

**STATE OF ALABAMA  
DEPARTMENT OF INSURANCE  
MONTGOMERY, ALABAMA**

**REPORT OF EXAMINATION**

**SIMPRA ADVANTAGE, INC.  
BIRMINGHAM, ALABAMA**

**AS OF**

**DECEMBER 31, 2020**

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**EXAMINER'S AFFIDAVIT**

**STATE OF ALABAMA  
COUNTY OF SHELBY**

Agnes D. Riggins being duly sworn, states as follows:

1. I have authority to represent Alabama in the examination of Simpra Advantage, 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 Simpra Advantage, Inc. was performed in a manner consistent with the standards and procedures required by the State of Alabama.

The affiant says nothing further.

  
\_\_\_\_\_  
Agnes D. Riggins  
Examiner-in-Charge

Subscribed and sworn before me by Agnes D. Riggins on this 3<sup>rd</sup> day of December 2021.

(SEAL)

  
\_\_\_\_\_  
(Signature of Notary Public)

My commission expires 05/28/2024



KAY IVEY  
GOVERNOR

JIM L. RIDLING  
COMMISSIONER

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MARK FOWLER  
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STATE FIRE MARSHAL  
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GENERAL COUNSEL  
REYN NORMAN

December 3, 2021

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

Dear Commissioner Ridling:

Pursuant to your authorization and in compliance with the statutory requirements of the State of Alabama and resolutions adopted by the National Association of Insurance Commissioners (NAIC), a full-scope examination has been made of the affairs and financial condition of

**Simpra Advantage, Inc.**  
**Birmingham, Alabama**

as of December 31, 2020. The examination was performed remotely at the Alabama Department of Insurance, 100 Concourse Parkway, Hoover, AL 35244. The report of examination is submitted herewith.

Where the description "Company" appears herein, without qualification, it will be understood to indicate Simpra Advantage, Inc.

## SCOPE OF EXAMINATION

We have performed an examination of Simpra Advantage, Inc., a single-state insurance company. An organizational examination of the Company covered the period of August 17, 2016 through December 16, 2016. The current examination covers the period of December 17, 2016 through December 31, 2020.

The examination was conducted in accordance with applicable statutory requirements of the Code of Alabama, 1975, as amended, the Alabama Insurance Department regulations, bulletins and directives, and in accordance with the procedures and guidelines promulgated by the NAIC, as deemed appropriate, and in accordance with generally accepted examination standards and practices.

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.

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 technology systems (IT) was conducted concurrently with the financial examination. An IT examiner was not utilized on this examination. The examiners utilized work performed by Carr, Riggs and Ingram, LLC (CRI) Information Systems (IS) Auditors in the review of the Company's IT control environment. The review determined the Company uses the following software services: Sage Intacct for general ledger, Member360 (Winpro) for enrollment and Andros as the provider credentialing service. EZ-CAP, installed at the data center and managed by AllyAlign, is used for claims processing. A review of the SOC 1 reports for Sage Intacct, Member360 and EZ-CAP was performed by CRI IS Auditors and the examiners.

A market conduct examination was performed concurrently with the financial examination. The examination included reviews of the Company's territory, plan of operation, claims handling, advertising and marketing, policy forms and underwriting, policyholders' complaints, producers' licensing requirements, and privacy standards.

Carr, Riggs and Ingram, LLC (CRI), was the Company's certified public accountant (CPA) for all years under examination. The examiners reviewed the CPA workpapers, copies of which were incorporated into the examination as deemed appropriate.

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, 2020.

## ORGANIZATION AND HISTORY

The Company was incorporated on August 9, 2016, under the laws of the state of Alabama as a disability life insurer.

SeniorSelect Partner, Inc. (then known as Senior Select Partners, LLC, (SSP)) formed Select Health Plans of Alabama, Inc., as SSP's wholly owned subsidiary. On September 22, 2016, SSP purchased 100% of the issued and outstanding share of common stock of Select Health Plans of Alabama, Inc. (SHP) and became the controlling entity in the insurance holding company system.

Effective March 1, 2017, SSP changed the Company's name from Select Health Plans of Alabama, Inc. to Simpra Advantage, Inc.

On September 1, 2020, SeniorSelect contributed substantially all of its assets and liabilities, including all of its shares of the Company to Associated Care Ventures, Inc., (ACV) a newly formed Delaware corporation, in exchange for all of the issued and outstanding common stock of ACV. On September 1, 2020, AlaHealth, Inc., an Alabama corporation (AlaHealth), contributed cash in the amount of \$7,500,000 to the capital of ACV in exchange for all of the issued and outstanding shares of ACV's participating, voting Series A Preferred Stock. The contributions to ACV were made pursuant to the terms and conditions of an Exchange and Subscription Agreement among ACV, SeniorSelect and AlaHealth, dated April 15, 2020 (the Exchange Agreement). Upon the completion of the transactions contemplated by the Exchange Agreement (the Transaction), SeniorSelect owned 76.75% and AlaHealth owned the remaining 23.25% of the voting control of ACV. SeniorSelect was also issued shares of ACV's nonvoting, non-participating Series B Preferred Stock solely for the purpose of providing SeniorSelect a liquidation preference to the extent of equity contributed by SeniorSelect stockholders. As a result of this transaction, ACV owns 100% of the outstanding shares of Simpra Advantage, Inc.

As of December 31, 2020, the Company's common capital stock was \$500,000, Gross paid in and contributed surplus was \$16,353,250 and Unassigned funds (surplus) was (\$5,492,297).



## **MANAGEMENT AND CONTROL**

As of December 31, 2020, Associated Care Ventures, Inc., (ACV) was the sole owner of the Company.

