2) Change
1.	Current Income Tax			
a.	Federal	\$(1,463)	\$1,463	\$(2,926)
b.	Foreign	\$0	\$0	\$0
c.	Subtotal	\$(1,463)	\$1,463	\$(2,926)
d.	Federal income tax on net capital gains	\$0	\$0	\$0
e.	Utilization of capital loss carry-forwards	\$0	\$0	\$0
f.	Other	\$0	\$0	\$0
g.	Federal and foreign income taxes incurred	\$(1,463)	\$1,463	\$(2,926)
2.	Deferred Tax Assets:			
a.	Ordinary			
1.	Discounting of unpaid losses	\$(17,173)	\$0	\$(17,173)
2.	Unearned premium reserve			
3.	Policyholder reserves	\$648,096	\$0	\$648,096
4.	Investments			
5.	Deferred acquisition costs			
6.	Policyholder dividends accrual			
7.	Fixed assets			
8.	Compensation and benefits accrual			
9.	Pension accrual			
10.	Nonadmitted Assets	\$110,436	\$0	\$110,436
11.	Net operating loss carry-forward	\$806,408	\$0	\$806,408
12.	Tax credit carry-forward			
13.	Other (including items < 5% of total ordinary tax assets)			
99.	Subtotal	\$1,547,767	\$0	\$1,547,767
b.	Statutory valuation allowance adjustment	\$1,531,822	\$0	\$1,531,822
c.	Nonadmitted			
d.	Admitted ordinary deferred tax assets (2a99 – 2b – 2c)	\$15,945	\$0	\$15,945
e.	Capital:			
1.	Investments			
2.	Net capital loss carry-forward			
3.	Real estate			
4.	Other (including items < 5% of total capital tax assets)			
99.	Subtotal	\$0	\$0	\$0
f.	Statutory valuation allowance adjustment			
g.	Nonadmitted			
h.	Admitted capital deferred tax assets (2e99 – 2f – 2g)			
i.	Admitted deferred tax assets (2d + 2h)	\$15,945	\$0	\$15,945
3.	Deferred Tax Liabilities:			
a.	Ordinary			
1.	Investments			
2.	Fixed assets			
3.	Deferred and uncollected premium			
4.	Policyholder reserves			
5.	Other (including items < 5% of total ordinary tax liabilities)	\$15,945	\$0	\$15,945
99.	Subtotal	\$15,945	\$0	\$15,945
b.	Capital:			
1.	Investments	\$0	\$124	\$(124)
2.	Real estate			
3.	Other (including items < 5% of total capital tax liabilities)			
99.	Subtotal	\$0	\$124	\$(124)
c.	Deferred tax liabilities (3a99 + 3b99)	\$15,945	\$124	\$15,821
4.	Net deferred tax assets/liabilities (2i – 3c)	\$0	\$(124)	\$124

The change in net deferred income taxes is comprised of the following, before consideration of non-admitted deferred tax assets:

	12/31/2019	12/31/2018	Change
Adjusted gross deferred tax assets	\$15,945	\$0	\$15,945
Total deferred tax liabilities	\$15,945	\$124	\$15,821
Net deferred tax assets (liabilities)	\$0	\$(124)	\$124
Tax effect of change in unrealized gains (losses)			-
Total change in net deferred income tax			\$124

## Notes to Financial Statements

- D. The provision for federal income taxes incurred is different from that which would be obtained by applying the federal income tax rate to statutory income before income taxes. The items causing this difference are as follows:

	<u>12/31/2019</u>	<u>Tax Effect</u>	<u>12/31/2018</u>	<u>Tax Effect</u>
Provision computed at statutory rate	\$(1,422,973)	21.00%	\$1,587	21.00%
Change in Non-admitted Assets	\$(110,436)	-1.63%	-	0.00%
Change in deferred income taxes	\$124	0.00%	\$(124)	-1.64%
Change in Valuation Allowance	\$1,531,822	22.61%	-	0.00%
Total Tax (Benefit) Expense	\$(1,463)	0.02%	\$1,463	19.36%

	<u>12/31/2019</u>	<u>12/31/2018</u>
Federal and foreign income taxes incurred	\$(1,463)	\$1,463
Current taxes on realized capital gains	-	-
Total statutory income taxes	\$(1,463)	\$1,463

- E. Operating Loss and Tax Credit Carryforwards and Protective Tax Deposits

At December 31, 2019, the Company had unused operating loss carryforwards available to offset against future taxable income of \$3,840,038. The carryforwards begin to expire in 2029.

The following are federal income taxes incurred in the current and prior year that may be available for recovery in the event of future net operating losses.

