



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 CareSource North Carolina Co. 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 26th day of June, 2025.



Mike Causey
Commissioner of Insurance

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

CareSource North Carolina Co.

Asheville, North Carolina

Report on Examination

As of December 31, 2023

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May 22, 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

CareSource North Carolina Co.

(hereinafter referred to as the “Company”), acknowledging that its main administrative office is located at 230 North Main Street, Dayton, Ohio, 45402. The Company’s statutory home office is located at 16 Biltmore Avenue, Suite 306, Asheville, North Carolina 28801. 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 September 12, 2022, to December 31, 2023, including any material transactions and events occurring subsequent to the examination date and noted during the course of this examination. This examination serves as the Department’s first examination of the Company.

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.

This was a multi-state coordinated financial examination of ten (10) insurance company subsidiaries of CareSource, collectively known as the “CareSource Insurance Group.” Ohio served as the Lead and Facilitating State, and Participating States included Georgia, Indiana, Kansas, Kentucky, North Carolina, Oklahoma, Tennessee, Texas and West Virginia.

The following table lists the ten (10) insurance company subsidiaries included in the CareSource Insurance Group:

Company Name	State of Domicile	NAIC Company Code
CareSource Georgia Co.	Georgia	15710
CareSource Indiana, Inc.	Indiana	10142
CareSource Kansas LLC	Kansas	17379
CareSource Kentucky Co.	Kentucky	15479
CareSource North Carolina Co.	North Carolina	17366
CareSource Ohio, Inc.	Ohio	95201
CareSource Oklahoma Health Plan Co.	Oklahoma	17023
CareSource Tennessee Co.	Tennessee	17467

Company Name	State of Domicile	NAIC Company Code
CareSource Bayou Health, LLC	Texas	17449
CareSource West Virginia Co.	West Virginia	15728

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 Management
- Cash and Investments
- Claims Handling and Reserves
- Premiums and Enrollment
- Quality and Compliance
- Related Parties

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). Ernst & Young, LLP of Cincinnati, Ohio, the designated independent public accountant of the Company, issued an unmodified opinion for the year ended December 31, 2023. The Company was exempt from an independent certified public accountant’s audit for the year ended December 31, 2022.

REPORT ACRONYMS

Board of Directors	“Board”
CareSource Management Services, LLC	“CS Services”
CareSource Management Services Holding, LLC	“CS Holding”
Financial Condition Examiners Handbook	“Handbook”
General Statutes of North Carolina	“GS”
Health Maintenance Organization	“HMO”
Information Technology General Controls	“ITGCs”
Information Technology Planning Questionnaire	“ITPQ”
North Carolina Department of Insurance	“Department”
National Association of Insurance Commissioners	“NAIC”
CareSource North Carolina Co.	“Company”

SUMMARY OF SIGNIFICANT FINDINGS

COMMENTS, RECOMMENDATIONS, AND DIRECTIVES

- a. The Company did not properly notify the Department of a custodial agreement with Huntington Bank prior to its effective date. Failure to notify the Department of a custodial agreement on or before its effective date is a violation of GS § 58-67-30. The Company is directed to comply with GS § 58-67-30.
- b. The Company’s Investment Policy states that the Company’s Board of Directors (“Board”) designates CareSource Management Services, LLC (“CS Services”) to oversee, execute and monitor all investments of the Company; however, there was no evidence in the meeting minutes of the Board’s authorization or approval of the investment transactions executed by CS Services in 2024 as required by GS § 58-7-168. The Company is directed to comply with GS § 58-7-168 by maintaining meeting minutes of the Board’s authorization and approval of investments.
- c. The Company has not filed a letter with the Department designating an Audit Committee as described in GS § 58-10-195(d). Pursuant to GS § 58-10-190(3), if an Audit Committee is not designated by the Company, the Company’s entire Board shall constitute the Audit Committee. During the Department’s examination, it was noted that the CareSource Audit Committee acts on the Company’s behalf; however, no formal designation has been submitted to the Department. The Company is directed to comply with GS § 58-10-195(d).

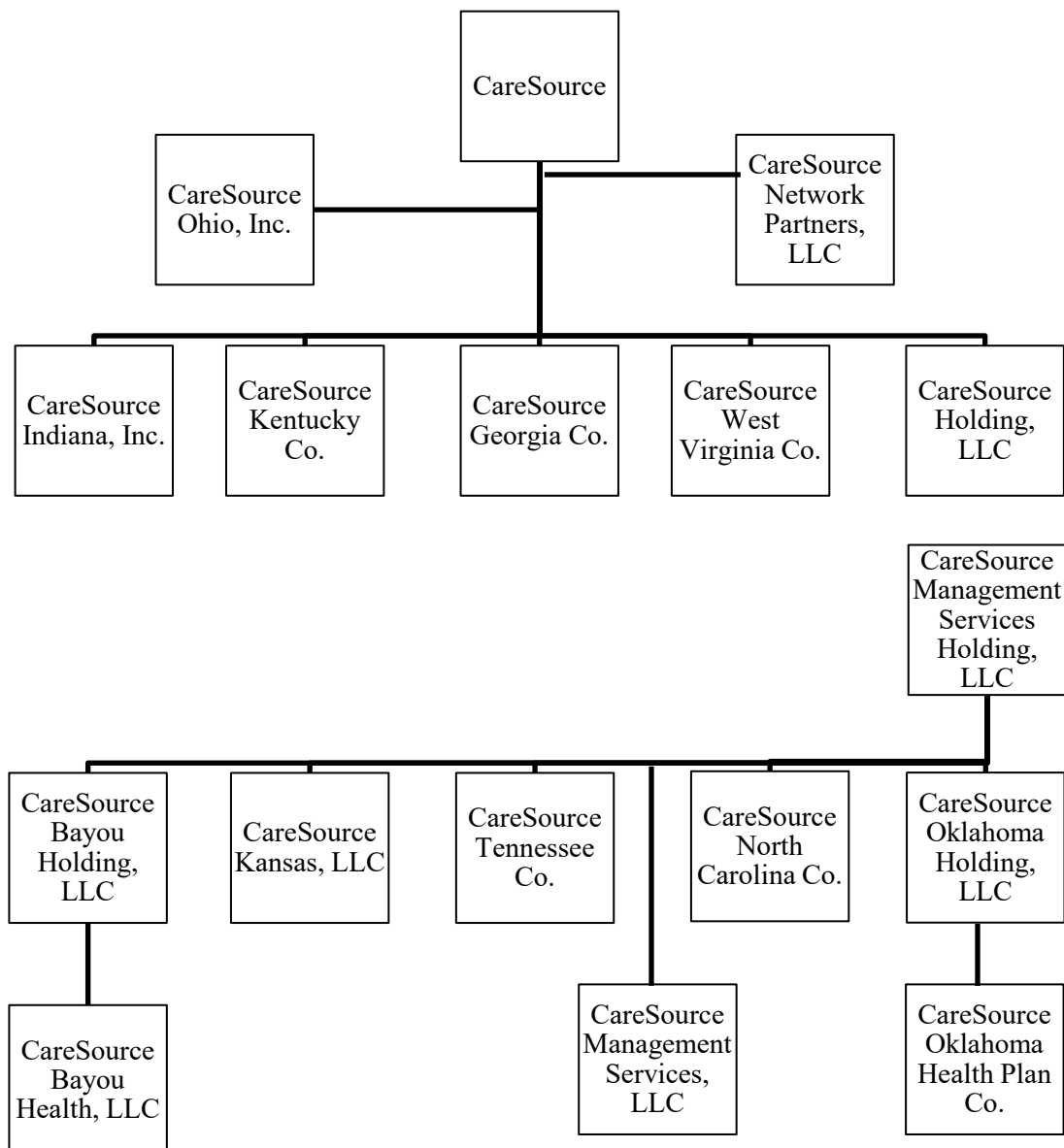
ORGANIZATIONAL STRUCTURE

The Company is a member of an insurance holding company system as defined in GS §58-19. The Company, CS Services, and several other insurance entities are wholly owned by CareSource Management Services Holding, LLC (“CS Holding”), which is a Delaware limited liability company. CS Services, an Ohio limited liability company, provides investment services to the Company.