### **Board of Directors**

Members elected to the Board of Directors of the Company by the sole member and serving as December 31, 2020, were as follows:

<u>Director and Residence</u>	<u>Principal Occupation</u>
Jonathan Mark Traylor Opelika, Alabama	Chief Executive Officer and President, Traylor-Porter Healthcare Management, Inc.
Robert Frank Brown, Jr. Cullman, Alabama	CEO, USA Healthcare, Inc.
James Norman Estes Tuscaloosa, Alabama	President, Controlling Owner and a Director of Northport Health Services, Inc., Northport Holding, LLC, NHS Operations, LLC, Northport Holding Operations, LLC, Millennium Health Services, and Millennium Health Operations, LLC
Mark Steven Sims Oneonta, Alabama	President, Trinity Management, Inc.
Benjamin Edward Jackson Birmingham, Alabama	Supervisor and Administrator, Heritage Health Care & Rehabilitation
Sal.Lee Sasser-Williams Andalusia, Alabama	Vice President and Director, Sasser Enterprises, Inc.,
Richard James Brockman Birmingham, Alabama	Attorney, Burr & Forman LLP
Chere Williams Wood Birmingham, Alabama	Senior Managing Attorney, Blue Cross and Blue Shield of Alabama
Joseph Harold Oaks Birmingham, Alabama	Vice President, Healthcare Networks Contracting, Blue Cross and Blue Shield of Alabama

Brian Scott McGlaun  
Birmingham, Alabama

Senior Vice President and Chief Information Officer,  
Blue Cross and Blue Shield of Alabama; Director and  
President, Healthcare Business Solutions, LLC

Robert Presley Rebman III  
Chelsea, Alabama

Director and Executive Director, AlaHealth Inc.

### **Officers**

The following Officers were appointed by the Board of Directors and serving as of December 31, 2020:

<u>Officer</u>	<u>Title</u>
Ronald Mark Chaffin	President
Sal.Lee Sasser-Williams	Secretary
Frank John Leider	Vice President/Treasurer
Brian Scott McGlaun	Assistant Treasurer
Chere Williams Wood	Assistant Secretary

### **Audit Committee**

The following were members of the Audit Committee as of December 31, 2020:

Mark Steven Sims, Audit Committee Chairman  
Jonathan Mark Traylor  
Benjamin Edward Jackson

No other committees of the board were appointed during the examination period.

### **Conflict of Interest**

Conflict of Interest Statements were reviewed for each director, officer, and key personnel. No material conflicts were noted.

## **CORPORATE RECORDS**

The Articles of Incorporation and By-Laws, as amended, were inspected during the examination period of December 17, 2016 through December 31, 2020 and were found to provide for the Company's operation in accordance with the usual corporate practices and applicable statutes and regulations.

## **HOLDING COMPANY AND AFFILIATE MATTERS**

### **Holding Company Registration**

The Company, a wholly owned subsidiary of Associated Care Ventures (ACV), is subject to the Alabama Holding Company Regulatory Act as defined by ALA. CODE § 27-29-1 (1975), as amended. 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 during the examination period.

### **Management and Service Agreements**

The Company had no employees during the examination period.

Effective October 1, 2020, the Company entered into the following Agreements:

#### **Management Services Agreement – The SSP Management Agreement**

This Management Services Agreement was effective October 1, 2020, between SeniorSelect Partners, Inc. a Delaware corporation (SeniorSelect) and the Company. This Agreement was approved by the Alabama Department of Insurance on January 21, 2021.

The purpose of this Agreement:

Senior Select and the Company have entered into this Management Services Agreement to provide for the continued delegation of the management services to be provided to the Company by AllyAlign in accordance with the AllyAlign Agreement.

In this Agreement the parties agreed to the mutual promises, covenant and agreements set forth in the provisions outlined for: AllyAlign Agreement, Fees and Expenses, Covenants Regarding Propriety Information, Term and Termination of the Agreement, Indemnification, Miscellaneous Items and Exhibits.

The Agreement terminates at the end of the expiration of the initial term under the AllyAlign Agreement and may be extended for the Renewal Term of successive two-year terms. The Agreement may be terminated upon thirty (30) days' written notice to the other party.

Management Services Agreement – The ACV Management Agreement

This Management Services Agreement (Agreement) was entered into effective October 1, 2020 by and between Associated Care Ventures, Inc., a Delaware corporation (Manager), and Simpra Advantage, Inc., an Alabama insurance company (Company). This Agreement was approved by the Alabama Department of Insurance on January 21, 2021.

In this Agreement the Company engaged ACV to provide certain executive and management services in support of the operation of the Company's Special Needs Plans.

This Agreement provided for the mutual promises, covenants and agreements the parties agreed to for: Engagement of Manager, Responsibilities and Duties of Manager, Medicare Advantage Plan, Responsibilities and Duties of Health Plan, Fees and Expenses, Covenants Regarding Propriety Information, Term and Termination, Indemnification, and Miscellaneous Items.

The initial term of this Agreement terminates on December 31, 2022. The Agreement may be extended for a Renewal Term of successive two-year terms. This Agreement may be terminated by the parties upon thirty (30) days written notice.

Tax Sharing Agreement

This Tax Sharing Agreement (Agreement), effective October 1, 2020, is made and entered into by and among SeniorSelect Partners, Inc., a Delaware corporation (SeniorSelect), Associated Care Ventures, Inc., a Delaware corporation (ACV), Simpra Advantage, Inc., an Alabama stock insurance company (Simpra), and Alabama Select Network (ASN), an Alabama limited liability and, together with Simpra, the Subsidiaries). This Agreement was approved by the Alabama Department of Insurance on January 21, 2021.

