

STATE OF NEW JERSEY
DEPARTMENT OF BANKING AND INSURANCE

IN THE MATTER OF:

APPLICATION BY HORIZON HEALTHCARE SERVICES, INC,)
TO FORM A MUTUAL HOLDING COMPANY) ORDER NO. A22-09
PURSUANT TO N.J.S.A. 17:48E-46.1)

To: Horizon Healthcare Services, Inc.
 3 Penn Plaza
 Newark, NJ 07105

WHEREAS, the Legislature enacted P.L. 2020, Chapter 145 (“Chapter 145”), N.J.S.A. §§ 17:48E-46.1 to -46.17, in 2020, for the purposes of authorizing a health service corporation (“HSC”) to file an application to reorganize its corporate structure and form a nonprofit mutual holding company system, subject to the conditions and limitations set forth in Chapter 145; and

WHEREAS, the state’s sole HSC, Horizon Healthcare Services, Inc. (“HHSI”) has filed an application to reorganize its corporate structure and form a nonprofit mutual holding company system, subject to the conditions and limitations set forth in Chapter 145; and

WHEREAS, the Legislature found in Chapter 145 that it is appropriate, and in the best interest of the State of New Jersey and the subscribers of the health service corporation, to permit HHSI to submit a plan of mutualization and reorganization both to preserve HHSI’s “important statutory mission” to “provide affordable and accessible health insurance and promote the integration of the health care system to meet the needs of its members” as a charitable and benevolent nonprofit, and to allow HHSI “to expand and modernize that mission to encourage further innovation as well as improvement and diversification of services,” as a nonprofit mutual holding company system subject to the conditions and limitations set forth in Chapter 145; and

WHEREAS, Chapter 145 requires that any nonprofit mutual holding company formed pursuant to Chapter 145 retain its mission as a charitable and benevolent institution and not convert to a for-profit stock holding company or a domestic stock insurer or otherwise materially change its reorganized corporate form; and

WHEREAS, the Attorney General has confirmed that any nonprofit mutual holding company formed pursuant to Chapter 145 remains subject to the Attorney General's statutory and common law oversight as protector, supervisor, and enforcer of charitable trusts and charitable corporations; and

WHEREAS, on August 1, 2022, HHSI submitted an application to the Department of Banking and Insurance ("the Department") to reorganize its corporate structure and form a mutual holding company system pursuant to Chapter 145; and

WHEREAS, the Department determined the application to be complete on September 22, 2022, and thereafter publicly released the nonconfidential elements of the application, consistent with the provisions of Chapter 145; and

WHEREAS, the Department conducted three open public hearings on the application on October 6, October 11, and October 17 of 2022, and accepted written public comments through October 18, 2022; and

WHEREAS, pursuant to N.J.S.A. 17:48e-46.5(b), the Commissioner of Banking and Insurance (the "Commissioner") "shall approve a plan of mutualization and reorganization unless the Commissioner finds the plan" (1) is contrary to law; (2) would be detrimental to the safety or soundness of the proposed reorganized insurer and insurance company subsidiaries of the proposed

mutual holding company; or (3) does not benefit the interests of the policyholders of the HSC or treats them inequitably; and

WHEREAS, the Commissioner engaged Manatt, Phelps & Phillips, LLP and Manatt Health; Oliver Wyman Actuarial Consulting, Inc.; and Rudmose & Noller Advisors, LLC (collectively, the “Consultants”) to support and assist the Department in evaluating HHSI’s application and to provide their respective assessments; and

WHEREAS, the analyses of the Consultants were summarized in a written, post-hearing report dated October 31, 2022, as well as a Health Impact Study dated October 30, 2022, which are being made available to the public, taking into consideration all of the public hearings and public comments; and

WHEREAS, the Department has completed its comprehensive review of the application and supporting documentation submitted by HHSI, as well as the public testimony from the three public hearings, written public comments, the entire record in this proceeding, and analyses thereof by the Consultants, and has determined that the reorganization and mutualization of HHSI, as ordered further herein, is not contrary to law, would not be detrimental to the safety or soundness of the proposed reorganized insurer and insurance company subsidiaries of the proposed mutual holding company, and is neither contrary to the interests of the policyholders of the health service corporation nor would it treat them inequitably, consistent with the authority assigned to the Commissioner by N.J.S.A. 17:48E-46.5.