CS Holding is a wholly owned subsidiary of CareSource Holding, LLC, an Ohio limited liability company, which is wholly owned by CareSource, an Ohio nonprofit managed care organization. CareSource wholly owns CareSource Network Partners, LLC, an Ohio limited liability company, who provides the Company with access to its network of participating medical providers and facilities. CareSource is the ultimate controlling party of all entities within the holding company system.

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 October 1, 2021, under the laws of the State of North Carolina. On March 30, 2022, the Company issued 1,500 shares of common stock with no par value to CS Holding. On September 8, 2022, CareSource, the ultimate controlling party, provided the Company’s initial capital contribution totaling \$2,300,000, and the Company issued a \$4,000,000 surplus note to CS Holding with an annual interest rate of 11.5%, which became effective on September 30, 2022, maturing on September 30, 2032. The Company commenced business on September 12, 2022, as a Health Maintenance Organization (“HMO”) to service seventeen (17) North Carolina counties for the 2023 plan year.

CAPITAL STOCK

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

Description	Value
Number of authorized common capital shares	1,500
Number of shares issued and outstanding	1,500
Total common capital stock	\$-
Par value per share	\$0.00

At December 31, 2023, the Company reported \$2,300,000 in gross paid-in and contributed surplus, \$4,000,000 in surplus notes, and \$532,840 in unassigned funds.

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 the shareholder 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

Shareholder

The bylaws of the Company provide that an annual meeting of the shareholder be held at such time and place as the Board may appoint. Any action which may be taken at a meeting of the shareholder may be taken without a meeting or notice of a meeting, if authorized by a writing signed by the shareholder entitled to vote at a meeting for such purpose.

Board of Directors

The business of the Company is conducted by its management team and subject to review by the Board. The bylaws specify that the number of directors shall be no less than three (3) and no more than five (5). Directors serve for a term of three (3) years and shall hold office until a successor is elected and qualified unless resignation, removal from office, or death occurs.

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

Name	Location	Principal Occupation
Scott Markovich	Dayton, Ohio	Executive Vice President, Markets/Products at CS Services
Jason Bearden	Atlanta, Georgia	President, Georgia Market at CareSource Georgia Co.
Stephanie Williams	Dayton, Ohio	Senior Vice President, Chief Actuary at CS Services

As the ultimate controlling party, CareSource has a Board that has established the following committees to provide group level oversight: Audit, Risk, Nominated and Governance and Compensation.

The CareSource Audit Committee acts on behalf of the Company; however, no formal designation has been submitted to the Department. (Refer to Summary of Significant Findings)

Audit Committee

Craig Brown, Chair
Thomas Kelly
David Miller
Anthony Principi, Ex-Officio
Linda Willet

Officers

The bylaws provide that the shareholder will elect the officers of the Company. The officers of the Company consist of a chair, president, secretary, treasurer, and any other officers deemed necessary by the shareholder. Officers shall hold office for a term of three (3) years. All officers shall hold the office, subject to removal at any time by the shareholder, until their successors are elected and qualified. There is no limit as to how long an officer may serve the Company. One person may hold more than one officer position.

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

Name	Title
Erhardt Preithauer	President, Chief Executive Officer and Chair
Lawrence R. Smart	Chief Financial Officer
Stephanie Williams	Secretary and Treasurer

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 acted in accordance with its policies and procedures for disclosure of conflicts of interest.