In this Agreement, the Pre-Closing Affiliated Group and the Post-Closing Affiliated Group intends to file consolidated federal and applicable state income tax returns (Consolidated Returns); and the Pre-Closing Affiliated Group and the Post-Closing Affiliated Group desires to agree upon a method for determining the financial consequences to each Pre-Closing Member and Post-Closing Member, as applicable, resulting from, and other matters that may arise as the result of, the filing of Consolidated Returns.

This Agreement may be terminated without cause by all of the parties to this agreement at the time of the proposed termination agreeing in writing to such termination. This Agreement may be terminated with cause upon the happening of the following: The Pre-Closing Affiliated Group or Post-Closing Group, as applicable, fails to file a Consolidated Return for any taxable year; or membership in the Pre-Closing Affiliated Group or Post-Closing Group, as applicable, ceases or terminates for any reason, in which case this agreement only terminates with respect to the parties leaving the Pre-closing Affiliated Group or Post-closing Affiliated Group, as applicable.

Producer Agreement

The Producer Agreement (Agreement) was effective October 1, 2020, by and between the Company and Associated Care Ventures, Inc., a Delaware corporation (ACV). The Company and ACV are sometimes referred to collectively as “Parties” and separately as a “Party”. This Agreement was approved by the Alabama Department of Insurance on January 21, 2021.

In this Agreement, the Company appointed ACV to solicit, negotiate and sell the Special Needs Plans to eligible beneficiaries.

The term of this Agreement began on October 1, 2020 and shall continue until terminated pursuant to the items below. This Agreement may be terminated:

- (a) Without Cause – Either party may terminate this Agreement, without cause, at any time, upon at least thirty (30) days prior written notice to the other party.
- (b) With Cause – If there is a default by either party in the performance of any term or condition of this Agreement, and such default shall continue for a period of ten (10) days after such party’s receipt of written notice form the other party specifying

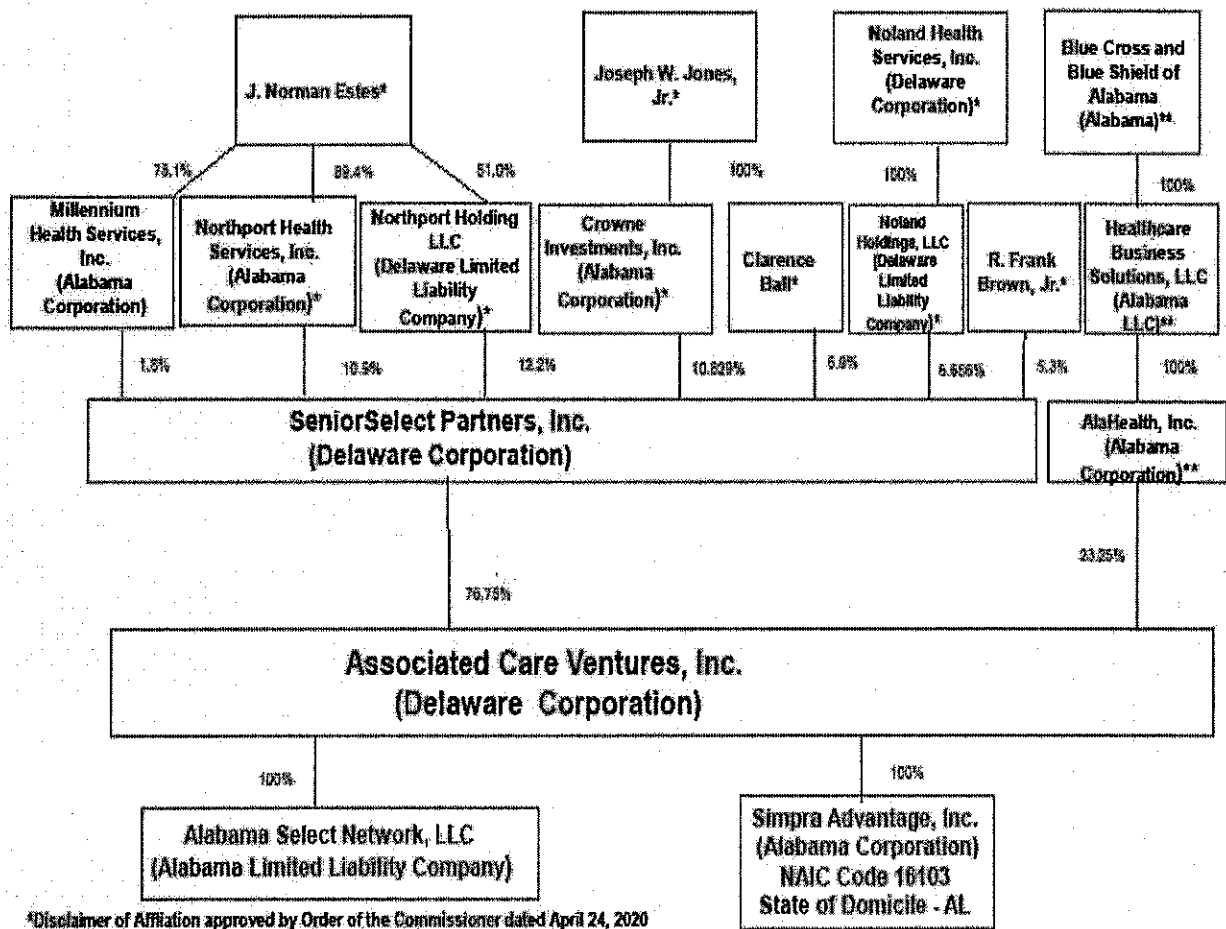
such default in reasonable detail then the non-defaulting party may terminate this Agreement immediately upon written notice to the defaulting party.

(c) Termination of CMS Contract – This Agreement shall terminate automatically without the action of either party if CMS terminates the Company’s right to operate both Plans.

(d) Effect of Termination - From and after the date written notice of termination is received, ACV shall cease all efforts to enroll eligible beneficiaries in a Plan. The Company shall pay all commission earned by ACV prior to termination within thirty (30) days after termination of this Agreement.

(e) Receivership – In the event the Company is placed in receivership or seized by the Alabama Commissioner of Insurance in accordance with ALA. CODE § 27-32-1 (1975).

# ORGANIZATIONAL CHART



\*Disclaimer of Affiliation approved by Order of the Commissioner dated April 24, 2020

\*\*Disclaimer of Affiliation approved by letter of the Commissioner dated November 18, 2020

4293442v.PPT

The examiners reviewed the Company’s 2020 Annual Statement Schedule Y – Part 1 – Organizational Chart to verify compliance with NAIC *Annual Statement Instructions*. It was determined that the Company did not complete its Schedule Y appropriately. The Company did not include the NAIC company code and two-character state abbreviation of the state of domicile in accordance with NAIC *Annual Statement Instructions*, which states:

Attach a chart or listing presenting the identities of and interrelationships between the parent, all affiliated insurers and reporting entities; and other affiliates, identifying all insurers and reporting entities as such and listing the Federal Employer's Identification Number for each. The NAIC company code and two-character state abbreviation of the state of domicile should be included for all domestic insurers. The relationships of the holding company group to the ultimate controlling person (if such person is outside the reported holding company) should be shown.

During the course of the examination the Company provided an updated Organizational Chart which included the Company's NAIC company code and two-character state abbreviation.

### **FIDELITY BONDS AND OTHER INSURANCE**

The examiners reviewed the Company's Fidelity Bonds and Other Insurance. The review determined the Company maintained sufficient insurance coverage to protect itself against hazards to which it may be exposed.

### **PENSIONS AND STOCK OWNERSHIP**

Management services and the operations of the Company are provided under a Management Services Agreement. See page 7 for the Management Services Agreement. The Company has no employees. The Company does not offer pensions and stock ownership.

### **COMPLIANCE WITH 18 U.S.C. § 1033**

ALA. ADMIN. CODE 482-1-146-.11 (2009) states:

- (1) A Section 1033 insurer subject to the Commissioner's examination authority shall have and apply the following:
  - (a) An internal procedure for determining, by means of background checks or investigations or otherwise, whether applicants for employment or individuals with whom the insurer intends to contract for activities in the business of insurance, whether or not in a capacity requiring a license, have a felony conviction for a Section 1033 offense.



- (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.
- (c) An internal procedure for assuring that affected employees or individual contractors have obtained and hold any required Section 1033 consent during the period of employment or contracting.

The Company performs a national criminal background check, along with a check against the Office of Inspector General exclusion list on all new applicants. After employment, the Company performs periodic background checks on all employees to ascertain the existence of a felony conviction for a section 1033 offense. The review determined the Company complied with 18 U.S.C. § 1033 and ALA. ADMIN. CODE 482-1-146-.11 (2009).

## **SCHEDULE OF SPECIAL DEPOSITS**

### **Statutory Deposits**

In order to comply with the statutory requirements for doing business in the State of Alabama, the Company had the following on deposit with the Alabama Department of Insurance as of December 31, 2020.

<b>Description</b>	<b>Book/Adjusted Carrying Value</b>	<b>Fair Value</b>
*Certificate of Deposit	\$ 101,003	\$ 101,175
<b>Total</b>	<b>\$ 101,003</b>	<b>\$ 101,175</b>

\*For the benefit of all Policyholders

## FINANCIAL CONDITION / GROWTH OF THE COMPANY

The following information presents significant items that reflect the growth of the Company for the period under review.

	<b>Admitted Assets</b>	<b>Liabilities</b>	<b>Capital and Surplus</b>	<b>Net Premium Income</b>
2020	\$ 27,671,153	\$ 16,310,200	\$ 11,360,953	\$ 83,857,104
2019	\$ 24,273,593	\$ 15,420,637	\$ 8,852,956	\$ 66,155,268
2018	\$ 16,216,486	\$ 9,528,331	\$ 6,688,155	\$ 40,345,183
2017	\$ 1,359,593	\$ 2,506	\$ 1,357,087	\$ 0

## MARKET CONDUCT ACTIVITIES

### Plan of Operation

The Company is a disability only insurer that accepts prepaid capitation under a Medicare Advantage contract with The Centers for Medicare and Medicaid Services (CMS) to provide medical coverage to eligible members who qualify for participation in an Institutional Special Needs Program (I-SNP) and a Dual Eligible Special Needs Plan (D-SNP) within the Company's licensed service areas. The I-SNP is for eligible Medicare beneficiaries who reside or are expected to reside in a Company contracted long term care facility for ninety (90) days or longer. The D-SNP is for eligible individuals who are beneficiaries of both Medicare and Medicaid.

### Territory

As of December 31, 2020, the Company was licensed to transact business in all sixty-seven (67) counties of the state of Alabama.

### Advertising and Marketing

The Company's advertising materials were reviewed for the examination period of December 17, 2016 through December 31, 2020. The review did not reveal any advertisements that misrepresented policy benefits, made unfair or incomplete comparisons with other policies, or made false, deceptive or misleading statements or representations.

The Company's website [simpra.com](http://simpra.com) was reviewed and found to include the following links: Shop Plans, For Providers, For Members, Contact Us, Find a Provider/Pharmacy and search capabilities.

### **Claims Handling**

The Alabama Department of Insurance does not regulate the claims payment activities of this Company.

### **Dividends to Policyholders**

The Company paid no dividends to policyholders during the examination period.

### **Policyholders' Complaints**

The review of the State Based System (SBS) and iSite determined there were no Alabama complaints. The Company had a total of forty-two (42) grievances, which were all Medicare Part C grievances, during the examination period. The review of the Company's Grievances Register determined the Company appropriately maintained the following information in its grievances register: line of business, function and reason for the grievance.

### **Producers' Licensing Requirements**

#### **Producer Appointments**

The examiner selected and reviewed a random sample of 116 enrollments from a population of 8,365 enrollments during the examination period to determine if the producers were appropriately appointed. The review determined the producers were appropriately appointed.

#### **Producer Terminations**

During the examination period, there were a total of fourteen (14) producers terminated. Based on the total number of fourteen (14) terminated producers, the examiner reviewed all fourteen (14) terminated producer documentation. The review of terminated producers identified one (1) producer was terminated for cause and the Department was properly notified.

### **Underwriting and Rating**

The Alabama Department of Insurance does not regulate the underwriting and rating activities of this Company.

### Cancellations

There were no Company or insurer requested cancellations during the examination period. Enrollees can end their membership at any time. The Company's *2021 Evidence of Coverage (PPO I-SNP)*, Chapter 10, Sections 2 - 4 provides the steps for enrollees to end their membership in the Plan.

The Company's *2021 Evidence of Coverage (PPO I-SNP)*, Chapter 10, Section 5 provides the certain situations in which the Company may end the enrollee's membership in the Plan. The review of certain situations in which the Company may end the enrollee's membership in the Plan were reasonable and were not unfairly discriminatory.

### Privacy

The Company's privacy procedures were reviewed. The Company's privacy procedures were reviewed and determined to be in compliance with HIPAA (Health Insurance Portability and Accountability Act).

The Company's Privacy Notice was reviewed. The Privacy Notice is provided to members at enrollment. A copy of the Privacy Notice was available on the Company's website. The Privacy Notice disclosed that the Company had physical, electronic and procedural safeguards that complied with federal regulations to maintain the confidentiality and security of nonpublic personal information. The Privacy Notice also disclosed the categories of information that the Company may disclose. The Company may disclose nonpublic personal information about an applicant to nonaffiliated third parties as permitted or required by law. The review determined the Company's Privacy Notice was provided to members at enrollment, provided on the Company's website and disclosed the required information.

## **REINSURANCE**

### Reinsurance Assumed

The Company did not assume any reinsurance during the examination period.

### Reinsurance Ceded

The Company has a yearly renewable coinsurance reinsurance agreement in place with American National Insurance Company in which the Company cedes ninety percent (90%) of the risk above an attachment point of \$250,000 per covered member.

## **ACCOUNTS AND RECORDS**

The Articles of Incorporation and By-Laws, as amended, were inspected during the examination period of December 17, 2016 through December 31, 2020 and were found to provide for the Company's operation in accordance with the usual corporate practices and applicable statutes and regulations.

### **Shareholder Meetings**

Based on the review of the Shareholder meeting minutes during the examination period it was determined the Shareholder met on October 16, 2016 Unanimous Consent of the Sole Shareholder and September 1, 2020 Action of Sole Stockholder.

The examiners reviewed the minutes of the meetings of the sole stockholder and actions taken by the unanimous written consent by the sole stockholder from December 17, 2016 through December 31, 2020. The minutes and action taken by unanimous written consent appeared to be complete with the exception that during the years 2018 and 2019 there were no meetings of the sole stockholder. Article II, Shareholders, Section 1- Annual Meeting of the Amended and Restated By-Laws states: "The annual meeting of the shareholders shall be held on the first Monday in the month of May of each year, beginning with the year 2018 at the hour of 10:00 A.M., or at such other time on such other day within such month as shall be fixed by the Board of Directors, for the purpose of electing directors and for the transaction of such other business..."

Company management indicated the following: "The Company's Board of Directors will schedule a meeting of its sole shareholder for the first Monday of May for each subsequent year or such date within such month as shall be fixed by the Company's Board of Directors, or in the alternative, the shareholder will execute a written consent action in lieu of a meeting at that time."

### **Election of Directors**

Based on the review of the Shareholder meeting minutes during the examination period it was determined the Shareholder met on October 16, 2016 Unanimous Consent of the Sole Shareholder and September 1, 2020 Action of Sole Stockholder.

The examiners reviewed the minutes of the meetings of the sole stockholder and actions taken by the unanimous written consent by the sole stockholder from December 17, 2016 through December 31, 2020. The minutes and action taken by

unanimous written consent appeared to be complete with the exception that during the years 2018 and 2019 there were no meetings of the sole stockholder. Article II, Shareholders, Section 1- Annual Meeting of the Amended and Restated By-Laws states: “The annual meeting of the shareholders shall be held on the first Monday in the month of May of each year, beginning with the year 2018 at the hour of 10:00 A.M., or at such other time on such other day within such month as shall be fixed by the Board of Directors, for the purpose of electing directors and for the transaction of such other business...”

Company management indicated the following: “The Company’s Board of Directors will schedule a meeting of its sole shareholder for the first Monday of May for each subsequent year or such date within such month as shall be fixed by the Company’s Board of Directors, or in the alternative, the shareholder will execute a written consent action in lieu of a meeting at that time.”

### **Actuary Presentation**

The review of the Company’s Board of Directors and Audit Committee meeting minutes during the examination period of December 31, 2016 through December 31, 2020, did not reflect the presentation by the Appointed Actuary concerning the items within the scope of the Actuarial Opinion.

