



NC DEPARTMENT
of **INSURANCE**
MIKE CAUSEY, COMMISSIONER

COMPANY SERVICES GROUP
FINANCIAL EXAMINATION DIVISION

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I, Mike Causey, Commissioner of Insurance in and for the State of North Carolina do hereby certify that: I have caused the Report on Examination of Care N' Care Insurance Company 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 22nd day of April, 2025.



Mike Causey
Commissioner of Insurance

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

Care N' Care Insurance Company of North Carolina, Inc.

Greensboro, North Carolina

Report on Examination

As of December 31, 2023

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March 19, 2025

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 of the General Statutes of North Carolina (“GS”), the North Carolina Department of Insurance (“Department”) conducted an examination of the records, business affairs and financial condition of

Care N’ Care Insurance Company of North Carolina, Inc.

(hereinafter referred to as the “Company”), acknowledging that its main administrative and statutory home office is located at 300 Wendover Avenue East, Suite 121, Greensboro, North Carolina 27401. The following report on examination is respectfully submitted.

SCOPE OF THE EXAMINATION

We performed a full-scope statutory examination of the Company. This examination covers the period from January 1, 2019, to December 31, 2023, including any material transactions and events occurring subsequent to the examination date and noted during the course of this examination. The Department’s most recent prior examination of the Company was as of December 31, 2018.

The purpose of this examination is to assess the financial condition and controls of the Company and set forth findings of fact (together with citations of pertinent laws, regulations, and rules) with regard to any material adverse findings disclosed by the examination.

We conducted our examination in accordance with auditing standards established by the Department and the National Association of Insurance Commissioners (“NAIC”) Financial Condition Examiners Handbook (“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 and the following key functional activities were identified:

Capital and Surplus
Financial Reporting
Reinsurance – Ceding Insurer
Related Parties
Reserves/Claims Handling
Underwriting

This may include assessing significant estimates made by management, as well as evaluating the overall financial statement presentation, management's compliance with GS Chapter 58 and evaluating management's compliance with statutory accounting principles. This 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 from the Company's financial statements.

This examination report includes significant findings of fact and general information about the insurer and its financial condition. There may be other items identified during the examination that, due to their nature (e.g., subjective conclusions, proprietary information, etc.), are not included within the examination report but separately communicated to the Company.

The Company's Annual Statements, work papers, and the independent audit work papers were reviewed and relied upon whenever possible. A trial balance reconciliation of the Annual Statement was performed, as were a verification of ownership and valuation of assets, determination of liabilities and reserves, and an analysis and review of such accounts and records as deemed necessary by the examination team. A management representation letter attesting to the Company's ownership of assets, the nonexistence of unrecorded liabilities and contingent liabilities was received from Company management.

The books and records of the Company are audited annually by independent certified public accountants in accordance with GS § 58-10-185(a). CliftonLarsonAllen LLP of Minneapolis, Minnesota, the designated independent public accountant of the Company, issued an unmodified opinion for each year subsequent to the Department's prior examination through, and including, the year ended December 31, 2023.

REPORT ACRONYMS

Board of Directors	“Board”
Care N’ Care Insurance Company of North Carolina, Inc.	“Company”
Care N’ Care Insurance Company, Inc.	“CNC-TX”
Chronic Special Needs Plan	“C-SNP”
Financial Condition Examiners Handbook	“Handbook”
General Statutes of North Carolina	“GS”
Health Maintenance Organization	“HMO”
HTA Holdings, LLC	“HTA”
Information Technology Planning Questionnaire	“ITPQ”
Information Technology General Controls	“ITGCs”
Kaiser Foundation Hospitals	“Kaiser”
Moses H. Cone Memorial Hospital	“Cone Health”
National Association of Insurance Commissioners	“NAIC”
North Carolina Department of Insurance	“Department”
Novant Health	“Novant”
Authorized Control Level	“ACL”
Risk Based Capital	“RBC”
Triad Healthcare Network, LLC	“Triad Health”
Wesley Long Community Health Services, Inc.	“Wesley Long”

SUMMARY OF SIGNIFICANT FINDINGS

ANALYSIS OF EXAMINATION ADJUSTMENTS

December 31, 2023				
	Assets	Liabilities	Capital & Surplus	Net Loss
As originally reported to the Department	\$64,492,038	\$41,479,798	\$23,012,239	\$(2,715,667)
a. Uncollected premiums and agents' balances in the course of collection	(32,901)	-	-	-
b. Accrued retrospective premiums and contracts subject to redetermination	(201,909)	-	-	-
c. General expenses due or accrued	-	(996,808)	-	-
d. Claims unpaid	-	6,677,463	-	-
e. Unpaid claims adjustment expenses	-	(5,831,039)	-	-
f. Net deferred tax liability	-	(41,751)	-	-
g. Unassigned Funds			(42,676)	
h. Net loss				(229,267)
As adjusted	\$64,257,226	\$41,287,663	\$22,969,563	\$(2,944,934)

- a. To decrease uncollected premiums and agents' balances in the course of collection for amounts charged off. (Refer to Comments, Recommendations, and Directives Note a.)
- b. To decrease accrued retrospective premiums and contracts subject to redetermination for revenue adjustment related to the Medicare risk adjustment factor. (Refer to Comments, Recommendations, and Directives Note b.)
- c. To decrease general expenses due or accrued for a reclassification to claims unpaid and an adjustment for prepaid expenses. (Refer to Comments, Recommendations, and Directives Notes c. and d.)
- d. To reclassify liabilities for general expenses and claims adjustment expenses to claims unpaid. (Refer to Comments, Recommendations, and Directives Notes d. and e.)
- e. To reclassify expenses from unpaid claims adjustment expenses to claims unpaid. (Refer to Comments, Recommendations, and Directives Note e.)
- f. To reduce the net deferred tax liability to zero. (Refer to Comments, Recommendations, and Directives Note a.)
- g. To record the cumulative effect of annual audit adjustments on unassigned funds. (Refer to Comments, Recommendations, and Directives Note a.)
- h. To record the cumulative effect of annual audit adjustments on the Company's net loss. (Refer to Comments, Recommendations, and Directives Note a.)