CORPORATE RECORDS

We reviewed the minutes of the meetings of the Board for the period under examination. Based on our review, it appears that the minutes documented the Company’s significant transactions and events and that the directors approved these transactions and events, except for the Board’s review and approval of the investment transactions. (Refer to Summary of Significant Findings)

The Company’s articles of incorporation and bylaws were reviewed for any changes during the period under examination. On October 11, 2022, the Company amended its articles of incorporation to add the business purpose of the Company to operate as a North Carolina HMO and changed its principal business address to 230 North Main Street, Dayton, Ohio 45402. 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. As of December 31, 2023, the Company maintained a statutory deposit in North Carolina totaling \$1,766,287.

ACCOUNTS AND RECORDS

The Company's books and records are maintained at the main administrative office at 230 North Main Street, Dayton, Ohio 45402.

The Company utilizes information systems to sell products to customers, to establish services, and to maintain customer policies, as well as to gather and report financial data. The environment for internal controls over financial reporting is highly automated and includes application controls and system generated reports supporting its financial reporting functions. Significant applications are hosted on servers at the data center located in Dayton, Ohio and a secondary data center is located in Alpharetta, Georgia. The majority of the Company's financially significant applications were purchased from external vendors.

INFORMATION TECHNOLOGY CONTROLS

The Lead State performed a risk-based assessment and review of the CareSource Insurance Group'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 CareSource Insurance Group'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 CareSource Insurance Group'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 CareSource Insurance Group had a process in place to effectively identify, mitigate, and manage its IT risks;
- b. The CareSource Insurance Group's control structure, policies and procedures were suitably designed to achieve the control objectives specified in Exhibit C; and
- c. The CareSource Insurance Group was complying with those policies and procedures.

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

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

FIDELITY BONDS AND OTHER INSURANCE

At December 31, 2023, CareSource has fidelity bond coverage totaling \$10,000,000 in aggregate, which exceeds the minimum amount of fidelity bond coverage recommended by the Handbook for the CareSource Insurance Group.

In addition, the Company is a named insured on various corporate property and liability policies including cyber security, directors' and officers' liability, errors and omissions, auto liability, general liability, workers' compensation and umbrella policies issued to CareSource, which appear to be adequate to cover risks in the normal course of business.

EMPLOYEE BENEFITS AND PENSION PLANS

The insurance companies in the CareSource Insurance Group have no direct employees, and operations are conducted by CS Services pursuant to a related party administrative services agreement. Employee benefit plans are administered through CS Services, and the Company has no legal obligation for employee benefits. The Company is allocated a share of the expenses pursuant to the administrative services agreement.

RELATED PARTY AGREEMENTS

The Company has an Administrative Services Agreement with CS Services, effective January 1, 2023, whereby the Company delegates to CS Services the authority to administer the plan business on a day-to-day basis, including business operations and affairs, though the Company retains supervisory authority. Specific administration services include program planning and development, marketing, development of policies/procedures, medical utilization management, claims administration, pharmacy benefit manager coordination, facilities and support services, regulatory activities, underwriting/actuarial services, premium billings, recommendation of reserves, maintain reinsurance program, accounting/financial services, information systems, and vendor management. Fees incurred by the Company pursuant to this agreement are allocated to the Company based on the line of business and annual net revenues, which range from 9.5% to 11.5% of annual net revenues. Under this agreement, the Company incurred fees totaling \$214,469 in 2023.

The Company has a Network Access Agreement with CareSource Network Partners, LLC, effective January 13, 2023, which permits the Company to access a comprehensive network of participating medical providers, facilities and ancillaries. This service is provided at no cost to the Company, and if there are any costs to be paid by the Company, they will be billed through the management agreement.

The Company has a Capital Maintenance Agreement with CS Holding, effective April 13, 2022, whereby CS Holding unconditionally guarantees the capital obligations of the Company (i) for the protection against insolvency as required under GS § 58-67-110 (ii) to ensure the Company maintains North Carolina's statutory minimum net worth of \$1,000,000 and (iii) to ensure the Company maintains a satisfactory risk-based capital level of 300%. In the event that any such obligation of the Company is not met, CS Holding shall pay the Company amounts sufficient for the Company to meet such obligations.

TERRITORY AND PLAN OF OPERATION

The Company became a licensed HMO on September 12, 2022, and began writing policies effective for plan year 2023. The Company writes Affordable Care Act Marketplace insurance products in the state of North Carolina, which may cover pregnancy, prescription drugs, outpatient care, emergency services, hospitalization, mental health and substance abuse, laboratory services, wellness services, and pediatric services.

At December 31, 2023, the Company served 583 members and was authorized to write its HMO line of business in the following seventeen (17) North Carolina counties.

Avery	Buncombe	Cherokee	Clay	Graham
Haywood	Henderson	Jackson	Macon	Madison
McDowell	Mitchell	Polk	Rutherford	Swain
Transylvania	Yancey			

On August 1, 2023, the Department approved the Company’s request for a service area expansion, which added the following twenty-seven (27) additional counties for the 2024 plan year:

Alexander	Alleghany	Anson	Ashe	Burke
Cabarrus	Caldwell	Catawba	Cleveland	Davidson
Davie	Forsyth	Gaston	Guilford	Iredell
Lincoln	Mecklenburg	Randolph	Rockingham	Rowan
Stanley	Stokes	Surry	Union	Watauga
Wilkes	Yadkin			

TRENDS OF THE COMPANY

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

Year	Net Admitted Assets	Capital and Surplus	Gross Premiums Written	Net Earned Premiums	Net Income (Loss)
2023	\$9,050,499	\$6,832,840	\$1,766,287	\$1,676,816	\$1,400,717
2022	\$6,352,821	\$5,429,577	\$-	\$-	\$(870,423)

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, Stephanie Williams, FSA, MAAA, an employee of CS Services and director of the Company. An actuarial opinion regarding the Company’s reserves for claims unpaid and unpaid claims adjustment expenses was only issued by the appointed actuary for 2023, as the Company was exempted from filing in exam year 2022 as no business was written in 2022. The appointed actuary evaluated the data provided by the Company for reasonableness and consistency of the unpaid claims adjustment expenses. According to the actuarial opinion, the Company’s reserve for claims unpaid and unpaid claims adjustment expenses 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 unpaid claims adjustment expense obligations of the Company.

REINSURANCE PROGRAM OVERVIEW

REINSURANCE CEDED

The Company has an excess loss reinsurance contract with Partner Re effective January 1, 2023, which provides coverage of up to \$9,500,000 for each Covered Person in excess of \$500,000 on the Company's medical benefits insurance policies. In 2023, the Company ceded premiums totaling \$89,472 to Partner Re under this contract.

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.

CareSource North Carolina Co.
Statutory Statement of Admitted Assets
December 31, 2023

	2023	2022 <i>(unexamined)</i>
Cash, cash equivalents and short-term investments	\$8,986,316	\$6,351,189
Total cash and invested assets	8,986,316	6,351,189
Investment income due and accrued	2,286	1,632
Premiums and agents' balances in course of collection	3,659	-
Federal income tax recoverable	35,191	-
Net deferred tax asset	10,060	-
Health care and other amounts receivable	12,786	-
2023 state tax receivable	201	-
Total admitted assets	\$9,050,499	\$6,352,821

CareSource North Carolina Co.
Statutory Statement of Liabilities, Capital and Surplus
December 31, 2023

	2023	2022 <i>(unexamined)</i>
Claims unpaid	\$671,041	\$-
Unpaid claims adjustment expenses	10,874	-
Aggregate health policy reserves	1,326,143	901,459
Premiums received in advance	109,908	21,135
General expenses due or accrued	59,245	132
Current federal and foreign income tax payable	-	440
Amounts due to parent, subsidiaries and affiliates	40,448	78
Total liabilities	2,217,659	923,244
Common capital stock	-	-
Gross paid in and contributed surplus	2,300,000	2,300,000
Surplus notes	4,000,000	4,000,000
Unassigned funds	532,840	(870,423)
Total capital and surplus	6,832,840	5,429,577
Total liabilities, capital and surplus	\$9,050,499	\$6,352,821

CareSource North Carolina Co.
Statutory Statement of Revenue and Expenses
December 31, 2023

	2023	2022 <i>(unexamined)</i>
Underwriting income		
Net premium income	\$1,676,816	\$ -
Deductions		
Hospital/medical benefits	958,711	-
Other professional services	28,575	-
Prescription drugs	106,552	-
Net reinsurance recoveries	(68,586)	-
Claims adjustment expenses	32,191	-
General administrative expenses	405,258	410
Increase in reserves for life and accident and health contracts	(901,458)	901,459
Total underwriting deductions	561,243	901,869
Net underwriting gain (loss)	1,115,573	(901,869)
Investment income		
Net investment income earned	328,123	31,886
Net investment gain	328,123	31,886
Federal income taxes incurred	42,979	440
Net income (loss)	\$1,400,717	\$(870,423)

CareSource North Carolina Co.
Statutory Statement of Capital and Surplus
December 31, 2023

	2023	2022 <i>(unexamined)</i>
Capital and surplus, beginning of year	\$5,429,577	\$ -
Capital and surplus increases (decreases):		
Net income (loss)	1,400,717	(870,423)
Change in net deferred income tax	(172,298)	209,719
Change in non-admitted assets	174,845	(209,719)
Change in surplus notes	-	4,000,000
Surplus adjustments to paid-in capital	-	2,300,000
Net change in capital and surplus	1,403,264	5,429,577
Capital and surplus, end of year	\$6,832,841	\$5,429,577

CareSource North Carolina Co.
Statutory Statement of Cash Flow
December 31, 2023

	2023	2022 <i>(unexamined)</i>
Cash from operations		
Premiums collected net of reinsurance	\$3,084,607	\$21,135
Net investment income	327,468	30,254
Total	3,412,075	51,389
Benefit and loss related payments	371,045	-
Commissions, expenses paid and aggregate write-ins	327,092	200
Federal income taxes paid	78,610	-
Total	776,747	200
Net cash from operations	2,635,328	51,189
Cash from financing and miscellaneous sources		
Cash from surplus notes	-	4,000,000
Cash from paid-in surplus	-	2,300,000
Other cash (applied)	(200)	-
Net cash from (used by) financing and miscellaneous sources	(200)	6,300,000
Reconciliation of cash and short-term investments		
Net change in cash, cash equivalents and short-term investments	2,635,128	6,351,189
Cash, cash equivalents and short-term investments, beginning of year	6,351,189	-
Cash, cash equivalents and short-term investments, end of year	\$8,986,317	\$6,351,189

COMMENTS ON FINANCIAL STATEMENTS

There were no proposed adjustments to the Company's financial statements as a result of this examination.

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:

Cash and short-term investments: Carried at amortized cost (which approximates fair value) and includes money market instruments 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.

Reinsurance: Premiums, commissions, expense reimbursements, and reserves are reported on a basis consistent with the original policies issued and the terms of the reinsurance agreements. Premiums ceded are reported as a reduction of premium income. Claims unpaid and unpaid claims adjustment expenses are reported as reductions of those items.

Nonadmitted assets: Certain assets, such as uncollected premiums over 90 days past due, pharmacy rebates over 90 days past due, and prepaid expenses, are "nonadmitted" and are charges against surplus.

Surplus Notes: Surplus notes impose no restrictions on the Company Board from declaring and paying dividends to policyholders. The principal sum of its surplus notes is not payable in whole or in part without written approval of the Department.

Claims unpaid & unpaid claims adjustment expense: 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 Company reported the following assets as non-admitted at December 31, 2023: 1) Uncollected premiums and agent's balances in the course of collection totaling \$3,464, 2) Net deferred tax asset totaling \$27,361 and 3) Health care and other amounts receivable totaling \$4,049.

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 Guy Carpenter 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 written and earned	\$1,766,287	\$-
Ceded written and earned	89,472	-
Net written/earned	\$1,676,816	\$-

The reinsurer shares in the risks at different levels 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 unpaid claims and claims unpaid adjustment expenses:

	2023	2022
Reserves for unpaid claims and claims unpaid adjustment expenses, beginning of year	\$-	\$-
Add:		
Provision for unpaid claims and claims unpaid adjustment expenses, current year	1,057,442	-
Change in unpaid claims and claims unpaid adjustment expenses prior years	-	-
Total incurred	1,057,442	-
Deduct:		
Unpaid claims and claims unpaid adjustment expenses paid, current year	375,527	-
Unpaid claims and claims unpaid adjustment expenses paid, prior year	-	-
Total paid	375,527	-
Reserves for unpaid claims and claims unpaid adjustment expenses, end of year	681,915	-
Increase in reserves for unpaid claims and claims unpaid adjustment expenses	\$681,915	\$-

Reserves for unpaid claims and claims unpaid adjustment expenses are reported net of the amounts that are recoverable under the Company's reinsurance contracts. At December 31, 2023, the liability for unpaid claims and claims unpaid adjustment expenses was reduced by \$68,586 for amounts to be recovered from reinsurers.

Surplus Notes:

Surplus notes impose no restrictions on the Company's Board from declaring and paying dividends to policyholders. The principal sum of its surplus notes is not payable in whole or in part without written approval of the Department.

At December 31, 2023, the Company had one outstanding surplus note issued to CS Holding totaling \$4,000,000. Payment of \$579,000 in accumulated interest on the surplus note has not been approved by the Department and has not been recorded.

SUBSEQUENT EVENTS

On August 12, 2024, the Company issued a surplus note to CS Holding totaling \$3,200,000 with an effective date of August 22, 2024, and an interest rate of 11.5% which matures on August 31, 2034. The Department approved the surplus note on August 21, 2024.

On December 31, 2024, the Company issued a surplus note to CS Holding totaling \$2,000,000 with an effective date of December 31, 2024, and an interest rate of 10.5% which matures on December 31, 2034. The Department approved the surplus note on February 10, 2025.

On March 3, 2025, the Department approved the Company's Custodial Agreement with Huntington National Bank. (Refer to Summary of Significant Findings)

On May 7, 2025, the Department approved the Company's request for a service area expansion which added five (5) additional counties for the 2026 plan year: Alamance, Bladen, Caswell, New Hanover and Pender.

CareSource North Carolina Co.
DISTRIBUTION OF REPORT ON EXAMINATION
December 31, 2023

Erin Hoben
Director Compliance External Regulatory Audit Management
230 North Main Street
Dayton, Ohio 45402

CONCLUSION

The examination procedures described herein, revealed no material adverse findings or adjustments to surplus.

We conclude that the Company complies with the minimum net worth requirements of GS § 58-67-110(b) for the kinds of insurance that the Company has been authorized to write, which is \$1,000,000.

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

Respectfully submitted,



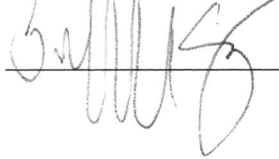
Monique D. Smith, CPA, CFE, CIA
Deputy Commissioner
North Carolina Department of Insurance

May 22, 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: 05/22/25

Sworn and subscribed before me this 22 day of May, 2025.

Notary Public Signature:  Notary Public Seal:

