

REPORT ON EXAMINATION
AS TO THE CONDITION OF
HORIZON HEALTHCARE
OF NEW JERSEY, INC.

NEWARK, NEW JERSEY 07105

AT DECEMBER 31, 2020

NAIC COMPANY CODE 95529

FILED

October 6, 2022

COMMISSIONER

NEW JERSEY DEPARTMENT

OF

BANKING AND INSURANCE

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PHIL MURPHY
Governor

State of New Jersey
DEPARTMENT OF BANKING AND INSURANCE
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September 26, 2022

Honorable Marlene Caride Commissioner
State of New Jersey
Department of Banking and Insurance 20
West State Street
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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 OF NEW JERSEY, INC.

3 Penn Plaza East, Suite PP-15D
Newark, New Jersey 07105-2248

hereinafter referred to in this report as the "Company" or "HHNJ" 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 parent, Horizon Healthcare Services, Inc., and affiliates Horizon Healthcare Dental, Inc., Horizon Insurance Company, and the Healthier New Jersey Insurance Company.

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 of New Jersey, Inc. d/b/a Horizon NJ Health ("HHNJ" or the "Company") is a wholly-owned subsidiary of Horizon Healthcare Plan Holding Company, Inc. ("HHPHC"), which is a wholly-owned subsidiary of Horizon Healthcare Services, Inc. d/b/a Horizon Blue Cross Blue Shield of New Jersey ("HHSI").

HHNJ is licensed as a Health Maintenance Organization ("HMO") that operates in all of New Jersey's counties and is certified in accordance with the provisions of the New Jersey State Health Maintenance Organization Act of 1973. HHNJ offers commercial HMO, managed Medicare risk, and managed Medicaid products. HHNJ provides agreed upon health services in exchange for a fixed premium and operates primarily as an Independent Provider Network model, to deliver health care to its members.

The Company, along with HHSI and certain other affiliates, is an independent licensee of the Blue Cross and Blue Shield Association, an association of independent Blue Cross Blue Shield Plans, which licenses the right to use the Blue Cross and Blue Shield names and marks

Per its certificate of incorporation, the Company has 1,000 shares of common stock authorized without par value. As of 12/31/2020, the Company has 900 shares issued and outstanding. The Company has no preferred stock authorized or outstanding.

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 Company holds annual meetings by taking action via unanimous written consents. There are no executive sessions.

The Company's Certificate of Incorporation was last amended July 17, 1998, and filed with the NJDOBI on July 20, 1998. The Bylaws of the Company dated December 6, 2012, were relied upon for this examination.

PARENT, SUBSIDIARIES AND AFFILIATES

The Company is a member of an insurance holding company system as defined by NJ Administrative Code §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

The Company has entered into a Management and Administrative Services Agreement with Horizon Insurance Company ("HIC"). Under the terms of this agreement, HHNJ is responsible for performing management, administrative and other services. In return, HIC pays HHNJ all costs directly charged or allocated to it.

The Company has entered into an Amended and Restated Management and Administrative Services Agreement with HHSI. Under the terms of this agreement, HHSI is responsible for performing management, administrative and other services to HHNJ and HHNJ is responsible for providing provider network services and medical management functions for HHSI. Each party pays the other party all costs directly charged or allocated to it.

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 HHSI, whereby HHSI reinsures 90% of all Medicare DSNP, Medicaid, as well as 90% of Commercial Health insured business, all on a prospective basis.

MANAGEMENT AND CONTROL

Directors

Pursuant to N.J.S.A. 17:27A-4(d), the Bylaws provide that the business and affairs of the corporation shall be managed by its Board of Directors, whose number "shall be at least one, but not more than seven, as determined by the sole shareholder or the Board."

The directors shall be elected at each annual meeting of the sole shareholder to hold office until the next annual meeting of the sole shareholder. Each qualified director shall hold office until the expiration of the term for which he or she is elected and until such director's successor has been elected and qualified, or until his or her earlier death, resignation, retirement or removal from office.

A quorum of the Board is defined as a majority of the entire Board "but a lesser number may adjourn from time to time until a quorum is present."

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

<u>Name</u>	<u>Principal Occupation</u>
Gary D. St. Hilaire (Chair)	Chief Executive Officer, Horizon Blue Cross Blue Shield of New Jersey
Mark L. Barnard	Executive Vice President, Horizon Blue Cross Blue Shield of New Jersey

Allen J. Karp	Executive Vice President, Horizon Blue Cross Blue Shield of New Jersey
Suzanne Kunis	Vice President, Horizon Blue Cross Blue Shield of New Jersey
Christopher M. Lepre	Executive Vice President, Horizon Blue Cross Blue Shield of New Jersey
Donald Liss, MD	Vice President, Horizon Blue Cross Blue Shield of New Jersey
Douglas R. Simpson	Senior Vice President, Horizon Blue Cross Blue Shield of New Jersey
Kathleen Swain	Vice President, Horizon Blue Cross Blue Shield of New Jersey

Officers

The Bylaws provide that the officers of the Company “shall be a Chairman, Chief Executive Officer, President, Secretary, and Treasurer, all of whom shall be elected by the Board and who shall hold office, subject to the Bylaws, until their successors are elected and qualified”. Except for the Chairman, none of the officers of the Corporation need be directors. One person may hold two or more offices, except for the offices of Secretary and Treasurer. Vacancies occurring among the officers may be filled by the Board. Officers of the Company as of December 31, 2020, were as follows:

<u>Name</u>	<u>Principal Occupation</u>
Gary D. St. Hilaire,	Chairman and Chief Executive Officer
Mark L. Barnard	President
Douglas R. Simpson	Chief Financial Officer and Treasurer
Christopher M. Lepre	Executive Vice President
Donald Liss, MD	Chief Medical Officer
Linda A. Willett	Secretary

Committees

As of December 31, 2020, the ultimate controlling parent (HHSI) had established the following committees of HHSI’s Board of Directors for the primary oversight of the Group 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.

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."

N.J.S.A. 17:27 A-4d (5) states as follows: "The provisions of paragraphs (3) and (4) of this subsection shall not apply to a domestic insurer if the person controlling the insurer is an entity having a board of directors and committees thereof that substantially meet the requirements of those paragraphs."

The company's parent, 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), therefore, these sections do not apply to the Company.

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's parent, 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's parent 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 of New Jersey, Inc. (doing business as Horizon NJ Health) is a health maintenance organization (HMO) domiciled in the State of New Jersey, operating as an Independent Provider Network. The Company offers a product portfolio of commercial HMO, managed Medicare Advantage, and managed Medicaid products and is certified in accordance with the provisions of the New Jersey State Health Maintenance Organization Act of 1973. The Company provides agreed upon health services in exchange for a fixed prepaid premium and operates under an Independent Provider Network model to deliver health care to its members.

The Company utilized the services of the following Organized Delivery System ("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.

REINSURANCE

Effective January 1, 2017, HHSI and HHNJ entered into a 90% quota share reinsurance agreement whereby HHSI reinsured 90% of all Medicare DSNP, Medicaid, as well as 90% of Commercial Health insured business, all on a prospective basis.

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 had statutory deposits at December 31, 2020 with a fair value of \$77,318.908.

FINANCIAL STATEMENTS AND OTHER EXHIBITS

<u>Exhibit A</u>	Statement of Financial Position as of December 31, 2020
<u>Exhibit B</u>	Summary of Operating Results for the Five-Year Period ended December 31, 2020
<u>Exhibit C</u>	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>
<u>Assets</u>				
Bonds	\$ 1,272,328,548	\$ 1,272,328,548	\$ -	
Preferred stocks	736,640	736,640	\$ -	
Common stocks	55,525,263	55,525,263	\$ -	
Cash and cash equivalents	436,613,993	436,613,993	\$ -	
Other invested assets	0	0	\$ -	
Receivable for securities	57,748,242	57,748,242	\$ -	
Subtotal, cash and invested assets	\$ 1,822,952,686	\$ 1,822,952,686	\$ -	1
Investment income due and accrued	5,604,716	5,604,716	\$ -	
Uncollected premiums	7,099,830	7,099,830	\$ -	
Amounts recoverable from reinsurers	0	0	\$ -	
Other amounts recoverable under reinsurance contracts	0	0	\$ -	
Amounts receivable relating to uninsured plans	9,454,317	9,454,317	\$ -	
Current federal income tax recoverable	0	0	\$ -	
Net deferred tax asset	1,557,972	1,557,972	\$ -	
Guaranty funds receivable or on deposit	0	0	\$ -	
Electronic data processing equipment	0	0	\$ -	
Receivable from parent, subs. and affiliates	0	0	\$ -	
Health care and other amounts receivable	4,592,624	4,592,624	\$ -	
Aggregate write-ins	5,366,837	5,366,837	\$ -	
Total Assets	\$ 1,856,628,982	\$ 1,856,628,982	\$ -	
<u>Liabilities</u>				
Claims unpaid	\$ 61,142,788	\$ 61,142,788	\$ -	2
Accrued medical incentive pool	520,823	520,823	\$ -	
Unpaid claims adjustment expenses	461,467	461,467	\$ -	
Aggregate health policy reserves	26,429,347	26,429,347	\$ -	
Premiums received in advance	16,946	16,946	\$ -	
General expenses due or accrued	20,978,143	20,978,143	\$ -	
Current federal income tax payable	15,531,117	15,531,117	\$ -	
Amts withheld for the acct of others	5,441	5,441	\$ -	
Amts. due to parent, subs. and affiliates	198,508,930	198,508,930	\$ -	
Payable for securities	131,131,633	131,131,633	\$ -	
Funds held under reinsurance treaties	264,907,087	264,907,087	\$ -	
Liability for amounts held under reinsured plans	248,000	248,000	\$ -	
Total Liabilities	\$ 719,881,722	\$ 719,881,722	\$ -	
<u>Capital and Surplus</u>				
Gross paid in and contributed surplus	\$ 123,147,430	\$ 123,147,430	\$ -	3
Unassigned funds (surplus)	1,013,599,829	1,013,599,829	\$ -	
Total Capital and Surplus	\$ 1,136,747,259	\$ 1,136,747,259	\$ -	
Total Liabilities, Capital and Surplus	\$ 1,856,628,981	\$ 1,856,628,981	\$ -	

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	\$ 595,066,325	\$ 546,487,984	\$ 539,087,425	\$ 507,483,578	\$ 4,861,439,092
Change in unearned premium reserves	(739,660)	(256,867)	619,643	(1,246,334)	6,605,036
Total Revenues	\$ 594,326,665	\$ 546,231,117	\$ 539,707,068	\$ 506,237,244	\$ 4,868,044,128
Hospital and Medical					
Hospital/medical benefits	\$ 3,251,792,787	2,191,704,450	2,783,439,558	2,666,638,846	2,490,727,524
Other professional services	957,557,311	1,821,869,261	695,521,761	653,485,888	567,748,856
Outside referrals	7,239,336	5,047,551	5,971,504	7,867,428	1,210,466
Emergency room and out-of-area	137,564,991	225,596,672	269,399,122	270,999,315	262,824,677
Prescription drugs	699,046,634	658,559,435	936,474,016	884,722,057	904,591,590
Incentive pool, withhold adjustments	5,124,736	1,327,263	5,458,427	5,259,364	(370,212)
Subtotal, Hospital and Medical	\$ 5,058,325,795	4,904,104,632	4,696,264,388	4,488,972,898	4,226,732,901
Less:					
Net reinsurance recoveries	4,552,421,530	4,413,736,662	4,226,603,326	4,040,034,012	0
Total Hospital and Medical	\$ 505,904,265	490,367,970	469,661,062	448,938,886	4,226,732,901
Claims adjustment expenses	13,519,215	12,591,477	15,716,066	13,559,459	135,582,998
General administrative expenses	75,226,364	59,274,186	54,827,338	32,624,097	342,188,657
Total underwriting deductions	594,649,844	562,233,633	540,204,466	495,122,442	4,704,504,556
Net underwriting gain (loss)	(323,179)	(16,002,516)	(497,398)	11,114,802	163,539,572
Net investment income earned	30,618,422	35,219,990	32,802,967	36,005,537	40,622,161
Net realized capital gains (losses)	1,900,979	33,108,161	15,368,748	5,661,563	1,053,044
Net investment gains (losses)	32,519,401	68,328,151	48,171,715	41,667,100	415,675,205
Net income before federal income tax	32,196,222	52,325,635	47,674,317	52,781,902	205,214,777
Federal income taxes incurred	16,331,048	1,057,572	21,362,734	8,584,823	53,969,996
Net Income	\$ 15,865,174	\$ 51,268,063	\$ 26,311,583	\$ 44,197,079	\$ 151,244,781

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	15,865,174	51,268,063	26,311,583	44,197,079	151,244,781
Change in net unrealized capital gains (losses)	\$ 4,251,604	\$ (14,360,599)	\$ (36,074,993)	\$ 26,364,422	\$ 13,454,696
Change in net unrealized foreign exchange capital gain or (loss)	1,078,542	189,680	\$ (93,138)	\$ -	0
Change in net deferred income tax	(2,121,102)	\$ (2,525,782)	\$ (6,409,634)	\$ 7,702,606	6,201,962
Change in nonadmitted assets	2,527,304	\$ 24,712,594	\$ 27,538,488	\$ (31,677,006)	(23,997,149)
Aggregate write-ins for gains or (losses) in surplus	0	\$ -	0	(8)	1,011,505
 Change in Surplus as Regards Policyholders for the Year	 \$ 21,601,522	 \$ 59,283,956	 \$ 11,272,306	 \$ 46,587,093	 \$ 147,915,795
 Surplus as Regards Policyholders December 31, Previous Year	 \$ 1,115,145,737	 \$ 1,055,861,781	 \$ 1,044,589,479	 \$ 998,002,386	 \$ 850,086,591
 Surplus as Regards Policyholders December 31, Current Year	 \$ 1,136,747,259	 \$ 1,115,145,737	 \$ 1,055,861,785	 \$ 1,044,589,479	 \$ 998,002,386

NOTES TO THE FINANCIAL STATEMENTS

Note 1 – Invested Assets

At December 31, 2020, HHNJ reported assets for bonds, cash, cash equivalents and short-term investments of \$1,822,952,686, 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 \$61,142,788.

The actuarial review of Claims Unpaid was performed by Baker Tilly US in conjunction with this risk focused examination. The Claims Unpaid liability is established for claims incurred on or before, but not paid as of December 31, 2020. This liability includes future claim payments for known claims and for incurred but not reported claims.

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

Gross Paid In and Contributed Surplus

The Company reported gross paid in and contributed surplus in the amount of \$123,147,430 at December 31, 2020.

Unassigned Funds (Surplus)

The Company reported an amount of unassigned funds at December 31, 2020 of 1,013,599,829.

The Company's reported annual statement capital and surplus for year end 2020 was \$1,136,747,259, 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

There were no material subsequent events noted.

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,



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



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

HORIZON HEALTHCARE OF NEW JERSEY, INC.

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

Respectfully submitted,



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



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 4th day of October 2022.


Notary Public of New Jersey

My commission expires: July 2025