

**REPORT OF
EXAMINATION**

OF

BRIGHT HEALTH INSURANCE COMPANY OF ALABAMA, INC.

HUNTSVILLE, ALABAMA

AS OF

DECEMBER 31, 2018

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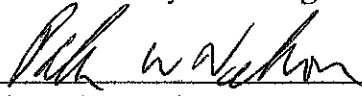
EXAMINER'S AFFIDAVIT

**STATE OF ALABAMA
COUNTY OF COVINGTON**

Palmer W. Nelson, CFE, being duly sworn, states as follows:

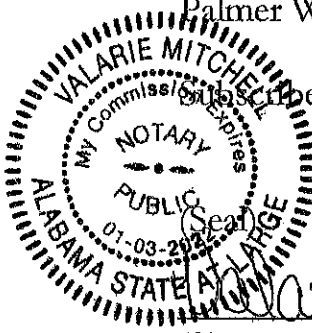
1. I have the authority to represent Bright Health Insurance Company of Alabama, Inc.
2. Alabama is accredited under the National Association of Insurance Commissioners Financial Regulation Standards and Accreditation.
3. I have reviewed the examination workpapers and examination report, and the examination of Bright Health Insurance Company of Alabama, Inc. was performed in a manner consistent with the standards and procedures required by the State of Alabama.

The affiant says nothing further.



Palmer W. Nelson, CFE

Subscribed and sworn before me by Palmer W. Nelson on the 29th day of May, 2020.





(Signature of Notary Public)

My commission expires 01-03-2022



KAY IVEY
GOVERNOR

JIM L.
RIDLING
COMMISSIONER

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REYN NORMAN

May 29, 2020

Honorable Jim L. Ridling
Commissioner of Insurance
Alabama Department of Insurance
201 Monroe Street, Suite 502
Montgomery, AL 36104

Dear Commissioner Ridling:

Pursuant to your instructions and in compliance with the statutory requirements of the State of Alabama and the resolutions adopted by the National Association of Insurance Commissioners, a full scope financial and market conduct examination as of December 31, 2018, has been made of

Bright Health Insurance Company of Alabama, Inc.
Huntsville, Alabama

at its home office located at 219 North 2nd Street, Suite 401, Minneapolis, MN 55401. The report of examination is submitted herewith. Where the description "The Company" appears herein, without qualification, it will be understood to indicate Bright Health Insurance Company of Alabama, Inc.

SCOPE OF EXAMINATION

We have performed an examination of Bright Health Insurance Company of Alabama, Inc., a single-state insurance company. The current examination covers the period of February 7, 2017 through December 31, 2018. This was the first examination of the Company that received its original Certificate of Authority February 7, 2017.

The examination was conducted in accordance with the NAIC *Financial Condition Examiners Handbook*. The Handbook requires that we plan and perform the examination to evaluate the financial condition, assess corporate governance, identify current and prospective risks of the Company and evaluate system controls and procedures used to mitigate those risks. An examination also includes identifying and evaluating significant risks that could cause an insurer's surplus to be materially misstated both currently and prospectively.

The examination was conducted as a coordinated examination with the following affiliated companies: Bright Health Insurance Company, Bright Health Company of Arizona, Bright Health Insurance Company of Tennessee, Bright Health Insurance Company of Ohio. These examinations were coordinated with Colorado being the lead state. During planning, the examiners from the five states reviewed all accounts and balances and determined the key activities for all five companies that would be examined. The key activities included Capital and Surplus, Investments and Treasury, Reinsurance, Related Party, Reserves/Claims Handling, and Premiums/Underwriting.

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. 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.

This examination report includes significant findings of fact, as mentioned in the Code of Alabama, 1975, as amended and general information about the insurer and its financial condition. There may be other items identified during the examination that, due to their nature, are not included within the examination report but separately communicated to other regulators and/or the Company.

The Company's annual statements for each year under examination were compared with or reconciled to the corresponding general ledger account balances.

An examination of the Company's information systems (IS) was conducted concurrently with the financial examination. The IS examination included a review of management and organizational controls, logical and physical security controls, changes in applications controls, system and program development controls, contingency planning controls, service provider controls, operations controls, processing controls, e-commerce controls, and network and internet controls.

A market conduct examination was performed concurrently with the financial examination. The examination included reviews of the Company's territory, plan of operation, claims payment practicing, advertising and marketing, underwriting and rating, policyholders' complaints, compliance with producers licensing requirements, and privacy standards. See the "Market Conduct Activities" section of this report on page 10 for further discussion.

RSM US LLP was the Company's certified public accountant (CPA) for all years under examination. The examiners reviewed the CPAs' workpapers, copies of which were incorporated into the examination as deemed appropriate. The workpapers of the Company's internal audit department were reviewed and considered in the examiner's identification and assessment of risks and controls.

A signed letter of representation was obtained at the conclusion of the examination. In this letter, management attested to having valid title to all assets and to the nonexistence of unrecorded liabilities as of December 31, 2018.

