



# NC DEPARTMENT of INSURANCE

MIKE CAUSEY, COMMISSIONER

COMPANY SERVICES GROUP  
FINANCIAL EXAMINATION DIVISION

Tel 919.807.6602 Fax 919.807.6635

I, Mike Causey, Commissioner of Insurance in and for the State of North Carolina do hereby certify that: I have caused the Report on Limited Scope Examination of Alignment Health Plan of North Carolina, Inc. as of December 31, 2023 with the original on file at this Department and find the same to be a correct copy of the whole said original.

IN TESTIMONY WHEREOF, I have hereunto set my hand and affixed my official seal at the City of Raleigh, this the 4th day of March, 2025.



Mike Causey  
Commissioner of Insurance

Monique D. Smith, CPA, CFE, CIA  
Deputy Commissioner  
Financial Examination Division

**Alignment Health Plan of North Carolina, Inc.**

Raleigh, North Carolina

**Report on Limited Scope Examination**

As of December 31, 2023

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# REPORT ON LIMITED-SCOPE EXAMINATION

Honorable Mike Causey  
Commissioner of Insurance  
State of North Carolina  
Raleigh, North Carolina

Sir:

Pursuant to your instructions and in accordance with Section (“§”) 58-67-100 and 58-2-131 of the General Statutes of North Carolina (“GS”), the North Carolina Department of Insurance (“Department”) conducted a limited-scope examination of

## **Alignment Health Plan of North Carolina, Inc.**

(hereinafter referred to as the “Company”), acknowledging that its main administrative office is located at 1100 West Town & Country Road, Suite 1600, Orange, California 92868. The Company’s statutory home office is located at 160 Mine Lake Court, Suite 200, Raleigh, North Carolina 27615. The Department’s last full-scope examination was as of December 31, 2022. The following report on limited-scope examination is respectfully submitted.

## **SCOPE OF THE EXAMINATION**

This examination covers the period from January 1, 2023, to December 31, 2023, on a limited scope basis. During the last examination of the Company, the Department noted that the Premium Deficiency Reserve (“PDR”) calculation did not comply with the Statement of Statutory Accounting Principles (“SSAP”) No. 54, the Actuarial Standard of Practice (“ASOP”) No. 42, and the National Association of Insurance Commissioners (“NAIC”) Health Reserves Guidance Manual based on the PDR reported at December 31, 2022. The Company improperly excluded Selling, General, and Administrative (“SG&A”) expenses totaling \$4,761,606 from its PDR analysis, which resulted in a significant deficiency in the PDR reported in the Company’s 2022 Annual Statement. The Company was directed to comply with SSAP 54, ASOP 42, and the NAIC Health Reserves Guidance Manual by including 100% of its projected SG&A expenses.

We conducted our examination in accordance with auditing standards established by the Department and the NAIC Financial Condition Examiners Handbook (“Handbook”). The scope of this examination was not comprehensive but included a limited review of the Company’s practices and procedures, its corporate and accounting records, details of certain transactions, and an evaluation of certain liabilities reported as of December 31, 2023. This report is not intended to communicate all matters of importance for an understanding of the Company’s financial condition as of December 31, 2023. Therefore, the findings and conclusions contained within this report are based solely on the work performed on the specific areas of concern.

The scope of our examination included substantive testing and analytical review procedures considered necessary to identify any significant concerns relative to the following:

- a) The Company’s detailed calculation of the PDR reported at December 31, 2023.
- b) Key financial data and assumptions used in the Company’s 2024 forecast to determine the need for a PDR at December 31, 2023.
- c) SG&A expenses reported by the Company through June 30, 2024.

## REPORT ACRONYMS

Board of Directors	“Board”
Financial Condition Examiners Handbook	“Handbook”
General Statutes of North Carolina	“GS”
North Carolina Department of Insurance	“Department”
National Association of Insurance Commissioners	“NAIC”
Alignment Healthcare of North Carolina, Inc.	“Company”
Premium Deficiency Reserve	“PDR”
Statement of Statutory Accounting Principles	“SSAP”
Actuarial Standard of Practice	“ASOP”
Selling, General, and Administrative	“SG&A”
Alignment Healthcare USA, LLC	“AHC-USA”
Alignment Healthcare, Inc.	“AHI”

## SUMMARY OF EXAMINATION FINDINGS

- a) The Department performed a detailed actuarial analysis of the Company’s PDR calculation totaling \$113,415 at December 31, 2023. Based on our review, the methodology utilized to determine the liability reported in the 2023 Annual Statement complies with SSAP No. 54, ASOP No. 42, and the NAIC’s Health Reserve Guidance Manual and the PDR calculation methodology and approach is reasonable.
- b) The Department performed an analysis of key financial data and assumptions used in the Company’s 2024 forecast to determine the need for a PDR at December 31, 2023. Based on our review of historical claim, premium and expense data, the key data and assumptions used by the Company appeared reasonable, valid, and reliable.

During the Department’s review of subsequent events, we noted that the Company reported a net loss totaling (\$1,921,092) at September 30, 2024. The Company’s net loss is attributed to approximately \$2.1 million in unfavorable development of certain asset and liability accruals reported at December 31, 2023, as illustrated in the Underwriting and Investment Exhibit within the Company’s Quarterly Statement as of September 30, 2024. Without the unfavorable development of the yearend asset and liability accruals, the Company would have had positive net income at September 30, 2024.

The Department recommends that the Company incorporate a higher level of conservatism in its statutory accounting accruals to lessen the likelihood that asset and liability accruals develop unfavorably and to ensure adequate matching of revenues and expenses in its statutory financial statements. The Department contends that management should have been aware of the negative development through June 2024, when the Company calculated its PDR estimate and amended its 2023 Annual Statement; therefore, we recommend that the Company ensure that the most recent information is incorporated in the annual and quarterly statutory financial statements filed with the Department.

- c) The Department performed substantive testing procedures to validate the Company’s SG&A expenses totaling \$5,850,451 at June 30, 2024, as reported in its Quarterly Statement. Based on the testing performed, the Company’s SG&A expenses appeared complete, accurate, and properly reported in the financial statements.

The courteous cooperation and assistance extended by the officers and employees of the Company during the examination is hereby acknowledged.

Respectfully submitted,



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Monique D. Smith, CPA, CFE, CIA  
Deputy Commissioner  
North Carolina Department of Insurance

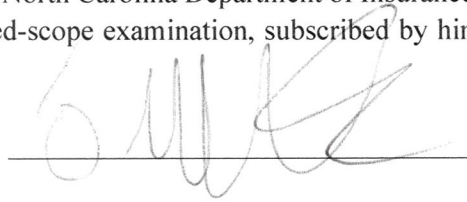
January 31, 2025

STATE OF NORTH CAROLINA

COUNTY OF WAKE

Jeffrey Streyle, North Carolina Department of Insurance, being first, duly sworn, deposes and says that this report on limited-scope examination, subscribed by him, is true and correct to the best of his knowledge and belief.

Signature:



Date:

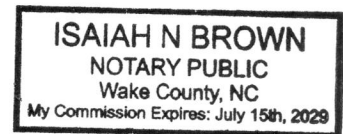
1/31/2025

Sworn and subscribed before me this 31 day of January, 2025.

Notary Public Signature:



Notary Public Seal:



## SUPPLEMENTARY INFORMATION

The Department’s examination was limited to those areas previously specified within the scope of examination. The following supplemental information is being presented for information purposes only.

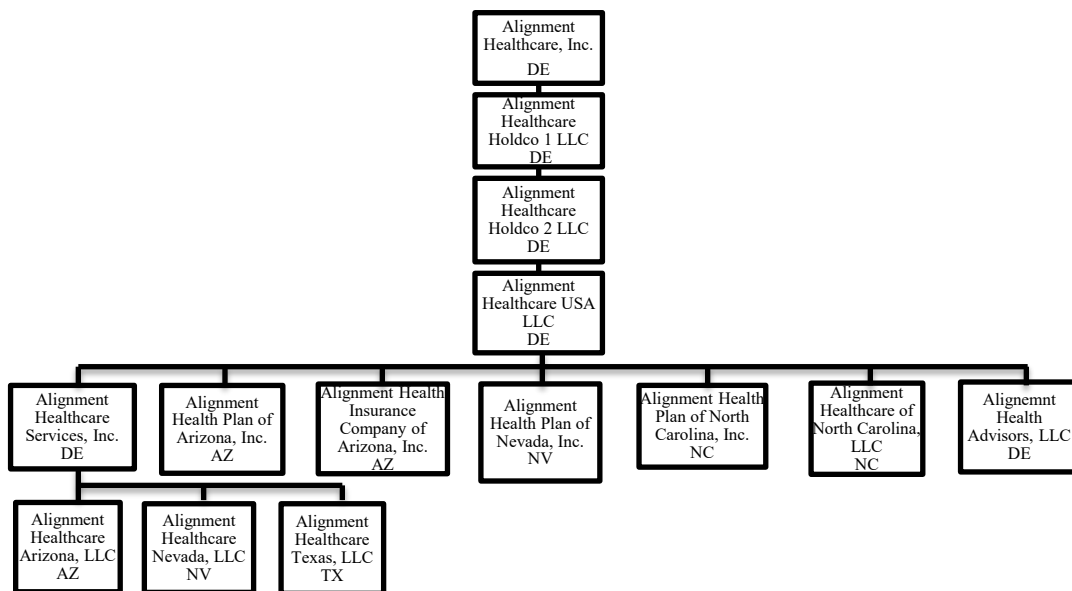
### ORGANIZATIONAL STRUCTURE

The Company is part of an insurance holding company system as defined in GS § 58-19. The Company is a wholly owned subsidiary of Alignment Healthcare USA, LLC (“AHC-USA”), a Delaware corporation. AHC-USA is an intermediate holding company wholly owned by Alignment Healthcare, Inc. (“AHI”). General Atlantic L.P., a private equity firm, owns 32.6% of AHI and is the ultimate controlling person of AHI. AHI is a publicly traded corporation and serves as the primary source of corporate governance and oversight for the insurance group.

AHI, through AHC-USA, operates and manages various Medicare Advantage health plans licensed as insurance companies and operating as either Health Maintenance Organizations (“HMO”) or Preferred Provider Organizations in North Carolina, Arizona, California, Florida, Nevada, and Texas.

### ORGANIZATIONAL CHART

The Company’s 2023 Annual Statement Schedule Y contains a complete organizational chart. The following is a summarized organizational chart of the Company within the holding company group as of December 31, 2023:





## **COMPANY HISTORY**

The Company was incorporated on November 27, 2019, under the laws of the State of North Carolina and became licensed as an HMO on March 24, 2020. The Company was initially funded in 2020 through the issuance of 1,000 shares of \$0.00 par value common capital stock and an additional paid-in capital contribution of \$7,000,000. The Company commenced business on January 1, 2021.

The Company received an additional paid-in capital contribution of \$3,100,000 and \$11,629,354 from AHC-USA in 2021 and 2023, respectively. At December 31, 2023, the Company reported \$22,605,339 in gross paid-in and contributed surplus and (\$10,506,231) in unassigned surplus.

## **FINANCIAL STATEMENTS**

The following financial statements are based on the amended statutory financial statements filed by the Company with the Department for the period ending December 31, 2023, and are unexamined.

**Alignment Health Plan of North Carolina, Inc.**  
**Statutory Statement of Admitted Assets**  
**December 31, 2023**

	<b>2023</b>	<b>2022</b>
Cash and short-term investments	\$14,213,137	\$12,074,950
<b>Total cash and invested assets</b>	<b>14,213,137</b>	<b>12,074,950</b>
Investment income due and accrued	8,133	-
Accrued retrospective premiums and contracts subject to redetermination	1,189,741	245,117
Amounts receivable relating to uninsured plans	1,736,939	1,467,600
Health care and other accounts receivable	1,005,890	411,139
<b>Total admitted assets</b>	<b>\$18,153,839</b>	<b>\$14,198,806</b>

**Alignment Health Plan of North Carolina, Inc.**  
**Statutory Statement of Liabilities, Capital, and Surplus**  
**December 31, 2023**

	<b>2023</b>	<b>2022</b>
Claims unpaid	\$3,938,979	\$2,080,560
Accrued medical incentive pool and bonus amounts	-	13,123
Unpaid claims adjustment expenses	62,875	36,001
Aggregate health policy reserves	113,415	1,090,112
Premiums received in advance	-	706
General expenses due and accrued	102,677	87,332
Amounts due to parent; subsidiaries and affiliates	1,249,900	8,615,334
Liability for amounts held under uninsured plans	350,927	-
Unpaid checks payable	235,959	107,729
<b>Total liabilities</b>	<b>6,054,732</b>	<b>12,030,897</b>
Common capital stock	-	1,000
Gross paid in and contributed surplus	22,605,339	10,100,000
Unassigned funds	(10,506,231)	(7,933,091)
<b>Total capital and surplus</b>	<b>12,099,107</b>	<b>2,167,909</b>
<b>Total liabilities, capital and surplus</b>	<b>\$18,153,839</b>	<b>\$14,198,806</b>

**Alignment Health Plan of North Carolina, Inc.**  
**Statutory Statement of Operations**  
**December 31, 2023**

	<b>2023</b>	<b>2022</b>
Member months	34,180	15,967
<b>Underwriting Income (Loss)</b>		
Premiums earned	\$37,155,706	\$17,707,262
<b>Hospital and Medical</b>		
Hospital and medical benefits	21,609,350	10,028,854
Other professional services	247,339	741,944
Emergency room and out-of-area	7,744,925	3,362,603
Prescription drugs	3,283,761	1,493,433
Incentive pool, withhold adjustments and bonus amounts	946	(175,692)
Transportation costs	128,944	-
Over the counter (OTC) expense	872,778	-
Grocery expense	44,943	-
Subtotal	33,932,986	15,451,142
<b>Less</b>		
Total hospital and medical	33,932,986	15,451,142
Claims adjustment expenses	231,284	101,438
General administrative expenses	7,101,341	3,912,250
Increase in reserves for life and accident contracts	(559,585)	973,000
Total underwriting deductions	40,706,025	20,437,830
Net underwriting gain (loss)	(3,550,319)	(2,730,568)
Net investment income earned	511,215	30,052
Net investment gains (losses)	511,215	30,052
Net gain (loss) from agents' or premium balances charged off	(114)	(7,674)
<b>Net income (loss)</b>	<b>(\$3,039,218)</b>	<b>(\$2,708,190)</b>

**Alignment Health Plan of North Carolina, Inc.**  
**Statutory Statement of Capital and Surplus**  
**December 31, 2023**

	<b>2023</b>	<b>2022</b>
<b>Capital and surplus, beginning of year</b>	<b>\$2,167,909</b>	<b>\$5,550,123</b>
Capital and surplus increases (decreases):		
Net income (loss)	(3,039,128)	(2,708,190)
Change in non-admitted assets	1,012,809	(1,339,756)
Surplus adjustments to paid-in capital	11,629,354	-
Prior period adjustment for PDR	300,000	-
Employee stock option plans	28,253	665,732
<b>Net change in capital and surplus</b>	<b>9,931,198</b>	<b>(3,382,214)</b>
<b>Capital and surplus, end of year</b>	<b>\$12,099,107</b>	<b>\$2,167,909</b>

**Alignment Health Plan of North Carolina, Inc.**  
**Statutory Statement of Cash Flow**  
**December 31, 2023**

	<b>2023</b>	<b>2022</b>
<b>Cash from (used by) Operations</b>		
Premiums collected net of reinsurance	\$35,793,265	\$17,688,820
Net investment income	503,081	30,052
Miscellaneous income	1,655	
Total	36,298,001	17,718,872
Benefit and loss related payments	33,158,206	15,781,953
Commissions, expenses paid and aggregate write-ins	7,208,931	4,828,028
Total	40,367,137	20,609,981
<b>Net cash from (used by) operations</b>	<b>(4,069,137)</b>	<b>(2,891,109)</b>
<b>Cash from (used by) financing and miscellaneous sources</b>		
Cash from capital and paid-in surplus	1,049,354	-
Other cash (applied) provided	5,157,969	3,467,303
<b>Net cash from (used by) financing and miscellaneous sources</b>	<b>6,207,323</b>	<b>3,467,303</b>
<b>Reconciliation of cash and short-term investments</b>		
Net change in cash and short-term investments	2,138,187	576,194
Cash and short-term investments, beginning of year	12,074,950	11,498,756
Cash and short-term investments, end of year	<b>\$14,213,137</b>	<b>\$12,074,950</b>

**Alignment Health Plan of North Carolina, Inc.**  
**DISTRIBUTION OF REPORT ON EXAMINATION**  
December 31, 2023

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