

**REPORT OF  
EXAMINATION**

**OF**

**WELLCARE OF ALABAMA, INC.**

**TAMPA, FLORIDA**

**AS OF**

**DECEMBER 31, 2019**

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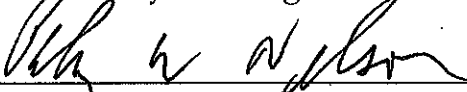
**EXAMINER'S AFFADAVIT**

**STATE OF ALABAMA  
COUNTY OF COVINGTON**

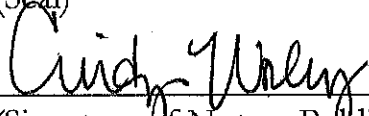
Palmer W. Nelson being duly sworn, states as follows:

1. I have the authority to represent Alabama in the examination of WellCare 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 WellCare 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, CIE, MCM

Subscribed and sworn before me by Palmer W. Nelson on the 27th day of August, 2021.

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

My commission expires 2/7/22



KAY IVEY  
GOVERNOR

JIM L.  
RIDLING  
COMMISSIONER

STATE OF ALABAMA  
DEPARTMENT OF INSURANCE  
201 MONROE STREET, SUITE 502  
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DEPUTY COMMISSIONER  
JIMMY GUNN  
MARK FOWLER

CHIEF EXAMINER  
RICHARD L. FORD

STATE FIRE MARSHAL  
SCOTT F. PILGREEN

GENERAL COUNSEL  
REYN NORMAN

August 27, 2021

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, 2019, has been made of

**WellCare of Alabama, Inc.  
Tampa, Florida**

and was conducted remotely with support from Company management located in Tampa, Florida. The Company's Statutory address is located at 7027 Old Madison Pike NW, Suite 108, Huntsville, AL 35806. The report of examination is submitted herewith. Where the description "The Company" or "WC of AL" appears herein, without qualification, it will be understood to indicate WellCare of Alabama, Inc.

## SCOPE OF EXAMINATION

We have performed an examination of WellCare of Alabama, Inc., a single-state insurance company. An Organizational Exam was conducted for the period beginning August 17, 2016 through August 21, 2017. The current examination covers the period April 13, 2017 through December 31, 2019. This examination was the first full-scope examination of the Company.

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 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, 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 16 for further discussion.

Deloitte & Touche, LLP was the Company's certified public accountant (CPA) in 2019. 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 used to complete examination work as determined to be 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, 2019.

## **ORGANIZATION AND HISTORY**

The Company was incorporated on April 13, 2017, as a Health Maintenance Organization (HMO), as defined in ALA. CODE § 27-21A-1(7)(1975). The original Certificate of Incorporation was filed for record in the office of the Secretary of State of Alabama, on April 13, 2017. The Company commenced business with initial Paid-up capital of \$2,184,960.

The purpose of the corporation, as stated in the Certificate of Incorporation, was to do business as a health maintenance organization and to create, own, operate, and manage subsidiaries as determined by the Board of Directors of the corporation and as permitted by Alabama statutes.

## **MANAGEMENT AND CONTROL**

### **Stockholders**

The Company is a stock corporation with ultimate control vested in its stockholders. At December 31, 2019, 100% of the Company's issued and outstanding common stock was owned by The WellCare Management Group, Inc. (TWMG). TWMG is 100% owned by WCG Health Management, Inc.; which is 100% owned by WellCare Health Plans, Inc., the ultimate parent of the Company.

## **Board of Directors**

Members elected to the Board of Directors by the sole shareholder and serving at December 31, 2019, were as follows:

| <u>Director</u>    | <u>Residence</u> | <u>Principal Occupation</u>  |
|--------------------|------------------|--|
| Michael Troy Meyer | Lutz, FL         | Vice President and Chief Accounting Officer of Comprehensive Health Management, Inc          |
| Andrew Lynn Asher  | Tampa, FL        | Executive Vice President and Chief Financial Officer of Comprehensive Health Management, Inc |

## **Committees**

The following committee was functioning on behalf of the Company as of December 31, 2019:

### WellCare of Alabama Audit Committee

Michael Meyer  
Andrew Asher  
Michael Wasik

## **Officers**

Officers of the Company elected by the Board of Directors and serving at December 31, 2019 were as follows:



| <u>Officer</u>         | <u>Title</u>  |
|------------------------|---|
| Richard Charles Fisher | Interim President and Chief Financial Officer                     |
| Michael Warren Haber   | Secretary and Vice President                                      |
| Goran Jankovic         | Treasurer and Vice President                                      |
| Michael Meyer          | Assistant Treasurer, Vice President, and Chief Accounting Officer |
| Tammy Meyer            | Assistant Secretary and Vice President                            |

### **Conflicts of Interest**

The Conflict of Interest Statements filed by the officers and directors of the Company were reviewed for the period covered by this examination. There were no disclosures that indicated that any officers or directors had a conflict of interest.

### **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.

Minutes of the meetings of the Stockholder and Board of Directors were reviewed for the period under examination. The minutes appeared to be complete with respect to actions taken on matters before the respective bodies for deliberation and action.

### **HOLDING COMPANY AND AFFILIATE MATTERS**

The Company is subject to the Alabama Insurance Holding Company Regulatory Act as defined in ALA. CODE § 27-29-1(1975). In connection therewith, the Company is registered with the Alabama Department of Insurance as registrant of an Insurance Holding Company System. The Company is responsible for holding company registration and periodic filings in accordance with ALA. CODE § 27-29-4(1975), and ALA. ADMIN. CODE 482-1-055(1994).

### **Administrative Service Agreements**

The following management service agreement was in effect as of December 31, 2019.

## Affiliated Agreements

### Comprehensive Health Management, Inc. Service Agreement

A Management Service Agreement was made and entered into as of January 1, 2018, by and between the Company (“WellCare”) and Comprehensive Health Management, Inc. (CHMI). The agreement was first filed with the Alabama Department of Insurance on February 27, 2018 and approved on March 13, 2018.

Under the terms of the agreement, CHMI will provide the following services:

- **Human Resources.** Human resource services include planning, implementing, and evaluating of employee relations and human resources policies, programs, and practices; maintenance and administration of the employee benefits programs; recruiting, selecting, orienting, and training employees; payroll administration; risk management as it relates to workers' compensation; dispute resolution; and compliance with state and federal employment laws. WellCare shall retain full Decision-making authority to recruit, hire, train, promote, assign, set the compensation level of, and discharge employees that provide services to WellCare.
- **Finance.** All accounting and reporting functions including billing, accounts receivable, accounts payable, payroll, budgets, premium rates, financial and statutory reporting, tax return preparation, investment consulting, investment decision making, and cash management, including premium payments and other payments. All financial records shall always be available to WellCare at all times.
- **Operational Services.** General operational services including the extension of CHMI's volume vendor discounts, to the extent available.
- **Procurement.** Procurement Services including the extension of CHMI's volume vendor discounts, to the extent available.
- **Legal & Compliance Services.** Legal and compliance services necessary to meet the needs of WellCare including, but not limited to, legal review and analysis of vendor, provider, and government contracts; regulatory compliance matters; management of litigation, arbitration and subrogation activities; general corporate and healthcare related legal work; and compliance oversight and training.

- Provider, Vendor, Ancillary, and Other Agreements. On WellCare's behalf, negotiate and enter into such agreements as it may deem necessary or advisable for the furnishing of utilities, services, concessions, and supplies for the maintenance and operation of WellCare's business including the render of professional and/or healthcare services. CHMI shall enter into such agreements only if the terms and conditions of such agreements will meet fair and reasonable standards under good commercial practices and industry standards.
- Claims Payment. Payment of claims and benefits incurred by health plan members. Final decisions will be based upon guidelines and procedures established and approved by WellCare from time to time and communicated to CHMI by WellCare, and WellCare shall retain final approval authority on all claim payments.
- Health Services. Medical support functions in quality assessment services, including the preparation of quality assessment services, practice guidelines, National Committee for Quality Assurance ("NCQA") or other accreditation, disease and case management services, risk management services, appeals, grievance, utilization review, patient management, policies, and procedures.
- Customer Service. Provider and member customer service including enrollment, surveys, complaints, and inquires. CHMI agrees that customer service services shall comply with all regulatory and government payor contract rules, regulations and guidelines.
- Provider Network and Credentialing Services. Provider network development including credentialing services, and the service obligations and quality aspects of agreements with providers and provider relations services.
- Insurance and Risk Management. The negotiation and maintenance of required insurance and bonds, including but not limited to, general and professional liability insurance, errors and omission, and fidelity bonds.
- Information Services and Data Management. Provide and manage data systems and related facilities for processing and retrieving internal business information; select systems and train personnel; and respond to external data requests. Services include the management of cost and accounting information systems, management control systems, personnel information systems, data storage and security, business systems networking, report preparation, computer facilities and equipment operation and maintenance, operator

supervision and training, and management information systems policy and planning. Proprietary software developed or licensed from the third parties by CHMI will remain the property of CHMI and/or be used in accordance with the terms and conditions of any license from a third party, and will be made available to WellCare throughout the term of this Agreement and for one (1) year after termination, or in accordance with the provisions of any third party license agreement, as applicable.

- **Employee Wages.** CHMI is the employer for all employees providing services to WellCare. The cost of any CHMI employees responsible for the provision of services under this Agreement shall be directly allocated to WellCare.
- **Facilities.** Furnishing of facilities, office space equipment, furniture, utilities, landscaping, capital improvements, and other expenses attributable to property maintenance. CHMI may negotiate and contract for such items and services in its name and shall supervise the suitability of any installation property and equipment.
- **Sales & Marketing.** Development and implementation of a sales and marketing program for lines of business, including advertising, website development, agent oversight, public relations, and sales compliance. The scope for the marketing plan shall include development of new sales and maintenance of existing membership as well as recommending changes to the benefit plans.
- **Licenses and Permits.** CHMI shall apply for all accreditations, certificates, licenses, and permits required in connection with the management and operation of WellCare's business, including, but not limited to, business licenses or permits, health plan licenses, third party administration, and utilization review licenses. All regulatory and licensure fees paid in connection with the certificates, licenses, and permits required for the operation of WellCare's business shall be directly allocated to WellCare.

The agreement states the monthly settlements will take place within 45 days from the end of the month in which the expenses were incurred.

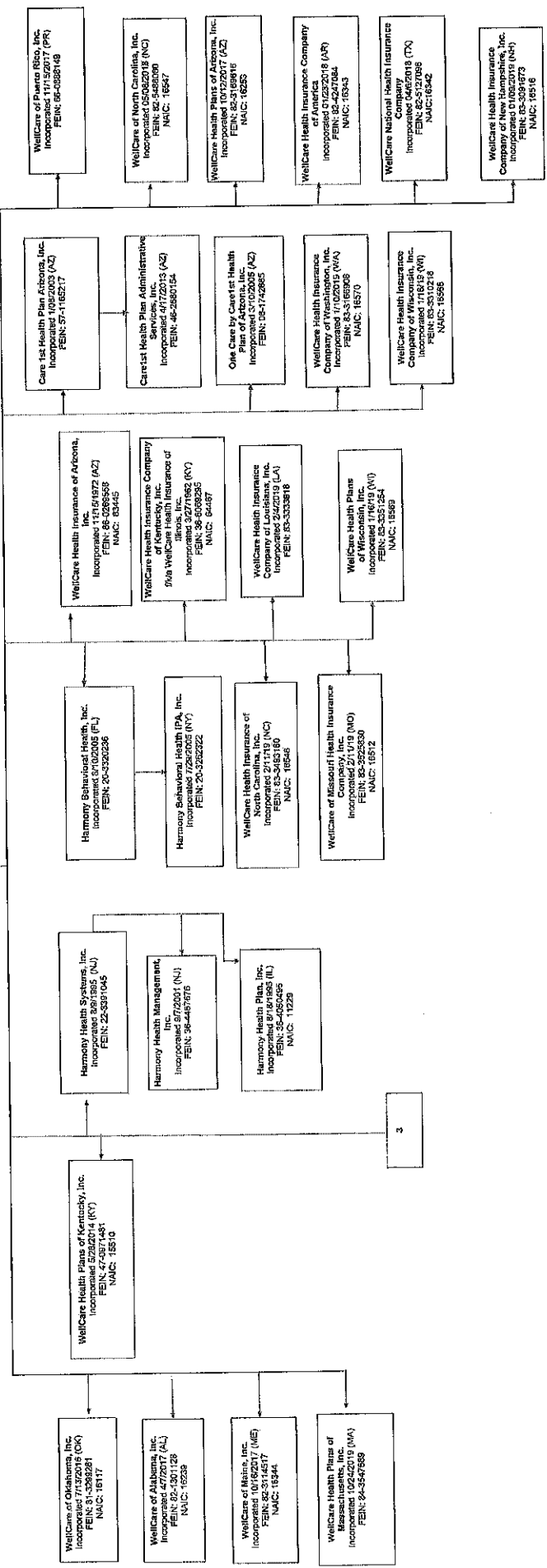
### **Organizational Chart**

The following chart presents the corporate affiliations of the Company as of December 31, 2019:

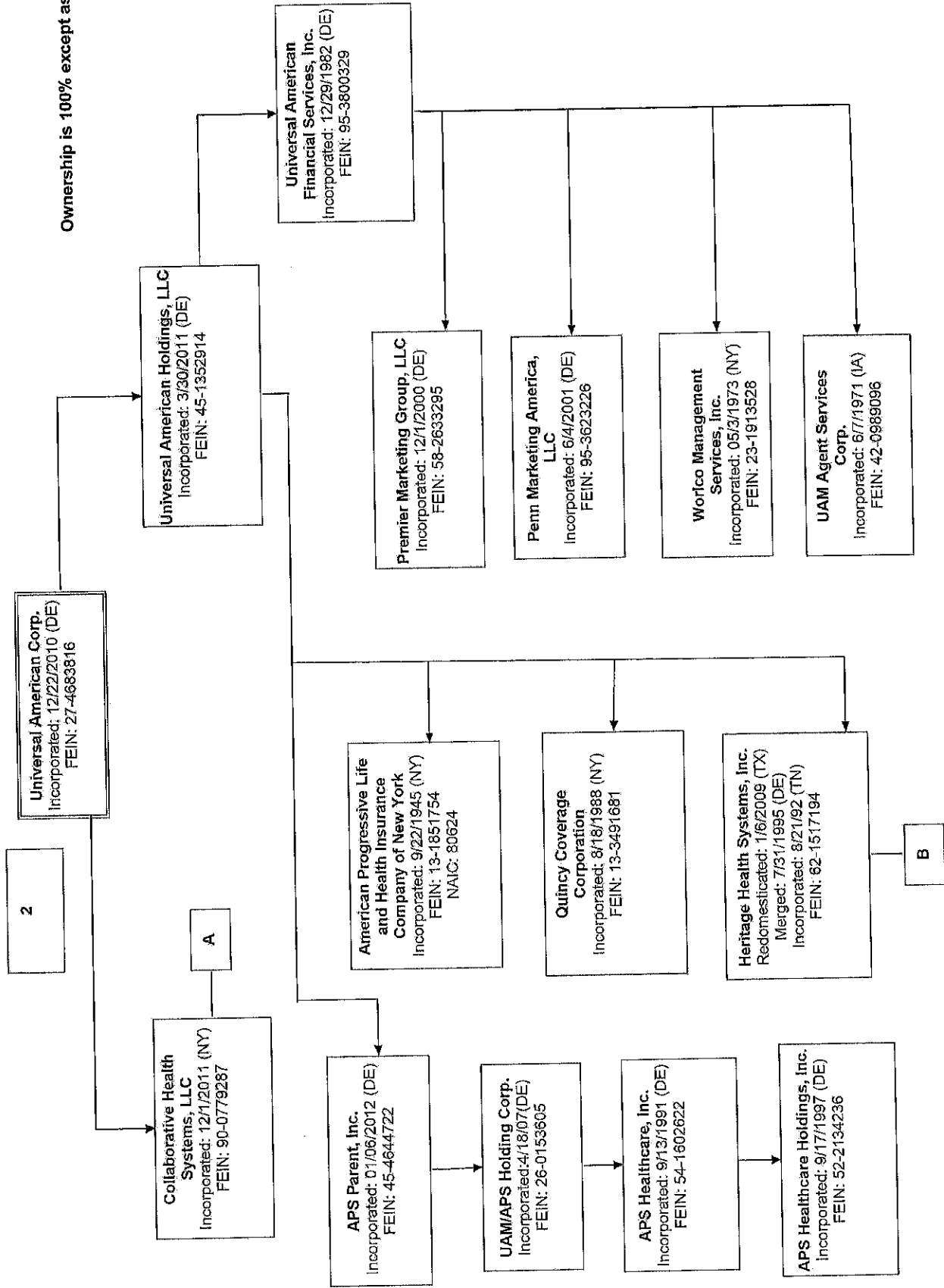


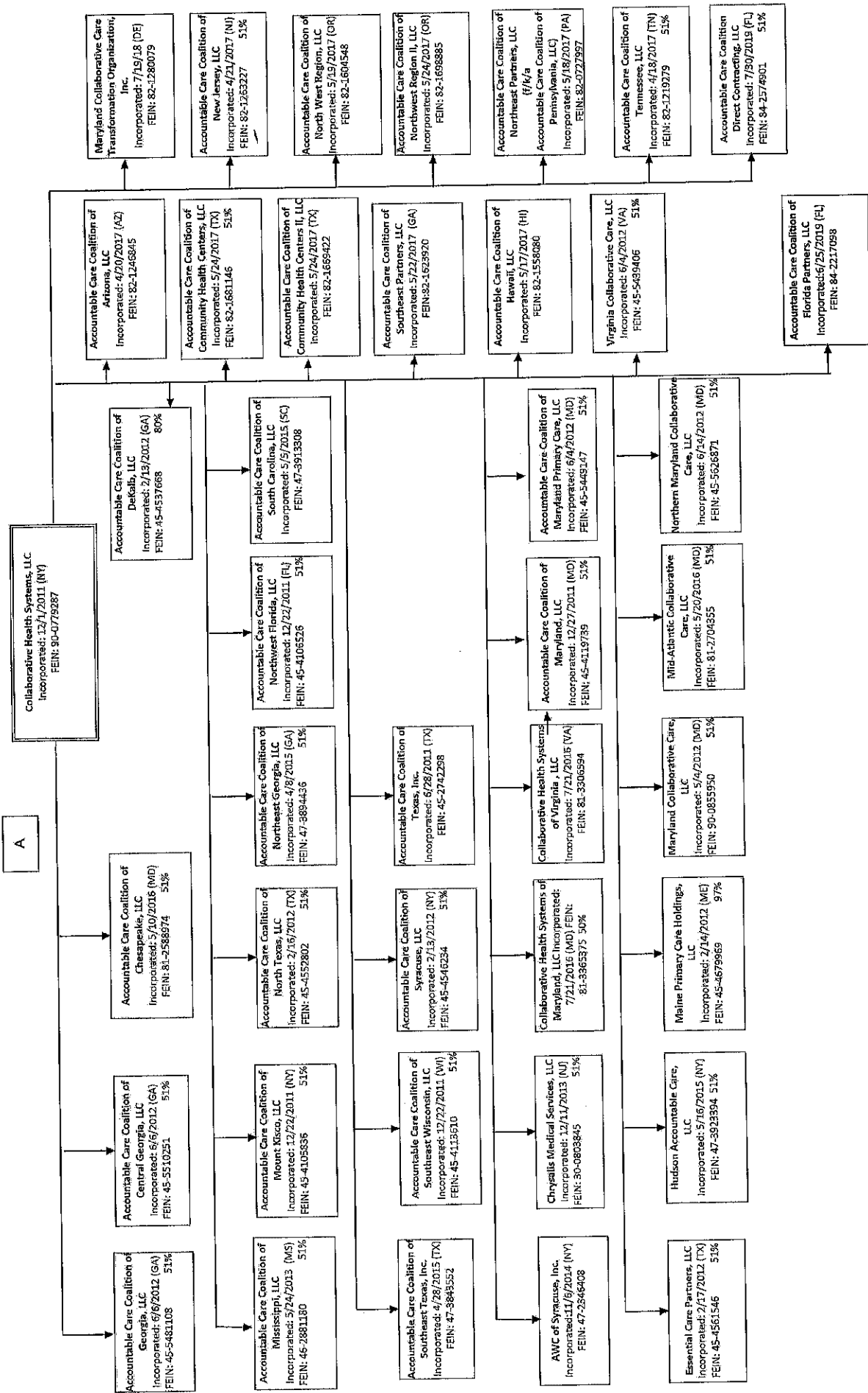
The WellCare Management Group, Inc.  
 Incorporated 02/25/1983 (NY)  
 FEIN: 14-1947229

1



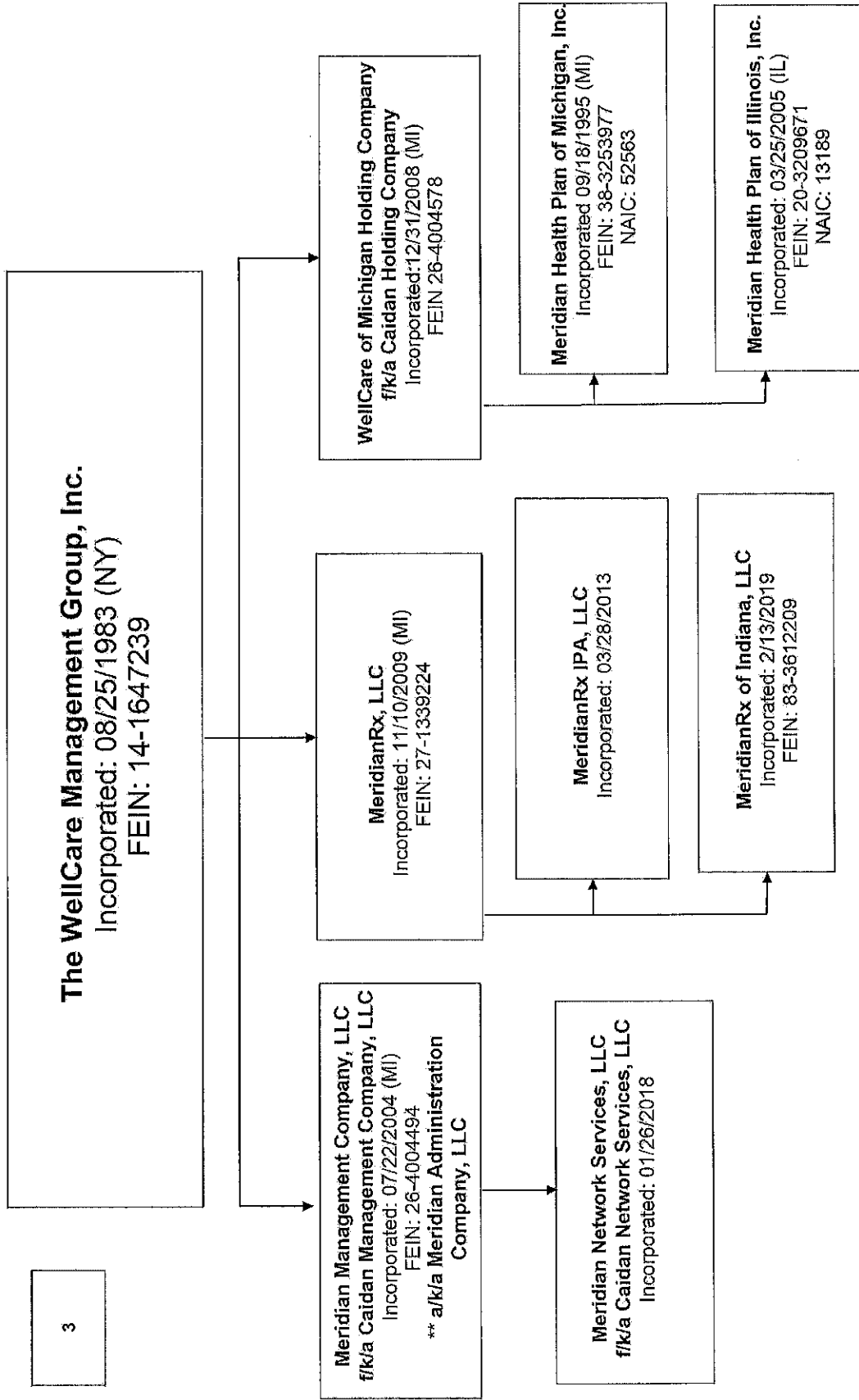
Ownership is 100% except as noted











\*\* a/k/a Meridian Administration Company, LLC in these jurisdictions: AR, FL, IL, IN, NY, ND, NV, OH, OR, TN, TX, VA, WA

## **FIDELITY BONDS AND OTHER INSURANCE**

WellCare of Alabama, Inc. is a named insured on a Fidelity Bond issued by Great American Insurance Company. The bond was in effect as of December 31, 2019. The bond amount was applicable to criminal activity resulting from employee dishonesty. The amount of the fidelity bond maintained by the Company exceeded the minimum amount required by ALA. CODE § 27-21A-6(1975).

In addition to the above coverage, the Company was a named insured under policies affording the following protections:

- Commercial General Liability Coverage with Zurich American Insurance Company
- Automobile Liability Coverage with Zurich American Insurance Company
- Workers Compensation and Employers Liability Coverage with American Zurich Insurance Company
- Manage Care Errors and Omissions Liability Coverage with Illinois Union Insurance Company

It was assessed that the Company held adequate coverage in force covering the hazards to which the Company may have been exposed to.

## **EMPLOYEE AND AGENT WELFARE**

The Company's duties and functions are performed by employees of affiliated entities in accordance with the terms of the administrative, management, and services agreement with an affiliated entity. The Company contracts with independent agents to market its products. Because the Company does not have any direct employees, no liabilities are accrued relating to pensions or post employee benefits.

### **Compliance with 18 U. S. Code § 1033**

The examiners reviewed a sample containing contracting employees within the WellCare group that were involved in the operation of the Company to verify compliance with 18 U. S. Code § 1033 and ALA. ADMIN. CODE 482-1-146(2009). The examiners verified that criminal background checks were obtained for newly hired staff and that the Company had a procedure in place to determine whether existing employees have been convicted of a felony.

The Company was unable to provide evidence of a pre-employment background check for two individuals. It was concluded that the Company was not compliant with ALA. CODE § 27-21A-16(f)(1975), which states: “All records necessary for the complete examination of a health maintenance organization domiciled in this state shall be maintained in a location approved by the commissioner.”

## **MARKET CONDUCT ACTIVITIES**

### **Territory**

The Company was authorized to transact business in the State of Alabama. As of the December 31, 2019 examination date, the Company’s service area was Jefferson County, Shelby County, Baldwin County, Escambia County, Mobile County, and Sumter County.

### **Plan of Operation**

The Company sold Medicare Advantage Plans in Alabama beginning in 2019. The Company is a subsidiary of WellCare Health Plans; a Delaware corporation who was publicly traded on the New York Stock Exchange. On January 23, 2020 Centene Corporation completed the acquisition of WellCare Health Plans. WellCare Health Plans include insurers that are managed care companies that offer government sponsored managed care services, primarily through Medicaid, Medicare Advantage, and Medicare Prescription Drug Plans.

### **Advertising and Marketing**

The Company’s management indicated that “the Company did not do any advertising and marketing during the examination period.” The Company does have an active website: <https://www.wellcare.com/en/Alabama>. The Company’s website provided contact information and the physical location of the Company. The website provided basic product information, links for Providers and Members. The website also provides links for brokers, investors, and careers with the Company.

### **Policyholder Complaints**

The Company recorded all of its complaints in its complaints register in the required format. The Company recorded three consumer direct complaints. No Department of Insurance Complaints were received during the examination period. The examiners reviewed all of the complaints in the Company’s register. It was

determined that the complaints were responded to promptly and the responses addressed the issues raised.

### **Claims Payment Practices**

The Company wrote Medicare Advantage policies associated with Medicare Title XVIII during the examination period. The administration of this business, including claims payment practices, is subject to regulation by the Center for Medicare Services (CMS). Because the business is subject to regulation by CMS, a claims review was not performed as a part of the examination.

### **Compliance with Producers' Licensing Requirements**

#### **Appointments**

A sample of 113 premium transactions was randomly selected from the 2019 direct written premium for the purpose of testing whether the producers were licensed in Alabama and appropriately appointed by the Company. It was determined that twenty-four producers were not appointed by the Company as required by 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.

The Company provided a listing of direct premiums written by the twenty-four producers not appointed by the Company, which totaled \$269,303. The total premium amount provided by the Company was not verified for accuracy by the examiners. According to the above-mentioned statute, the Company is contingently liable for a fine of up to three times the amount.

#### **Terminations**

The Company's management indicated that the Company did not have any producer terminations during the examination period. The examiner utilized the NAIC's State Based System (SBS) to review the Company's listing of producer terminations. No terminated producers were reported during the examination period.

## Underwriting and Rating

### Policy Forms and Underwriting

During the examination period, the Company did not file any policy forms with the Alabama Department of Insurance. The Company issued Medicare Advantage policies only. The Company's Medicare policy forms were approved by the Centers for Medicare and Medicaid Services (CMS).

The examiner reviewed the Company's rejected applications and cancellations during the examination period. Due to the small size of the populations, the examiners reviewed the entire population of both rejection applications and policy cancellations. The Company failed to provide a letter of rejection for one of the applicants from the population of twelve that were reviewed. It was determined that the Company was not in compliance with ALA. CODE § 27-21A-16(f)(1975), which states: "All records necessary for the complete examination of a health maintenance organization domiciled in this state shall be maintained in a location approved by the commissioner."

### Privacy Standards

The Company's PRIVACY NOTICE was reviewed for compliance with ALA. ADMIN. CODE 482-1-122(2002). The Company sent out the initial notices to new business policyholders when a policy was written. 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.

In accordance with ALA. ADMIN. CODE 482-1-122-.06(B), the Company is not required to issue annual notices since it does not share customer and/or consumer personal information with any nonaffiliated third parties, except as allowed under the law, and the Company has not changed its practices regarding disclosing nonpublic personal information from the most recent disclosure sent to consumers.

The Company had proper controls in place for employees and producers for the disclosure of nonpublic personal financial, health, or medical information.

## SPECIAL DEPOSITS

The Company had the following securities on deposit with state authorities as of December 31, 2019 in order to satisfy the statutory deposit requirements of the various states in which the Company writes business:

| <u>State</u> | <u>Book Value</u> | <u>Fair Value</u> |
|--------------|-------------------|-------------------|
| Alabama *    | \$ 2,179,086      | \$ 2,178,235      |

\*Held for the protection of all policyholders

## REINSURANCE

### Reinsurance Assumed

The Company has not engaged in any reinsurance assumptions.

### Reinsurance Ceded

At December 31, 2019, the Company had a ceded reinsurance agreement with Partner Re America Insurance Company. The reinsured business was Medicare Advantage covered persons in Alabama. The agreement provided specific excess of loss reinsurance up to a maximum of \$5 Million per covered person. The deductible per covered person was \$2.75 Million. There was no aggregate limit. The agreement was approved by the Commissioner on February 6, 2019. The one-year term agreement expired on January 1, 2020, and was replaced by a successor specific excess of loss reinsurance agreement with the same reinsurer. The limit and deductible were changed in the successor agreement.

## ACCOUNTS AND RECORDS

The Company maintained its accounting, premiums, and losses data electronically. The Company maintained additional electronic workpapers, reconciliations and statements in its database of imaged records.

For the period under examination, the Company's independent audit was performed by Deloitte & Touch, LLP, a certified public accounting firm. The ownership has changed due to an acquisition by Centene Corporation. The Company is no longer audited by Deloitte & Touch, LLP but has a new audit firm performing the annual audit.

The examination determined that the Company did not keep the books and records at its statutory office in Huntsville, Alabama. The books and records were maintained at the main administrative office in Tampa, FL., without the written permission of the commissioner. The Company was not in compliance with ALA. CODE § 27-27-29 (1975), which states:

(a) 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...

(e) With the written permission of the commissioner, a domestic insurer may maintain its executive offices outside the State of Alabama and keep there complete records of its assets, transactions, and affairs in accordance with the methods and systems as are customary or suitable for the kind or kinds of insurance transacted. All records kept at the executive offices outside Alabama shall be made available to the commissioner of Alabama upon reasonable notice by the commissioner.



## **FINANCIAL STATEMENT INDEX**

The following financial statements are based on the statutory financial statements filed by the Company with the State Department of Insurance and present the financial condition of the Company for the period ending December 31, 2019. The accompanying comments on the financial statements reflect any examination adjustments to the amount reported in the annual statement and should be considered an integral part of the financial statements.

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

**WELLCARE OF ALABAMA, INC.**  
**STATEMENT OF ASSETS**  
**For the Year Ended December 31, 2019**

|   | Assets                    | Nonadmitted<br>Assets | Admitted<br>Assets        |
|---|---------------------------|-----------------------|---------------------------|
| Bonds   | \$1,068,305               |                       | \$1,068,305               |
| Cash, cash equivalents, and short-term investments                    | 1,913,063                 |                       | 1,913,063                 |
| Subtotals, cash and invested assets                                   | \$2,981,368               |                       | \$2,981,368               |
| Investment income due and accrued                                     | 1,757                     |                       | 1,757                     |
| Uncollected Premiums and agents' balances in the course of collection | 5,426                     |                       | 5,426                     |
| Amounts receivable relating to uninsured plans                        | 908                       |                       | 908                       |
| Net deferred tax asset  | 1,279                     |                       | 1,279                     |
| Receivables from parent, subsidiaries and affiliates                  | 3,662                     | 2,218                 | 1,444                     |
| Health care and other amounts receivable                              | 6,136                     |                       | 6,136                     |
| Aggregate write-ins for other-than-invested assets                    | <u>3,079</u>              |                       | <u>3,079</u>              |
| <b>TOTAL ASSETS</b>   | <u><b>\$3,003,615</b></u> | <u><b>\$2,218</b></u> | <u><b>\$3,001,397</b></u> |

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

**WELLCARE OF ALABAMA, INC.**  
**STATEMENT OF LIABILITIES, CAPITAL AND SURPLUS**  
**For the Year Ended December 31, 2019**

| LIABILITIES   | Covered                 | Uncovered | Total                     |
|---|-------------------------|-----------|---------------------------|
| Claims unpaid   | \$73,854                | -         | \$73,854                  |
| Accrued medical incentive pool and bonus amounts  | 1,224                   | -         | 1,224                     |
| Unpaid claims adjustment expenses   | 575                     | -         | 575                       |
| Aggregate health policy reserves, including the liability for medical loss ratio rebate per the Public Health Service Act | 8,701                   | -         | 8,701                     |
| Premiums received in advance  | 6                       | -         | 6                         |
| General expenses due or accrued   | 5,660                   | -         | 5,660                     |
| Current federal and foreign income tax payable and interest thereon   | 7,834                   | -         | 7,834                     |
| Liability for amounts held under uninsured plans  | <u>31,744</u>           | -         | <u>31,744</u>             |
| <b>TOTAL LIABILITIES</b>  | <b><u>\$129,598</u></b> | <b>-</b>  | <b><u>\$129,598</u></b>   |
| Surplus   |                         |           |                           |
| Aggregate write-ins for special surplus funds   |                         |           | \$5,000                   |
| Common capital stock  |                         |           | 600,000                   |
| Gross paid in and contributed surplus   |                         |           | 2,184,960                 |
| Unassigned funds (surplus)  |                         |           | <u>81,839</u>             |
| Total capital and surplus   |                         |           | <u>\$2,871,799</u>        |
| <b>TOTAL LIABILITIES, CAPITAL AND SURPLUS</b>   |                         |           | <b><u>\$3,001,397</u></b> |

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

**WELLCARE OF ALABAMA, INC.**  
**STATEMENT OF REVENUES AND EXPENSES**  
**For the Years Ended December 31, 2019 and 2018**

|  | 2019                   | 2018                  |
|--|------------------------|-----------------------|
| Member months  | 408                    | -                     |
| Net premium income   | 259,537                | -                     |
| <b>TOTAL REVENUES</b>  | <b>\$259,537</b>       | -                     |
| Hospital/Medical Benefits  | 147,205                | -                     |
| Other professional services  | 894                    | -                     |
| Emergency room and out-of-area   | 15,167                 | -                     |
| Prescription drugs   | 4,229                  | -                     |
| Incentive pool, withhold adjustments and bonus amounts                                 | 1,444                  | -                     |
| Subtotal   | 168,939                | -                     |
| <b>TOTAL HOSPITAL AND MEDICAL</b>  | <b>\$168,939</b>       | -                     |
| Claims adjustment expenses   | 3,088                  | -                     |
| General administrative expenses  | 30,888                 | 1,206                 |
| Total underwriting deductions  | 202,915                | 1,206                 |
| Net underwriting gain or (loss)  | 56,622                 | (1,206)               |
| Net investment income earned   | 45,810                 | 10,349                |
| Net investment gains (losses)  | 45,810                 | 10,349                |
| Net income or (loss) after capital gains tax and before all other federal income taxes | 102,432                | 9,143                 |
| Federal and foreign income taxes incurred  | 22,323                 | 1,920                 |
| <b>NET INCOME (LOSS)</b>   | <b><u>\$80,109</u></b> | <b><u>\$7,223</u></b> |

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

**WELLCARE OF ALABAMA, INC.**  
**CAPITAL AND SURPLUS ACCOUNT**  
**For the Years Ended December 31, 2019 and 2018**

|  | <b>2019</b>               | <b>2018</b>               |
|--|---------------------------|---------------------------|
| Capital and surplus prior reporting year         | \$1,592,629               | \$485,406                 |
| Net income or (loss)                             | 80,109                    | 7,223                     |
| Change in net deferred income tax                | 1,279                     | -                         |
| Change in non-admitted assets                    | (2,218)                   | -                         |
| Capital changes, paid in                         | -                         | 599,900                   |
| Surplus adjustments, paid in                     | 1,200,000                 | 500,100                   |
| Net change in capital and surplus                | <u>1,279,170</u>          | <u>1,107,223</u>          |
| <b>CAPITAL AND SURPLUS END OF REPORTING YEAR</b> | <b><u>\$2,871,799</u></b> | <b><u>\$1,592,629</u></b> |

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

## NOTES TO FINANCIAL STATEMENTS

### Analysis of Changes to Surplus

No changes were made to surplus.

## COMMENTS AND RECOMMENDATIONS

### Compliance with 18 U. S. Code § 1033 – Page 15

It is recommended that the Company maintain its pre-employment background checks in accordance with ALA. CODE § 27-21A-16(f)(1975), which states: “All records necessary for the complete examination of a health maintenance organization domiciled in this state shall be maintained in a location approved by the commissioner.”

### Compliance with Producers’ Licensing Requirements – Page 17

It is recommended that the Company properly appoint its producers as required by 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.

### Underwriting and Rating – Page 18

It is recommended that the Company keep complete records of its rejected applications in accordance with ALA. CODE § 27-21A-16(f)(1975), which states: “All records necessary for the complete examination of a health maintenance organization domiciled in this state shall be maintained in a location approved by the commissioner.”

## Accounts and Records – Page 19

It is recommended that the Company keep its books and records in its home office in Alabama in accordance with ALA. CODE § 27-27-29(1975) which states:

(a) 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...

(e) With the written permission of the commissioner, a domestic insurer may maintain its executive offices outside the State of Alabama and keep there complete records of its assets, transactions, and affairs in accordance with the methods and systems as are customary or suitable for the kind or kinds of insurance transacted. All records kept at the executive offices outside Alabama shall be made available to the commissioner of Alabama upon reasonable notice by the commissioner.

## **COMPLIANCE WITH PREVIOUS RECOMMENDATIONS**

The Company has not had a full scope examination before. The Company was the subject of an organizational examination. The organizational examination was reviewed and considered in the examiners' risks identification and assessment. Because there was not a previous full scope examination, procedures were not designed to determine whether the Company complied with previous examination recommendations.

## **CONTINGENT LIABILITIES AND PENDING LITIGATION**

The review of 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 December 31, 2019 examination date was done. The following item was noted during the review:

- On January 23, 2020 Centene Corporation completed the acquisition of WellCare Health Plans. The acquisition of WellCare of Alabama, Inc. by Centene Corporation was previously approved by the Commissioner on June 18, 2019.

No other items of a material amount or noteworthy in nature were revealed.



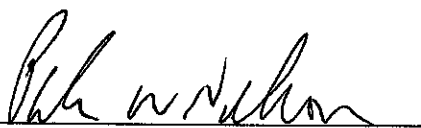
## CONCLUSION

Acknowledgment is hereby made of the courteous cooperation extended by the officers and employees of the Company during the course of this examination.

The customary insurance examination procedures, as recommended by the NAIC 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, Theo Goodin, AIE, ALMI, MCM; Jacob Grissett, CFE (Fraud); David Martin, Examiner; and Scott Garduno, FSA, MAAA, consulting actuary with Taylor-Walker Consulting, LLC; represented the Alabama Department of Insurance and participated in the examination of the Company.

Respectfully submitted,



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