COMMENTS, RECOMMENDATIONS, AND DIRECTIVES

- a. The Company's audited financial statements as of December 31, 2023, contained various differences from amounts reported in the 2023 Annual Statement filed with the Department due to audit adjustments made by the independent auditor. Some audit adjustments were deemed to be immaterial to our examination on an individual basis; therefore, no specific comment, recommendation, or directive is provided for immaterial audit adjustments. The Company is directed to ensure accurate financial reporting in future filings to the Department in accordance with GS § 58-2-165(c).
- b. The Company overstated amounts receivable for accrued retrospective premiums and contracts subject to redetermination on the Statement of Assets in its 2023 Annual Statement. The Company's independent public accountant recorded an adjustment to correct the error by decreasing premium receivable and revenue by \$201,909 for the Medicare risk adjustment factor. The Company is directed to ensure accurate financial reporting in future filings to the Department in accordance with GS § 58-2-165(c).
- c. The Company reported inaccurate amounts for the liabilities for claims unpaid and general expenses due or accrued on the Statement of Liabilities, Capital, and Surplus in its 2023 Annual Statement. The Company's independent public accountant recorded an adjustment to correct the error by reclassifying \$846,423 related to pharmacy claims payable from accounts payable to Part D claims payable. The Company is directed to ensure accurate financial reporting in future filings to the Department in accordance with GS § 58-2-165(c).
- d. The Company overstated general expenses due or accrued on the Statement of Liabilities, Capital, and Surplus and prepaid expenses on the Statement of Assets in its 2023 Annual Statement. The Company's independent public accountant recorded an adjustment to correct the error by eliminating prepaid assets and accounts payable totaling \$150,386. The Company is directed to ensure accurate financial reporting in future filings to the Department in accordance with GS § 58-2-165(c).
- e. The Company reported inaccurate amounts for claims unpaid and unpaid claims adjustment expenses on the Statement of Liabilities, Capital, and Surplus in its 2023 Annual Statement. The Company's error was a result of changes made to the chart of accounts in 2023 and the general ledger account groupings for each Annual Statement line item. The Company's independent public accountant recorded an adjustment to correct the error by reclassifying liabilities totaling \$5,831,039 from unpaid claims adjustment expenses reported on line 3 to claims unpaid reported on line 1. The Company is directed to ensure accurate financial reporting in future filings to the Department in accordance with GS § 58-2-165(c).
- f. The Company did not properly obtain Conflict of Interest statements executed for all officers and directors for the years 2019 and 2023. The Company is directed to comply with Title 11 of the North Carolina Administrative Code Chapter 11C.0117.
- g. The Company provided no indication in the minutes of the Board of Directors ("Board") meetings that the Actuarial Opinion was presented to the Board in accordance with the 2023 Health Annual Statements Instructions (page 9) which states, "The Appointed Actuary must report to the Board of Directors each year on the items within the scope of the Actuarial Opinion. The Actuarial Opinion and the Actuarial Memorandum must be made available to the Board. The minutes of the Board should indicate that the Appointed Actuary has presented such information to the Board and that the Actuarial Opinion and the Actuarial Memorandum were made available." The Company is directed to comply with the Health Annual Statement Instructions in accordance with GS § 58-2-165(c) pursuant to GS § 58-67-55. In addition, we recommend that the Company include

documentation of the Board's review of the Actuarial Opinion and Actuarial Memorandum in the meeting minutes.

- h. The Company did not maintain any evidence that its investment transactions were authorized or approved by the Board for the years 2019 through 2023 as required by GS § 58-7-168. The Company is directed to comply with GS § 58-7-168 and maintain meeting minutes of the Board's authorization and approval of investments.
- i. The Company did not comply with or maintain evidence of compliance with the following provisions of its bylaws:
 - 1. Article V Section 5.2, which states that the Board shall have an Operations Advisory Subcommittee to review performance outcomes while providing strategic and operational input related to health plan operations.
 - 2. Article IX Section 9.1, which states that officers of the Company shall be appointed by the Board.
 - 3. Article III Section 3.2, prior to January 1, 2023, which states that the Board shall consist of no less than five nor more than 13 members during 2022 when there were only four Board members.