The NAIC *Annual Statement Instructions, Actuarial Opinion* states, “The Appointed Actuary must report to the Board of Directors or the Audit Committee each year on the items within the scope of the Actuarial Opinion. The minutes of the Board of Directors shall indicate that the Appointed Actuary has presented such information to the Board of Directors or the Audit Committee.”

### **Actuarial Memorandum Documentation**

The examination actuary reviewed the Actuarial Memorandum and identified areas of improvement based on the review of the memorandum requirements as listed in the NAIC *Annual Statement Instructions Manual*. The examination actuary determined that there were some items included in the actuarial opinion, for which supporting documentations were not included in the actuarial memorandum such as liabilities for Accrued Medical Incentive Pool and Bonus Amounts, PDR and Medicare Part D analyses. The Company was not in compliance with the NAIC *Annual Statement Instructions Manual*, which states:

The narrative component should provide sufficient detail to clearly explain to company management, the regulator, or other authority the findings, recommendations and conclusions, as well as their significance. The technical component should provide sufficient documentation and disclosure for another actuary practicing in the same field to evaluate the work. This technical component must show the analysis from the basic data, (e.g., claim lags) to the conclusions...

The examination actuary acknowledges that in some instances, the opining actuary relied on work performed by the Company in the preparation of the memorandum. However, wherever possible, the examination actuary recommends that the actuary include the supporting documentation, or a sufficient summary of the work relied upon.

## FINANCIAL STATEMENT INDEX

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, 2020. The accompanying notes to the financial statement reflect any examination adjustments to the amount reported in the annual statement and should be an integral part of the financial statements.

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**SIMPRA ADVANTAGE, INC.**  
**STATEMENT OF ASSETS**  
For the Year Ended December 31, 2020

	<u>Assets</u>	<u>Nonadmitted</u> <u>Assets</u>	<u>Net Admitted</u> <u>Assets</u>
<b>ASSETS</b>			
Bonds	\$101,003		\$101,003
Cash, cash equivalents and short-term investments	13,480,930		13,480,930
Other invested assets			
Investment income due and accrued	1,057		1,057
Uncollected premiums and agents' balances in the course of collection	739		739
Accrued retrospective premiums	3,670,461		3,670,461
Amounts recoverable from reinsurers	5,171		5,171
Amounts receivable relating to uninsured plans	1,163,216		1,163,216
Current federal and foreign income tax recoverable and interest thereon	352,094		352,094
Net deferred tax asset	1,232,684	956,334	276,350
Receivables from parent, subsidiaries and affiliates	6,750,000		6,750,000
Health care and other amounts receivable	2,622,716	933,123	1,689,593
Aggregate write-ins for other than invested assets	<u>182,964</u>	<u>2,425</u>	<u>180,539</u>
<b>TOTAL ASSETS</b>	<b>\$ 29,563,035</b>	<b>\$ 1,891,882</b>	<b>\$ 27,671,153</b>

**THE NOTES IMMEDIATELY FOLLOWING THE FINANCIAL STATEMENTS IN THIS REPORT ARE AN INTEGRAL PART THEREOF.**

**SIMPRA ADVANTAGE, INC.**  
**STATEMENT OF LIABILITIES, CAPITAL AND SURPLUS**  
**For the Year Ended December 31, 2020**

	<u>Current Year</u>
<b>Liabilities:</b>	
Claims unpaid	\$ 12,395,396
Accrued medical incentive pool and bonus amounts	417,075
Unpaid claims adjustment expenses	445,392
Premiums received in advance	336,707
General expenses due or accrued	862,562
Current federal and foreign income tax payable and interest thereon	
Amounts due to parent, subsidiaries, and affiliates	1,101
Liability for amounts held under uninsured plans	<u>1,851,967</u>
<b>Total Liabilities</b>	<b>\$ 16,310,200</b>
<b>Capital and Surplus:</b>	
Common capital stock	500,000
Gross paid in and contributed surplus	16,353,250
Unassigned funds (surplus)	<u>(5,492,297)</u>
<b>Total Capital and Surplus</b>	<b>\$ 11,360,953</b>
<b>Total Liabilities, Capital and Surplus</b>	<b>\$ 27,671,153</b>

**THE NOTES IMMEDIATELY FOLLOWING THE FINANCIAL STATEMENTS IN  
THIS REPORT ARE AN INTEGRAL PART THEREOF.**

**SIMPRA ADVANTAGE, INC.**  
**STATEMENT OF REVENUE AND EXPENSES**  
**For the Years Ended December 31, 2020, 2019, 2018, and 2017**

