

REPORT ON EXAMINATION AS TO THE CONDITION OF

CLOVER INSURANCE COMPANY

JERSEY CITY, NEW JERSEY

AS OF DECEMBER 31, 2024

NAIC GROUP CODE 4918

NAIC COMPANY CODE 86371

FILED

May 11, 2026

Commissioner

Department of Banking &

Insurance

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April 13, 2026

Honorable Susan Ochs
Acting Commissioner
Department of Banking and Insurance
State of New Jersey
20 West State Street
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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 INSURANCE COMPANY
JERSEY CITY, NJ 07302
NAIC GROUP CODE 4918
NAIC COMPANY CODE 86371

a domestic insurer duly authorized to transact the business of insurance in the State of New Jersey. Hereinafter, the Clover Insurance Company 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 from January 1, 2020 to December 31, 2024. During this period, the Company's reported admitted assets increased by \$175,640,334 to \$337,385,096 from \$161,744,762, liabilities increased by \$93,473,907 to \$190,102,737 from \$96,628,830, and total capital & surplus increased by \$82,166,427 to \$147,282,359 from \$65,115,932.

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, 2024. 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 ON EXAMINATION 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 the Company and its 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 February 13, 2012 under the name of CarePoint Insurance Company. The Company was formed to offer Medicare Advantage insurance using a warehouse of technological analytics to lower hospital admissions and reduce healthcare costs.

Through a Certificate of Authority dated February 17, 2012, the Company is authorized to transact the business of "Health Insurance" as defined in Section 17B:17-4 of Subtitle 3 of Title 17B of the New Jersey Revised statutes, and such other insurance as may be permitted under the laws of the State of New Jersey to be written by an insurer authorized to do the kinds of business described in Section 17B:17-4 of said Subtitle 3. K Independent of any insurance contract, the Corporation may

provide services of the kinds authorized for a domestic insurance corporation by Section 17B:18-43 of said Subtitle 3, subject to the provisions of said Section.

The Company officially commenced business on January 12, 2013. The Company originated with writing in Hudson County, New Jersey and continued to expand into several other New Jersey counties and states as further detailed in Territory and Plan of Operations below.

The Company was a wholly-owned subsidiary of Healthy Choice Management, Inc. (as of December 31, 2014), a Delaware Corporation. Healthy Choice Management, Inc. was wholly-owned by New Jersey Healthcare Investments, LLC, which was in turn wholly-owned by Sequoia Healthcare Services, LLC, the Ultimate Parent.

Pursuant to the New Jersey Healthcare Investments, LLC Reorganization Agreement dated October 7, 2014, Healthy Choice Management, LLC was merged with and into Clover Health Holdings, Inc. (“Clover Health Holdings”), a Delaware Corporation which was incorporated on October 3, 2014 to serve as the holding company for the Company.

On September 30, 2015, CarePoint Insurance Company d/b/a CarePoint Health Plans changed its name to Clover Insurance Company.

On April 12, 2016, Clover Health Investments Corp. acquired Union Life Insurance Company, a Maryland domiciled life and health insurance company and Ullico Life Insurance Company (“Ullico”), a Texas domiciled life and health insurance company wholly-owned by Union Life Insurance Company. Ullico had written life insurance policies prior to entering “run-off”. Some of the policies remained outstanding. Prior to the acquisition by Clover Health Investments Corp., all outstanding policies were ceded as follows:

- Approximately \$4.8 million life insurance reserves issued by Ullico were 100% ceded to Southern Financial Life Insurance Company, a Louisiana domestic company, in full transfer of risk related to these policies. Southern Financial Life Insurance Company is required to hold in trust 100% of the outstanding liabilities as of the reporting date.
- In addition, approximately \$1.36 million annuity reserves issued by Ullico were 100% ceded to Sagicor Life Insurance Company, a Texas domiciled company, in full transfer of risk.

On April 20, 2016, Ullico was re-domesticated to New Jersey and merged with Clover Insurance Company with Ullico as the surviving entity. The Company was then immediately renamed Clover Insurance Company, and the NAIC# was subsequently changed from 14203 to 86371.

On April 20, 2016, the Company filed an amended Certificate of Incorporation with the State of New Jersey to merge with Ullico. All of Ullico’s assets and liabilities were transferred to the Company and are treated as a capital contribution from Clover Health Investments Corp.

On December 22, 2016, the Company entered into a Subordinated Surplus Note (the “Note”) with Clover Health Investments Corp. for \$40 million. The principal is due and payable December 31,

2020, and the Note has no stated interest rate. The Note is subordinate to the policyholder, claimant and beneficiary claims as well as debt owed to all other classes of creditors, but is superior to all claims of Clover Health Investments Corp's common or preferred shareholders. No payment of principal or interest can be made without the prior written approval of the New Jersey Department of Banking and Insurance. As of the examination date, the surplus note remained unpaid and the Company is seeking an extension of payment terms until December 31, 2027.

Clover Health Investments Corp. made a \$59.9 million cash contribution for the year ended December 31, 2016.

On April 11, 2017, the Company's common stock par value increased from \$5 per share to \$15 per share. An additional capital contribution for the amount of \$1.4 million was made by the sole owner.

Clover Health Investments Corp. made a \$13.6 million cash contribution for the year ended December 31, 2017.

On February 13, 2018, the Company's common stock par value increased from \$15 per share to \$17.857 per share. The change in the amount of \$400,000 in the par value of the Company's common stock was reflected in a reclassification between common stock and contributed surplus.

Clover Health Investments Corp. made a \$27.6 million cash contribution for the year ended December 31, 2018.

Clover Health Investments Corp. made a \$79.4 million cash contribution for the year ended December 31, 2019. As part of this contribution, the Company recognized a \$20,000,000 receivable from Clover Health Investments Corp. as a Type 1 subsequent event. The funds were deposited as of February 28, 2020.

Clover Health Investments Corp. made a \$26.5 million cash contribution for the year ended December 21, 2020. As part of this contribution, the Company recognized the full amount as a receivable from Clover Health Investments Corp. as a Type 1 subsequent event. The funds were deposited as of February 28, 2021.

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").

Clover Investments made a \$307,850,000 cash contribution for the year ended December 31, 2021.

Clover Health Investments Corp. made a \$5,300,000 million cash contribution for the year ended December 31, 2022.

The Note issued to Clover Health Investments Corp. on December 22, 2016, was originally due and payable on December 31, 2020, but remained unpaid with the payment terms under review for extension until December 31, 2025.

At December 31, 2024, 140,000 shares of common stock were issued and outstanding with a value of \$2,500,000 in accordance with N.J.S.A. 17:17-8 which requires that all authorized shares of stock of a stock company are to be issued.

The principal office location of the Company during the period was 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. 17B:18-37(c) had a fair value of \$1,811,682 for the New Jersey statutory deposit.

TERRITORY AND PLAN OF OPERATIONS

The Company exclusively writes Medicare Advantage business. The Company is licensed in 45 states plus the District of Columbia. As of the prior examination, the Company was writing Medicare Advantage business in: Arizona, Georgia, New Jersey, Pennsylvania, South Carolina, Tennessee and Texas. The Company began writing Medicare Advantage business in Mississippi in 2021 and Alabama in 2022.

Subsequent to the examination date, the Company has ceased actively writing in: Alabama, Arizona, Mississippi, and Tennessee.

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 into 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 Earned	Net Underwriting Net Gain/(Loss)	Net Investment Net Gain	Admitted Assets	Surplus As Regards Policyholders	MLR	Admin Ratio	Combined	RBC
2024	\$ 1,279,760,472	\$ (3,107,737)	\$ 14,586,584	\$ 337,385,096	\$ 147,282,359	75.4%	24.8%	100.2%	412.1%
2023	1,172,337,078	(15,936,413)	9,509,830	361,567,679	121,445,524	80.0%	17.6%	97.6%	344.5%
2022	1,014,177,464	14,251,474	2,408,686	310,527,984	122,003,662	83.6%	15.0%	98.6%	330.5%
2021	725,324,430	(261,618,262)	(25,585)	352,839,065	113,532,326	120.9%	15.2%	136.1%	369.0%
2020	611,881,353	(22,795,560)	1,561,501	177,813,220	68,223,623	87.0%	16.7%	103.7%	311.4%

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 \$44,964,751 and \$84,217,770, 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 are managed by the Board of Directors. In accordance with the bylaws, the Board of Directors shall consist of not less than three directors. 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 Chief Executive Officer, a President, a Treasurer and a Secretary. Each Officer elected shall hold office until such officer’s successor is duly elected and has qualified or until such officer’s earlier resignation, death, disqualification or removal or resignation. The Chief Executive Officer of the Company shall act as the general manager and, subject to the control of the Board, to have general supervision, direction and control of the business and affairs of the Company.