2019	\$	-
2018	\$	-
Total	\$	-

The Company did not have any protective tax deposits under Section 6603 of the Internal Revenue Code.

- F. Consolidated Federal Income Tax Return - The Company's federal income tax return is filed on a consolidated basis with Clover Health Investments Corp. and its subsidiaries.

- G. Federal or Foreign Federal Income Tax Loss Contingencies  
The Company has no tax loss contingencies for which it is reasonably possible that the total liability will significantly increase within twelve months of the reporting date.

The Consolidated Federal Income Tax Returns filed in relation to tax years subsequent to 2015 remain subject to examination by the IRS. The Company is not aware of any material adjustments that may be proposed as a result of any ongoing or future examinations. The Company does not have material uncertain tax positions reflected in the statements of admitted assets, liabilities, capital and surplus.

- H. Alternative Minimum Tax (AMT) Credit

The Company has no AMT credit carryforward, and has no related recoverable to report.

- I. Repatriation Transition Tax (RTT) and Global Intangible Low-Taxed Income (GILTI)

The Company has no foreign activity, and is not subject to the RTT or the tax on GILTI under sections 965 or 951A of the Code.

### 10. Information Concerning Parent, Subsidiaries, Affiliates and Other Related Parties

- A, B, & C –

In April 2018, Clover Health Holdings, Inc. purchased \$10 of common stock of the Company for capital funding and contributed \$2,990,000 in additional surplus. Clover Health Holdings, Inc. made additional contributions to surplus of \$5,315,335 in May of 2018.

Clover Health Investments, Corp. made a contribution to surplus of \$1,863,015 to the Company in February 2019.

The Company also has a commitment for receipt of another \$5,600,000 in contributed surplus from Clover Health Investments, Corp. The surplus contribution had been committed as of December 31, 2019 and the funds are to be received and deposited as of February 28, 2020. This contribution has been booked as a receivable and admitted pursuant to SSAP No. 72 in the Company's December 31, 2019 Annual Statement.

In February 2019 the Company purchased Principium Health, LLC for \$600,000 and MSPNJ, LLC for \$400,000. An adjustment was made during the year, adding \$158,591 to the original purchase price of MSPNJ, LLC. An additional investment in MSPNJ, LLC of \$600,000 was executed in August 2019.



## Notes to Financial Statements

### Amounts From or Due To Related Parties

Due from or (Due to) Related Parties:	12/31/2019	12/31/2018
Clover Health Investments, Corp	\$5,600,000	\$0
Principium Health, LLC	\$461,236	\$0
Clover Health, LLC	\$126,142	\$0
Clover Insurance Company	(\$7,039,399)	\$0
MSPNJ, LLC	(\$110,609)	\$0

- D. Guarantees – None
- E. Material Management Contracts – The Company has an administrative services agreement with Clover Health, LLC (ASO) to make use of certain employees, equipment and facilities in the operations and management of the Company. Under the terms of this agreement that was filed and approved by NJ DOBI, the Company will pay an administrative fee of 11.0% of the premiums it earned for all the services and expenses incurred by ASO on the Company's behalf.
- F. Common Control – The Company is owned by Clover Health Holdings, Inc. which is a member of Clover Health Investments, Corp., a Delaware domesticated company.
- G. Deductions in Value – There have been no deductions recognized from the value of an upstream intermediate entity or ultimate parent owned.
- H. SCA that exceed 10% of Admitted Assets – None
- I. Impaired SCAs – None
- J. Foreign Subsidiary – None
- K. Downstream Noninsurance Holding Company – None
- L. All SCA Investments - None
- M. Investment in Insurance SCA – None
- N. SCA and SSAP No. 48 Entity Loss Tracking – The Company has no SCA investments in a negative equity position.

### 11. Debt

- A. Debt – None
- B. FHLB (Federal Home Loan Bank) Agreements – None

### 12. Retirement Plans, Deferred Compensation, Postemployment Benefits and Compensated Absences and Other Postretirement Benefit Plans.

- A. Defined Benefit Plan - None
- B. Investment Policies and Strategies – None
- C. Plan Assets – None
- D. Long-term Rate-of-return-on-assets Assumption - None
- E. Defined Contribution Plans - None
- F. Multi-Employer Plan – None
- G. Consolidated/Holding Company Plans – None
- H. Post-Employment Benefits and Compensated Absences – None
- I. Impact of Medicare Modernization Act on Postretirement Benefits (INT 04-17) – None

### 13. Capital and Surplus, Dividend Restrictions and Quasi-Reorganizations

- (1) On April 2018, Clover Health Investments, Corp. purchased \$10 of common stock of the Company for capital funding. The Company has 1,000 shares at \$1 per share authorized and outstanding and has only issued 10 shares.
- (2) The Company has no preferred stock issued or outstanding.
- (3) The Company's ability to declare and pay dividends is limited by state regulations. Also such regulations do not specifically restrict the Company from paying dividends; rather they require the Company to be financially sound as determined by the NJ Department of Banking and Insurance.
- (4) The Company did not pay any dividends.
- (5) There were no restrictions placed on the Company's surplus.
- (6) There were no restrictions placed on the Company's surplus, including for whom the surplus is being paid.
- (7) The Company has no advances to surplus not repaid.
- (8) The Company held no stock for special purposes.
- (9) The change in the balance of special surplus funds from the prior year of \$0 in 2018 to \$759,819 in 2019 is due to the estimated ACA fee assessment based on 2019 premium revenue which is to be paid in Fee Year 2020. The Company had no premium revenue in 2018 as operations had not yet commenced.
- (10) The portion of unassigned funds represented or reduced by unrealized gains or losses is \$(334,012).
- (11) Surplus Notes - None
- (12) and (13) There have been no quasi-reorganizations.

### 14. Liabilities, Contingencies and Assessments

- A. Contingent Commitments - None
- B. Assessments - None
- C. Gain Contingencies – None
- D. Claims Related Extra Contractual Obligation and Bad Faith Losses Stemming from Lawsuits – None
- E. Joint and Several Liabilities – None
- F. All Other Contingencies

## Notes to Financial Statements

### 15. Leases

- A. Lessee Operating Lease – None
- B. Lessor Leases – None

### 16. Information About Financial Instruments With Off-Balance-Sheet Risk And Financial Instruments With Concentrations of Credit Risk

None

### 17. Sale, Transfer and Servicing of Financial Assets and Extinguishments of Liabilities

- A. Transfers of Receivables reported as Sales – None
- B. Transfer and Servicing of Financial Assets – None
- C. Wash Sales – None

### 18. Gain or Loss to the Reporting Entity from Uninsured Plans and the Uninsured Portion of Partially Insured Plans

- A. ASO Plans – None
- B. ASC Plans – None
- C. Medicare or Similarly Structured Cost Based Reimbursement Contract
  - (1) Revenue from the AHP's Medicare Part D cost based reimbursement portion of the contract for the year 2019, consisted of \$2,953,696 for reinsurance subsidy and \$2,279,668 for low-income cost sharing subsidy.
  - (2) As of December 31, 2019, the Company does not have any receivables for Medicare Part D cost sharing portion.
  - (3) In connection the Company's Medicare Part D contract, as of December 31, 2019, the Company has recorded allowance payable in the amount of \$495,277 for Reinsurance Subsidy and \$371,710 for low-income cost sharing subsidy.
  - (4) The Company has made no adjustment to revenue resulting from audit of receivables related to revenues recorded in the prior period

### 19. Direct Premium Written/Produced by Managing General Agents/Third Party Administrators

None

### 20. Fair Value Measurements

- A. The Company's financial assets and liabilities carried at fair value have been classified, for disclosure purposes, based on a hierarchy that prioritizes the inputs to valuation techniques used to measure fair value into three broad levels. The hierarchy gives the highest priority to fair values determined using unadjusted quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to fair values determined using unobservable inputs (Level 3). An asset's or liability's classification is determined based on the lowest level input that is significant to its measurement.

For example, a Level 3 fair value measurement may include inputs that are both observable (Levels 1 and 2) and unobservable (Level 3). The levels of the fair value hierarchy are as follows:

Level 1: Inputs are unadjusted, quoted prices for identical assets or liabilities in active markets at the measurement date.

Level 2: Inputs are other than quoted prices included in level 1 that are observable for the asset or liability through corroboration with market data at the measurement date.

Level 3: Inputs are unobservable and reflect management's best estimate of what market participants would use in pricing the asset or liability at the measurement date.

Fair value of actively traded fixed-income and equity securities is based on quoted market prices. Fair value of inactively traded fixed-income securities is based on quoted market prices of identical or similar securities based on observable inputs like interest rates using a market valuation approach is generally classified as Level 2. Investments measured based on the practical expedient being net asset value (NAV), based on the NAV of the fund as provided for in the audited financial statements and other fund reporting, are generally classified as Level 3.