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Member months	37,974	33,513	22,485	
Net premium income	\$ 83,857,104	\$ 66,155,268	\$ 40,345,183	
Change in unearned premium reserves and reserve for rate credits			358,578	
<b>Total revenues</b>	<b>\$ 83,857,104</b>	<b>\$ 66,155,268</b>	<b>\$ 40,703,761</b>	<b>0</b>
 <b>Hospital and Medical:</b>				
Hospital/medical benefits	\$ 62,763,022	\$ 43,980,282	\$ 28,486,733	
Other professional services	6,616,667	3,193,153	2,560,801	
Emergency room and out-of-area	595,714	619,953	518,698	
Prescription drugs	5,687,403	5,307,804	3,405,553	
Aggregate write-ins for other hospital and medical	1,031,825	1,049,558	711,726	
Incentive pool, withhold adjustments and bonus amounts	<u>1,043,199</u>	<u>819,047</u>	<u>294,228</u>	
<b>Subtotal</b>	<b>\$ 77,737,830</b>	<b>\$ 54,969,797</b>	<b>\$ 35,977,739</b>	<b>0</b>
 <b>Less:</b>				
Net reinsurance recoveries	<u>22,297</u>	<u>201,296</u>	<u>436,503</u>	
<b>Total hospital and medical</b>	<b>\$ 77,715,533</b>	<b>\$ 54,768,501</b>	<b>\$ 35,541,236</b>	<b>0</b>
Non-health claims				
Claims adjustments expenses	2,422,207	1,993,248	1,369,568	
General administration expenses	<u>10,131,359</u>	<u>7,677,381</u>	<u>4,521,239</u>	<u>1,737</u>
<b>Total underwriting deductions</b>	<b>\$ 90,269,099</b>	<b>\$ 64,439,130</b>	<b>\$ 41,432,043</b>	<b>\$ 1,737</b>
Net underwriting gain or (loss)	(6,411,995)	1,716,138	(728,282)	(1,737)
Net investment income earned	145,245	340,476	99,732	6,343
<b>Net investment gains (losses)</b>	<b>145,245</b>	<b>340,476</b>	<b>99,732</b>	<b>6,343</b>
Net income or (loss) after capital gains tax and before all other federal income taxes	\$ (6,266,750)	\$ 2,056,614	\$ (628,550)	\$ 4,606
Federal and foreign income taxes incurred	<u>(349,664)</u>	<u>348,131</u>	<u>(217)</u>	<u>69</u>
<b>Net income (loss)</b>	<b>\$ (5,917,086)</b>	<b>\$ 1,708,483</b>	<b>\$ (628,333)</b>	<b>\$ 3,837</b>

**THE NOTES IMMEDIATELY FOLLOWING THE FINANCIAL STATEMENTS IN THIS REPORT ARE AN INTEGRAL PART THEREOF.**

**SIMPRA ADVANTAGE, INC.**  
**STATEMENT OF CHANGES IN CAPITAL AND SURPLUS**  
**For the Years Ended December 31, 2020, 2019, 2018, and 2017**

	2020	2019	2018	2017
Capital and surplus prior reporting year	\$ 8,852,956	\$ 6,688,155	\$ 1,357,087	\$0
Net income or (loss)	(5,917,086)	1,708,483	(628,333)	3,837
Change in net deferred income tax	1,100,881	131,803		
Change in nonadmitted assets	(1,425,798)	(425,485)	(40,599)	
Capital changes:				
Paid in				500,000
Surplus adjustments:				
Paid in	8,750,000	750,000	6,000,000	853,250
<b>Net change in capital and surplus</b>	<b>2,507,997</b>	<b>2,164,801</b>	<b>5,331,066</b>	<b>1,357,087</b>
<b>Capital and surplus end of reporting year</b>	<b>\$ 11,360,953</b>	<b>\$ 8,852,956</b>	<b>\$ 6,688,155</b>	<b>\$ 1,357,087</b>

**THE NOTES IMMEDIATELY FOLLOWING THE FINANCIAL STATEMENTS IN  
THIS REPORT ARE AN INTEGRAL PART THEREOF.**

## NOTES TO FINANCIAL STATEMENTS

### Note 1 – Cash, Cash Equivalents and Short-Term Investments

\$13,480,930

The captioned amount is the same as reported by the Company in its 2020 Annual Statement.

The review of the Company's Schedule E - Part 1 - Cash reflected a balance of \$3,206,406 with ServisFirst Bank. The examiners determined that the Company did not complete the schedule in accordance with NAIC *Annual Statement Instructions* which states, "Report separately all deposits in excess of \$250,000 or less than (\$250,000). Deposits not exceeding \$250,000 or not less than (\$250,000) in federally insured depositories may be combined."

### Note 2 – Claims unpaid

\$17,672,931

The captioned amount is \$5,277,535 more than the \$12,395,396 reported by the Company in its 2020 Annual Statement. The increase in *Claims unpaid* will have a direct impact on the Company's Capital and Surplus. See *Note 4 – Analysis of Changes to Surplus*.

The examining actuary determined that the *Claims unpaid* were deficient by \$5,277,535 based on a hindsight development of actual claims run-off through September 30, 2021 and an estimate of remaining payments.

The examining actuary analyzed the deficiency in the reserves and had email and phone discussions with the Company and the opining actuary to discuss the deficiency. It was noted that the runoff between March and June 2021, in particular, was abnormally high. A review of the triangles showed large payments for which payments had been significantly delayed. The issues impacted several types of claims, including inpatient, outpatient, and skilled nursing facility. These issues have only recently emerged and there was nothing in the historical claims data that could have reasonably suggested that such issues would present themselves.

<b><u>Note 3 – Aggregate health policy reserves</u></b>	<b><u>\$ 56,281</u></b>
<b><u>Accrued retrospective premiums</u></b>	<b><u>\$ 3,726,742</u></b>

The *Aggregate health policy reserves* liability is \$56,281 more than the \$0 reported in the Company’s 2020 Annual Statement, and the *Accrued Retrospective Premiums* asset is \$56,281 more than the \$3,670,461 reported by the Company in its 2020 Annual Statement. The adjustments are reporting issues and have no impact on the Company’s Capital and Surplus.

The examining actuary noted that a liability of \$56,281 in Part D risk sharing settlements owed to CMS by the Company was booked as part of the Accrued Retrospective Premiums. The actuarial examiners determined that the Medicare Part D risk sharing liability is booked on Page 3, Line 4 of the Annual Statement as part of Aggregate Health Policy Reserves rather than netted against the Accrued Retrospective Premium asset. This accounting treatment is described in the Medicare Part D Accounting Practice Note published by the American Academy of Actuaries.

**Note 4 - Analysis of Changes to Surplus**

Analysis of Changes to Surplus			
Surplus at December 31, 2020 per Annual Financial Statement			\$11,360,953
	Increase	Decrease	
Claims Unpaid	\$5,277,535		
Net Decrease in Unassigned funds (surplus)			(\$5,277,535)
Surplus at December 31, 2020 after adjustment			\$6,083,418

**CONTINGENT LIABILITIES AND PENDING LITIGATION**

The review of contingent liabilities and pending litigation included a review of the Company’s statutory financial statement disclosures, minutes of the corporate governing bodies, examination of the accounts and unrecorded items; and obtaining a letter of representation from management. These reviews did not disclose any items that would have a material effect on the Company’s financial condition.

## **COMPLIANCE WITH PREVIOUS RECOMMENDATIONS**

A review of the Company's compliance with recommendations made in the previous examination report indicated the Company had satisfactorily complied with the previous examination recommendations.

## **COMMENTS AND RECOMMENDATIONS**

### **Organizational Chart – Page 11**

**It is recommended** that the Company complete Schedule Y in accordance with the NAIC *Annual Statement Instructions*, which states, "Attach a chart or listing presenting the identities of and interrelationships between the parent, all affiliated insurers and reporting entities; and other affiliates, identifying all insurers and reporting entities as such and listing the Federal Employer's Identification Number for each. The NAIC company code and two-character state abbreviation of the state of domicile should be included for all domestic insurers. The relationships of the holding company group to the ultimate controlling person (if such person is outside the reported holding company) should be shown."

### **Shareholder Meetings – Page 17**

**It is recommended** that the Company conduct the shareholders meeting annually for the purpose of electing directors as required by Article II, Shareholders, Section 1. Annual Meeting, of the Amended and Restated By-Laws which states, "The annual meeting of the shareholders shall be held on the first Monday in the month of May of each year, beginning with the year 2018 at the hour of 10:00 A.M., or at such other time on such other day within such month as shall be fixed by the Board of Directors, for the purpose of electing directors and for the transaction of such other business..."

### **Election of Directors – Page 17**

**It is recommended** that the Company conduct the shareholders meeting annually for the purpose of electing directors as required by Article II, Shareholders, Section 1. Annual Meeting, of the Amended and Restated By-Laws which states, "The annual meeting of the shareholders shall be held on the first Monday in the month of May of each year, beginning with the year 2018 at the hour of 10:00 A.M., or at such other

time on such other day within such month as shall be fixed by the Board of Directors, for the purpose of electing directors and for the transaction of such other business...”

### **Actuary Presentation – Page 18**

**It is recommended** that the Company follow NAIC *Annual Statement Instructions, Actuarial Opinion*, which states, “The Appointed Actuary must report to the Board of Directors or the Audit Committee each year on the items within the scope of the Actuarial Opinion. The minutes of the Board of Directors shall indicate that the Appointed Actuary has presented such information to the Board of Directors or the Audit Committee.”

### **Actuarial Memorandum Documentation – Page 18**

**It is recommended** that future actuarial memorandums include supporting documentation for all items opined upon so that an independent actuary can review all amounts included in the opinion as required by the NAIC *Annual Statement Instructions Manual*, which states:

The narrative component should provide sufficient detail to clearly explain to company management, the regulator, or other authority the findings, recommendations and conclusions, as well as their significance. The technical component should provide sufficient documentation and disclosure for another actuary practicing in the same field to evaluate the work. This technical component must show the analysis from the basic data, (e.g., claim lags) to the conclusions...

### **Cash, Cash Equivalents and Short-Term Investments - Page 25**

**It is recommended** that the Company report separately all deposits in excess of \$250,000 or less than (\$250,000) in Schedule E – Part 1 – Cash in accordance with NAIC *Annual Statement Instructions* which states, “Report separately all deposits in excess of \$250,000 or less than (\$250,000). Deposits not exceeding \$250,000 or not less than (\$250,000) in federally insured depositories may be combined.”



### Claims unpaid - Page 25

It is recommended that the Company take steps to fully understand the driving factors behind the large reserve deficiency as of December 31, 2020 and to understand the reasons as to why there were abnormal large amounts of payments several months beyond the date of service. We further recommend that the Company ensure that reserves are strengthened and guards against possible deficiency caused by the inconsistent payment patterns.

### Aggregate health policy reserves - Page 26 Accrued retrospective premiums

It is recommended that the Medicare Part D risk sharing liability be reported as part of Aggregate Health Policy Reserves on future annual statements per the guidance in the Medicare Part D Accounting Practice Note published by the American Academy of Actuaries.

### **SUBSEQUENT EVENTS**

A review of events subsequent to the December 31, 2020, examination date was completed. The review of subsequent events included an inspection of the general journal entries, minutes of meetings, interim financial statements and an inquiry of accounting matters.

March 26, 2021: The annual review of the Company by the analyst noted the Company met the requirements outlined in ALA. ADMIN. CODE 482-1-101.03 (e) (f) (2009). The Department is closely monitoring the business operations and financial position of the Company.

The uncertainties of COVID-19 continued to develop throughout 2021, with significant uncertainty remaining regarding the full effect of COVID-19 on the U.S. and global insurance and reinsurance industry. The Department has been in communication with the Company regarding the impact of COVID-19 on its business operations and financial position. The Department continues to closely monitor the impact of the pandemic on the Company and will take necessary action if a solvency concern arises.

## CONCLUSION

Acknowledgment is hereby made of the courtesy and cooperation extended by all persons representing Simpra Advantage, Inc. during the examination.

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

In addition to the undersigned, Andarius Vincent, Insurance Examiner and Scott Garduno, FSA, MAAA, Taylor-Walker Consulting, LLC, Examination Actuary all representing the Alabama Department of Insurance, participated in certain phases of this examination.

Respectfully submitted,



Agnes D. Riggins

Examiner-in-Charge

State of Alabama Department of Insurance