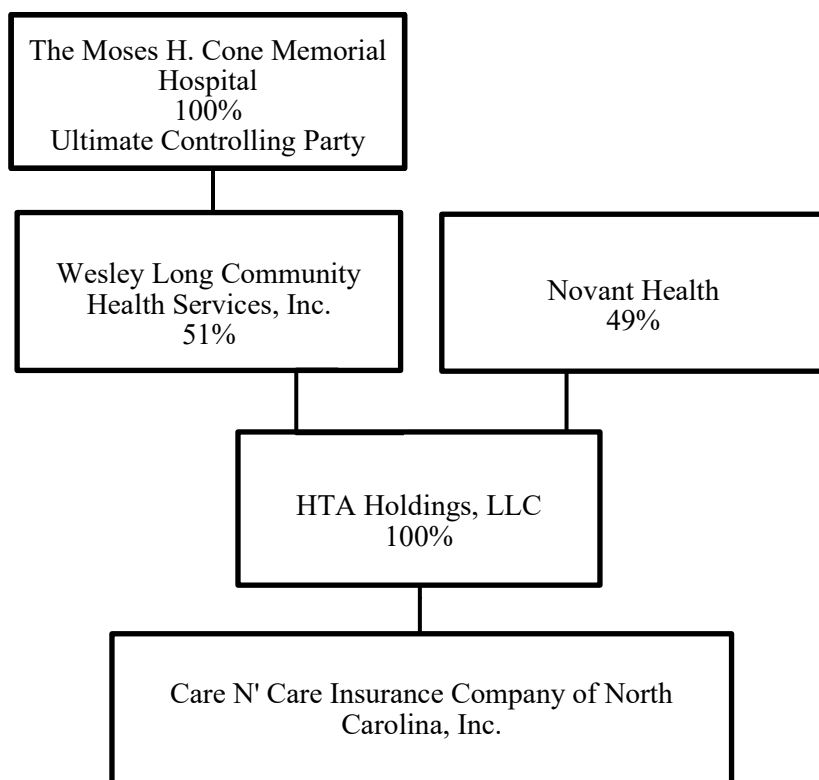
The Company is directed to comply with its bylaws or amend its bylaws where necessary.

ORGANIZATIONAL STRUCTURE

The Company is part of an insurance holding company system as defined in GS § 58-19 and is wholly owned by HTA Holdings, LLC ("HTA"), a North Carolina corporation. Wesley Long Community Health Services, Inc. ("Wesley Long"), a North Carolina corporation, owns 51% of HTA. The remaining 49% of HTA is owned by Novant Health ("Novant"), a North Carolina corporation. Wesley Long is wholly owned by Moses H. Cone Memorial Hospital ("Cone Health"), a North Carolina non-profit corporation.

ORGANIZATIONAL CHART

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



COMPANY HISTORY

The Company, based in Greensboro, North Carolina, was incorporated on January 28, 2015, and became a licensed stock health insurer and full-service Health Maintenance Organization (“HMO”) under the laws of the State of North Carolina.

In 2015, the Company was initially capitalized with cash contributions totaling \$4.5 million, of which \$900,000 was contributed by Care N' Care Insurance Company, Inc. (“CNC-TX”), a Texas domiciled company, in exchange for 80,000 shares of common stock representing a 20% voting interest, and \$3.6 million was contributed by Wesley Long in exchange for 320,000 shares of common stock representing an 80% voting interest. At its incorporation, the Company had 400,000 shares of \$1 par value capital common stock authorized and issued.

On December 8, 2016, the Company's parent, Cone Health, committed to ensure the Risk Based Capital (“RBC”) for the Company is and remains in compliance with North Carolina General Statutes. When necessary, Cone Health agreed to provide additional capital to the Company to maintain RBC compliance.

In 2017, the Company reported surplus contributions totaling \$25,180,000, of which \$11,400,000 was provided by Cone Health and \$13,780,000 was provided by Wesley Long. A portion of the surplus contribution in 2017 was received in order to fund the buyback of the 20% ownership or 80,000 shares of common stock from CNC-TX by the Company, and the remaining contribution was received in 2018 to

fund the Company's losses and meet the minimum capital and surplus requirements. At December 31, 2017, the Company had 320,000 shares of common stock issued and outstanding, which were wholly owned by Wesley Long, and 80,000 shares of treasury stock owned by the Company.

In 2018, the Company reported surplus contributions from Cone Health totaling \$14,750,000, of which \$4,250,000 was received in 2018 and the remaining contribution was received in 2019.

In 2019, the Company reported surplus contributions from Cone Health totaling \$56,500,000, of which \$28,500,000 was received in 2019 and the remaining contribution was received in 2020.

In 2020, the Company reported surplus contributions from Cone Health totaling \$7,500,000, which was admitted as a receivable and received in 2021.

In 2021 and 2022, the Company reported surplus contributions from Cone Health totaling \$16,000,000 and \$200,000, respectively, which were admitted as receivables and received in the following year.

Effective January 1, 2023, Wesley Long sold 49% of its ownership interest in the Company to Novant and created a new holding company, HTA, to execute the joint venture. At December 31, 2023, the Company reported a receivable for surplus contributions totaling \$6,200,000, of which \$3,162,000 was due from Cone Health and \$3,038,000 was due from Novant. The surplus contributions were received in 2024.

CAPITAL STOCK

As of December 31, 2023, the Company's capitalization consisted of the following:

Description	Value
Number of authorized common capital shares	400,000
Number of common capital shares issued and outstanding	320,000
Total common capital stock	\$320,000
Total treasury stock	\$80,000
Par value per share	\$1.00

No additional shares were issued during the period under examination. As of December 31, 2023, all outstanding shares are owned by HTA. The Company holds the remaining 80,000 issued shares as treasury stock.

At December 31, 2023, the Company reported \$139,168,923 in gross paid in and contributed surplus and \$(116,476,684) in unassigned funds (surplus).

DIVIDENDS TO STOCKHOLDER

Dividends on common stock are paid as declared by the Board of the Company. Under the insurance regulations of North Carolina, the maximum amount of ordinary dividends which the Company may pay to shareholders is limited to the greater of 10% of the most recent year-end policyholders' surplus or net income (excluding realized capital gains) earned for that same year-end. Any amounts in excess of this are considered extraordinary. The Company paid no dividends during the examination period.

MANAGEMENT AND CONTROL

CORPORATE GOVERNANCE

Shareholders

The bylaws of the Company provide that an annual meeting of the shareholders be held during the fourth quarter of each calendar year at such time and place as the Board may appoint. Special meetings of the shareholders may be called at any time by the president upon his or her own initiative, the president or secretary at the request in writing of a majority of the Board, or at the request in writing of shareholders owning a majority in amount of the entire capital stock of the Company issued and outstanding.

Board of Directors

The business of the Company is managed by or under the direction of its Board. Effective January 1, 2023, the Board shall initially consist of seven members. Four of the members shall be appointed by Cone Health, and three of the members shall be appointed by Novant. Cone Health's appointed directors will maintain a majority of the Company's Board unless Novant exercises its option to purchase an additional 1% of the Company's immediate parent, HTA, at which time there shall be an equal number of directors appointed by Cone Health and Novant. The Company's Board members will also serve on the Board of HTA. If any member ceases to be a member of the HTA Board, they will automatically be deemed to have resigned from the Company's Board.

The following individuals served as directors as of December 31, 2023:

Name	Location	Principal Occupation
Andrew Barrow	Greensboro, North Carolina	Chief Financial Officer, Cone Health
Marlon Priest	Greensboro, North Carolina	Chief Clinical Officer, Cone Health
Dean Swindle	Winston-Salem, North Carolina	President, Novant
Ashley Perrott	Winston-Salem, North Carolina	Physician Executive, Novant
Vanessa Haygood	Greensboro, North Carolina	Retired Physician
David Kibbe	Bluffton, South Carolina	Principal, Excellence in Healthcare, LLC
John Gizdic	Winston-Salem, North Carolina	Chief Administrative Officer, Novant

The Board has not established any committees. (Refer to the Summary of Significant Findings)

Officers

The bylaws provide that the Board will appoint the officers of the Company. The officers of the Company may consist of any or all of the following: chief executive officer, president, a vice president, a chief operating officer, a secretary, a treasurer, a chief medical officer, and any other officers deemed necessary by the Board. All officers shall hold office, subject to removal at any time by the Board, until their successors are appointed by the Board. Any number of offices may be held by the same person.

The following individuals served as officers of the Company as of December 31, 2023:

Name	Title
Brendan M. Hodges	President and Chief Executive Officer
Patricia Donoghue	Chief Financial Officer

CODE OF CONDUCT AND CONFLICT OF INTEREST

The Company has an established policy and procedure to identify existing or potential conflicts of interest and to report the same to the Board. Annually, the Company requires a signed statement from each director and officer disclosing any conflict of interest. A review of the signed conflict of interest statements for the examination period revealed that the Company did not act in accordance with its policies and procedures for disclosure of conflicts of interest. (Refer to the Summary of Significant Findings)

CORPORATE RECORDS

We reviewed the minutes of the meetings held by the Board for the period under examination. Based on our review, it appears that the minutes did not document the Company's significant transactions and events and the directors' approval of these transactions and events. (Refer to the Summary of Significant Findings)

The Company's articles of incorporation and bylaws were reviewed for any changes during the period under examination. On January 1, 2023, the Company amended its bylaws as a result of Wesley Long selling 49% of its ownership interest in the Company to Novant and the creation of HTA to be the Company's sole shareholder. The following represent significant changes to the Company's bylaws as a result of the amendment: 1) the timing of the annual meeting of shareholders from a date prior to May 1 of each calendar year to a date during the fourth quarter of each calendar year; 2) the number of directors serving on the board from more than five but less than thirteen to seven members consisting of four appointed by Cone Health and three appointed by Novant, defining a quorum for the transaction of business from a majority of directors present at a meeting to a majority of directors including at least one (1) Novant appointee present at a meeting; 3) establishment of an Operations Advisory Subcommittee; and 4) requiring all directors of the Company's Board to also be members of the HTA Board. Based on our review, it appears that no other changes to the Company's articles of incorporation or bylaws were made during the examination period.

STATUTORY DEPOSITS

Statutory deposits are maintained as required by insurance regulatory agencies for doing business in such jurisdictions. At December 31, 2023, the Company maintained a statutory deposit in North Carolina totaling \$900,008.

ACCOUNTS AND RECORDS

The Company's books and records are maintained at the main administrative office at 300 Wendover Avenue East, Suite 121, Greensboro, North Carolina 27401.

INFORMATION TECHNOLOGY CONTROLS

The Department performed a risk-based assessment and review of the Company's Information Technology General Controls ("ITGCs") in accordance with the NAIC requirements as outlined in the Handbook. The guidance and direction used to perform the review of the Company's ITGCs were derived from Exhibit C Part 1 - Information Technology Planning Questionnaire ("ITPQ") and Exhibit C Part 2 - Information Technology Work Program (collectively, "Exhibit C"). The Company's responses to the ITPQ were evaluated, and certain controls within the IT control environment were tested to assess whether the selected controls were designed effectively and were functioning properly.

