

STATE OF NEW JERSEY
REPORT OF FINANCIAL EXAMINATION
OF

HORIZON HEALTHCARE SERVICES, INC.

AS OF

DECEMBER 31, 2015

NAIC COMPANY CODE 55069

Filed

February 10, 2017

**Commissioner
Department of Banking &
Insurance**

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CHRIS CHRISTIE
Governor

State of New Jersey
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December 14, 2016

Honorable Richard J. Badolato
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, 2015, 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

The New Jersey Department of Banking and Insurance, hereinafter referred to as the “NJDOBI” or “We”, have performed a full scope risk focused examination of the Company. The examination covers the period of January 1, 2011, through December 31, 2015, including any material transactions and/or events occurring subsequent to the examination date and noted during the course of the examination. The examination was conducted at the Company’s main administrative office located at 3 Penn Plaza E, Suite PP-15D, Newark, New Jersey 07105.

The Company was last examined as of December 31, 2010. 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., and Horizon 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
Territory and Plan of Operation
Management and Control
Corporate Records
Policy on Conflict of Interest
Continuity of Operations
Intercompany Agreements
Fidelity Bond and Other Insurance Coverages
Reinsurance
Regulation of Insurance Holding Company Systems
Accounts and Records

SUMMARY OF COMMENTS AND RECOMMENDATIONS

This examination resulted in no significant findings.

COMPANY HISTORY

Horizon Healthcare Services, Inc., doing business as Horizon Blue Cross Blue Shield of New Jersey, 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 Company and three of its subsidiaries, including its HMO subsidiary in New Jersey, Horizon Healthcare of New Jersey, Inc., 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.

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 March 10, 2016 were relied upon for this examination.

PARENTS, 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. 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, 2015 is depicted in the following organizational chart:

Horizon Healthcare Services, Inc.

Horizon Healthcare Plan Holding Company, Inc.

Horizon Healthcare of New Jersey, Inc. d/b/a Horizon NJ Health

Horizon Healthcare Dental, Inc.

Horizon Casualty Services, Inc.

Horizon Insurance Company

Enterprise Property Holdings, LLC

Three Penn Plaza Property Holdings Urban Renewal, LLC

Horizon Charitable Foundation, Inc.

Multistate Professional Services, Inc.

Multistate Investment Services, Inc.

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

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.

MANAGEMENT AND CONTROL

Members

The Bylaws of the Company, as last amended March 10, 2016, 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 the Members of the Corporation shall be held on the date fixed from time to time by the Board of Directors, at such time and in such place as the Board of Directors shall determine." At this meeting 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 Plan provide that "The business, property and affairs of the Corporation shall be governed by a Board of Directors consisting of not more than fifteen persons, four of whom shall be public Directors appointed by the Governor of the State of New Jersey 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 following 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." Vacancies may be filled by the remaining directors or the Governor, as appropriate. The Bylaws are silent as to whether the Board may take action by unanimous written consent.

Directors serving as of December 31, 2015, were as follows:

<u>Name</u>	<u>Principal Occupation</u>
Robert A. Marino, Chairman	Chief Executive Officer and President Horizon Blue Cross Blue Shield of New Jersey
Vincent J. Giblin	President, (Retired) International Union of Operating Engineers
Lawrence R. Codey	President & Chief Operating Officer (Retired) Public Service Electric & Gas Company
Barbara B. Coleman	President (Retired) BBC Associates LLC
Leonard G. Feld, M.D. PhD, MMM	President Physician Enterprise Pediatric Specialists of America Miami Children's health System
Aristides W. Georgantas	Executive Vice President (Retired) Chase Manhattan Corporation
Michael M. Quick	Executive Vice President (Retired) Susquehanna Bancshares, Inc.
Alfred C. Koeppe	President & Chief Operating Officer (Retired) Public Service Electric & Gas
Mary E. O'Dowd	Former New Jersey Commissioner of Health
Joseph J. Roberts	Former Assembly Speaker State of New Jersey
Russell L. Hewit	Shareholder and Director Dughi, Hewit & Domalewski, PC
Todd C. Brown	Vice Chairman (Retired) ShoreBank Corporation
Joanne Pace	Managing Director and Chief Operating

Officer (Retired)
Morgan Stanley Investment Management

Peter G. Stewart, Esq. Senior Partner (Retired)
Carella, Byrne, Bain, Cecchi, Olstein,
Brody & Agnello, P.C.