ORGANIZATION AND HISTORY

The Company was incorporated on October 20, 2016, as an Accident and Sickness company in Madison County, Alabama. The Company obtained its original Certificate of Authority on February 7, 2017. It commenced business with 1,000,000 shares at a par value of \$1.00 per share. The Company held an amount of \$5,110,775 in gross paid-in capital. The Company's capital and surplus as of December 31, 2018 was comprised of Common capital stock of \$1,000,000, Gross paid in and contributed surplus of \$5,110,775, and Unassigned funds of \$(2,598,037).

Subsequent to the examination date Bright Health Management, the parent company, infused \$2,700,000 of capital on March 6, 2019 into Bright Health Insurance Company of Alabama, Inc. Bright Health Management again infused \$7,815,000 of capital into the Company on April 22, 2019.

MANAGEMENT AND CONTROL

Stockholder

The Company is a stock corporation with ultimate control vested in its stockholder. The Company's sole stockholder is Bright Health Management, Inc., which is wholly-owned by Bright Health, Inc.

Board of Directors

Members elected to the Board and serving as of December 31, 2018 were as follows:

Name and Address	Principal Occupation
Robert John Sheehy Minneapolis, MN	Chief Executive Officer, Bright Health Insurance Company of Alabama
Kyle Robert Rolfing Minneapolis, MN	President, Bright Health Insurance Company of Alabama
Paul Michael Cole Birmingham, AL	Attorney

Officers

Officers of the Company elected by the Board of Directors and serving as of December 31, 2018 were as follows:

Officer	Title
Robert John Sheehy	Chief Executive Officer
Donald Alan Powers	Chief Financial Officer
Kyle Robert Rolfing	President
Brian Keith Beutner	Secretary
Tomas David Valdivia M.D.	Chief Medical Officer

Committees

The Company had no committees of the Board during the examination. The Board of Directors of Bright Health, Inc. serve as the audit committee of all insurance companies in the group.

Conflict of Interest

The examiners obtained and reviewed the Conflict of Interest (COI) Statements completed by the officers and directors in accordance with the Company's policy which states, "Employees must annually disclose on a form prescribed by Bright Health and update as needed."

It was determined that the Company was not in compliance with its COI policy. The Company was unable to provide a COI form for all officers and directors for the year 2017. The Company was only able to provide evidence of one completed COI form in 2018 and two forms in 2019.

CORPORATE RECORDS

The Company's Articles of Incorporation, By-Laws, and amendments thereto were inspected and found to provide for the operation of the Company in accordance with Alabama statutes and regulations and with accepted corporate practices.

The Company was unable to provide evidence of its annual meetings of the shareholders in 2017; therefore, it was determined that the Company was not in compliance with its By-Laws. Article II Section 1 of the Company's By-Laws states:

The annual meeting of the shareholders shall be held on the 1st day in the month of October of each year, beginning with the year 2017 at the hour of Two O'clock, P.M., or at such other time on such other day within such month as shall be fixed by the Board of Directors...

It was further determined the Company was not in compliance with ALA. CODE § 10A-2-16.01(a)(1975), which states:

A corporation shall keep as permanent records minutes of all meetings of its shareholders and board of directors, a record of all actions taken by the shareholders or board of directors without a meeting, and a record of all actions taken by a committee of the board of directors in place of the board of directors on behalf of the corporation.

Minutes of the Board of Directors meetings from January 2018 through the most recent meetings held at the conclusion of the examination were reviewed. The minutes of the meetings did not provide evidence of company specific approval of investments. It was determined the Company was not in compliance with ALA. CODE § 27-41-5(1975) which states:

An insurer shall not make any investment or loan exceeding 10 percent of the admitted assets of the insurer, other than loans on policies or annuity contracts, unless authorized, approved, or ratified by the board of directors of the insurer or by the committee or person as the board of directors shall expressly authorize. The action of the board of directors, the committee, or other persons so authorized shall be recorded and regular reports thereof shall be submitted to the board of directors.

HOLDING COMPANY AND AFFILIATE MATTERS

Holding Company

The Company, a wholly-owned subsidiary of Bright Health Management, Inc., is deemed to be subject to the Alabama Insurance Holding Company Regulatory Act as defined by ALA. CODE § 27-29-1(1975). In connection therewith, the Company is registered with the Alabama Department of Insurance as a registrant of an Insurance Holding Company System. Appropriate filings required under the Holding Company Act were made from time to time by the Company, as registrant.

Dividends to Stockholders

No dividends were paid to stockholders of the Company during the period under examination.

Management and Service Agreements

The following agreements between the Company and its affiliates were in effect during the examination period.

Management Service Agreement

Effective May 10, 2017, Bright Health Management, Inc. entered into a Management Service Agreement with the Company.

The agreement is in effect for a period of five years from the effective date, and thereafter for successive one year terms.

The purpose of this agreement is to provide sufficient personnel, supplies, and management services. Management services shall include administration, operations, and day-to-day operational requirements. As compensation for management services the Company agreed to pay a management fee. The management fee under this

agreement shall be the greater of eight percent (8%) of the Company's gross premium revenue for individual policyholders and five percent (5%) for Medicare Advantage policyholders, or the actual cost to provide services.

Tax Sharing Agreement

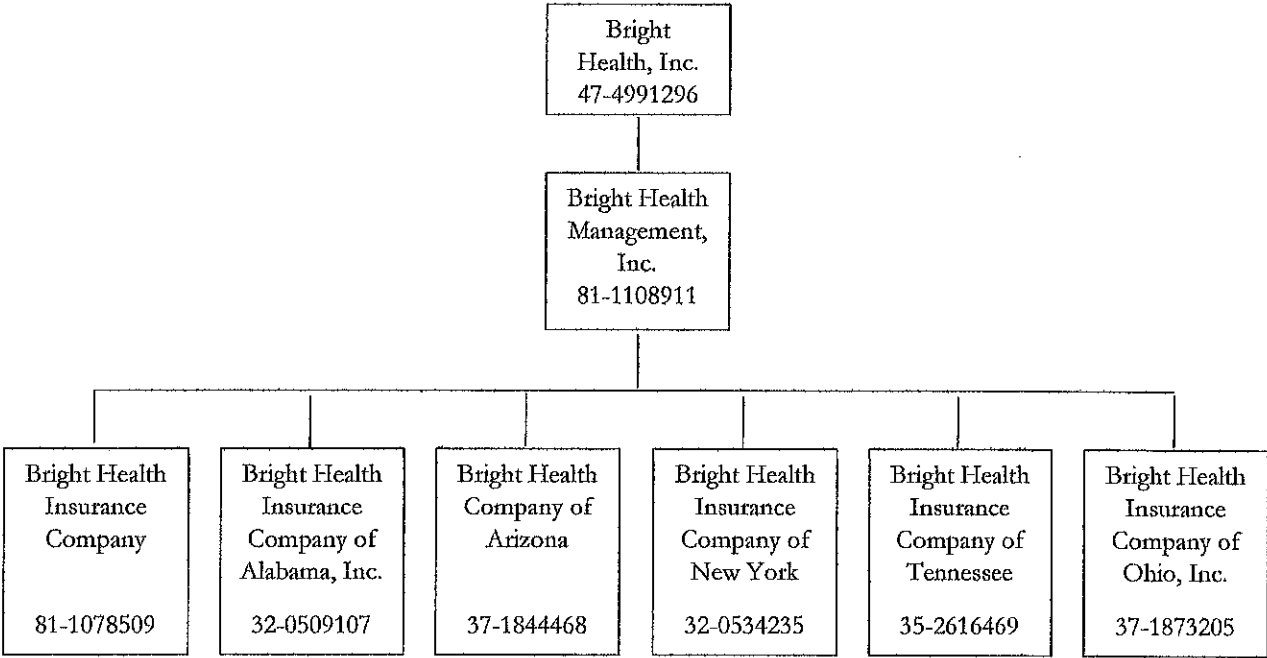
Effective October 21, 2016, the Company entered into a Tax Sharing Agreement with Bright Health, Inc. (the Holding Company). This agreement is between the Holding Company and its affiliated corporations.

Bright Health, Inc. shall file consolidated federal income tax returns and estimated tax returns for each taxable year during the term of this agreement. The Company, and each affiliated member, shall pay Bright Health, Inc. the amount of such member's separate return tax liability. The agreement shall remain in effect for each taxable year in which a consolidated federal income tax return is filed.

ORGANIZATIONAL CHART

The following chart presents the relationships of the entities affiliated with the Company.

ORGANIZATIONAL CHART



FIDELITY BONDS AND OTHER INSURANCE

The Company's parent company, Bright Health, Inc. had a fidelity bond covering Bright Health, Inc. and certain named subsidiaries, of which the Company was one of the named insureds. The examiners calculated the NAIC suggested amount of fidelity coverage for the Company. The examiners considered the suggested fidelity coverage provided to the Company and its parent and affiliates and evaluated the coverage as sufficient as respects the Company's fidelity exposure.

The Company had insurance policies for Commercial General, Umbrella, Automobile, Workers Comp, Errors and Omissions, Property, Cyber, and Directors and Officers exposures. The Company was explicitly named as an insured or insured under policy provisions indicating that all subsidiaries were insured. The coverages and limits were evaluated as appropriate for the risk exposures that the Company was exposed.

EMPLOYEE AND AGENT WELFARE

The Company did not have any employees as of December 31, 2018. The Company's functions and operations were performed by Bright Health Management, Inc. per the terms of a Management and Service Agreement.

Compliance with 18 U.S.C § 1033

Upon the examiners' request the Company provided their pre-employment background check procedure. It was noted that the Company's established procedure does not include an internal procedure, applied on a periodic basis, after initial employment to ascertain the existence of a felony. It was determined the Company was not in compliance with ALA. ADMIN. CODE 482-1-146-.11 (2009) which states:

1. A Section 1033 insurer subject to the Commissioner's examination authority shall have and apply the following:
 - b. An internal procedure after initial employment or contracting, applied on a periodic basis, to ascertain the existence of a felony conviction for a Section 1033 offense.

MARKET CONDUCT ACTIVITIES

Territory

As of December 31, 2018, the Company was licensed to transact business in the State of Alabama. The Certificate of Authority was inspected for the period under review and found to be in order. The Company was licensed to write its products in the following counties: Jefferson and Shelby County.

Plan of Operation

The Company offers qualified health plans, including a catastrophic plan, in both the individual and off the public exchange marketplace as well the Medicare Advantage market. The Company defined its network as an EPO network provided by its exclusive partnership with a coordinated hospital and physician delivery system. The Company partnered with Brookwood Baptist Health to provide its healthcare services for its members.

Advertising and Marketing

A review of all the Company's marketing materials was performed, a total of sixty items. The Company's advertising and marketing was delivered through a variety of mediums including: Print, Birmingham News, Direct Mail, Digital/Billboard Display, and Social Media Sites. The Company's marketing focus was limited to the state of Alabama residents. All of the advertising materials are coordinated through the Company's marketing department. It was determined that the advertisements did not reference a specific policy. A majority of the Company's advertising was brand advertisements. A review of the Company's producer training materials and communication between the Company and its producers was performed. It was determined that the Company kept an appropriate record of those communications.

Policyholders' Complaints

The Company recorded 28 complaints in its complaint register during the examination period. All of the complaints were consumer direct complaints.

The Company's complaint register did not include the function column as required by Standard 1 of the NAIC 2018 Market Regulation Handbook GENERAL EXAMINATION STANDARDS for Claims Handling, which states: "All complaints are recorded in the required format on the regulated entity's complaint

register.” Alabama has adopted the NAIC Market Regulation Handbook via ALA. ADMIN. CODE 482-1-097-.06 (2009), which states:

The NAIC Market Conduct Handbook, as it may be updated and amended from time to time so long as the examination methodology remains substantially consistent, is hereby adopted and incorporated by reference. A copy of the Handbooks may be obtained from the NAIC. A copy of the Handbook may be inspected during regular business hours at the offices of the Alabama Department of Insurance, Financial Examiners Division.

The Company did not provide the examiners with the documentation of the Company’s acknowledgement and response sent to two complainants. Since the Company did not provide the complaints documentation the Company was not in compliance with ALA. CODE § 27-27-29(a)(1975), which states:

Every domestic insurer shall have, and maintain, its principal place of business and home office in this state and shall keep in this state complete records of its assets, transactions, and affairs in accordance with such methods and systems as are customary or suitable as to the kind, or kinds, of insurance transacted.

Claims Payment Practices

Paid Claims

The examiners reviewed a sample of 108 paid claims from the total of 4,643 commercial business paid claims during the examination period. The review was performed to determine whether the claims were paid promptly in accordance with prompt payment requirements, whether the claims were adjudicated promptly, and whether the claim documentation was sufficient. The review indicated that the claims were adjudicated properly and that the claim documentation was sufficient. Three of the claims reviewed did not comply with prompt payment requirements in accordance with ALA. CODE § 27-1-17(a)(1975) which states:

Each insurer, health service corporation, and health benefit plan that issues or renews any policy of accident or health insurance providing benefits for medical or hospital expenses for its insured persons shall pay for services rendered by Alabama health care providers within 45 calendar days upon receipt of a clean written claim or 30 calendar days upon receipt of a clean electronic claim.

Closed without Payment/Denied Claims

A sample of 108 Alabama denied claims was selected from a population of 2,112 claims reported during the examination period. The examiners obtained and reviewed denied letters to the claimants. The Company failed to provide three denied letters to claimants in a timely manner; therefore, it was determined the Company was not in compliance with ALA. ADMIN. CODE 482-1-124-.04(9)(2003) which states: "When a claim is denied, written notice of denial shall be sent to the claimant within fifteen (15) days of the determination that the claim should be denied. The insurer shall state the reasons why the claim has been denied."

The denials were determined to be reasonable and based on specific policy provisions and/or exclusions.

Compliance with Producer Licensing Requirements

Appointments

A random sample of 115 direct written premium transaction was selected from a population of 11,934 transactions during the examination period of February 2, 2017-December 31, 2018. The Company did not properly appoint seven producers of those producers that wrote business on behalf of the Company. The total direct written premium produced by the producers not properly appointed with the Company was equal to \$73,753; therefore, the Company was contingently liable up to three times that amount which equaled \$221,260 in accordance with ALA. CODE § 27-7-4(a)(1975), which states the following:

No person shall in this state sell, solicit, or negotiate insurance for any class or classes of insurance unless the person is then licensed for that line of authority in accordance with this chapter. Any insurer accepting business directly from a person not licensed for that line of authority and not appointed by the insurer shall be liable to a fine up to three times the premium received from the person.

Terminations

The Company recorded 59 producer appointment terminations during the examination period. The examination indicated that the Company did not send termination notifications to any of the 59 terminated producers' last known addresses in compliance with ALA. CODE § 27-7-30.1(a)(1975), which states: "Within 15 days after making the notification required by subsection (e) of Section 27-7-30, the

insurer shall mail a copy of the notification to the producer at his or her last known address.”

The Company also did not notify the Commissioner of 33 producer terminations as required by ALA. CODE § 27-7-30(e)(1975), which states:

Subject to the producer’s contract rights, if any, an insurer or authorized representative of the insurer may terminate a producer’s appointment at any time. An insurer or authorized representative of the insurer that terminates the appointment, employment, or contract with a producer for any reason shall within 30 days following the effective date of the termination, using a format prescribed by the commissioner, give notice of the termination to the commissioner.

Underwriting and Rating

Policy Forms and Rating

A sample of 116 new premium transactions was randomly selected from a population of 10,764 transactions during the period of January 1, 2018 - December 31, 2018. The examiners recalculated the policy premiums to determine that the members were charged the appropriate rate for policy coverage selected based on the Company’s rating plan. The Company’s rating factors were according to an applicant’s age, tobacco usage status, and policy plan type. The examination indicated that the Company properly charged the correct premium based on its filed rates with the Alabama Department of Insurance.

Policy Cancellations

A sample of 115 cancellation notices was randomly selected from a population of 2,016 cancellations during the period of January 1, 2018 – December 31, 2018. The review of the cancellation/nonrenewed files indicated that the Company did not maintain records of cancellation notices for eighty-four policyholders. The Company did not comply with ALA. CODE § 27-27-29(a)(1975), which states: “Every domestic insurer shall have, and maintain, its principal place of business and home office in this state and shall keep in this state complete records of its assets, transactions, and affairs in accordance with such methods and systems as are customary or suitable as to the kind, or kinds, of insurance transacted.”

Rejected Applications

A sample of 113 rejected applications for insurance was randomly selected from a population of 532 rejected applications during the period of January 1, 2018 – December 31, 2018. The review of the reasons for the rejected applications was determined to be reasonable.

Privacy Standards

The Company's Privacy Notice was reviewed for compliance with ALA. ADMIN. CODE 482-1-122(2001). The Company sent out notices to new business policyholders when a policy was written or renewed and annually thereafter. The Company provided notices to its customers that indicated the types of information collected, the way the information is used and the manner that it is collected. The notice also informed the customer that the Company did not disclose any information to any nonaffiliated third parties.

The Company's privacy notice emphasized and explained the Company's policies. The Company's policies followed the guidelines established in ALA. ADMIN. CODE 482-1-122 (2001).

The Company does not share customer and/or consumer personal information with any nonaffiliated third parties. The Company had proper controls in place for employees and producers for the disclosure of nonpublic personal financial, health or medical information.

SPECIAL DEPOSITS

At December 31, 2018, as required or permitted by law, the Company maintained deposits with the respective statutory authorities as follows:

	Book/Adjusted	
State	Carrying Value	Fair Value
Alabama	\$112,994	\$112,914

FINANCIAL CONDITION AND GROWTH OF THE COMPANY

	2018	2017
Admitted Assets	\$8,074,648	\$6,163,511
Liabilities	\$4,561,910	\$55,538
Capital and Surplus	\$3,512,738	\$6,107,973
Net Premium Income	\$4,674,208	\$0
Hospital/medical benefits	\$3,436,063	\$0
Prescription drugs	\$1,219,931	\$0

REINSURANCE

Assumed Reinsurance

The Company did not have any assumed reinsurance during the examination period.

Ceded Reinsurance

At December 31, 2018, the Company and two of its affiliated insurers were reinsured by an Excess Risk Reinsurance agreement with Swiss Re Life & Health America, Inc. The reinsurer agreed to reimburse the ceding companies for losses unlimited for each covered person, after a retention of \$250,000 for Individual Family Plans and \$150,000 for Medicare Advantage Plans. According to the Company's filed 2018 Annual Statement, the Company had 2018 ceded reinsurance premiums of \$284,978 and took reinsurance credit in 2018 of \$19,872.

ACCOUNTS AND RECORDS

The Company's accounting records and transactional data are held in an electronic format.

The Company's independent audit was performed by RSM US LLP, a certified public accounting firm located in Chicago, Illinois.

Principal and Senior Consulting Actuary, Mary Hegemann, FSA, MAAA, served as the Company's opining actuary.

The Company's established investment policy states: "The CFO of each member entity shall: ... Evaluate investment performance quarterly and make recommendations to the Board to adjust the investment policy statement asset

allocation ranges and permitted investments, if appropriate.” The examination indicated that the CFO’s quarterly review of the investment performance was not documented and there was no documentation of the CFO’s quarterly recommendations to the Board.

The Company’s established investment policy states “The Board of Directors shall: Monitor and review the investment performance and asset allocation quarterly.” The examination indicated that evidence of the Board monitoring and reviewing the investment performance and asset allocation each quarter did not exist.

FINANCIAL STATEMENTS

The following financial statements are based on the statutory financial statements filed by the Company with the Alabama Department of Insurance and present the financial condition of the Company for the period ending December 31, 2018. The accompanying comments on financial statements reflect any examination adjustments to the amounts reported in the annual statement and should be considered an integral part of the financial statements.

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Bright Health Insurance Company of Alabama, Inc.
Statement of Assets
For the Year Ended December 31, 2018

<u>ASSETS</u>	<u>Assets</u>	<u>Non Admitted Assets</u>	<u>Net Admitted Assets</u>
Bonds	\$ 4,155,471	\$ -	\$ 4,155,471
Cash, cash equivalents and short-term investments	3,503,844	-	3,503,844
Subtotals, cash and invested assets	<u>\$ 7,659,315</u>	<u>\$ -</u>	<u>\$ 7,659,315</u>
Investment income due and accrued	20,684	-	20,684
Premiums and considerations:			
Uncollected premiums and agents' balances in the course of collection	64,683	11,547	53,136
Accrued retrospective premiums and contracts subject to redetermination	2,485	-	2,485
Reinsurance:			
Amounts recoverable from reinsurers	1,460	-	1,460
Amounts receivable relating to uninsured plans	1,978	-	1,978
Health care and other amounts receivable	335,666	76	335,590
Total assets excluding Separate Accounts, Segregated Accounts and Protected Cell Accounts	8,086,271	11,623	8,074,648
TOTAL ASSETS	<u>\$ 8,086,271</u>	<u>\$ 11,623</u>	<u>\$ 8,074,648</u>

**THE NOTES TO THE FINANCIAL STATEMENTS ARE AN INTEGRAL
PART THEREOF**

Bright Health Insurance Company of Alabama, Inc.
Statement of Liabilities, Surplus and Other Funds
For the Year Ended December 31, 2018

<u>Liabilities</u>	Current Year		Total
	Covered	Uncovered	
Claims unpaid	\$ 775,926	\$ 77,658	\$ 853,584
Unpaid claims adjustment expenses	34,801	-	34,801
Aggregate health policy reserves, including the liability of \$0 for medical loss ratio rebate per the Public Health Service Act	3,088,096	-	3,088,096
Premiums received in advance	130,635	-	130,635
General expenses due or accrued	79,919	-	79,919
Ceded reinsurance premiums payable	19,872	-	19,872
Remittances and items not allocated	203	-	203
Amounts due to parent, subsidiaries and affiliates	318,295	-	318,295
Liability for amounts held under uninsured plans	36,505	-	36,505
TOTAL LIABILITIES	\$ 4,484,252	\$ 77,658	\$ 4,561,910
Common capital stock	XXX	XXX	1,000,000
Gross paid in and contributed surplus	XXX	XXX	5,110,775
Unassigned funds (surplus)	XXX	XXX	(2,598,037)
TOTAL CAPITAL AND SURPLUS	XXX	XXX	\$ 3,512,738
TOTAL LIABILITIES, CAPITAL AND SURPLUS	XXX	XXX	\$ 8,074,648

**THE NOTES TO THE FINANCIAL STATEMENTS ARE AN INTEGRAL
PART THEREOF**

Bright Health Insurance Company of Alabama, Inc.
Statement of Revenue and Expenses
For the Years Ended December 31, 2018 and 2017

	2018	2017
Member months	\$ 13,406	\$ -
Net premium income	4,674,208	-
Change in unearned premium reserves and reserve for rate credits	(28,906)	-
TOTAL REVENUES	\$ 4,646,112	\$ -
Hospital and Medical:		
Hospital/Medical benefits	3,436,063	-
Other professional services	9,033	-
Prescription drugs	1,219,931	-
Incentive pool, withhold adjustments and bonus amounts	(314,690)	-
SUBTOTAL	\$ 4,350,337	-
Less:		
Net Reinsurance recoveries	34,475	-
Total hospital and medical	4,315,862	-
Claims adjustment expenses including cost containment expenses	771,715	-
General administrative expenses	2,196,137	2,989
Total underwriting deductions	7,283,714	2,989
Net underwriting gain or (loss)	(2,637,602)	(2,989)
Net investment income earned	88,974	5,642
Net realized capital gains (losses) less capital gains tax of \$0	(3,892)	-
Net investment gains (losses)	85,082	5,642
Net gain or (loss) from agents' or premium balances charged off	(32,692)	-
Net income or (loss) after capital gains tax and before all other federal income taxes	(2,585,212)	2,653
Federal and foreign income taxes incurred	-	3,855
NET INCOME (LOSS)	\$ (2,585,212)	\$ (1,202)

**THE NOTES TO THE FINANCIAL STATEMENTS ARE AN INTEGRAL
PART THEREOF**

Bright Health Insurance Company of Alabama, Inc.
Capital and Surplus
For the Years Ended December 31, 2018 and 2017

	<u>2018</u>	<u>2017</u>
Capital and surplus prior reporting year	\$ 6,107,973	\$ -
Net income or (loss)	(2,585,212)	(1,202)
Change in nonadmitted assets	(10,023)	(1,600)
Capital Changes:		
Paid in	-	1,000,000
Surplus adjustments:		
Paid in	-	74,154
Net change in capital and surplus	(2,595,235)	6,107,973
Capital and surplus end of reported period	<u>\$ 3,512,738</u>	<u>\$ 6,107,973</u>

**THE NOTES TO THE FINANCIAL STATEMENTS ARE AN INTEGRAL
PART THEREOF**

NOTES TO FINANCIAL STATEMENTS

Note 1 - Aggregate health policy reserves

\$3,088,096

The above captioned amount is the same as reported by the Company in its 2018 Annual Statement.

During the review of the Company's Board Meeting Minutes, the examiners noted that the Company did not annually appoint a qualified actuary or review the Actuarial Opinion or Actuarial Memorandum in accordance with the NAIC Annual Statement Instructions. The NAIC Annual Statement Instructions require the Appointed Actuary of the Company to report to the Board or Audit Committee each year on the items within the scope of the Actuarial Opinion. The Opinion and Actuarial Memorandum must also be made available to the Board. The Company is required to document this presentation, as well as the availability of the Opinion and the Memorandum in the Board minutes. While reviewing the minutes, no sufficient evidence was found to comply with these instructions.

Analysis of the Company's Capital and surplus

The examination did not result in any changes to the Company's capital and surplus

COMMENTS AND RECOMMENDATIONS

Conflict of Interest – Page 5

It is recommended that the Company comply with its Conflict of Interest policy which states, "Employees must annually disclose on a form prescribed by Bright Health and update as needed".

Corporate Records – Page 5

It is recommended that the Company conduct Shareholder and Board of Director meetings in accordance with Article II Section 1 of the Company's By-Laws which states: "The annual meeting of the shareholders shall be held on the 1st day in the month of October of each year, beginning with the year 2017 at the hour of Two O'clock, P.M., or at such other time on such other day within such month as shall be fixed by the Board of Directors..."

It is recommended that the Company record minutes of its Shareholder and Board of Director meetings in accordance with ALA. CODE § 10A-2-16.01(a)(1975), which states:

A corporation shall keep as permanent records minutes of all meetings of its shareholders and board of directors, a record of all actions taken by the shareholders or board of directors without a meeting, and a record of all actions taken by a committee of the board of directors in place of the board of directors on behalf of the corporation.

It is recommended that the Company's Board of Directors approve the Company's investments in accordance with ALA. CODE § 27-41-5(1975) which states:

An insurer shall not make any investment or loan exceeding 10 percent of the admitted assets of the insurer, other than loans on policies or annuity contracts, unless authorized, approved, or ratified by the board of directors of the insurer or by the committee or person as the board of directors shall expressly authorize. The action of the board of directors, the committee, or other persons so authorized shall be recorded and regular reports thereof shall be submitted to the board of directors.

Compliance with 18 U.S.C § 1033 – Page 9

It is recommended that the Company establish an internal procedure, applied on a periodic basis, after initial employment to ascertain the existence of a felony conviction, in accordance with ALA. ADMIN. CODE 482-1-146-.11(2009) which states:

1. A Section 1033 insurer subject to the Commissioner's examination authority shall have and apply the following:
 - b. An internal procedure after initial employment or contracting, applied on a periodic basis, to ascertain the existence of a felony conviction for a Section 1033 offense.

Policyholders' Complaints – Page 10

It is recommended that the Company include a function column in the complaint register as required by Standard 1 of the NAIC 2018 Market Regulation Handbook GENERAL EXAMINATION STANDARDS for Claims Handling, which states: "All complaints are recorded in the required format on the regulated entity's

complaint register.” Alabama has adopted the NAIC Market Regulation Handbook via ALA. ADMIN. CODE 482-1-097-.06(2009), which states:

The NAIC Market Conduct Handbook, as it may be updated and amended from time to time so long as the examination methodology remains substantially consistent, is hereby adopted and incorporated by reference. A copy of the Handbooks may be obtained from the NAIC. A copy of the Handbook may be inspected during regular business hours at the offices of the Alabama Department of Insurance, Financial Examiners Division.

It is recommended that the Company keep complete records of its consumer complaints in compliance with ALA. CODE § 27-27-29(a)(1975), which states: “Every domestic insurer shall have, and maintain, its principal place of business and home office in this state and shall keep in this state complete records of its assets, transactions, and affairs in accordance with such methods and systems as are customary or suitable as to the kind, or kinds, of insurance transacted.”

Paid Claims – Page 11

It is recommended that the Company pay for services rendered by health care providers within 45 calendar days upon receipt of a clean written claim or 30 calendar days upon receipt of a clean electronic claim in accordance with ALA. CODE § 27-1-17(a)(1975) which states:

Each insurer, health service corporation, and health benefit plan that issues or renews any policy of accident or health insurance providing benefits for medical or hospital expenses for its insured persons shall pay for services rendered by Alabama health care providers within 45 calendar days upon receipt of a clean written claim or 30 calendar days upon receipt of a clean electronic claim.

Closed without Payment / Denied Claims – Page 12

It is recommended that the Company provide a written notice of denial to claimants in accordance with ALA. ADMIN. CODE 482-1-124-.04(9)(2003) which states: “When a claim is denied, written notice of denial shall be sent to the claimant within fifteen (15) days of the determination that the claim should be denied. The insurer shall state the reasons why the claim has been denied.”

Appointments – Page 12

It is recommended that properly appoint all of its producers in compliance with ALA. CODE § 27-7-4(a)(1975), which states:

No person shall in this state sell, solicit, or negotiate insurance for any class or classes of insurance unless the person is then licensed for that line of authority in accordance with this chapter. Any insurer accepting business directly from a person not licensed for that line of authority and not appointed by the insurer shall be liable to a fine up to three times the premium received from the person.

Terminations – Page 12

It is recommended that the Company send notifications to the terminated producers' last known addresses in compliance with ALA. CODE § 27-7-30.1(a)(1975), which states: "Within 15 days after making the notification required by subsection (e) of Section 27-7-30, the insurer shall mail a copy of the notification to the producer at his or her last known address."