The Department's objectives were to obtain reasonable assurance about whether:

- a. the Company had a process in place to effectively identify, mitigate and manage its IT risks;
- b. the Company control structure, policies and procedures were suitably designed to achieve the control objectives specified in Exhibit C; and
- c. the Company was complying with those policies and procedures.

The objectives above were achieved through a combination of reviewing the Company's policies and procedures, testing in key areas related to Exhibit C, interviewing the Company's IT management, reviewing IT risk assessment processes, and leveraging relevant risk assessment procedures performed by CliftonLarsonAllen LLP.

Based upon the risk-based assessment and review, the Company's ITGCs were determined to be effective.

FIDELITY BONDS AND OTHER INSURANCE

At December 31, 2023, the Company had fidelity bond coverage totaling \$1,000,000 in aggregate, which exceeds the minimum amount of fidelity bond coverage recommended by the Handbook.

EMPLOYEE BENEFITS AND PENSION PLANS

All Company employees are eligible to participate in the 401(k) plan that is administered through Cone Health. All employees are eligible to participate in the 401(k) plan, which had total assets of approximately \$4,418,000 and \$3,645,000 at December 31, 2023 and 2022, respectively.

Employees that have been with the Company for at least one year and have worked at least 1,000 hours are also eligible to participate in the Moses H. Cone Memorial Hospital Voluntary Savings Plans, a 401(a) plan which is administered by Cone Health. The Company matches 50% of eligible employee contributions up to a maximum of 4%. In 2023 and 2022, the Company's plan contributions totaled \$195,153 and \$182,641, respectively.

RELATED PARTY AGREEMENTS

The Company has an Administrative Network and Administrative Services agreement with Cone Health, effective January 1, 2023, whereby Cone Health provides human resources, information technology, analytics, finance, insurance, and management oversight services. The Company pays Cone Health \$350,000 annually for the services provided under this agreement.

The Company has a Participating Provider Network Agreement with Triad Healthcare Network, LLC, (“Triad Health”), an affiliate of Cone Health, effective January 1, 2020, whereby the Company delegates certain administrative services to Triad Health. The delegated services that Triad Health performs include, but are not limited to, document policies and procedures, applications, credentialing and re-credentialing of physicians, facilities and other providers, site visits, organizational provider assessments and utilization management. The Company pays 27% of Medicare Part C premiums on a per member per month basis pursuant to the agreement. The Company incurred fees totaling \$283,622 and \$123,067 for years 2023 and 2022, respectively, under this agreement.

The Company has a Participating Health System Agreement with Novant effective September 28, 2022, whereby Novant affiliated healthcare service providers provide healthcare services, supplies and benefits, which are provided to members in accordance with their benefit plan. The Company reimburses Novant affiliated health care service providers at the Medicare rate for each service provided. In the event a covered service has not been assigned a value by CMS, payment shall be at 50% of the billed charges. The Company does not pay a fee or incur a cost in excess of the services provided to its members.

The Company has a lease agreement effective June 15, 2023, with Cone Health related to its main office location. The lease covers thirty-six months with a renewal option for two three-year renewal periods, to be exercised at least one hundred twenty (120) days prior to the expiration of the then current term of the lease to extend the term of this Lease Agreement. The Company incurred expenses totaling \$47,800 in 2023 related to this agreement.

TERRITORY AND PLAN OF OPERATION

The Company is a full-service HMO for Medicare business only and is authorized to write cancelable accident and health insurance. The Company offers Preferred Provider Organization Medicare Advantage products on a statewide basis and solicits business through independent agents located throughout the various counties in which it is licensed.

The Company offers Medicare Part D coverage, which includes prescription drug coverage, and also Medicare Part C coverage, which includes extra benefits such as annual physicals, dental, vision, hearing, fitness and wellness programs in addition to the hospital and medical coverage provided by Medicare Part A and B Plans. In 2020, the Company began offering Chronic Special Needs Plans (“C-SNP”) for individuals with a confirmed diagnosis of diabetes and/or congestive heart failure.

At December 31, 2023 the Company served 16,337 members and was authorized to write its HMO Medicare Advantage line of business in the following seventeen (17) North Carolina counties:

Alamance	Brunswick	Caswell	Chatham	Davidson
Davie	Forsyth	Guilford	New Hanover	Orange
Pender	Randolph	Rockingham	Stokes	Surry
Wilkes	Yadkin			

The Company's C-SNP line of business is available to residents of the following four (4) North Carolina counties at December 31, 2023:

Alamance	Guilford	Randolph	Rockingham
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TRENDS OF THE COMPANY

The following data, obtained from annual statements filed with the Department, illustrates the trends of the Company for the five-year period ended December 31, 2023:

Year	Net Admitted Assets	Capital and Surplus	Gross Premiums Written	Net Earned Premiums	Net Income (Loss)
2023	\$64,492,038	\$23,012,239	\$208,176,295	\$207,833,811	\$(2,715,667)
2022	\$46,063,590	\$21,545,819	\$169,828,675	\$169,542,455	\$616,743
2021	\$71,900,777	\$21,165,829	\$182,739,293	\$182,482,569	\$(17,992,297)
2020	\$55,698,792	\$19,911,620	\$147,856,618	\$147,626,533	\$(6,594,873)
2019	\$78,343,009	\$19,494,366	\$150,827,783	\$150,595,261	\$(49,207,073)

ACTUARIAL OPINION

Every health insurance company doing business in this State, unless otherwise exempted by the Commissioner, shall annually have an Actuarial Opinion and Actuarial Memorandum made available to the Board in accordance with the Annual Statement Instructions and GS § 58-2-165(c) pursuant to GS § 58-67-55.

The statutory reserves and related items for 2023 were reviewed and certified by the Company's Appointed Actuary, Michael Rasmussen, FSA, MAAA. Actuarial opinions regarding the Company's reserves for claims unpaid, claims unpaid adjustment expenses and premium deficiency reserves were issued by an appointed actuary for all years in the examination period. The appointed actuary evaluated the data provided by the Company for reasonableness and consistency of the claims unpaid, claims unpaid adjustment expenses and premium deficiency reserves. According to the actuarial opinions, the Company's reserves for claims unpaid, claims unpaid adjustment expenses and premium deficiency reserves met the requirements of the insurance laws of North Carolina; were consistent with reserves computed in accordance with accepted actuarial standards and principles; and made a reasonable provision for all claims unpaid and claims unpaid expense obligations of the Company.

REINSURANCE PROGRAM OVERVIEW

REINSURANCE CEDED

The Company has an HMO Specific Excess of Loss Reinsurance Agreement with PartnerRe America Insurance, effective January 1, 2023, and expiring on January 1, 2024, which has a deductible totaling \$325,000 per member per plan, a maximum reinsurance limit of \$5,000,000 per member, and a premium of \$1.69 for Medicare Advantage and \$2.11 for Medicare Dual Eligible, per covered member. The Company ceded premiums totaling \$342,484 under this agreement as of December 31, 2023.

FINANCIAL STATEMENTS

The following financial statements are based on the statutory financial statements filed by the Company with the Department and present the financial condition of the Company for the period ending December 31, 2023. The supporting exhibits present the information required to be included, in conformity with reporting practices prescribed by the Department. The financial statements and supporting schedules as of December 31, 2022, are unexamined and are presented for comparative purposes only.

Care N' Care Insurance Company of North Carolina, Inc.
Statutory Statement of Admitted Assets
December 31, 2023

	2023	2022 <i>(unexamined)</i>
Bonds	\$ 1,197,322	\$ 3,748,757
Cash, cash equivalents and short-term investments	34,575,123	26,467,536
Total cash and invested assets	35,772,445	30,216,293
Investment income due and accrued	251,360	257,619
Uncollected premiums and agents' balances in the course of collection	44,092	20,519
Accrued retrospective premiums and contracts subject to redetermination	5,905,397	6,653,500
Amounts receivable relating to uninsured plans	1,994,653	4,307,716
Electronic data processing equipment and software	104,640	176,924
Receivable from parent, subsidiaries, and affiliates	15,257,792	3,480,573
Health care and other amounts receivable	5,161,658	950,446
Total admitted assets	\$ 64,492,038	\$ 46,063,590

Care N' Care Insurance Company of North Carolina, Inc.
Statutory Statement of Liabilities, Capital and Surplus
December 31, 2023

	2023	2022 <i>(unexamined)</i>
Claims unpaid	\$ 24,336,701	\$ 21,202,375
Unpaid claims adjustment expenses	5,973,656	301,631
Premiums received in advance	445,661	46,295
General expenses due or accrued	2,974,462	2,821,191
Net deferred tax liability	41,751	-
Amounts due to parent, subsidiaries and affiliates	-	146,279
Payable for securities	590,108	-
Liability for amounts held under uninsured plans	7,117,460	-
Total liabilities	41,479,798	24,517,771
Common capital stock	400,000	400,000
Gross paid in and contributed surplus	139,168,923	132,968,923
Unassigned funds	(116,476,684)	(111,743,104)
Less treasury stock	80,000	80,000
Total capital and surplus	23,012,239	21,545,819
Total liabilities, capital and surplus	\$ 64,492,038	\$ 46,063,590

Care N' Care Insurance Company of North Carolina, Inc.
Statutory Statement of Operations
December 31, 2023

	2023	2022 <i>(unexamined)</i>
Underwriting income		
Net premium income	\$ 207,833,811	\$ 169,542,455
Total revenues	207,833,811	169,542,455
Hospital/medical benefits	136,084,455	114,967,489
Other professional services	5,657,298	2,028,085
Emergency room and out-of-area	14,661,105	14,590,215
Prescription drugs	23,921,294	21,492,848
Subtotal	180,324,152	153,078,637
Less		
Net reinsurance recoveries	156,168	16,504
Total hospital and medical	180,167,984	153,062,133
Claims adjustment expenses	5,103,215	9,495,730
General administrative expenses	27,300,133	26,304,515
Increase in reserves for life and accident and health contracts	-	(19,516,467)
Total underwriting deductions	212,571,333	169,345,911
Net underwriting gain (loss)	(4,737,522)	196,544
Investment income		
Net investment income earned	1,977,456	556,858
Net realized capital gains (losses)	(32,132)	5,765
Net investment gain	1,945,324	562,623
Other income		
Net gain or (loss) from agents' or premium balances charged off	76,531	(142,424)
Net income (Loss)	\$ (2,715,667)	\$ 616,743

Care N' Care Insurance Company of North Carolina, Inc.
Statutory Statement of Capital and Surplus
December 31, 2023

	2023	2022 <i>(unexamined)</i>
Capital and surplus, beginning of year	\$ 21,545,819	\$ 21,165,829
Net income (loss)	(2,715,667)	616,743
Change in net deferred income tax	(41,751)	(22,799,904)
Change in non-admitted assets	(1,558,183)	22,363,150
Surplus adjustments to paid-in capital	6,200,000	200,000
Aggregate write-ins for gains or (losses) in surplus	(417,979)	-
Change in capital and surplus as regards policyholders for the year	1,466,421	379,989
Capital and surplus, end of year	\$ 23,012,239	\$ 21,545,819

