

REPORT ON EXAMINATION  
AS TO THE CONDITION OF  
**HORIZON HEALTHCARE SERVICES, INC.**  
NEWARK, NEW JERSEY 07105  
AT DECEMBER 31, 2020  
NAIC COMPANY CODE 55069

**FILED**

October 6, 2022

**COMMISSIONER**

**NEW JERSEY DEPARTMENT**

**OF**

**BANKING AND INSURANCE**

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**State of New Jersey**  
**DEPARTMENT OF BANKING AND INSURANCE**  
**OFFICE OF SOLVENCY REGULATION**

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September 26, 2022

Honorable Marlene Caride Commissioner  
State of New Jersey  
Department of Banking and Insurance  
20 West State Street  
Trenton, New Jersey 08625

Commissioner:

Pursuant to your instructions and in conformity with the provisions of the Insurance Laws and Rules of the State of New Jersey, an examination, as of December 31, 2020, has been made of the financial condition and business affairs of:

**HORIZON HEALTHCARE SERVICES, INC.**  
3 Penn Plaza East, Suite PP-15D  
Newark, New Jersey 07105-2248

hereinafter referred to in this report as the "Company" or "HHSI" and the following report of examination is hereby respectfully submitted.

## **SCOPE OF EXAMINATION**

This comprehensive financial condition examination was called by the Commissioner of the New Jersey Department of Banking and Insurance (hereafter "NJDOBI" or "the Department") pursuant to the authority granted by Section 17:48D-11.a of the New Jersey Annotated Revised Statutes.

The examination covers the period of January 1, 2016, through December 31, 2020, including any material transactions and/or events occurring subsequent to the examination date and noted during the course of the examination. Due to precautionary health measures in effect during the Covid-19 pandemic, the examination was conducted remotely.

The Company was last examined as of December 31, 2015. The current examination was conducted concurrent with a financial condition examination of the Company's subsidiaries, Horizon Healthcare of New Jersey, Inc., Horizon Healthcare Dental, Inc., Horizon Insurance Company, and the Healthier New Jersey Insurance Company d/b/a Braven Health.

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, Examination and Reporting Committee of the NAIC, and included such other examination procedures as were deemed necessary.

During the course of this examination, consideration was given to work performed by both the Company's Internal Audit Department as regards to its oversight of compliance with the Annual Financial Reporting Model Regulation (the Model Audit Rule), risk analysis, documentation, test work, remediation efforts over weaknesses identified and by the Company's external accounting firm. Certain auditor 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.

All accounts and activities of the Company were considered in accordance with the risk-focused examination process. This may include assessing significant estimates made by management and evaluating management's compliance with Statutory Accounting Principles. However, the examination does not attest to the fair presentation of the financial statements included herein. If, during the course of the examination, an adjustment is

identified, the impact of such adjustment will be documented separately following the Company's financial statements.

In addition, a review was made of the following matters to develop an understanding of the Company's operations and its conformity with the insurance laws of the various jurisdictions in which it operates:

- History and Kind of Business
- Corporate Records
- Parent, Subsidiaries and Affiliates
- Management and Control
- Policy on Conflict of Interest
- Fidelity Bond and Other Insurance Coverages
- Territory and Plan of Operation
- Reinsurance
- Accounts and Records

## **HISTORY AND KIND OF BUSINESS**

Horizon Healthcare Services, Inc., doing business as Horizon Blue Cross Blue Shield of New Jersey ("HHSI" or the "Company"), was incorporated on December 7, 1932, and operates as a not-for-profit health service corporation domiciled in the State of New Jersey pursuant to N.J.S.A. 17:48E, et seq.

The largest of the Company's wholly owned subsidiaries is Horizon Healthcare Plan Holding Company, Inc. ("HHPHC"). HHPHC is a holding company for several managed health care subsidiaries. These include:

- Horizon Healthcare of New Jersey, Inc. ("HHNJ"): a health maintenance organization (HMO) operating in New Jersey.
- Horizon Healthcare Dental, Inc. ("HHD"): a New Jersey dental plan organization offering dental products.
- Horizon Casualty Services, Inc. ("HCS"): a managed care workers' compensation company which offers integrated care and administrative services to insurers, employers and third-party administrators; and
- Horizon Insurance Company, ("HIC"): a health insurer operating in New Jersey.

The Company owns a number of for-profit subsidiaries involved in services ancillary to the Company's health insurance operations.

- The Company owns 100% of Enterprise Property Holdings, LLC (EPH). EPH owns property located in Monmouth County, New Jersey, which includes a building leased by the Company.
- The Company also owns 100% of Three Penn Plaza Property Holdings Urban Renewal, LLC ("3PPPHUR"). 3PPPHUR owns the Company's headquarters land

and building located in Essex County, New Jersey. This property is leased by the Company.

- The Company also owns 100% of Multistate Investments Services, Inc. (“MISI”). MISI owns investments in various private equity funds whose investment focus is on healthcare innovation and technology in its underlying holdings.
- The Company owns 50% of NJ Collaborative Care, LLC (“NJCC”) which in turn owns 100% of Healthier New Jersey Insurance Company d/b/a Braven Health.
- The Company also owns 100% Multistate Professional Services, Inc. (“MPSI”). MPSI is the payroll corporation for the Company’s out-of-state employees.

The Company is also the sole member of Horizon Charitable Foundation, Inc. d/b/a The Horizon Foundation for New Jersey (“Foundation”).

The Company and several of its affiliates are independent licensees of the Blue Cross and Blue Shield Association, an association of independent Blue Cross and Blue Shield Plans, which licenses the right to use the Blue Cross and Blue Shield names and marks.

The Company has no common stock authorized, issued, or outstanding. The Company has no preferred stock. The Company is required to maintain minimum amounts of paid-in capital and paid-in surplus, as specified under New Jersey Insurance Law. The Company’s capital and surplus currently exceed those requirements. The Company may not distribute any dividend unless notice of its intention to declare the dividend has been filed with the DOBI and the DOBI has not disapproved the distribution within 30 days of the notice.

### **CORPORATE RECORDS**

A review of the minutes of the Board of Directors’ meetings revealed conformity with the requirements of the Articles of Incorporation and Bylaws concerning matters covered and authorizations made. The minutes of the Board of Directors’ meetings are detailed and comprehensive and appear to fully reflect the acts, decisions and approvals of the Board, though it is noted that the Board regularly meets in “Executive Session” and these minutes are not included with those of the Board.

The Company’s Certificate of Incorporation was last amended August 2, 2001 and filed with the NJDOBI August 3, 2001. The Bylaws of the Company as last amended August 10, 2017 were relied upon for this examination.

### **PARENT, SUBSIDIARIES AND AFFILIATES**

The Company is a member of an insurance holding company system as defined by N.J.A.C §11:1-35.2 and N.J.S.A. 17:27A-1. Through common ownership, management or control, the Company is affiliated with numerous entities within the holding company system. The holding company structure as of December 31, 2020, is depicted in the following organizational chart:

Horizon Healthcare Services, Inc. d/b/a Horizon Blue Cross Blue Shield of New Jersey

Horizon Healthcare Plan Holding Company Inc.  
Horizon Healthcare of New Jersey, Inc.  
Horizon Healthcare Dental, Inc.  
Horizon Casualty Services, Inc.  
Horizon Insurance Company

Horizon Charitable Foundation, Inc d/b/a the Horizon Foundation for New Jersey

Multistate Investment Services, Inc.

Multistate Professional Services, Inc.

Enterprise Property Holdings, LLC

Three Penn Plaza Property Holdings Urban Renewal, LLC

NJ Collaborative Care, LLC. (50%) \*

Healthier New Jersey Insurance Company d/b/a Braven Health

\*Horizon owns 50% of NJ Collaborative Care, LLC, Hackensack Meridian Health owns 40.1%, and Robert Wood Johnson Barnabas Health (RWJBH) owns 9.9%.

During the period under examination, the Company filed annual holding company registration statements as required by N.J.A.C. §11:1-35.3 and N.J.S.A. 17:27A-3.

#### Management Agreements

The Company is party to the following intercompany agreements:

##### *Management Services Agreements*

HHSI has entered into management services agreements, including claims processing agreements with all of its subsidiaries. Under terms of these agreements, the Company is responsible for performing management, administrative and other services as well as providing office space, furniture, equipment, supplies, etc. In return, the respective companies pay HHSI for these services and other items through indirect expense allocations, direct charges and expenses, benefit allocations and occupancy charges. The agreement with Horizon Healthcare of New Jersey, Inc. provides that Horizon Healthcare of New Jersey, Inc. will furnish services to the Company related to Provider Networks and Medical Management Functions.

##### *Tax Sharing Agreement*

HHSI and each of its taxable subsidiaries entered into a tax sharing agreement dated January 1, 2015. The agreement provides for HHSI to file consolidated federal, state and local tax returns on behalf of all of the group members. Each member then pays HHSI an amount equal to the tax liability of the member computed as if the member had filed separate federal, state

and local tax returns. To the extent a member's losses or tax credits are utilized on the consolidated returns, HHSI is to pay the member the amount of the tax savings the group realized for the use of the loss or credit. All companies share in tax audit expenses and refunds of any taxes on the same basis.

#### *Intercompany Reinsurance Agreement*

The Company is party to an intercompany reinsurance agreement with Horizon Insurance Company. Under the terms of this agreement the Company assumes 90% of the premiums, losses and expenses on the business written by Horizon Insurance Company, all on a prospective basis.

The Company is also party to an intercompany reinsurance agreement with HHNJ, whereby HHSI reinsures 90% of all Medicare DSNP, Medicaid, as well as 90% of Commercial Health insured business, all on a prospective basis.

The Company is also party to an intercompany reinsurance agreement with HHD, whereby HHSI reinsures on an indemnity reinsurance, quota share basis, 100% of the liabilities on the policies for certain Specialty Dental Services (the "Specialty Dental Services"), which are not covered by HHD's Primary Providers.

### **MANAGEMENT AND CONTROL**

#### Members

The Bylaws of the Company, as last amended August 10, 2017, provide that "The Directors of the Corporation in office from time to time shall be the Members of the Corporation" and that "An Annual Meeting of Members of the Corporation shall be held on such date and at such time as shall be designated from time to time by the Board of Directors and stated in the notice of the meeting, at which meetings the Members shall elect directors and transact such other business as may properly be brought before the meeting."

Special Meetings of the Members may be called by the Chair of the Board of Directors or by the Chief Executive Officer and President. A quorum is defined as "A majority of the Members then in office."

#### Directors

The Bylaws of the Company provide that "The business, property and affairs of the Corporation shall be governed by a Board of Directors consisting of not more than seventeen persons, six of whom shall be public Directors: four appointed by the Governor of the State of New Jersey; one appointed by the President of the Senate; one appointed by the Speaker of the Assembly, each of whom appointed by the President of the Senate and the Speaker of the Assembly shall have experience in either finance, insurance or health care delivery; and eleven of whom shall be elected by the Members of the Corporation." The directors serve



terms of three years each, staggered by class year. The directors shall hold an annual meeting “in conjunction with or immediately preceding the Annual Meeting of the Members” and may also hold regular and special meetings. A quorum is defined as “A majority of the directors then in office.” Furthermore, “any vacancy occurring in the Board of Directors, other than a vacancy resulting from the death, resignation or removal of a public Director, may be filled for the unexpired term by the Board of Directors at any Regular or Special Meeting after written notice that such vacancy exists.”

Directors serving as of December 31, 2020, were as follows:

<u>Name</u>	<u>Principal Occupation</u>
John Ballantyne, Chairman	Executive Secretary and Treasurer Northeast Regional Council of Carpenters
Todd C. Brown	ShoreBank Corporation (Retired)
Leonard S. Coleman Jr.	National League (Retired)
Kevin P. Conlin	Executive Chairman, Horizon Blue Cross Blue Shield of New Jersey
Laurence M. Downes	CEO, NJ Resources
Leonard G. Feld, MD	President, Physician Enterprise at Pediatric Specialists of America
Aristides W. Georgantas	Chase Manhattan Bank (Retired)
Michelle A. Gourdine	Senior Vice President, Population Health and Primary Care, University of Maryland Medical System
Gary D. St. Hilaire	CEO and President, Horizon Blue Cross Blue Shield of New Jersey
Paul A. Juliano	Superintendent, Borough of Fairview Public Works Department
Brian M. Kinkead	Bank of America Merrill Lynch (Retired)
Joseph M. Kyrillos	Senior Managing Director, Newmark, Knight Frank

<u>Name</u>	<u>Principal Occupation</u>
Carlos A. Medina	President, Statewide Hispanic Chamber of Commerce
Joseph M. Muniz	Secretary, Hudson County Schools of Technology
Joanne Pace	Morgan Stanley Investment Management (Retired)
Joseph J. Roberts	New Jersey General Assembly (Retired)

### Officers

The Bylaws provide that the “officers of [the Company] shall be a Chief Executive Officer and President, a Secretary, and a Treasurer, as well as such other senior officers as may be appointed by the Board of Directors and other officers to be appointed by Management to implement efficiently the purposes, operation and management of the [Company].” Senior Officers of the Company as of December 31, 2020, were as follows:

<u>Name</u>	<u>Position</u>
Gary D. St. Hilaire	President and Chief Executive Officer
Patrick Aylward	Senior Vice President and Chief of Staff
Linda A. Willett, Esq.	Senior Vice President, General Counsel and Secretary
Douglas R. Simpson	Senior Vice President, Chief Financial Officer and Treasurer
Christopher M. Lepre	Executive Vice President, Commercial Business Unit
William D. Georges	Senior Vice President & Chief Strategy Officer
Mark L. Barnard	Executive Vice President, Government Programs & Operations
Allen J. Karp	Executive Vice President, Healthcare Management and Transformation

N.J.S.A. 17:27A-4d (3) states as follows: "Not less than one-third of the directors of a domestic insurer, and not less than one-third of the members of each committee of the board of directors of any 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. At least one such person shall be included in any quorum for the transaction of business at any meeting of the board of directors or any committee thereof."

N.J.S.A. 17:27A-4d (4) states as follows: "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 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 or 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 the principal officers of the insurer and recommending to the board of directors the selections and compensation, including bonuses or other special payments, of the principal officer."

Horizon Healthcare Services Inc. has a board of directors and committees that substantially meet the requirements of N.J.S.A. 17:27 A paragraphs (3) and (4).

#### Committees

In accordance with the Bylaws, committees of the Company as of December 31, 2020, were as follows:

##### Audit, Compliance and Risk Committee

Joanne Pace (Chair)  
Laurence M. Downes  
Aristides W. Georgantas  
Carlos A. Medina  
Michelle Gourdine

##### Finance and Investment Committee

Aristides W. Georgantas (Chair)  
Leonard G. Feld  
Brian M. Kinkead  
Joanne Pace

##### Governance Committee

Leonard S. Coleman, Jr. (Chair)  
Laurence M. Downes  
Aristides W. Georgantas  
Brian M. Kinkead  
Carlos A. Medina

##### Personnel and Compensation Committee

Laurence M. Downes (Chair)  
Carlos A. Medina  
Joanne Pace  
Leonard S. Coleman, Jr.

The above listed committees satisfy the statutory provisions of N.J.S.A. 17:27A-4d, paragraph 4, which requires the establishment of at least one committee to be composed entirely of outside directors who are not officers, employees, or beneficial owners of a controlling interest in the voting securities of the Company or its affiliates.

## **POLICY ON CONFLICT OF INTEREST**

The Company had an established written procedure for disclosure to its Board of Directors of any material interest or affiliation on the part of any of its officers, directors, or responsible employees which was in or was likely to conflict with the official duties of such person. Written disclosures made during the period of examination were reviewed without exception.

## **FIDELITY BOND AND OTHER INSURANCE COVERAGES**

The Company on behalf of itself and its affiliated subsidiaries, is protected against loss or damage by various insurance coverages in amounts deemed sufficient to protect the interests of the Company. Coverages are obtained in the commercial insurance market.

As of December 31, 2020, the Company had in effect a Financial Institution Bond in the amount of \$15,000,000 with an aggregate limit of \$30,000,000.”

All policies cover the covered Horizon group entities (except as otherwise provided below). The major insurance coverages on December 31, 2020, were as follows:

- Cyber Insurance
- Managed Care Errors and Omissions
- Directors and Officers
- Property Coverage
- General Liability and Excess Liability Programs
- Fiduciary Liability
- Fidelity and Electronic Crime Coverage
- Workers Compensation (except Healthier New Jersey Insurance Company)
- Auto and Fitness Center Insurance (except Healthier New Jersey Insurance Company)

## **TERRITORY AND PLAN OF OPERATION**

Horizon Healthcare Services, Inc. which does business as Horizon Blue Cross Blue Shield of New Jersey, operates as a not-for-profit health service corporation in New Jersey, pursuant to N.J.S.A. 17:48E et seq. Health benefits are provided under contracts with subscribers for services provided by hospitals and other providers of health care. The Company also processes claims for subscribers of other Blue Cross Blue Shield Plans and for programs such as Medicare, Medicaid, and the Federal Employees Health Benefits Program. In addition, they provide HMO coverage through its wholly owned Horizon Healthcare subsidiaries. The Company and three of its subsidiaries, including its HMO subsidiary in New Jersey, are independent licensees of the Blue Cross and Blue Shield Association, an association of independent Blue Cross and Blue Shield Plans, which licenses the right to use the Blue Cross and Blue Shield names and trademarks.

The Company utilized the services of the following Organized Delivery Systems (“ODS”)

licensed in the State of New Jersey as of December 31, 2020:

- CareCentrix of New Jersey, Inc., a licensed ODS, and its parent CareCentrix, Inc. provide the Company with health care delivery and management services in the areas of Durable Medical Equipment, Orthotics and Prosthetics, Home Infusion Therapy, Home Health Services, Medical Foods and diabetic and other medical supplies.
- A Services Agreement for the delegation of utilization management and case management services as well as a value-based program with upside and downside risk between Hackensack Meridian Health Partners, LLC and HHSI on behalf of itself and its indirect subsidiary, Horizon Insurance Company.
- A value-based risk agreement that includes upside and downside risk with AHS Health Network, LLC and HHSI.

The Company also utilizes Prime Therapeutics LLC. as its pharmacy benefits manager (“PBM”) providing pharmacy benefit management services and other prescription drug benefit programs designed to reduce prescription drug benefit and related health care costs. PBM’s are currently excluded from NJ state ODS regulatory requirements.

## **REINSURANCE**

Effective January 1, 2017, HHSI and HHNJ entered into a 90% quota share reinsurance agreement whereby HHSI reinsures 90% of all Medicare Dual Eligible Single Needs Plans (DSNP), Medicaid, and Commercial Health insured business, all on a prospective basis.

Effective October 1, 2015, HHSI entered into a 90% quota share reinsurance agreement with HIC whereby HHSI reinsures 90% of all Medicare Advantage and PDP and Medicare Supplement (Medigap) business, all on a prospective basis, (collectively, the “Senior” business).

The Company is also party to a 100% quota share reinsurance agreement with HHD, whereby HHSI reinsures 100% of the liabilities on the policies for certain Specialty Dental Services (the “Specialty Dental Services”), which are not covered by HHD’s Primary Providers.

Effective November 1, 2019, HHSI and Plymouth Guarantee, Ltd. (Bermuda), entered into a 100% quota share agreement. Under the provisions of this agreement, HHSI cedes to Plymouth and Plymouth shall accept from HHSI, 100% of the company program liability above the aggregate attachment point for certain health services, pursuant to a Master Vendor Services agreement between the parties.

## **ACCOUNTS AND RECORDS**

### **General**

The Company is headquartered in Newark, New Jersey, where the corporate records are maintained. The accounting system consists of a general ledger, journals, registers, and statistical records normally maintained by a health insurance company. Most of the records are maintained on a network server-based environment. Data from the network servers is used by the Company to prepare annual and quarterly statement exhibits, schedules, and other financial statements.

In accordance with the NAIC Annual Financial Reporting Model Regulation (Model Audit Rule), the Company is required to report annually on management's assessment of internal control over financial reporting.

The report includes the following: a statement of management's responsibility for establishing and maintaining adequate internal control over financial reporting for the Company, a statement identifying the framework used by management to conduct the required assessment of the effectiveness of the Company's internal control over financial reporting, and an assessment of the effectiveness of the Company's internal control over financial reporting as of the end of the Company's most recent fiscal year, including an explicit statement as to whether the internal control over financial reporting is effective. In addition, the report includes the signatures of the chief executive officer and chief financial officer.

The Company retained the services of a certified public accounting firm, Ernst & Young LLP (EY), to audit its financial records for the years under review, 2016 through 2020. An unqualified opinion was rendered for those years by EY. The firm allowed the examiners access to requested work papers prepared in connection with its audits. The external audit work papers were relied upon when deemed applicable.

### **Evaluation of Controls in Information Technology (IT)**

The IT review for this examination was performed in accordance with the NAIC Handbook which recommends a five-step process:

1. Gather Necessary Information Technology (IT) Planning Information
2. Review Information Gathered
3. Request Insurer Control Information and Complete IT Review Planning
4. Conduct IT Review Fieldwork
5. Document Results of IT Review

The examination IT work program was categorized into four sections which follows the guidance in the Financial Condition Examiner's Handbook and has been modeled after the Control Objectives for Information and Related Technology (COBIT) framework:

1. Plan and Organize (PO)
2. Acquire and Implement (AI)
3. Deliver and Support (DS)
4. Monitor and Evaluate (ME)

As part of the IT review, the examiners reviewed the Evaluation of Controls in-Information Systems Questionnaire (ISQ) as completed by the Company for the examination. The ISQ contains questions about the Company's IT controls which were mapped back to the detailed risk areas within the generic IT work program provided in Exhibit C – Part Two, the Information Technology Planning Questionnaire (ITPQ), of the current Handbook.

The review of IT controls included IT management and organizational controls; application and operating system software change controls; system and program development controls; overall systems documentation; logical and physical security controls; contingency planning; local and wide area networks, and mainframe controls.

As a result of the procedures performed, the IT examiners obtained reasonable assurance that an effective system of IT controls is in place and conducive to the accuracy and reliability of financial information processed and maintained by the Company, and that such controls are functioning as management intended. There are no items related to our review of IT controls reportable for examination purposes.

### **STATUTORY DEPOSITS**

The Company reported no statutory deposits at December 31, 2020.

### **FINANCIAL STATEMENTS AND OTHER EXHIBITS**

<b><u>Exhibit A</u></b>	Statement of Financial Position as of December 31, 2020
<b><u>Exhibit B</u></b>	Summary of Operating Results for the Five-Year Period ended December 31, 2020
<b><u>Exhibit C</u></b>	Capital and Surplus Account for the Five-Year Period Ended December 31, 2020

**EXHIBIT A: Statement of Financial Position**

As of December 31, 2020

	<u>Balance Per</u> <u>Examination</u> <u>12/31/20</u>	<u>Balance Per</u> <u>Company</u> <u>12/31/20</u>	<u>Examination</u> <u>Change</u>	<u>Note</u>
<b><u>Assets</u></b>				
Bonds	\$ 2,827,956,206	\$ 2,827,956,206	\$ -	
Preferred stocks	4,459,152	4,459,152	\$ -	
Common stocks	1,803,033,865	1,803,033,865	\$ -	
Cash and cash equivalents	(193,321,962)	(193,321,962)	\$ -	
Other invested assets	10,175,585	10,175,585	\$ -	
Receivable for securities	9,883,935	9,883,935	\$ -	
<b>Subtotal, cash and invested assets</b>	<b>\$ 4,462,186,781</b>	<b>\$ 4,462,186,781</b>	<b>\$ -</b>	<b>1</b>
Investment income due and accrued	17,013,779	17,013,779	\$ -	
Uncollected premiums	219,568,458	219,568,458	\$ -	
Amounts recoverable from reinsurers	172,000,000	172,000,000	\$ -	
Other amounts recoverable under reinsurance contr:	268,805,950	268,805,950	\$ -	
Amounts receivable relating to uninsured plans	435,136,483	435,136,483	\$ -	
Current federal income tax recoverable	37,755,449	37,755,449	\$ -	
Guaranty funds receivable or on deposit	25,223,243	25,223,243	\$ -	
Electronic data processing equipment	31,305,267	31,305,267	\$ -	
Receivable from parent, subs. and affiliates	380,142,985	380,142,985	\$ -	
Health care and other amounts receivable	427,202,041	427,202,041	\$ -	
Aggregate write-ins	116,645,236	116,645,236	\$ -	
<b>Total Assets</b>	<b>\$ 6,592,985,672</b>	<b>\$ 6,592,985,672</b>	<b>\$ -</b>	
<b><u>Liabilities</u></b>				
Claims unpaid	\$ 1,275,840,492	\$ 1,275,840,492	\$ -	<b>2</b>
Unpaid claims adjustment expenses	9,677,807	9,677,807	\$ -	
Aggregate health policy reserves	448,797,319	448,797,319	\$ -	
Premiums received in advance	88,416,324	88,416,324	\$ -	
General expenses due or accrued	1,107,912,893	1,107,912,893	\$ -	
Amounts withheld for account of others	23,941,883	23,941,883	\$ -	
Borrowed money and interest thereon	71,240,963	71,240,963	\$ -	
Amts. due to parent, subs. and affiliates	85,514,285	85,514,285	\$ -	
Payable for securities	7,869,461	7,869,461	\$ -	
Liability for amounts held under uninsured plans	7,464,000	7,464,000	\$ -	
Aggregate write-ins	397,074,824	397,074,824	\$ -	
<b>Total Liabilities</b>	<b>\$ 3,523,750,251</b>	<b>\$ 3,523,750,251</b>	<b>\$ -</b>	
<b><u>Capital and Surplus</u></b>				
Aggregate write-ins for other-than-special surplus funds	\$ 3,069,235,420	\$ 3,069,235,420	\$ -	
<b>Total Capital and Surplus</b>	<b>3,069,235,420</b>	<b>3,069,235,420</b>	<b>\$ -</b>	<b>3</b>
<b>Total Liabilities, Capital and Surplus</b>	<b>\$ 6,592,985,671</b>	<b>\$ 6,592,985,671</b>	<b>\$ -</b>	