NOW, THEREFORE, IT IS on this first day of November, 2022, ORDERED, that HHSI’s application to form a mutual holding company pursuant to N.J.S.A. 17:48E-46.1 et seq., to be

called Horizon Mutual Holdings, Inc. (“HMH”), is approved and effective immediately subject to the following conditions:

1. One or more insurers controlled by HMH shall at all times continue to offer Comprehensive Medical coverage, compliant with all appropriate state and federal laws and regulations, in the individual market in each county in the State of New Jersey.
2. HHSI may transfer an amount not more than \$300 million concurrent with the formation of the mutual holding company system from HHSI, Horizon Healthcare of New Jersey (“HHNJ”), Horizon Insurance Company (“HIC”), or Horizon Healthcare Dental, Inc. (“HHD”) to HMH.
3. After the initial capitalization of HMH described in paragraph 2, HHSI and any other direct or indirect insurance subsidiary or affiliate of HMH shall not, without the express prior written approval of the Commissioner, declare or pay any dividend (ordinary or extraordinary) to HMH or any HMH subsidiary or affiliate for a period of three years following the effective date of the mutualization and reorganization.
4. Following the mutualization and reorganization, HHSI, HHNJ and HIC shall each be subject to a minimum risk-based capital (“RBC”) of 425% of authorized control level (ACL) RBC and that HHD shall be subject to a minimum RBC of 200% of ACL RBC.
5. HMH’s system-wide health RBC shall be calculated using the NAIC Risk-Based Capital for Health Organizations methods and instructions, HMH shall value all investments in accordance with such instructions, and HMH shall file such an RBC report to the Department annually with its annual statement.

6. Consistent with the requirements of N.J.S.A. 17:48E-46.11, HMM shall submit its financial statements in accordance with the NAIC Annual Statement Blank and Instructions annually.
7. Following the end of the first quarter after the effective date of the mutualization and reorganization, HMM and all insurer subsidiaries and insurer affiliates shall file their first estimates of the system-wide health RBC with the Department with their quarterly statements, and shall continue to file such RBC estimates each quarter thereafter with their quarterly statements, except for at calendar year-ends when the annual statements and annual RBC calculations are filed with the Department. The HMM annual and quarterly statements shall accrue any estimated annual assessments to the State of New Jersey in accordance with Statement of Statutory Accounting Principles No. 5R and as approved in advance by the Department, for which the annual assessments shall be paid by June 1 of the following calendar year.
8. HMM shall notify the Department within five business days in the event that its officers anticipate that HMM's system-wide RBC will drop below 550% or that HMM shall fail to maintain a BBB credit rating, and, in such case, the officers will file financial statements and RBC projections in a form and timeframe satisfactory to the Department, which statements and projections shall include, for each of the subsequent eight quarters, for HMM and for each of the insurers, a projected balance sheet, income statement, statement of cash flows, and statement of changes in surplus, with detailed assumptions and explanations for the current financial position and the results of operations, in each case in accordance with statutory accounting principles (which projections will include, but not be limited to, (1) HMM-level projected Total Adjusted

- Capital, ACL RBC, and RBC as percent of ACL; (2) each insurers' projected premiums, claims, general administrative expenses, taxes and fees, assessments, and net income (loss); (3) revenues, expenses, taxes, and net income (loss) for any non-insurance businesses that consolidate within HMH).
9. HMH shall file annually with the Department on or before February 1 and shall obtain prior approval by the Department of any allocations of the annual assessments required by N.J.S.A. 17:48E-46.13, consistent with the authority assigned to the Commissioner by N.J.S.A. 17:27A-4.
 10. To the extent HMH's RBC is less than 550% upon any quarterly or annual filing, HMH shall submit for the following quarter a confidential information filing in accordance with paragraph 8 above concerning the projected RBC for HMH and the insurance subsidiaries.
 11. HMH and its officers shall provide to the Commissioner a fully executed written copy of, within 90 days of the date of this Order, a parental guarantee, in a form approved in advance by the Commissioner, from HMH to the regulated entities to maintain their minimum RBCs as stated in paragraph 4 above, which guarantee shall meet the following requirements: (1) the RBCs are perpetual; (2) the annual RBC filing shall be filed by March 1 of each year, and the first, second, and third quarter estimates of each insurer's RBC shall be filed within 45 days after each quarter end; (3) the parent must fully correct and rectify any shortfalls within 30 days after the annual RBC filing or quarterly estimate is delivered; and (4) the Department must approve in advance any modifications of the parental guarantee.

12. The Effective Time of the reorganization into a mutual holding company structure and the plan of reorganization shall be November 1, 2022.

11/01/2022

Date



Marlene Caride
Commissioner