## Notes to Financial Statements

### (1) Fair Value Measurements at Reporting Date

	Description for each class of asset or liability	(Level 1)	(Level 2)	(Level 3)	Net Asset Value (NAV)	Total
a.	Assets at fair value					
01	Cash Equivalents					
	Exempt Money Market Mutual Funds	\$4,150,214				\$4,150,214
	All Other Money Market Mutual Funds	\$732,092				\$732,092
99	Subtotal – Assets at fair value	\$4,882,306	-	-	-	\$4,882,306
b.	Liabilities at fair value					
01						
99	Subtotal–Liabilities at fair value	-	-	-	-	-

(2) Fair Value Measurements in (Level 3) of the Fair Value Hierarchy - None

(3) The Company's policy for determining when transfers between levels are recognized is determined at the end of the reporting period.

(4) The Company has not valued any securities at a Level 2 or 3.

(5) Derivative assets and liabilities- None

B. Fair Value Information under SSAP No. 100 combined with Fair Value information Under Other Account Pronouncements – None

C. Aggregate Fair Value of All Financial Instruments

Type of Financial Instrument	Aggregate Fair Value	Admitted Assets	(Level 1)	(Level 2)	(Level 3)	Net Asset Value (NAV)	Not Practicable (Carrying Value)
Bonds	\$1,007,230	\$1,004,243	\$1,007,230				
Short-term Investments	\$7,073,836	\$7,064,627	\$7,073,836				
Cash Equivalents	\$4,882,306	\$4,882,306	\$4,882,306				

D. Not Practicable to Estimate Fair Value – None

E. Net Asset Value - None

### 21. Other Items

A. Unusual and Infrequent Items – None

B. Troubled Debt Restructuring – None

C. Other Disclosures – None

D. Business Interruption Insurance Recoveries - None

E. State Transferable and Non-transferable Tax Credits - None

F. Subprime-Mortgage-Related Risk Exposure – None

G. Retained Assets – None

H. Insurance-Linked Securities (ILS) Contracts – None

I. The Amount That Could Be Realized on Life Insurance Where the Reporting Entity is Owner and Beneficiary or Has Otherwise Obtained Rights to the Policy - None

### 22. Events Subsequent

Type I. – Recognized Subsequent Events

Subsequent events have been considered through February 29, 2020 for the statutory statement issued on December 31, 2019.

Clover HMO of New Jersey Inc. is requesting approval for the recognition of a \$5,600,000 receivable from the parent company as of December 31, 2019 as governed by SSAP No. 9 as a Type 1 subsequent event. Clover HMO of New Jersey Inc. required the need for the additional capital primarily due to recording the 2020 premium deficiency reserve as part of the 2019 year-end financial statements. The additional capital had been committed as December 31, 2019 and the funds have been received and deposited as of February 28, 2020 prior to the filing of our Annual Statements on March 1, 2020.

Type II. – Nonrecognized Subsequent Events

Subsequent events have been considered through February 29, 2020 for the statutory statement issued on December 31, 2019.

On January 1, 2020, the Company will be subject to an annual fee under Section 9010 of the federal Affordable Care Act (ACA). This annual fee will be allocated to individual health insurers based on the ratio of the amount of the entity's net premiums written during the preceding calendar year to the amount of health insurance for all U.S. health risk that is written during the preceding calendar year. A health insurance entity's portion of the annual fee becomes payable once the entity provides health insurance for any U.S. health risk for each calendar year beginning on or after January 1 of the year the fee is due. As of December 31, 2019, the Company has

## Notes to Financial Statements

written health insurance subject to the ACA assessment, expects to conduct health insurance business in 2020, and estimates their portion of the annual health insurance industry fee to be payable on September 30, 2020, to be \$759,819, this amount being reflected in special surplus. This assessment is expected to impact risk based capital (RBC) by (38.8) percentage points. Reporting the ACA assessment as of December 31, 2019, would not have triggered an RBC action level.

Due to the recording the 2020 premium deficiency reserve, which was inclusive of the ACA annual fee, our capital and surplus already reflects the impact of the 2020 ACA annual fee prior to this required additional surplus adjustment.

	Current Year	Prior Year
A. Did the reporting entity write accident and health insurance premium that is subject to Section 9010 of Federal Affordable Care Act (YES/NO)? YES		
B. ACA fee assessment payable for the upcoming year	\$759,819	\$0
C. ACA fee assessment paid	\$0	\$0
D. Premium written subject to ACA 9010 assessment	\$24,357,882	\$0
E. Total Adjusted Capital before surplus adjustment (Five-Year Historical Line 14)	\$8,139,944	
F. Total Adjusted Capital after surplus adjustment(Five-Year Historical Line 14 minus 22B)	\$7,380,125	
G. Authorized Control Level (Five-Year Historical Line 15)	\$1,960,738	
H. Would reporting the ACA assessment as of December 31, 2019, have triggered an RBC action level (YES/NO)? NO		

### 23. Reinsurance

#### A. Ceded Reinsurance Report

##### Section 1 – General Interrogatories

(1) Are any of the reinsurers, listed in Schedule S as non-affiliated, owned in excess of 10% or controlled, either directly or indirectly, by the company or by any representative, officer, trustee, or director of the company?

Yes ( )      No ( x )

(2) Have any policies issued by the company been reinsured with a company chartered in a country other than the United States (excluding U.S. Branches of such companies) that is owned in excess of 10% or controlled directly or indirectly by an insured, a beneficiary, a creditor or an insured or any other person not primarily engaged in the insurance business?

Yes ( )      No ( x )

##### Section 2 – Ceded Reinsurance Report – Part A

(1) Does the company have any reinsurance agreements in effect under which the reinsurer may unilaterally cancel any reinsurance for reasons other than for nonpayment of premium or other similar credit?

Yes ( )      No ( x )

(2) Does the reporting entity have any reinsurance agreements in effect such that the amount of losses paid or accrued through the statement date may result in a payment to the reinsurer of amounts that, in aggregate and allowing for offset of mutual credits from other reinsurance agreements with the same reinsurer, exceed the total direct premium collected under the reinsured policies?

Yes ( )      No ( x )

##### Section 3 – Ceded Reinsurance Report – Part B – None

B. Uncollectible Reinsurance – None

C. Commutation of Ceded Reinsurance – None

D. Certified Reinsurer Downgraded or Status Subject to Revocation – None

### 24. Retrospectively Rated Contracts & Contracts Subject to Redetermination

A. The Company estimates accrued retrospective premium adjustments for its Medicare Part D based on the Company's underwriting rules and experience rating practices.

B. The Company records accrued retrospective premium as an adjustment to earned premium.

C. The amount of net premiums written by the Company as of December 31, 2019 that are subject to retrospective rating features is \$1,789,423 representing 7.3% of the total net premiums written. No other net premiums written by the Company are subject to retrospective rating features.

## Notes to Financial Statements

D. Medical loss ratio rebates required pursuant to the Public Health Service Act – None

E. Risk-Sharing Provisions of the Affordable Care Act (ACA)

- (1) Did the reporting entity write accident and health insurance premium that is subject to the Affordable Care Act risk-sharing provisions (YES/NO)? No
- (2) Impact of Risk-Sharing Provisions of the Affordable Care Act on Admitted Assets, Liabilities and Revenue for the Current Year - None
- (3) Roll-forward of prior year ACA risk-sharing provisions for the following asset (gross of any nonadmission) and liability balances, along with the reasons for adjustments to prior year balance. - None
- (4) Roll Forward of ACA Risk Corridor Asset and Liability Balances - None
- (5) ACA Risk Corridor Receivable - None

### 25. Changes in Incurred Losses and Loss Adjustment Expenses

The Company did not have any unpaid claims or claims adjustment expenses at the end of 2018.

The Company did not have any significant changes in methodologies or assumptions used in the calculation the liability for unpaid losses or loss adjustment expenses.

### 26. Intercompany Pooling Arrangements

None

### 27. Structured Settlements

None

### 28. Health Care Receivables

A. Pharmaceutical Rebate Receivables

Quarter	Estimated Pharmacy Rebates as Reported on Financial Statements	Pharmacy Rebates as Billed or Otherwise Confirmed	Actual Rebates Received Within 90 Days of Billing	Actual Rebates Received Within 91 to 180 Days of Billing	Actual Rebates Received More Than 180 Days After Billing
12/31/2019	\$1,101,410	\$838,826	\$0	\$0	\$0
09/30/2019	\$957,724	\$758,458	\$701,773	\$0	\$0
06/30/2019	\$654,193	\$616,520	\$508,965	\$0	\$0
03/31/2019	\$499,483	\$528,359	\$430,015	\$0	\$0

F. Risk Sharing Receivables - None

### 29. Participating Policies

None

### 30. Premium Deficiency Reserves

- |                                                                              |             |
|------------------------------------------------------------------------------|-------------|
| 1. Liability carried for premium deficiency reserves                         | \$3,086,173 |
| 2. Date of the most recent evaluation of this liability                      | 02/25/2020  |
| 3. Was anticipated investment income utilized in the calculation? (Yes / No) | Yes         |

### 31. Anticipated Salvage and Subrogation

None