Care N' Care Insurance Company of North Carolina, Inc.
Statutory Statement of Cash Flow
December 31, 2023

	2023	2022 <i>(unexamined)</i>
Cash from (used by) operations		
Premiums collected net of reinsurance	\$ 208,922,834	\$ 168,881,141
Net investment income	1,923,634	648,925
Total	210,846,468	169,530,067
Benefit and loss related payments	181,022,219	156,438,076
Commissions, expenses paid and aggregate write-ins	17,070,998	34,735,322
Federal income taxes paid	-	(1)
Total	198,093,217	191,173,397
Net cash from (used by) operations	12,753,251	(21,643,330)
Cash from (used by) investments		
Proceeds from investments sold, matured, or repaid		
Bonds	3,770,598	5,655,000
Net gains (losses) on cash, cash equivalents, and short-term investments	(31,611)	3,346
Miscellaneous proceeds	590,108	-
Total investment proceeds	4,329,095	5,658,346
Cost of investments acquired		
Bonds	1,159,604	5,247,729
Miscellaneous applications	-	759,773
Total investments acquired	1,159,604	6,007,502
Net cash (used by) investments	3,169,491	(349,156)
Cash from (used by) financing and miscellaneous sources		
Other cash (applied) provided	(7,815,154)	11,774,670
Net cash from (used by) financing and miscellaneous sources	(7,815,154)	11,774,670
Reconciliation of cash and short-term investments		
Net change in cash and short-term investments	8,107,588	(10,217,816)
Cash and short-term investments, beginning of year	26,467,535	36,685,351
Cash and short-term investments, end of year	\$ 34,575,123	\$ 26,467,535

COMMENTS ON FINANCIAL STATEMENTS

Department examiners summarized annual audit adjustments resulting in a decrease in the Company's surplus and an increase in the Company's net loss as reported in the Company's 2023 Annual Statement. The adjustments are not reflected in the financial statements and related tables presented within this report. (Refer to Summary of Significant Findings)

Basis of Presentation and Summary of Significant Accounting Policies:

The accompanying financial statements have been prepared on the basis of the accounting practices prescribed or permitted by the Department.

The more significant accounting policies followed by the Company are as follows:

Bonds: Carried at amortized cost using the scientific method. Bonds with lower credit ratings are carried at the lower of amortized cost or NAIC market value. Bonds not backed by other loans are stated at amortized cost using the scientific method.

Cash and short-term investments: Carried at amortized cost (which approximates fair value) and includes money market instruments and debt securities with maturities of less than one year.

Premiums: Member premiums and government program revenues are recognized in the period in which enrollees are entitled to receive health care services and are included in premium income, net of reinsurance expense. Premiums received prior to the period of coverage are reflected as premiums received in advance.

Nonadmitted assets: Certain assets, such as premiums over 90 days past due, excess of book value over market value for securities, and prepaid expenses, are "nonadmitted" and are charges against surplus.

Claims unpaid & unpaid claims adjustment expenses: Includes amounts determined from individual case estimates and loss reports and amounts, based on experience, for claims incurred but not reported.

Analysis of Assets:

The following represents an analysis of the Company's net admitted assets as of December 31, 2023:

	Assets	Assets not Admitted	Net Admitted Assets
Bonds	\$ 1,197,322	-	\$ 1,197,322
Cash and short-term investments	34,575,123	-	34,575,123
Total cash and invested assets	35,772,445	-	35,772,445
Investment income due and accrued	251,360	-	251,360
Uncollected premiums and agents' balances in the course of collection	78,964	34,872	44,092
Accrued retrospective premiums and contracts subject to redetermination	5,905,397	-	5,905,397
Amounts receivable relating to uninsured plans	1,994,653	-	1,994,653
Electronic data processing equipment and software	154,660	50,020	104,640
Furniture and equipment	28,625	28,625	-
Receivable from parent, subsidiaries and affiliates	15,257,792	-	15,257,792
Healthcare and other amounts receivable	5,685,532	523,874	5,161,658
Security Deposits	36,305	36,305	
Prepaid Expenses	2,901,553	2,901,553	-
Total admitted assets	\$ 68,067,287	\$ 3,575,249	\$ 64,492,038

Reinsurance Activity:

The Company has an excess of loss contract to minimize its exposure to losses. Reinsurance contracts do not relieve the Company of its primary obligation to policyholders. Failure of the reinsurers to discharge their obligations could result in losses to the Company. The Company utilizes LocktonRe as a reinsurance intermediary to negotiate and obtain reinsurance contracts on its behalf for specifically identified risks.

Direct and ceded premiums written and earned are as follows:

	2023	2022
Direct earned	\$ 208,176,295	\$ 169,828,675
Ceded earned	342,484	286,220
Net earned	\$ 207, 833,811	\$ 169,542,455

The reinsurer shares in the risks as specified in the reinsurance contract. The type of contract and retention limits are described under the Reinsurance Program Overview.

Summary of Reserves:

The following provides a reconciliation of the Company's reserves for claims unpaid and unpaid claims adjustment expenses:

	2023	2022
Reserves for claims unpaid and unpaid claims adjustment expenses, beginning of year	\$ 21,504,006	\$ 25,263,822
Add:		
Claims incurred, current year	185,271,199	162,557,863
Change in estimate, prior years	4,557,371	(9,879,603)
Total incurred	189,828,570	152,678,260
Deduct:		
Claims paid, current year	167,747,283	138,458,718
Claims paid, prior year	13,274,936	18,039,358
Total paid	181,022,219	156,498,076
Reserves for claims unpaid and unpaid claims adjustment expenses, end of year	30,310,357	21,504,006
Increase in reserves for claims unpaid and unpaid claims adjustment expenses	\$ 8,806,351	\$ (3,759,816)

Reserves for claims unpaid and unpaid claims adjustment expenses have not been reduced by amounts that are recoverable under the Company's reinsurance contracts.

Capital and Surplus:

The following, in conjunction with the Statutory Statement of Capital and Surplus, represents the changes in the Company's capital and surplus since the Department's last examination as of December 31, 2018:

	2021	2020	2019
Capital and surplus, beginning of year	\$ 19,911,619	\$ 19,494,366	\$ 16,052,937
Capital and surplus increases (decreases):			
Net loss	(17,992,297)	(6,594,873)	(49,207,074)
Change in net deferred income tax	22,799,905	(18,212,620)	10,609,587
Change in nonadmitted assets	(19,553,398)	17,223,881	(12,476,452)
Change in treasury stock	-	-	(80,000)
Surplus adjustments to paid-in capital	16,000,000	7,500,000	56,580,000
Prior period audit adjustments		500,865	(161,791)
Tax adjustment	-		(1,822,840)
Change in surplus as regards policyholders for the year	1,254,210	417,253	3,441,430
Capital and surplus, end of year	\$ 21,165,829	\$ 19,911,619	\$ 19,494,367

Lease Commitments:

The Company leases office space from Cone Health (Refer to Related Party Agreements) and additional office space from an unaffiliated party for general operations to service health plan members. In 2023 and 2022, the Company incurred rent expenses totaling \$218,424 and \$212,918, respectively.

Future minimum annual lease payments under the noncancelable operating leases subsequent to December 31, 2023, are as follows:

<u>Year</u>	<u>Amount</u>
2024	\$142,241
2025	146,374
2026	84,836
Total	<u>\$373,450</u>

SUBSEQUENT EVENTS

The Company was approved for an HMO service area expansion for plan year 2026, which includes the following seventeen (17) additional counties: Alexander, Alleghany, Anson, Bladen, Cabarrus, Columbus, Durham, Gaston, Iredell, Lincoln, Mecklenburg, Montgomery, Person, Richmond, Rowan, Scotland, and Union, expanding the Company's total service area to thirty-four (34) counties in North Carolina.

The Company, with Department approval, entered into an HMO Specific Excess of Loss Reinsurance Agreement with PartnerRe America Insurance, effective January 1, 2024, and expiring on January 1, 2025, which has a deductible totaling \$350,000 per member per plan, a maximum reinsurance limit of \$5,000,000 per member, and a premium of \$1.70 for Medicare Advantage and Medicare Dual Eligible, per covered member.

By Order dated November 19, 2024, the Department approved the acquisition of the Company by Kaiser Foundation Hospitals ("Kaiser"), through its subsidiary, Risant Health, Inc. The acquisition was completed on December 1, 2024, and resulted in Kaiser becoming the ultimate controlling entity. The approval was conditioned on Cone Health executing a capital maintenance agreement with the Company, whereby Cone Health guarantees it will provide sufficient funding for the Company to maintain an Authorized Control Level ("ACL") RBC ratio of 300%. The ACL RBC ratio is required to be measured quarterly within forty-five days from the end of the calendar quarter, and Cone Health shall provide funding to the Company within thirty days thereafter, to meet the ACL RBC ratio of 300%.

On December 20, 2024, Novant notified Cone Health of its intent to sell its forty-nine percent (49%) ownership interest in HTA, the Company's immediate parent, back to Wesley Long, at which time Wesley Long would become the sole owner of HTA.

Care N' Care Insurance Company of North Carolina, Inc.
DISTRIBUTION OF REPORT ON EXAMINATION
December 31, 2023

Brendan M. Hodges
President and Chief Executive Officer
300 Wendover Avenue East, Suite 121
Greensboro, North Carolina 27401

Patricia Donoghue
Chief Financial Officer
300 Wendover Avenue East, Suite 121
Greensboro, North Carolina 27401

Joleen Katula
Compliance Officer
300 Wendover Avenue East, Suite 121
Greensboro, North Carolina 27401

CONCLUSION

We conclude that the Company complies with the minimum net worth requirements of GS § 58-67-110(b) and minimum capital and surplus requirements of GS § 58-7-75(2)(a) for the kinds of insurance that the Company has been authorized to write, which is \$1,000,000 and \$500,000, respectively, or the amount required pursuant to the RBC provisions of Article 12 of Chapter 58 at December 31, 2023.

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

Respectfully submitted,



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

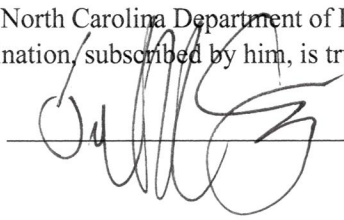
March 19, 2025

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 examination, subscribed by him, is true and correct to the best of his knowledge and belief.

Signature:



Date:

3/19/2025

Sworn and subscribed before me this 19 day of March, 2025.

Notary Public Signature:



Notary Public Seal:

