

REPORT ON EXAMINATION AS TO THE CONDITION OF

CLOVER HMO OF NEW JERSEY INC.

JERSEY CITY, NEW JERSEY

AS OF DECEMBER 31, 2024

NAIC GROUP CODE 4918

NAIC COMPANY CODE 16347

FILED

May 11, 2026

Commissioner

Department of Banking &

Insurance

Table of Contents

| | <u>Page</u> |
|---|-------------|
| SALUTATION | 1 |
| SCOPE OF EXAMINATION | 1 |
| COMPLIANCE WITH PRIOR REPORT RECOMMENDATIONS | 1 |
| HISTORY | 2 |
| STATUTORY DEPOSIT | 4 |
| TERRITORY AND PLAN OF OPERATIONS | 4 |
| REINSURANCE | 4 |
| GROWTH OF THE COMPANY | 4 |
| CORPORATE RECORDS | 5 |
| MANAGEMENT AND CONTROL..... | 5 |
| REGULATION OF INSURANCE HOLDING COMPANY SYSTEMS | 6 |
| INTER-COMPANY AGREEMENTS / RELATED PARTY TRANSACTIONS..... | 7 |
| POLICY ON CONFLICT OF INTEREST | 9 |
| ACCOUNTS AND RECORDS | 9 |
| CONTINUITY OF OPERATIONS..... | 10 |
| FIDELITY BOND AND OTHER INSURANCE COVERAGES..... | 10 |
| TREATMENT OF POLICYHOLDERS | 10 |
| FINANCIAL STATEMENT EXHIBITS..... | 10 |
| STATEMENT OF ASSETS, LIABILITIES, SURPLUS AND OTHER FUNDS AT DECEMBER 31, 2024..... | 11 |
| SUMMARY OF REVENUE AND EXPENSES FOR THE FIVE-YEAR PERIOD ENDING DECEMBER 31, 2024 | 12 |
| CAPITAL AND SURPLUS ACCOUNT FOR THE FIVE-YEAR PERIOD ENDING DECEMBER 31, 2024 | 13 |
| NOTES TO THE FINANCIAL STATEMENTS..... | 14 |
| COMMITMENTS AND CONTINGENCIES | 15 |
| SUBSEQUENT EVENTS..... | 15 |
| SUMMARY OF EXAMINATION RECOMMENDATIONS | 16 |
| CONCLUSION | 17 |
| AFFIDAVIT | 18 |



State of New Jersey
DEPARTMENT OF BANKING AND INSURANCE
DIVISION OF INSURANCE
OFFICE OF SOLVENCY REGULATION
PO Box 325
TRENTON, NJ 08625-0325

MIKIE SHERRILL
Governor

SUSAN OCHS
Acting Commissioner

DR. DALE G. CALDWELL
Lt. Governor

TEL (609) 292-7272
FAX (609) 292-6765

April 13, 2026

Honorable Susan Ochs
Acting Commissioner
Department of Banking and Insurance
State of New Jersey
20 West State Street
Trenton, New Jersey 08625

Acting Commissioner:

Pursuant to the Revised Statutes of the State of New Jersey, an examination has been made of the conditions and affairs of the assets and liabilities, method of conducting business and other affairs of the:

CLOVER HMO OF NEW JERSEY INC.
JERSEY CITY, NJ 07302
NAIC GROUP CODE 4918
NAIC COMPANY CODE 16347

a domestic insurer duly authorized to transact the business of insurance in the State of New Jersey. Hereinafter, the Clover HMO of New Jersey Inc. will be referred to in this report as "the Company", or "Clover".

SCOPE OF EXAMINATION

This risk-focused examination was called by the Commissioner of Banking and Insurance of the State of New Jersey pursuant to the authority granted by N.J.S.A. Section 17:23-22 of the New Jersey Revised Statutes.

The examination was made as of December 31, 2024 and addressed the five-year period of January 1, 2020 to December 31, 2024. During this period, the Company's reported admitted assets increased by \$17,989,418 to \$42,630,757 from \$24,641,339, liabilities decreased by \$5,431,702 from \$16,501,395 to \$11,069,693, and total capital & surplus increased by \$23,421,120 to \$31,561,064 from \$8,139,944.

The examination was conducted in accordance with the NAIC Financial Condition Examiners Handbook. The Handbook requires that the examination be planned and performed to evaluate the financial condition and identify prospective risks of the Company by obtaining information about the Company, including corporate governance, identification, and assessment of inherent risks within the company and evaluation of system controls and procedures used to mitigate those risks. An examination also includes assessment of inherent risks within the Company and evaluation of systems controls and procedures used to mitigate those risks. An examination also includes assessment of the principles used and significant estimates made by management, as well as evaluation of the overall financial statement presentation, management's compliance with Statutory Accounting Principles and Annual Statement instructions when applicable to domestic state regulations. The general procedure of the examination followed the rules established by the Financial Condition (E) Committee, Examination Oversight Task Force of the NAIC, and included such other examination procedures as were deemed necessary.

All accounts and activities of the Company were considered in accordance with the risk-focused examination process. The examination report only addresses regulatory information revealed by the examination process in accordance with the NAIC Handbook. All other financial matters were reviewed and determined not to be material for discussion in this report.

The Certified Public Accounting ("CPA") firm of Ernst & Young, LLP ("EY") provided an unqualified audit opinion on the fair presentation of the Company's year-end financial statements based on statutory accounting principles for the reporting year period ending December 31, 2019. Relevant work performed by the CPA firm during its annual audit of the Company was reviewed during the examination and incorporated into the examination work papers whenever feasible to facilitate efficiencies. Certain EY work papers have been incorporated into the work papers of the examiners and have been utilized in determining the scope and areas of emphasis in conducting the examination.

COMPLIANCE WITH PRIOR REPORT RECOMMENDATIONS

There were two examination recommendations in the Company's prior report on examination as of December 31, 2019 as follows:

Ineffective Conflict of Interest Process

During the examination period it was noted that the Company's process for obtaining and reviewing complete annual conflict of interest disclosure statements from management and Board

was operating ineffectively. Based on our review, the annual conflict of interest disclosures were incomplete and noted conflicts were not discussed with the appropriate personnel and Board for proper resolution.

It is recommended the Company obtain annual conflict of interest disclosures for all key management and board of directors and the conflict of interest disclosures are deemed complete and accurate at the time of submission. All conflicts should be reviewed and disposed by appropriate authority level and discussed at the Company Board to assure integrity and independence of management and Board.

Based on current examination fieldwork, the Company made improvements in the Conflict of Interest process but the remediation was not sufficient to resolve the concerns. As a result, this finding is repeated, and the recommendation is issued again for the current examination.

Lack of Key Documents and Controls

Throughout the course of the examination fieldwork the examination team made numerous requests for supporting documentation around key agreements, key controls and processes. In many instances, the Company was unable to provide comprehensive and complete documentation for examiner review with ineffective processes and controls to ensure completeness and accuracy of recorded balances.

It is recommended the Company review all significant processes to ensure there are key risk mitigating controls in place and the controls are operating effectively. It is further recommended that all supporting agreements be reviewed and/or updated to ensure appropriate support is available and consistently applied between operating affiliates for accurate and complete recording of expenses. This is particularly important around commitments and contingencies to ensure the liability is complete and accurate and to ensure these balances are estimated and monitored timely to ensure continued solvency.

During the current examination, it was observed that the Company implemented controls; however, it was observed that certain controls were ineffective or the Company was unable to provide evidence of the control being implemented. As a result, this finding is repeated, and the recommendation is issued again for the current examination.

HISTORY

The Company was incorporated as a stock company by means of a Certificate of Incorporation dated November 21, 2017 under the name of Clover HMO of New Jersey Inc. The Company was formed to offer Medicare Advantage health maintenance products to Medicare beneficiaries beginning with the contract year 2019.

Through a Certificate of Authority, the Company is authorized to transact the business of a Health Maintenance Organization in the State of New Jersey.

The Company is a wholly owned subsidiary of Clover Health Holdings, Inc. (“Clover Health Holdings”), a Delaware Corporation. Clover Health Holdings is wholly-owned by Clover Health Investments, Corp.

In April 2018, Clover Health Holdings purchased 1 share of \$10 par value common stock for \$10 and provided capital funding by contributing \$2,990,000 in additional surplus.

In May 2018, Clover Health Holdings contributed an additional \$5,315,335.

The Company officially commenced business on January 1, 2019.

In February 2019, the Company purchased Principium Health, LLC (“Principium”) and Medical Services Professionals of New Jersey, LLC (“MSPNJ”) for a total purchase price of \$1.4 million, of which \$0.2 million related to Principium and \$1.2 million related to MSPNJ. MSPNJ provides in-home chronic care management services.

In August 2019, the Company contributed \$400,000 to MSPNJ.

In 2019, Clover Health Investments Corp. made capital contributions to the Company totaling \$7,436,015. As part of this contribution, the Company recognized a \$5,600,000 receivable from Clover Health Investments Corp. as a Type 1 subsequent event. The funds were deposited as of February 28, 2020.

In December 2020, the Company transferred its ownership in Principium to Clover Health Corp. for consideration of \$161,511.

Effective January 7, 2021, Clover Health Investments Corp. and Social Capital Hedosophia Holdings Corp. III, a publicly traded special purpose acquisition company, completed a business combination to form one of the nation’s fastest growing publicly-traded Medicare Advantage insurers. The newly formed company was named Clover Health Investments, Corp (“Clover Investments”).

In 2020, the Company recognized a \$1,500,000 receivable from Clover Investments as a Type 1 subsequent event. The funds were deposited as of February 28, 2021 and recorded as a capital contribution.

Clover Investments made a \$21,050,000 cash contribution to the Company for the year ended December 31, 2021.

In 2023, MSPNJ transferred \$4,500,000 million to the Company to support operational needs. The Company classified the cash transfer as a dividend.

At December 31, 2024, the authorized common stock of the Company consisted of 1,000 shares of common stock having a par value of \$1.00 per share. As of December 31, 2024, 10 shares of common stock were issued and outstanding with a value of \$10.00.

The principal office location of the Company during the period was at 30 Montgomery Street, 15th Floor Jersey City, New Jersey, 07302, and the registered agent upon whom process may be served is The Corporation Trust Company at 820 Bear Tavern Road, Ewing Township, New Jersey, 08628.

STATUTORY DEPOSIT

As of December 31, 2024, the Company, in accordance with N.J.S.A. 17:20-1(3) had a market value of \$11,213,320 for the New Jersey statutory deposit.

TERRITORY AND PLAN OF OPERATIONS

The Company exclusively writes Medicare Advantage business as a Health Maintenance Organization. The Company commenced business on January 1, 2019 writing in New Jersey and Texas. The Company ceased writing in Texas as of 2023. As of December 31, 2024, the Company was providing coverage in New Jersey only.

In addition to direct marketing, the Company uses brokers and other third-party agents to identify and obtain business. The Company uses a third-party vendor to assist with some policies and endorsements. Renewals and cancellations are handled internally by the Company.

The Company does not have any employees. The Company has entered an administrative contract with Clover Health LLC to provide various administrative services on behalf of the Company, as discussed in the “Inter-company Agreements” section of this report. Investment services are contractually provided by Goldman Sachs Asset Management, L.P.

The Company maintained its statutory home office at 30 Montgomery Street, Jersey City, NJ 07302 during the period, which served as the primary location of the Company’s accounting books and records.

REINSURANCE

At December 31, 2024, the Company had the following reinsurance in effect:

The Company entered into a facultative excess loss reinsurance agreement with RGA Reinsurance Company effective January 1, 2024 to December 31, 2024. There was a \$400,000 retention above which 90% of eligible expenses were paid by the reinsurer.

GROWTH OF THE COMPANY

The following exhibit shows the results of the Company’s operations during the current five-year examination period:

| Year | Premium | Net | Net | Admitted | Surplus | MLR | Admin | Combined | RBC |
|------|--------------|-----------------|--------------|--------------|---------------|--------|-------|----------|---------|
| | Earned | Underwriting | Investment | | As Regards | | Ratio | | |
| | | Net Gain/(Loss) | Net Gain | Assets | Policyholders | | | | |
| 2024 | \$65,120,271 | \$ 4,815,012 | \$ 1,310,124 | \$42,630,757 | \$31,561,064 | 69.6% | 23.0% | 92.6% | 1365.4% |
| 2023 | 63,431,717 | (852,404) | 534,491 | 34,888,294 | 22,086,668 | 84.2% | 17.2% | 101.4% | 758.6% |
| 2022 | 70,692,013 | 4,421,461 | (163,085) | 30,484,994 | 19,378,988 | 78.9% | 14.8% | 93.7% | 591.2% |
| 2021 | 74,089,498 | (17,697,337) | (69,876) | 35,521,972 | 15,373,683 | 108.7% | 15.2% | 123.9% | 415.8% |
| 2020 | 53,816,315 | (550,045) | 152,806 | 20,635,587 | 11,216,199 | 85.6% | 15.4% | 101.0% | 445.1% |

The Company continues to exhibit inconsistent operating results. In 2023, the Company modified its investment strategy, which led to improved investment income. However, in both 2023 and

2024, the Company reported a medical loss ratio (“MLR”) below the 85% threshold, resulting in the recording of Quality Improvement (“QI”) expense adjustments of \$2,245,120 and \$3,594,201, respectively. These amounts are reflected within the administrative expense ratio.

The appropriateness of the QI expense classifications is subject to review and audit by the Centers for Medicare & Medicaid Services (“CMS”). To the extent CMS does not accept the reported classifications, the Company’s MLR would remain below 85%, triggering a rebate obligation to CMS. Such an outcome could adversely affect the Company’s solvency position.

CORPORATE RECORDS

A review of the minutes of the Board of Directors (or “the Board”) meetings noted that all meetings were well attended. The Board minutes contain limited details to document the Company’s overall transactions and events were adequately supported and approved.

MANAGEMENT AND CONTROL

The business and affairs of the Company shall be managed by or under the direction of the Board of Directors. In accordance with the bylaws, the Board of Directors shall consist of not less than three. The following directors were elected and serving at the examination date:

Directors

| <u>Name</u> | <u>Principal Occupation</u> |
|--------------------|--|
| Ed Berde | Technology Consultant of Business Consulting Solutions Inc. |
| Justin Doheny | Adjunct Professor, Monroe College |
| Ian Duncan | Chief Actuary of Arbutal Health |
| Dr. Mark Fendrick | Professor of Internal Medicine and Health Management & Policy, University of Michigan |
| Vivek Garipalli | Founder and Chief Executive Officer – holds numerous other management and directorships with affiliates |
| Robert Torricelli | Attorney and former U.S. Senator |

The Company is required to comply with the provisions of N.J.S.A. 17:27A-4d(3), which states that “not less than one-third of the directors of a domestic insurer shall be persons who are not officers or employees of that insurer or of any entity controlling, controlled by, or under common control with, that insurer and who are not beneficial owners of a controlling interest in the voting securities of that insurer or any such entity.”

The Company was determined to be in compliance with the provisions of N.J.S.A. 17:27A-4(d)(3) as of the examination date, as the Board of Directors consists of six members, of which five are considered outside directors.

Committees

The Company is required to comply with the provisions of N.J.S.A. 17:27A-4d(4), which states that “the board of directors of a domestic insurer shall establish one or more committees comprised solely of directors who are not officers or employees of the insurer or of any entity controlling, controlled by, or under common control with, the insurer and who are not beneficial owners of a controlling interest in the voting securities of the insurer of any such entity. The committee shall be responsible for recommending the selection of independent certified public accountants, reviewing the insurer’s financial condition, the scope and results of the independent audit and any internal audit, nominating candidates for director for election by shareholders or policyholders, evaluating the performance of officers deemed to be principal officers of the insurer and recommending to the board of directors the selection and compensation, including bonuses or other special payments, of the principal officers.”

During the period examined, the Company established a formal audit committee, outside of the overall governance of the Board of Directors in compliance with N.J.S.A. 17:27A-4d(6).

Officers

The officers of the Company shall consist of a President, Treasurer and Secretary, and, if desired a Chairperson of the Board of Directors, Vice Chairperson of the Board of Directors, Vice President, Assistant Treasurer and/or an Assistant Secretary. The officers shall be elected annually. Other officers, if any, may be elected by the Board of Directors at this meeting or at any other time.

The following officers were elected and serving the Company as at December 31, 2024:

| <u>Name</u> | <u>Title</u> |
|---------------|---|
| Jamie Reynoso | President and Chief Executive Officer, Medicare Advantage |
| Peter Kuipers | Chief Financial Officer |
| Karen Soares | General Counsel and Secretary |
| Wendy Richey | Chief Medicare Compliance Officer |
| Rachel Fish | Chief People Officer |
| Ray Cogen | Chief Medical Officer |

As of December 31, 2024, the Company had not elected a Treasurer consistent with their stated bylaws.

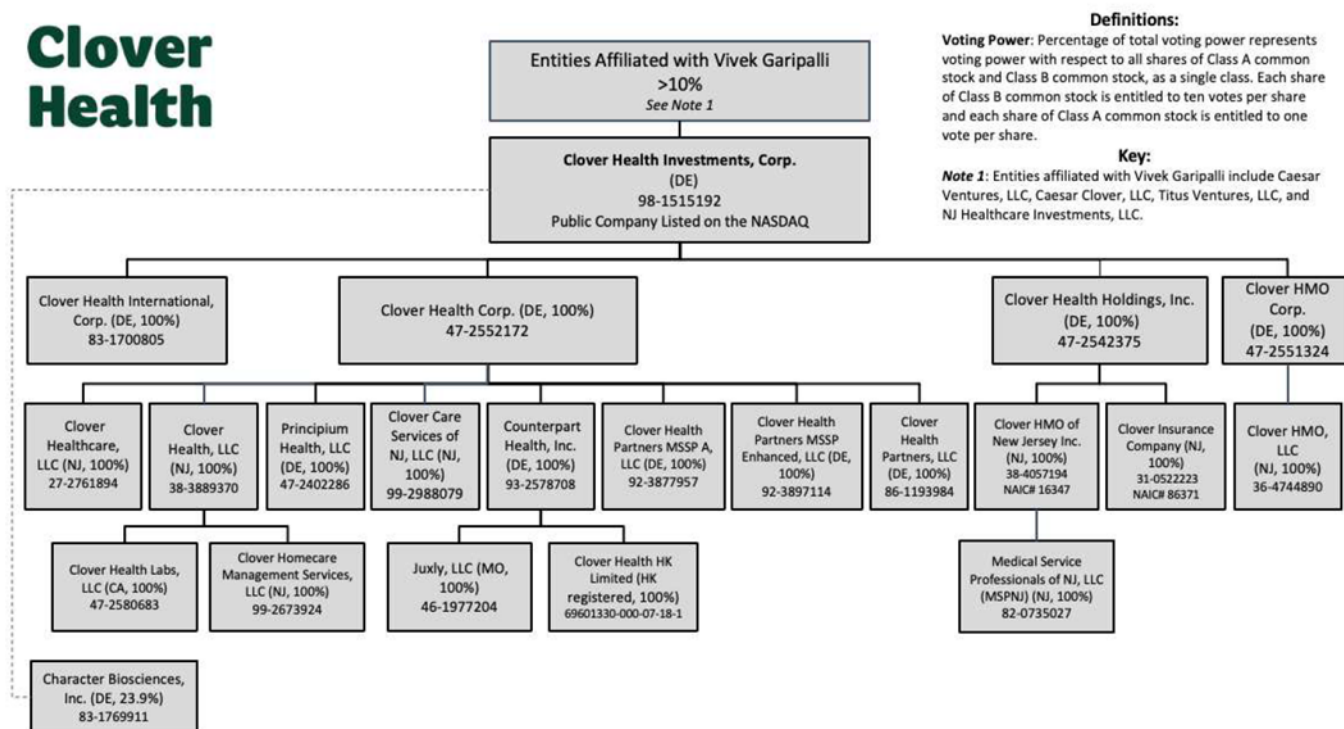
The Company satisfies the requirements of N.J.S.A. 17:27A-4d(5) by electing independent directors to an Audit Committee of the Company.

REGULATION OF INSURANCE HOLDING COMPANY SYSTEMS

The Association is a member of an insurance holding company system as defined by N.J.S.A. 17:27A-1.

A review of the holding company registration statement indicated that the Company was in compliance with N.J.S.A. 17:27A-3, Sections a-j, requiring registration of those insurers who qualify as determined by N.J.S.A. 17:27A-1.

A holding company system organizational chart as of December 31, 2024 follows:



Definitions:
Voting Power: Percentage of total voting power represents voting power with respect to all shares of Class A common stock and Class B common stock, as a single class. Each share of Class B common stock is entitled to ten votes per share and each share of Class A common stock is entitled to one vote per share.

Key:
Note 1: Entities affiliated with Vivek Garipalli include Caesar Ventures, LLC, Caesar Clover, LLC, Titus Ventures, LLC, and NJ Healthcare Investments, LLC.

INTER-COMPANY AGREEMENTS / RELATED PARTY TRANSACTIONS

Inter-Company Agreements

The Company was a named party to the following affiliated agreements at the examination date:

The Company has no employees and, as such, has entered into an administrative services agreement effective April 19, 2018 with its related party, 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 adopted agreement, that was filed and approved by the New Jersey Department of Banking and Insurance, the Company pays ASO the following:

- Reimbursement for the actual cost of services that constitute activities that improve healthcare quality as defined by the Centers for Medicare and Medicaid Services (“CMS”) provided, however, that the total amount of reimbursement in a calendar year does not exceed 85% of the Company’s premiums earned. For the year ended December 31, 2024, the cost of these services was 80.0% of premiums earned and included \$2,888,179 in Quality Improvement Fees and an additional \$706,203 in Live Healthy rewards.
- Administrative fee of 15% of the premiums the Company earns, for services that do not constitute activities that improve healthcare quality. The Company reported \$9,781,096 for ASO fees incurred under the contract.

Clover Care Services Agreement: Effective July 1, 2023, the Company entered into an agreement with MSPNJ whereby MSPNJ provides Clover Care Visits and manages the Readmission Prevention Program, at a rate of \$350 per visit.

Clover Medicare Advantage Management Services Organization Agreement (a/k/a Clover In-Home Care Services Agreement or “IHC”): Effective July 1, 2023, the Company entered into an agreement with MSPNJ whereby MSPNJ provides the provisioning of all covered services (“covered services”) to members through a network of Managed Service Organization providers at a rate of \$380 per member per month with no performance-based incentives or penalties. Covered services include: medically necessary health care services to which a member is entitled under the terms of plan. Such services include, but are not limited to Comprehensive in-home care.

Effective January 1, 2025, the IHC agreement was amended to reflect the following fee changes:

- Covered services at a rate of \$380 per member per month.
- Gainshare representing the difference between a benchmarked Medical Cost Ratio and the actual Medical Cost Ratio, if the difference is positive, the Company will reimburse MSPNJ 50% of such surplus.

Management Services Agreement: Effective January 1, 2025 the Company and HMO entered into an agreement with Clover Care Services of NJ, LLC (“MSO”). MSO is responsible for engaging physicians and other health care providers and delivering services that will drive improved outcomes and quality improvement activities to insured members. Fees for the MSO agreement are as follows:

- Quality fee up to \$7 per member per month.
- Quality Incentive Bonuses based upon a number of specific quality measures established, up to \$3 per member per month -for each measure, totaling no more than \$15 per member per month in a given period.
- Gainshare representing the difference between a benchmarked Medical Cost Ratio and the actual Medical Cost Ratio; if the difference is positive, the Company will reimburse MSO 50% of such surplus.

Related Entities

MSPNJ, provides in-home chronic care, palliative and supportive services to the Company and affiliates. MSPNJ contracts with the Company, Clover Insurance Company, and the ASO, to provide in-home health services and receives funding for operating expenses from ASO.

The Company files a consolidated Federal Income Tax Return with: Clover Insurance Company, Clover Investments, Clover HMO, Corp., Clover Health, Corp., Clover Health Holdings, Inc., Seek Insurance Services, Inc. and Clover Health International, Corp.

N.J.A.C. 11:24-11.1(d) states, “Every HMO shall submit a capital and surplus (minimum net worth) guarantee on a form established and available from the Department, executed by an affiliate or parent of the HMO that is not in an unsafe or unsound financial condition,.....to maintain the HMO’s minimum net worth requirement.” The Company satisfies the requirements of N.J.A.C.

11:24-11.1(d) with the execution of a Capital and Surplus Guaranty by Clover Investments effective December 6, 2017.

POLICY ON CONFLICT OF INTEREST

Conflict of Interest forms are completed by all employees, temporary employees, consultants and members of the Board at time of hiring, contracting or appointment, and yearly thereafter.

Upon review of the Board Minutes for the year 2024, it was determined that the Company did not have any reported conflicts of interest, however, it was further noted that the conflict of interest process did not fully document the process and results. It is again recommended that the Company obtain annual conflict of interest disclosures for all key management and board of directors and the conflict of interest disclosures are deemed complete and accurate at the time of submission. All conflicts should be reviewed and disposed by appropriate authority level and discussed at the Company Board to assure integrity and independence of management and Board.

ACCOUNTS AND RECORDS

The Treasurer will have custody of the corporate funds and securities and shall keep full and accurate account of receipts and disbursements in books belonging to the Company. The Treasurer shall deposit all moneys and other valuables in the name and to the credit of the Company in such depositories as maybe designated by the Board of Directors or the Chief Executive Officer.

The Company's general ledger, investment ledger, general journal (entries), cash receipts and disbursements books, are maintained in a cloud environment utilizing Amazon Web Services, Google Cloud and Microsoft Azure. Extensive use is made of electronic data processing in providing the essential underlying accounting and record keeping data necessary to control the insurance operations and other areas including investments, claims and personnel.

The Company's general ledger runs on an Open Systems platform under Microsoft's Windows operating system using SAGE's Interacct application. Policies are managed on IKA's Advantasure Policy Management application that is hosted at Advantasure. The HRP Health Edge Claims Management application is also hosted in an outsourced environment. The Investment Management system is hosted by Clearwater.

The Company's IT Strategy is a cloud first utilizing several providers including Amazon Web Services, Google Cloud, Microsoft Azure, and several application support vendors. There is a Third-Party Risk Management program, which governs how the Company assesses, monitors, remediates, and reports risks associated with vendors, suppliers, and business partners. The standard mandates that all third-party products be inventoried and classified through a Business Impact Analysis, and that appropriate legal agreements - such as Business Associate Agreements and Non-Disclosure Agreements - are in place before any sensitive data is shared. It also requires contingency planning and contractual provisions for third-party applications handling electronic protected health information. This includes evaluating compliance with internal security policies, applicable regulations, and assessing risks related to unauthorized access or data breaches. The standard enforces periodic reassessments based on vendor criticality and risk ratings, and outlines procedures for risk acceptance, remediation, and escalation when necessary. These structured protocols and governance mechanisms confirm that the Company has a formal, policy-driven

approach to managing third-party relationships, ensuring security, compliance, and accountability throughout the vendor lifecycle.

During the examination period, Clover Investments implemented numerous internal controls over the preparation and reporting of the parent company’s GAAP financial statements and additional, though limited, controls over the statutory financial statement process. Examination procedures identified multiple instances in which controls were inadequately designed to effectively mitigate risk or lacked sufficient evidence of implementation and operation. It is recommended the Company perform a comprehensive review of all significant processes to ensure that key risk-mitigating controls are appropriately designed, implemented, and operating effectively.

CONTINUITY OF OPERATIONS

The Company’s by-laws provide for the election of directors and the appointment of officers to fill any vacancies caused by death, resignation, disqualification, or removal by the Board of Directors.

The Company has a disaster recovery plan that was reviewed in the course of the examination IT review. No material findings were noted.

FIDELITY BOND AND OTHER INSURANCE COVERAGES

The Company maintains managed care errors and omissions coverage as well as the financial institution and crime coverages up to \$3,000,000 with up to a \$250,000 per claim deductible as of December 31, 2024. This policy provides forgery or alteration, securities and computer fraud coverage. This coverage is deemed adequate to satisfy the suggested minimum amounts of fidelity insurance proposed by the NAIC.

TREATMENT OF POLICYHOLDERS

A review of the Company’s complaint log indicated that the Company maintains its complaint log in accordance with N.J.S.A. 17:29B-4(10).

FINANCIAL STATEMENT EXHIBITS

| | | |
|--------------------------|---|----|
| <u>Exhibit A:</u> | Statement of Assets, Liabilities, Surplus and Other Funds at December 31, 2024 | 11 |
| <u>Exhibit B:</u> | Summary of Revenue and Expenses for the Five-Year Period ending December 31, 2024 | 12 |
| <u>Exhibit C:</u> | Capital and Surplus Account for the Five-Year Period ending December 31, 2024 | 13 |

Statement of Assets, Liabilities, Surplus and Other Funds at December 31, 2024

| | Per Examination | Balance Per Company | Examination Change | Note Number |
|---|----------------------|------------------------|-----------------------|----------------|
| Admitted Assets | | | | |
| Bonds | \$ 11,508,365 | \$ 11,508,365 | \$ - | |
| Cash, cash equivalents, and short-term investments | 19,676,625 | 19,676,625 | - | 1 |
| Other invested assets | 6,273,616 | 6,273,616 | - | |
| Subtotals, cash and invested assets | <u>37,458,606</u> | <u>37,458,606</u> | - | |
| Investment income due and accrued | 197,425 | 197,425 | - | |
| Premiums and considerations: | | | | |
| Uncollected premiums and agents' balances in course of collection | 26,339 | 26,339 | - | |
| Accrued retrospective premiums and contracts subject to redetermination | 2,091,060 | 2,091,060 | - | |
| Amounts receivable relating to uninsured plans | 539,208 | 539,208 | - | |
| Health care and other amounts receivable | <u>2,318,119</u> | <u>2,318,119</u> | - | |
| Total Admitted Assets | <u>\$ 42,630,757</u> | <u>\$ 42,630,757</u> | <u>\$ -</u> | |
| Liabilities, Capital and Surplus | | | | |
| Liabilities | | | | |
| Claims unpaid | \$ 7,364,678 | \$ 7,364,678 | \$ - | 2 |
| Unpaid claims adjustment expenses | 260,614 | 260,614 | - | 2 |
| Aggregate health policy reserves | 2,978,914 | 2,978,914 | - | 2 |
| General expenses due or accrued | 63,581 | 63,581 | - | |
| Ceded reinsurance premium payable | 2,923 | 2,923 | - | |
| Payable to parent, subsidiaries and affiliates | 398,744 | 398,744 | - | |
| Aggregate write-ins for other liabilities | <u>239</u> | <u>239</u> | - | |
| Total Liabilities | <u>11,069,693</u> | <u>11,069,693</u> | - | |
| Capital and Surplus | | | | |
| Common capital stock | 10 | 10 | - | 3 |
| Gross paid in and contributed surplus | 38,318,339 | 38,318,339 | - | 3 |
| Unassigned (deficit) surplus | <u>(6,757,285)</u> | <u>(6,757,285)</u> | - | 3 |
| Total Capital and Surplus | <u>31,561,064</u> | <u>31,561,064</u> | - | |
| Total Liabilities, Capital and Surplus | <u>\$ 42,630,757</u> | <u>\$ 42,630,757</u> | <u>\$ -</u> | |

Note: Financial statement exhibits may not reconcile due to rounding.

Summary of Revenue and Expenses for the Five-Year Period Ending December 31, 2024

| | 2020 | 2021 | 2022 | 2023 | 2024 |
|--|---------------|-----------------|---------------|---------------|---------------|
| Underwriting Income | | | | | |
| Premiums earned | \$ 53,816,315 | \$ 74,089,498 | \$ 70,692,013 | \$ 63,431,717 | \$ 65,120,271 |
| Deductions | | | | | |
| Hospital/medical benefits | 29,718,156 | 49,516,861 | 42,680,163 | 36,503,581 | 32,484,929 |
| Other professional services | 1,908,680 | 3,110,551 | 3,318,057 | 3,274,115 | 2,542,220 |
| Outside referrals | 10,022,734 | 13,474,899 | 9,524,844 | 6,021,652 | 4,831,894 |
| Emergency room and out-of area | 1,895,697 | 2,559,213 | 2,424,016 | 1,909,563 | 1,549,687 |
| Prescription drugs | 4,511,776 | 6,241,360 | 4,461,283 | 5,652,762 | 4,296,946 |
| Aggregate write-ins for other hospital and medical | 4,843 | 115,103 | 60,377 | 26,285 | 77,279 |
| Net reinsurance (recoveries)/expense | - | - | (492,243) | 5,584 | (456,735) |
| Claim adjustment expenses | 1,764,631 | 1,809,334 | 364,914 | 528,794 | 1,222,911 |
| General administrative expenses | 6,546,016 | 9,421,558 | 10,114,137 | 10,361,785 | 13,756,128 |
| Increase in reserves for life, accident and health contracts | (2,006,173) | 5,537,956 | (6,184,996) | - | - |
| Total underwriting deductions | 54,366,360 | 91,786,835 | 66,270,552 | 64,284,121 | 60,305,259 |
| Net underwriting loss | (550,045) | (17,697,337) | 4,421,461 | (852,404) | 4,815,012 |
| Investment Income | | | | | |
| Net investment income earned | 84,038 | 7,231 | 104,430 | 534,491 | 1,310,124 |
| Net realized capital gains or (losses) | 68,768 | (77,107) | (267,515) | - | - |
| Net investment gain | 152,806 | (69,876) | (163,085) | 534,491 | 1,310,124 |
| Other Income | | | | | |
| Aggregate write-ins for miscellaneous income | (36,755) | - | - | - | (83,490) |
| Total other income | (36,755) | - | - | - | (83,490) |
| Net income/(loss) before dividends to policyholders and before federal income taxes | (433,994) | (17,767,213) | 4,258,376 | (317,913) | 6,041,646 |
| Dividends to policyholders | - | - | - | - | - |
| Net income/(loss), after dividends to policyholders, after capital gains tax and before all other federal and foreign income taxes | (433,994) | (17,767,213) | 4,258,376 | (317,913) | 6,041,646 |
| Foreign and federal income taxes incurred | - | - | - | - | - |
| Net income/(loss) | \$ (433,994) | \$ (17,767,213) | \$ 4,258,376 | \$ (317,913) | \$ 6,041,646 |

Note: Financial statement exhibits may not reconcile due to rounding.

Capital and Surplus Account for the Five-Year Period Ending December 31, 2024

| Capital and Surplus Account | <u>2020</u> | <u>2021</u> | <u>2022</u> | <u>2023</u> | <u>2024</u> |
|---|----------------------|----------------------|----------------------|----------------------|----------------------|
| Capital and surplus, December 31 prior year | \$ 8,139,944 | \$ 11,216,199 | \$ 15,373,683 | \$ 19,378,989 | \$ 20,986,668 |
| Net income | (433,994) | (17,767,214) | 4,258,376 | (317,913) | 6,041,646 |
| Change in net unrealized gains (losses) | 1,781,111 | 1,514,691 | 3,293,637 | (1,222,269) | (359,542) |
| Change in nonadmitted assets | 130,214 | (639,993) | (3,546,708) | 2,714,901 | 915,710 |
| Change in surplus notes | | | | | |
| Capital adjustments: Paid in | | | | | |
| Surplus adjustments: Paid in | 1,500,000 | 21,050,000 | - | - | - |
| Aggregate write-ins for gains/(losses) in surplus | <u>98,924</u> | <u>-</u> | <u>-</u> | <u>432,960</u> | <u>3,976,583</u> |
| Change in capital and surplus | <u>3,076,255</u> | <u>4,157,484</u> | <u>4,005,305</u> | <u>1,607,679</u> | <u>10,574,396</u> |
| Capital and surplus, December 31 current year | <u>\$ 11,216,199</u> | <u>\$ 15,373,683</u> | <u>\$ 19,378,988</u> | <u>\$ 20,986,668</u> | <u>\$ 31,561,064</u> |

Note: Financial statement exhibits may not reconcile due to rounding.

NOTES TO THE FINANCIAL STATEMENTS

There were no changes made to the assets, liabilities or surplus balances reported by the Company for the year ended December 31, 2024. The surplus as regards policyholders, which totaled \$31,561,064 as of the examination date, was determined to be reasonably stated and in compliance with N.J.S.A. 17:17 et seq.

Note 1 – Cash and Cash Equivalents

Treasury notes with a fair value and \$11,185,000 and a sweep income holding account of \$28,319 were held as statutory deposits by the NJDOBI on behalf of the Company in accordance with N.J.S.A. 17:20-1.

Note 2 - Claims Unpaid and Unpaid Claim Adjustment Expenses

No adjustments to reserves or surplus were indicated as a result of the actuarial portion of the examination. The assumptions used were generally found to be appropriately conservative. The actuarial examination was limited to providing substantive reviews of the actuarial items on page 3 of the Annual Statement and one item from page 2 of the Annual Statement.

Summarized below are the recorded estimates which were included in our review:

| | |
|----------------------------------|----------------------|
| Claims unpaid | \$ 7,364,678 |
| Unpaid claims adjustment expense | 260,614 |
| Aggregate health policy reserves | <u>2,978,914</u> |
| Total | <u>\$ 10,604,206</u> |

The examination team collaborated with the examination actuaries to conduct all of the reviews of internal controls and risk analysis.

The aggregate net amounts above, which were reported by the Company, met or exceeded the statutory minimums of the State of New Jersey. The claims reserves and policy reserves, including Incurred but Not Reported (“IBNR”), as reported by the Company were deemed to be reasonable in light of the liabilities they support and materially in compliance with the Statutes of the State of New Jersey. This examination conclusion is not a guarantee that the reserves and any supporting assets will be adequate under every scenario of future experience; the results reached in this analysis are dependent on the assumptions used. Realized results may vary as actual experience differs from the assumptions.

Note 3 – Capital and Surplus

The Company reported total capital and surplus in the amount of \$31,561,064 at December 31, 2024 as summarized:

The Company is organized as a stock company with 1,000 shares of \$10 par value common stock authorized, and 1 share issued and outstanding as of December 31, 2024.

At December 31, 2024, the Company reported gross paid-in and contributed surplus of \$38,318,339.

At December 31, 2024, the Company had an unassigned deficit of \$6,757,285.

The Company was determined to be in compliance with the minimum capital and surplus requirements of the State of New Jersey at December 31, 2024.

COMMITMENTS AND CONTINGENCIES

The Company and its affiliates are routinely involved in numerous claims, lawsuits, regulatory audits, investigations and other legal matters arising, for the most part, in the ordinary course of managing the business. The Company believes that the legal actions, regulatory matters, proceedings and investigations currently pending against it should not have a material adverse effect on the Company's results of operations, financial condition or liquidity based upon our current knowledge and taking into consideration current accruals.

SUBSEQUENT EVENTS

In addition to the change in the intercompany agreements disclosed earlier, the following transactions were noted:

In November 2025, the Company paid a \$12 million dividend to Clover Investments.

In March 2026, Peter Kuipers, the Chief Financial Officer of Clover Investments, stepped down and was replaced by Clay Thornton as interim Chief Financial Officer.

SUMMARY OF EXAMINATION RECOMMENDATIONS

Page 9 – CONFLICT OF INTEREST

Ineffective Conflict of Interest Process

The Company made some improvements in the Conflict of Interest process; however, during the current examination, there was no evidence that the Clover Investment conflict of interest policy had been independently reviewed or approved by the legal entity Boards since 2021. Minutes from the Clover Investment Conflicts Committee did not demonstrate independent review or resolution of potential conflicts, and no such reporting was found in the legal entity Board minutes.

It is recommended the Company obtain annual conflict of interest disclosures for all key management and board of directors and the conflict of interest disclosures are deemed complete and accurate at the time of submission. All conflicts should be reviewed and disposed by appropriate authority level and discussed at the Company Board to assure integrity and independence of management and Board.

Page 9 – ACCOUNTS AND RECORDS

Lack of Key Documents and Controls

In 2021, Clover Investments became a publicly traded company, which required the implementation of Sarbanes-Oxley (SOX) compliance controls. As part of this process, Clover Investments implemented numerous internal controls over the preparation and reporting of the parent company's GAAP financial statements and additional, though limited, controls over the statutory financial statement process. Examination procedures identified multiple instances in which controls were inadequately designed to effectively mitigate risk or lacked sufficient evidence of implementation and operation.

It is recommended the Company perform a comprehensive review of all significant processes to ensure that key risk-mitigating controls are appropriately designed, implemented, and operating effectively.

CONCLUSION

A regular statutory financial condition examination was conducted by the undersigned with the assistance of examiners of the New Jersey Department of Banking and Insurance examination staff.

The examination and audit was conducted remotely. The courteous assistance and cooperation of the Company's management is acknowledged.

Respectfully submitted,



Kristen Sharrow, CFE
Examiner-in-Charge
Risk & Regulatory Consulting, LLC
Representing the New Jersey Department of Banking and Insurance

Under the Supervision of,



Nancy Lee Chice, CFE
Supervising Insurance Examiner
New Jersey Department of Banking and Insurance

AFFIDAVIT

The undersigned hereby certifies that an examination has been made of Clover HMO of New Jersey Inc. and the foregoing report is true to the best of my knowledge and belief.

Respectfully submitted,



Kristen Sharrow, CFE
Examiner-in-Charge
Representing the New Jersey Department of Banking and Insurance

Under the Supervision of,



Nancy Lee Chice, CFE
Supervising Insurance Examiner
New Jersey Department of Banking and Insurance

State of New Jersey
County of Mercer

Subscribed and sworn to before me, on this 15th day of April, 2026.



Notary Public of New Jersey

My commission expires: 3/17/26