It is recommended that the Company notify the Commissioner of producer terminations as required by ALA. CODE § 27-7-30(e)(1975), which states:

Subject to the producer's contract rights, if any, an insurer or authorized representative of the insurer may terminate a producer's appointment at any time. An insurer or authorized representative of the insurer that terminates the appointment, employment, or contract with a producer for any reason shall within 30 days following the effective date of the termination, using a format prescribed by the commissioner, give notice of the termination to the commissioner.

Policy Cancellations – Page 13

It is recommended that the Company keep proper documentation of its cancellation notices in compliance with ALA. CODE § 27-27-29(a)(1975), which states:

Every domestic insurer shall have, and maintain, its principal place of business and home office in this state and shall keep in this state complete records of its assets, transactions, and affairs in accordance with such methods and systems as are customary or suitable as to the kind, or kinds, of insurance transacted.

Accounts and Records – Page 15

It is recommended that the Company document the CFO's quarterly review of the investment performance and the quarterly recommendations to the Board regarding recommended asset allocations and permitted investments, and maintain documentation of such to be available as audit evidence. This is to be done in accordance with the Investment Policy that was approved by the Company's Board which states: "The CFO of each member entity shall: ... Evaluate investment performance quarterly and make recommendations to the Board to adjust the investment policy statement asset allocation ranges and permitted investments, if appropriate."

It is recommended that the Company ensure that the Board of Directors monitor and review the investment performance and asset allocation quarterly, and maintain documentation of such to be available as audit evidence. This is to be done in accordance with the Investment Policy that was approved by the Company's Board which states: "The Board of Directors shall: Monitor and review the investment performance and asset allocation quarterly."

Aggregate Health Policy Reserves – Page 22

It is recommended that the Company ensure that the Appointed Actuary of the Company reports to the Board or Audit Committee each year on the items within the scope of the Actuarial Opinion and that the Actuarial Opinion and Actuarial Memorandum are made available to the Board. The presentation and the acceptance of the Opinion and the Memorandum are to be reflected in the Board minutes in accordance with the NAIC Annual Statement Instructions for Health Insurance Companies.

It is recommended that the Company ensure that the Board appoint its qualified actuary for the preparation of the Actuarial Opinion and Actuarial Memorandum and record such action in the Board meeting minutes as required by the NAIC Annual Statement Instructions for Health Insurance Companies.

Subsequent Events – Page 27

It is recommended that the Company limit its investment in any single investment or combination of investments to comply with ALA. CODE § 27-41-6(1975) which states: "An insurer shall not have at any one time any single investment or combination of investments...in excess of the greater of 10 percent of such insurer's

assets or the total of its capital and surplus, as shown in the latest annual report...less the minimum capital and surplus required of said insurer...”

COMPLIANCE WITH PREVIOUS RECOMMENDATIONS

This is the Company’s first examination. There have been no previous recommendations issued to the Company by Alabama.

CONTINGENT LIABILITIES AND PENDING LITIGATION

The review of the contingent liabilities and pending litigation included an inspection of representations made by the Company’s managers, a review of the Company’s records and files for the period under examination, and a review of the records subsequent to the examination date. The reviews performed did not identify any items that would have a material effect on the Company’s financial condition in the event of an adverse outcome.

SUBSEQUENT EVENTS

A review of events subsequent to the December 31, 2018 examination date was performed. The following items were noted during the review:

- The President and Director of Bright Health Insurance Company of Alabama, Inc. was replaced by George Lawrence Mikan III.
- The Chief Financial Officer of Bright Health Insurance Company of Alabama, Inc. was replaced by Nick Christianson.

The review of financial statements subsequent to the examination indicated that the Company was not in compliance with ALA. CODE § 27-41-6(1975), the Investment Limitation Statute, at the end of either of the first two quarters of 2019 with bank balances in a single bank that exceeded the statutory limit by \$3.9 million at the end of the first quarter of 2019 and \$5.2 million at the end of the second quarter of 2019.

ALA. CODE § 27-41-6(1975) states: “An insurer shall not have at any one time any single investment or combination of investments...in excess of the greater of 10 percent of such insurer’s assets or the total of its capital and surplus, as shown in the latest annual report...less the minimum capital and surplus required of said insurer...”

The Company was notified of the violation by the Department Analyst. The examiners confirmed that the Company was in compliance at year end 2019.

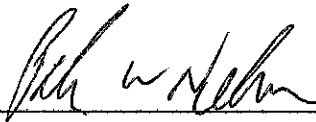
CONCLUSION

Acknowledgement is hereby made of the courtesy and cooperation extended by all persons representing Bright Health Insurance Company of Alabama, Inc. during the examination.

The customary insurance examination procedures, as recommended by the National Association of Insurance Commissioners, have been followed in connection with the verification and valuation of assets and the determination of liabilities set forth in this report.

In addition to the undersigned, Theo Goodin, AIE, ALMI, MCM, Jacob Grissett, Examiners; and Harland Dyer, ASA, MAAA, of Latta, Langston & Dyer, Consulting Actuary; all representing the Alabama Department of Insurance, participated in the examination of National Security Insurance Company.

Respectfully submitted,



Palmer W. Nelson, CFE, CIE
Examiner-in-charge
Alabama Department of Insurance