Officers

The Bylaws provide that the officers of the Company “shall be a President, a Secretary, and a Treasurer, as well as such other officers as may be appointed by the Board of Directors. . . . The President, the Secretary and the Treasurer may be Directors. All other officers shall not be Directors. The offices of Secretary and Treasurer may be held by the same person.” Senior Officers of the Company as of December 31, 2015, were as follows:

<u>Name</u>	<u>Position</u>
Robert A. Marino	President and Chief Executive Officer
Kevin P. Conlin	Executive Vice President and Chief Operating Officer
Linda A. Willett, Esq.	Senior Vice President, General Counsel and Secretary
David R. Huber	Senior Vice President, Chief Financial Officer and Treasurer
Mark L. Barnard	Senior Vice President, Service
Douglas E. Blackwell	Senior Vice President & Chief Information Officer
William J. Castner, Jr., Esq.	Senior Vice President, Corporate and Regulatory Affairs
Margaret M. Coons	Senior Vice President, Human Resources
Allen J. Karp	Senior Vice President, Healthcare Management
Christopher M. Lepre	Senior Vice President, Market Business Units
Minalkumar A. Patel	Senior Vice President & Chief Strategy Officer
Erhardt H. L. Preitauer	Senior Vice President, Government Programs

Committees

In accordance with the Bylaws, committees of the Company as of December 31, 2015, were as follows:

<u>Executive Committee</u>	<u>Audit and Finance Committee</u>
Robert A. Marino, Chairman	Alfred C. Koeppe, Chairman
Lawrence R. Codey	Lawrence R. Codey
Barbara Bell Coleman	Aristides W. Georgantas
Vincent J. Giblin	Vincent J. Giblin
Russell L. Hewit	Joanne Pace
Alfred C. Koeppe	Peter G. Stewart
Joseph J. Roberts	
Peter G. Stewart	

Ad Hoc Advisory Committee

Robert A. Marino, Chairman
Lawrence R. Codey
Aristides W. Georgantas
Vincent J. Giblin
Russell L. Hewit
Alfred C. Koeppe

Governance Committee

Vincent J. Giblin, Chairman
Todd C. Brown
Lawrence R. Codey
Barbara Bell Coleman
Aristides W. Georgantas
Alfred C. Koeppe

Personnel and Compensation Committee

Aristides W. Georgantas, Chairman
Todd C. Brown
Barbara Bell Coleman
Vincent J. Giblin
Joanne Pace
Peter G. Stewart

Professional Advisory Committee

Glenn D. Pomerantz, Chairman
Joshua M. Bershad
Mary F. Campagnolo
Leonard G. Feld
Kenneth A. Goldman
Nancy E. Holecek
David S. Kountz
Andrew P. Pecora
Leon G. Smoth, Jr.

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

The Company, in conjunction with its subsidiaries, is protected against loss or damage by various insurance coverages in amounts deemed sufficient to protect the interests of the Company. The major insurance coverages at December 31, 2015 are as follows:

Primary Crime Policy

The Company has in place a Primary Crime Policy issued by the Travelers Casualty and Surety Company of America. This policy provides coverage for dishonesty of employees to a single loss limit of \$15,000,000 with a \$250,000 deductible. The coverage limit exceeds the NAIC suggested amount. Coverage is \$30,000,000 in the aggregate.

Other Insurance Coverages

In addition, the Company had the following insurance coverages as of December 31, 2015:

Directors and Officers and Employment Practices Liability
Errors and Omissions
Medical Malpractice and Facilities (Care A Van Ops and Case Management)
Property
General Liability
Umbrella/Excess Liability
Fitness Center Liability
Automobile Liability
Workers Compensation and Employers Liability
Fiduciary Pension Liability
Cyber Risk Coverage
Travel Accident

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 utilizes the services of the following Organized Delivery Systems (“ODS”) licensed in the State of New Jersey:

- ValueOptions of New Jersey, Inc., a licensed ODS, and its parent company Beacon Health Options, Inc. f/k/a ValueOptions, Inc., provides mental health and substance abuse management services. Under the agreement the Company delegates utilization management, first level appeals, complaint handling, case management and other clinical programs, network management, credentialing and re-credentialing services, member and provider services, claims administration services, information technology systems and services, reporting and analytics and certain additional administrative services and related services for certain behavioral health and substance abuse services.
- Care Core NJ LLC d/b/a eviCore healthcare NJ ODS, a licensed ODS, and its parent CareCore National LLC d/b/a eviCore healthcare, provided services related to the administration and management of: 1) advanced diagnostic Imaging Services provided by hospitals, radiologists and other imaging providers, 2) pain management services provided by physicians in the in-patient and out-patient

setting, and 3) radiation oncology services provided by physicians primarily in the out-patient setting.

- 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

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.

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.

Effective with the filing of the 2015 statutory financial statements and in accordance with the NAIC Annual Financial Reporting Model Regulation (Audit Model 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 2014 and 2015 and thereafter. 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. Prior to 2014, the Company retained the services of the certified public accounting firm, PricewaterhouseCoopers LLP (PwC). An unqualified opinion was rendered for years 2011, 2012 and 2013 by PwC.

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, 2015.

FINANCIAL STATEMENTS

The Company's financial condition as of December 31, 2015, and the results of its operations during the twelve months then ended are reported in the following financial statements which consist of a balance sheet (Assets and Liabilities, Capital and Surplus), a Statement of Revenue and Expenses and an exhibit of Changes in Capital and Surplus. Unless a change is made to a particular line item, it should be noted that the examiners do not attest to the fair presentation of the financial statements included herein and are presented below as reported by the Company.

The accompanying Notes to Financial Statements are an integral part of the financial statements.

Comparative Statement of Assets

	Per Company	Per Examination	Examination Adjustments
Bonds	\$ 1,789,471,046	\$ 1,789,471,046	\$ -
Preferred stocks	848,000	848,000	-
Common stocks	1,182,242,638	1,182,242,638	-
Cash and cash equivalents	(237,676,726)	(237,676,726)	-
Other invested assets	187,933,089	187,933,089	-
Receivable for securities	13,823,710	13,823,710	-
Subtotal, cash and invested assets	2,936,641,757	2,936,641,757	-
Investment income due and accrued	16,881,290	16,881,290	-
Uncollected premiums	230,306,679	230,306,679	-
Amounts recoverable from reinsurers	66,470,000	66,470,000	-
Other amts recover under reinsurance contracts	29,575,183	29,575,183	-
Amts. receivable relating to uninsured plans	388,730,609	388,730,609	-
Current federal income tax recoverable	52,475,831	52,475,831	-
Net deferred tax asset	61,604,235	61,604,235	-
Electronic data processing equipment	26,574,156	26,574,156	-
Receivable from parent, subs. and affiliates	67,576,686	67,576,686	-
Health care and other amounts receivable	191,729,693	191,729,693	-
Aggregate write-ins	20,637,170	20,637,170	-
Total Assets	\$ 4,089,203,289	\$ 4,089,203,289	\$ -

Liabilities, Capital and Surplus

	Per Company	Per Examination	Examination Adjustments
Claims unpaid (Note 1)	\$ 553,375,089	\$ 553,375,089	\$ -
Unpaid claims adjustment expenses (Note 2)	7,866,500	7,866,500	-
Aggregate health policy reserves (Note 1)	189,396,750	189,396,750	-
Premiums received in advance	84,444,512	84,444,512	-
General expenses due or accrued	510,139,052	510,139,052	-
Amounts withheld for account of others	738,677	738,677	-
Borrowed money and interest thereon	132,175,085	132,175,085	-
Amts. due to parent, subs. and affiliates	32,817,501	32,817,501	-
Payable for securities	12,785,391	12,785,391	-
Liability for amounts held under uninsured pla	11,204,000	11,204,000	-
Aggregate write-ins	248,351,371	248,351,371	-
Total Liabilities	\$ 1,783,293,928	\$ 1,783,293,928	\$ -
Capital and Surplus			
2015 data year ACA tax	\$159,900,000	\$159,900,000	
Special contingent surplus - individual	436,529,803	436,529,803	\$ -
Special contingent surplus - other	1,709,479,558	1,709,479,558	-
Total Capital and Surplus	\$ 2,305,909,361	\$ 2,305,909,361	\$ -
Total Liabilities, Capital and Surplus	\$ 4,089,203,289	\$ 4,089,203,289	\$ -

Statement of Revenue and Expenses

	Per Company	Per Examination	Examination Adjustments
Net premium income	\$ 6,172,302,659	\$ 6,172,302,659	\$ -
Change in unearned premium reserves	(48,680,738)	(48,680,738)	-
Total revenues	6,123,621,921	6,123,621,921	-
Hospital and Medical:			
Hospital/medical benefits	3,516,950,035	3,516,950,035	-
Other professional services	151,794,630	151,794,630	-
Outside referrals	364,835,380	364,835,380	-
Emergency room and out-of-area	40,201,929	40,201,929	-
Prescription drugs	960,944,670	960,944,670	-
Subtotal, hospital and medical	5,034,726,644	5,034,726,644	-
Less:			
Net reinsurance recoveries	(40,676,218)	(40,676,218)	-
Total hospital and medical	5,075,402,862	5,075,402,862	-
Claims adjustment expenses	181,315,952	181,315,952	-
General administrative expenses	912,527,621	912,527,621	-
Net underwriting gain or (loss)	(45,624,514)	(45,624,514)	-
Net investment income earned	80,705,269	80,705,269	-
Net realized capital gains (losses)	17,435,051	17,435,051	-
Net income before federal income tax	52,515,806	52,515,806	-
Federal income taxes incurred	31,900,811	31,900,811	-
Net Income	<u>\$ 20,614,995</u>	<u>\$ 20,614,995</u>	<u>\$ -</u>

Changes in Capital and Surplus

Total capital and surplus, December 31, 2012	<u>\$ 2,106,940,033</u>
Net income, 2013	\$ 519,869,873
Change in net realized capital gains or (losses)	(273,038,105)
Change in net deferred income tax	14,697,647
Change in non-admitted assets	(170,509,201)
Aggregate write-ins for gains or (losses) in surplus	<u>14,077,648</u>
Net change in capital and surplus, 2013	105,097,862
Total capital and surplus, December 31, 2013	<u>\$ 2,212,037,895</u>
Net income, 2014	\$ 59,721,136
Change in net realized capital gains or (losses)	72,477,534
Change in net deferred income tax	8,653,334
Change in non-admitted assets	(114,901,813)
Aggregate write-ins for gains or (losses) in surplus	<u>(7,753,742)</u>
Net change in capital and surplus, 2014	18,196,449
Total capital and surplus, December 31, 2014	<u>\$ 2,230,234,344</u>
Net income, 2015	\$ 20,614,994
Change in net realized capital gains or (losses)	34,565,767
Change in net deferred income tax	3,027,423
Change in non-admitted assets	10,498,737
Aggregate write-ins for gains or (losses) in surplus	<u>6,968,096</u>
Net change in capital and surplus, 2015	75,675,017
Total capital and surplus, December 31, 2015	<u>\$ 2,305,909,361</u>

ANALYSIS OF CHANGES IN FINANCIAL STATEMENTS RESULTING FROM THE EXAMINATION

No changes have been made to the financial statements as a result of this examination.

NOTES TO FINANCIAL STATEMENTS

Note 1: Claims Unpaid and Aggregate Health Policy Reserves

At December 31, 2015, the Company reported a net liability for Claims Unpaid of \$553,375,089 and Aggregate Health Policy Reserves of \$189,396,750. An independent actuarial firm retained by the NJDOBI for this examination (“examination actuaries”) determined these amounts to be reasonable.

Note 2: Unpaid Claim Adjustment Expenses

At December 31, 2015 the Company reported a liability for unpaid claim adjustment expenses (UCAE) in the amount of \$7,866,500 which was accepted for examination purposes.

CONCLUSION

The Company reported the financial condition of Horizon Healthcare Services, Inc. as of December 31, 2015 summarized as follows:

Net Assets	<u>\$4,089,204,289</u>
Liabilities	\$1,783,293,928
Total Capital and Surplus	<u>\$2,305,909,361</u>
Total Liabilities, Capital and Surplus	<u>\$4,089,203,289</u>

It is concluded that the Company exceeded the minimum surplus requirements pursuant to N.J.S.A. 17B:18-68.2b as of December 31, 2015.

In addition to the undersigned, the following individuals, appointed by the Commissioner to represent the State of New Jersey, participated in the examination and join the undersigned in gratefully acknowledging the timely and courteous cooperation extended by the officers of the Company, particularly Catherine Merlino and Thomas Protentis, during the course of the examination:

INS Consultants, Inc.

Examiners:
Don Carbone
Donna Letterio

Actuarial:
Frank Edwards
Joseph C. Higgins
Tom Rouseus

INS Services, Inc.,

IT Specialist:
Paul Berkebile
Jim Coyle
Joe Dobias

Respectfully submitted,

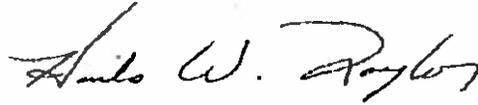


Hails W. Taylor, CFE
Examiner-in-Charge
Representing the State of New Jersey Department of Banking and Insurance

Office of Solvency Regulation
AFFIDAVIT

I, Hails Taylor, the undersigned, hereby certify that the foregoing Report of Examination accurately discloses, to the best of my knowledge, all material and relevant information related to the financial condition of Horizon Healthcare Services, Inc. in accordance with the NAIC Financial Condition Examiners Handbook and New Jersey State Regulations.

Respectfully submitted,



Hails W. Taylor, CFE
INS Consultants, Inc.
Representing the State of New Jersey
Department of Banking and Insurance

Under the supervision of:



Robert Redden, CFE
New Jersey Department of Banking and Insurance

State of New Jersey
County of Mercer

Subscribed and sworn to before me, Robert Redden, on
this 7th day of February, 2017.



Notary Public of New Jersey

My commission expires: July 2020