**EXHIBIT B: Statement of Operating Results**

For the Five-Year Period Ended December 31, 2020

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
Net premium income	\$ 12,272,315,388	\$ 11,611,553,406	\$ 12,597,770,766	\$ 12,236,502,318	\$ 6,722,127,972
Change in unearned premium reserves	3,387,882	(64,002,373)	(141,293,660)	(13,716,622)	(29,396,149)
<b>Total Revenues</b>	<b>\$ 12,275,703,270</b>	<b>\$ 11,547,551,033</b>	<b>\$ 12,456,477,106</b>	<b>\$ 12,222,785,696</b>	<b>\$ 6,692,731,823</b>
<b>Hospital and Medical</b>					
Hospital/medical benefits	4,232,819,067	4,316,420,285	4,006,632,186	4,117,193,207	3,864,203,144
Other professional services	219,784,575	169,113,179	179,806,472	167,540,617	128,747,191
Outside referrals	193,286,932	188,535,752	233,056,473	250,200,203	278,647,278
Emergency room and out-of-area	33,669,485	30,580,615	45,474,223	50,859,822	45,849,089
Prescription drugs	682,954,418	699,506,306	951,059,402	985,301,043	946,293,836
<b>Subtotal, Hospital and Medical</b>	<b>5,362,514,477</b>	<b>5,404,156,137</b>	<b>5,416,028,756</b>	<b>5,571,094,892</b>	<b>5,263,740,538</b>
<b>Less:</b>					
Net reinsurance recoveries	(4,777,698,746)	(4,701,561,616)	(5,347,182,043)	(5,120,008,856)	(410,516,781)
<b>Total Hospital and Medical</b>	<b>10,140,213,223</b>	<b>10,105,717,753</b>	<b>10,763,210,799</b>	<b>10,691,103,748</b>	<b>5,674,257,319</b>
Claims adjustment expenses	375,185,928	344,960,254	286,400,721	294,133,728	169,613,366
General administrative expenses	1,625,934,229	1,330,523,114	1,499,377,079	1,269,261,202	987,311,117
<b>Total underwriting deductions</b>	<b>12,141,333,380</b>	<b>11,781,201,121</b>	<b>12,548,988,599</b>	<b>12,254,498,678</b>	<b>6,831,181,802</b>
Net underwriting gain (loss)	134,369,890	(233,650,088)	(92,511,493)	(31,712,982)	(138,449,979)
Net investment income earned	86,311,821	80,198,037	83,749,614	78,868,029	75,787,758
Net realized capital gains (losses)	(15,191,388)	9,252,275	35,481,288	25,207,140	(5,663,662)
Net investment gains (losses)	71,120,433	89,450,312	119,230,902	104,075,169	70,124,096
Net income before federal income tax	205,490,323	(144,199,776)	26,719,409	72,362,187	(68,325,883)
Federal income taxes incurred	(147,975,206)	(145,422,689)	(309,390,297)	15,695,000	14,654,865
<b>Net Income</b>	<b>\$ 353,465,529</b>	<b>\$ 1,222,913</b>	<b>\$ 336,109,706</b>	<b>\$ 56,667,187</b>	<b>\$ (82,980,748)</b>

**EXHIBIT C: Capital and Surplus Account**  
For the Five-Year Period Ended December 31, 2020

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
Net Income	353,465,529	1,222,913	336,109,706	56,667,187	(82,980,748)
Change in net unrealized capital gains (losses)	\$ 96,692,995	\$ 145,588,570	\$ (58,901,859)	\$ 99,395,751	\$ 202,369,057
Change in net unrealized foreign exchange capital gain or (loss)	4,314,112	1,259,201	\$ (374,186)	-	-
Change in net deferred income tax	(123,043,436)	\$ (128,420,260)	\$ (455,353,702)	\$ 574,674,388	\$ 4,418,179
Change in nonadmitted assets	8,156,750	\$ (272,658,665)	\$ 381,541,260	\$ (346,020,921)	\$ (47,405,315)
Aggregate write-ins for gains or (losses) in surplus	(3,030,907)	\$ 427,252	\$ 10,030,715	\$ 1,556,432	\$ 3,626,061
 Change in Surplus as Regards Policyholders for the Year	 <b>\$ 336,555,043</b>	 <b>\$ (252,580,989)</b>	 <b>\$ 213,051,934</b>	 <b>\$ 386,272,837</b>	 <b>\$ 80,027,234</b>
 Surplus as Regards Policyholders December 31, Previous Year	 <u>\$ 2,732,680,377</u>	 <u>\$ 2,985,261,366</u>	 <u>\$ 2,772,209,432</u>	 <u>\$ 2,385,936,595</u>	 <u>\$ 2,305,909,360</u>
 Surplus as Regards Policyholders December 31, Current Year	 <u><b>\$ 3,069,235,420</b></u>	 <u><b>\$ 2,732,680,377</b></u>	 <u><b>\$ 2,985,261,366</b></u>	 <u><b>\$ 2,772,209,432</b></u>	 <u><b>\$ 2,385,936,594</b></u>

## **NOTES TO THE FINANCIAL STATEMENTS**

### **Note 1 – Invested Assets**

At December 31, 2020, HSSI reported assets for bonds, cash, cash equivalents and short-term investments of \$4,462,186,781, which was accepted for purposes of this examination.

### **Note 2 – Claims Unpaid and Unpaid Claims Adjustment Expenses**

At December 31, 2020, the Company reported a net liability for Claims Unpaid of \$1,275,840,492.

The actuarial review of Claims Unpaid was performed by Baker Tilly in conjunction with this risk focused examination. The Baker Tilly Actuarial Conclusions Report was reviewed by the Health Actuarial Division of the NJDOBI, and the amounts concluded within were accepted for the purposes of this examination.

### **Note 3 – Capital and Surplus**

The Company's reported annual statement capital and surplus for year end 2020 was \$3,069,235,420, therefore, the Company is in compliance with N.J.S.A. 17B:18-68(b) for year-end 2020.

## **SUMMARY OF RECOMMENDATIONS**

There were no recommendations as a result of this examination.

## **SUBSEQUENT EVENTS**

Effective January 1, 2022, HHSI and Hannover Life Reassurance Company of America (Bermuda) Ltd. ("Hannover"), entered into a 40% quota share agreement. Under the provisions of this agreement, Hannover reinsures, on a coinsurance funds withheld basis, a 40% quota share of HHSI's Comprehensive Hospital and Medical business.

**CONCLUSION**

A regular statutory condition examination was conducted by the undersigned with the assistance of contract examiners of Baker Tilly US, LLP.

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

Respectfully Submitted,



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James B. Morris, CPA, CFE, CGMA, CICA  
Examiner-in-Charge  
Representing the State of New Jersey Department of Banking and Insurance  
Office of Solvency Regulation



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Nancy Lee Chice, CFE  
CFE Reviewer - Supervisor  
New Jersey Department of Banking and Insurance

**HORIZON HEALTHCARE SERVICES, INC.**

The undersigned hereby certifies that an examination has been made of Horizon Healthcare Services, Inc. and the foregoing report is true to the best of my knowledge and belief.

Respectfully submitted,



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James B. Morris, CPA, CFE, CGMA, CICA  
Examiner-In-Charge  
Baker Tilly US LLP



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Nancy Lee Chice, CFE  
CFE Reviewer - Supervisor  
New Jersey Department of Banking and Insurance

State of New Jersey  
County of Mercer

Subscribed and sworn to before me, on this 4<sup>th</sup> day of October 2022.

  
Notary Public of New Jersey

My commission expires: July 2025