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

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

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

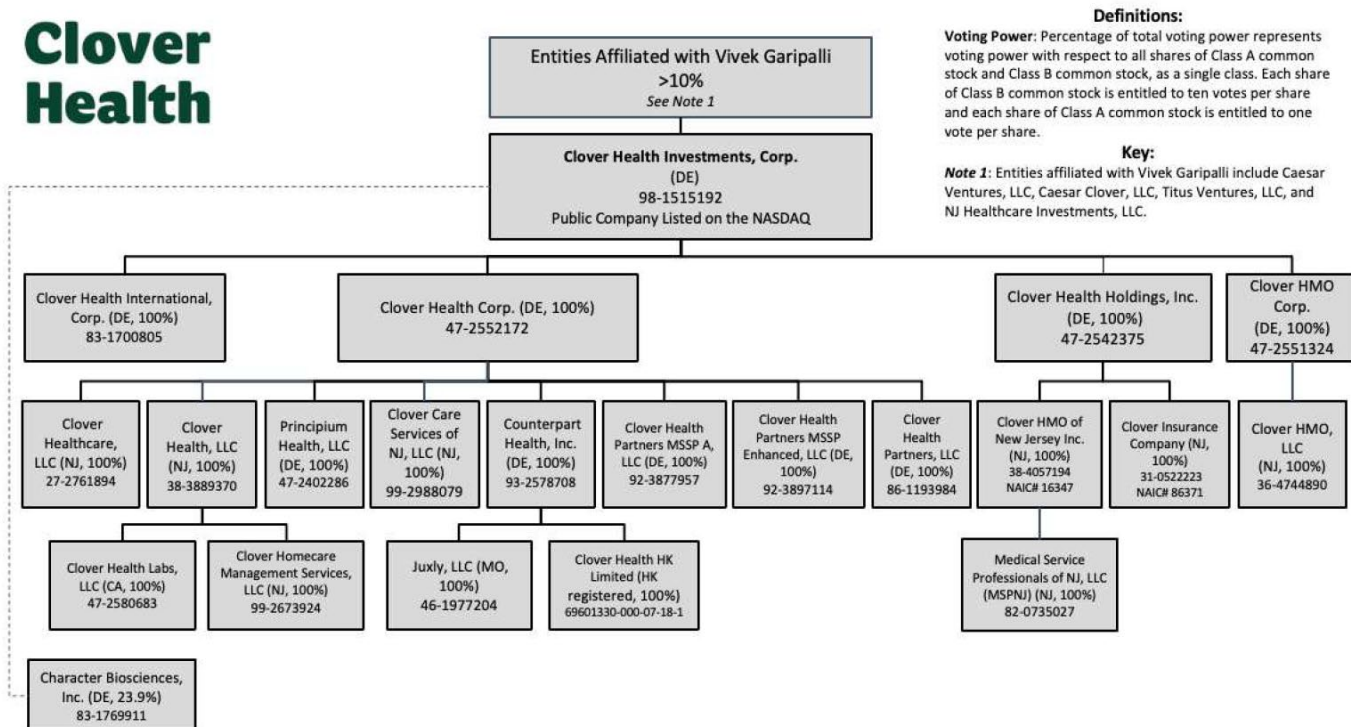
The Company satisfies the requirements of N.J.S.A. 17:27A-4d(5) by electing independent directors to an Audit Committee of the Company.

REGULATION OF INSURANCE HOLDING COMPANY SYSTEMS

The Company 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:



INTER-COMPANY AGREEMENTS / RELATED PARTY TRANSACTIONS

Inter-Company Agreements

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

Administrative Services Agreement: The Company has no employees and, as such, has entered into an administrative services agreement effective January 1, 2012 with its related party, Clover Health LLC (f/k/a CarePoint ASO, 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 84.4% of premiums earned and included \$61,991,748 in Quality Improvement Fees and an additional \$15,558,387 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 \$192,245,416 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

Medical Service Professionals of New Jersey, LLC (“MSPNJ”), provides in-home chronic care, palliative and supportive services to the Company and affiliates. MSPNJ contracts with the Company, Clover HMO of New Jersey Inc., and Clover Health, LLC to provide in-home health services and receives funding for operating expenses from Clover Health, LLC.

The Company has various contracts with IJKG Opco LLC (d/b/a CarePoint Health - Bayonne Medical Center), Hudson Hospital Opco LLC (d/b/a CarePoint Health - Christ Hospital) and Hoboken University Medical Center Opco LLC (d/b/a CarePoint Health - Hoboken University Medical Center), which collectively do business as the CarePoint Health System (CarePoint Health). As of the prior examination, CarePoint Health was ultimately held and controlled by Vivek Garipalli, Clover Investments Executive Chairman and a significant stockholder. In May 2022, Mr. Garipalli and his family completed a donation of their interest in CarePoint Health to a non-profit organization. In September 2024, Sequoia Healthcare Services, LLC, an entity that Mr. Garipalli has an indirect interest in, transferred certain subsidiaries that provided services to CarePoint Health to the non-profit organization. Following such transfer, neither Mr. Garipalli nor any entity he has an interest in currently provide any management services to CarePoint Health. Additionally, on November 3, 2024, CarePoint Health and its affiliates filed petitions in the United

States Bankruptcy Court for the District of Delaware (the “Bankruptcy Court”) seeking relief under Chapter 11 of the United States Bankruptcy Code. The Bankruptcy Court confirmed CarePoint Health's plan which became effective as of May 22, 2025. Through CarePoint Health’s Plan, a majority of CarePoint Health’s assets, including the CarePoint Health Contracts, were transferred to Hudson Regional Hospital, who now controls CarePoint Health's hospitals following CarePoint Health's emergence from bankruptcy. As a result of such proceedings, CarePoint Health is no longer deemed a related party of the Company.

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

On December 22, 2016, Clover Investments provided a surplus note in the amount of \$40 million with no stated interest rate. The surplus note matures on December 31, 2020. No principal or interest may be paid without prior approval by the Commissioner of Banking and Insurance of the State of New Jersey. As of the examination date, the surplus note remained unpaid and the Company is seeking an extension of payment terms until December 31, 2027.

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 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	15
<u>Exhibit B:</u>	Summary of Revenue and Expenses for the Five-Year Period ending December 31, 2024	16
<u>Exhibit C:</u>	Capital and Surplus Account for the Five-Year Period ending December 31, 2024	17

Exhibit A

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

	Per Examination	Balance Per Company	Examination Change	Note Number
Admitted Assets				
Bonds	\$ 231,150,354	\$ 231,150,354	\$ -	
Cash, cash equivalents, and short-term investments	14,623,741	14,623,741	-	1
Subtotals, cash and invested assets	245,774,095	245,774,095	-	
Investment income due and accrued	2,074,351	2,074,351	-	
Premiums and considerations:				
Uncollected premiums and agents' balances in course of collection	526,094	526,094	-	
Accrued retrospective premiums and contracts subject to redetermination	40,960,840	40,960,840	-	
Reinsurance:				
Amounts recoverable from reinsurers	450,000	450,000	-	
Other amounts receivable under reinsurance contracts	4,942	4,942	-	
Amounts receivable relating to uninsured plans	3,076,577	3,076,577	-	
Guaranty funds receivable or on deposit	37,764	37,764	-	
Receivable from parent, subsidiaries and affiliates	283,030	283,030	-	
Health care and other amounts receivable	44,197,403	44,197,403	-	
Total Admitted Assets	\$ 337,385,096	\$ 337,385,096	\$ -	
Liabilities, Capital and Surplus				
Liabilities				
Claims unpaid	\$ 145,886,476	\$ 145,886,476	\$ -	2
Unpaid claims adjustment expenses	5,043,192	5,043,192	-	2
Aggregate health policy reserves	17,369,601	17,369,601	-	2
General expenses due or accrued	994,930	994,930	-	
Ceded reinsurance premium payable	166,245	166,245	-	
Payable to parent, subsidiaries and affiliates	15,834,840	15,834,840	-	
Liability for amounts held under uninsured plans	2,589,682	2,589,682	-	
Aggregate write-ins for other liabilities	2,217,771	2,217,771	-	
Total Liabilities	190,102,737	190,102,737	-	
Capital and Surplus				
Common capital stock	2,500,000	2,500,000	-	3
Gross paid in and contributed surplus	548,440,037	548,440,037	-	3
Surplus notes	40,000,000	40,000,000	-	3
Unassigned (deficit) surplus	(443,657,678)	(443,657,678)	-	3
Total Capital and Surplus	147,282,359	147,282,359	-	
Total Liabilities, Capital and Surplus	\$ 337,385,096	\$ 337,385,096	\$ -	

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	\$ 611,881,353	\$ 725,324,430	\$ 1,014,177,464	\$ 1,172,337,078	\$ 1,279,760,472
Deductions					
Hospital/medical benefits	331,364,585	521,550,056	654,283,867	665,709,716	678,383,301
Other professional services	19,721,812	32,798,011	53,490,674	65,366,092	68,348,375
Outside referrals	117,622,187	140,970,762	141,164,145	113,108,805	101,482,488
Emergency room and out-of area	22,247,024	27,124,606	36,010,920	37,201,897	33,203,278
Prescription drugs	53,655,931	49,427,552	49,967,246	62,364,069	83,738,990
Aggregate write-ins for other hospital and medical	1,985,397	1,313,819	1,182,730	1,103,552	1,742,449
Net reinsurance (recoveries)/expense	(2,756)	(154,285)	(374,125)	(280,302)	(1,559,517)
Claim adjustment expenses	16,161,713	13,272,330	6,087,305	10,019,188	23,845,140
General administrative expenses	85,962,959	96,629,971	146,167,629	240,919,965	293,683,705
Increase in reserves for life, accident and health contracts	(14,041,939)	104,009,870	(88,054,401)	(7,239,491)	-
Total underwriting deductions	634,676,913	986,942,692	999,925,990	1,188,273,491	1,282,868,209
Net underwriting loss	(22,795,560)	(261,618,262)	14,251,474	(15,936,413)	(3,107,737)
Investment Income					
Net investment income earned	662,740	(42,089)	2,408,686	9,471,310	14,123,264
Net realized capital gains or (losses)	898,761	16,504	-	38,520	463,320
Net investment gain	1,561,501	(25,585)	2,408,686	9,509,830	14,586,584
Other Income					
Net gain (loss) from agents' or premium balances charged off	-	-	-	4,485	-
Aggregate write-ins for miscellaneous income	18,058	-	192,483	10	77,888
Total other income	18,058	-	192,483	4,495	77,888
Net income/(loss) before dividends to policyholders and before federal income taxes	(21,216,001)	(261,643,847)	16,852,643	(6,422,088)	11,556,735
Dividends to policyholders	-	-	-	-	-
Net income/(loss), after dividends to policyholders, after capital gains tax and before all other federal and foreign income taxes	(21,216,001)	(261,643,847)	16,852,643	(6,422,088)	11,556,735
Foreign and federal income taxes incurred	-	-	-	-	-
Net income/(loss)	\$ (21,216,001)	\$ (261,643,847)	\$ 16,852,643	\$ (6,422,088)	\$ 11,556,735

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	\$ 65,115,932	\$ 68,223,623	\$ 113,532,326	\$ 122,003,662	\$ 121,445,524
Net income	(21,216,000)	(261,643,847)	16,852,642	(6,422,089)	11,556,735
Change in net deferred income tax					
Change in nonadmitted assets	(2,176,309)	(897,450)	(13,681,306)	(2,852,026)	14,280,100
Change in surplus notes					
Capital adjustments: Paid in	26,500,000	307,850,000	5,300,000		
Surplus adjustments: Paid in					
Aggregate write-ins for gains/(losses) in surplus				8,715,977	
Change in capital and surplus	<u>3,107,691</u>	<u>45,308,703</u>	<u>8,471,336</u>	<u>(558,138)</u>	<u>25,836,835</u>
Capital and surplus, December 31 current year	<u>\$ 68,223,623</u>	<u>\$ 113,532,326</u>	<u>\$ 122,003,662</u>	<u>\$ 121,445,524</u>	<u>\$ 147,282,359</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 capital and surplus as regards policyholders, which totaled \$147,282,359 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 – Bonds

Treasury notes with a fair value and \$1,764,688 and a sweep income holding account of \$46,994 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	\$ 145,886,476
Unpaid claims adjustment expense	5,043,192
Aggregate health policy reserves	<u>17,369,601</u>
Total	<u>\$ 168,299,269</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 \$147,282,359 at December 31, 2024 as summarized:

The Company is organized as a stock company with 140,000 shares of \$17.857 par value common stock authorized, issued and outstanding as of December 31, 2024.

At December 31, 2024, the Company reported gross paid-in and contributed surplus of \$548,440,037.

At December 31, 2024, the Company had a surplus note of \$40,000,000. The surplus note was originally due and payable on December 31, 2020, but remains unpaid with the payment terms under review for extension until December 31, 2025

At December 31, 2024, the Company had an unassigned deficit of \$443,657,678.

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 received a \$12 million capital contribution from Clover Investments.

In February 2026, the Company received a \$42 million capital contribution from Clover Investments. NJDOBI approved the inclusion of this contribution as a Type 1 subsequent event to be reported on the Company's 2025 annual statement.

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 12 – 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 12 – 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

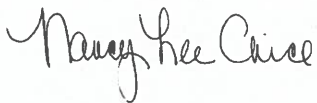
The undersigned hereby certifies that an examination has been made of Clover Insurance Company and the foregoing report is true to the best of my knowledge and belief.

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

