

**REPORT ON EXAMINATION AS TO THE CONDITION OF**

**WELLCARE HEALTH PLANS OF NEW JERSEY, INC.**

**NEWARK, NEW JERSEY 07102**

**AS OF DECEMBER 31, 2022**

**NAIC GROUP CODE 1295**

**NAIC COMPANY CODE 13020**

FILED

June 24, 2024

COMMISSIONER

NEW JERSEY DEPARTMENT

OF

BANKING AND INSURANCE

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**State of New Jersey**

DEPARTMENT OF BANKING AND INSURANCE

DIVISION OF INSURANCE

OFFICE OF SOLVENCY REGULATION

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May 24, 2024

Honorable Justin Zimmerman  
Acting Commissioner of Department of Banking and Insurance  
State of New Jersey  
20 West State Street  
Trenton, New Jersey 08625-0325

Commissioner:

In accordance with the authority vested in you by the Revised Statutes of New Jersey, an examination has been made of the assets and liabilities, method of conducting business and other affairs of the:

WELLCARE HEALTH PLANS OF NEW JERSEY, INC.  
NEWARK, NEW JERSEY 07102  
NAIC GROUP CODE 1199  
NAIC COMPANY CODE 13020

a domestic insurer duly authorized to transact the business of insurance in the State of New Jersey. Hereinafter, WellCare Health Plans of New Jersey, Inc., will be referred to in this report as the "Company" or "WHPNJ".

## SCOPE OF EXAMINATION

The New Jersey Department of Banking and Insurance (“NJDOBI”) conducted a risk focused examination of WHPNJ for the period January 1, 2018, through December 31, 2022, and transactions occurring subsequent to that period were reviewed where deemed appropriate by the examiners. The examination was conducted pursuant to the authority granted by N.J.S.A. 26:2J-18.1. The statutory examination was conducted in accordance with the NAIC Financial Condition Examiners Handbook (“the Handbook”).

The Company’s financial statements are audited annually by KPMG, LLP (“KPMG”). KPMG performed its most recent annual audit of the Company as of December 31, 2022.

The Handbook requires that we plan and perform the examination to evaluate the financial condition and identify prospective risks of the Company. This is accomplished by obtaining information about the Company including: corporate governance, identifying and assessing inherent risks within the Company and evaluating system controls and procedures used to mitigate those risks. An examination also includes assessing the principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation, management’s compliance with statutory accounting principles and annual statement instructions when applicable to domestic state regulations.

All accounts and activities of the Company were considered in accordance with the risk-focused examination process. The examiners relied upon the audit work prepared by the independent auditors when appropriate.

This examination is part of the coordinated examination of Centene Insurance Group (“Centene”) being conducted by the Texas Department of Insurance (“TDI”). The examination was conducted in accordance with the proposed risk focused procedures and guidelines prescribed by the National Association of Insurance Commissioners (“NAIC”). This examination, for common subject matter, relied upon the TDI to identify risk classifications and inherent risks of key functional activities. TDI was also responsible for the preparation of matrices that identify controls and risk mitigation strategies. Finally, TDI determined residual risk and prepared substantive test procedures when deemed necessary.

The NJDOBI examiners were responsible for identifying significant deviations from New Jersey laws and regulations. Additional substantive procedures were performed where deemed necessary.

This examination report includes a summary of significant findings for the following items as called for in the Handbook:

- Compliance with the Prior Report Exam Recommendations
- History and Kind of Business
- Territory and Plan of Operation
- Reinsurance
- Parent, Subsidiaries and Affiliates
- Intercompany Agreements
- Management
- Policy on Conflicts of Interest

- Fidelity Bond and Other Insurance Coverages
- Accounts and Records
- Treatment of Policyholders
- Statutory Deposits
- Financial Statements and Other Exhibits
- Subsequent Events
- Examination Recommendations

This report on examination is confined to financial statements and comments on those matters, which involve departures from laws, regulations, or rules, or which are deemed to require explanation or description.

### HISTORY AND KIND OF BUSINESS

WHPNJ was incorporated on December 8, 2006. On May 30, 2007, the Commissioner of Banking and Insurance for the State of New Jersey granted WHPNJ authority to operate as a health maintenance organization (“HMO”). WHPNJ commenced business on January 1, 2008.

WHPNJ offers Medicaid, Medicare Advantage (“MA”) health plans and prescription drug benefits to Medicare beneficiaries through the Medicare Part D Program (“PDP”). As an HMO, the organization accepts contractual responsibility for the delivery of a stated range of healthcare services to its members for a predetermined fee. WHPNJ's current one year Medicare contract with the Centers for Medicare & Medicaid Services (“CMS”) expires on December 31, 2024.

WHPNJ has a contract with the New Jersey Department of Human Services (“DHS”) to serve the state's Medicaid program. WHPNJ's current Medicaid contract is extended for successive twelve-month periods beyond the original term of the contract each year until such time the State or WHPNJ makes the decision to terminate the contract. The Medicaid contract rates are subject to amendment each year on July 1st.

All outstanding shares (1,000 shares with a \$0.01 par value) of WHPNJ are owned by the parent Company, The WellCare Management Group, Inc. (“WMG”), which is owned by WCG Health Management, Inc. (“WCG”), which in turn is owned by WellCare Health Plans, Inc. (“WHP”), which in turn is owned by Centene Corporation, an insurance holding company domiciled in the State of Delaware.

On January 23, 2020, the Centene Corporation successfully completed its acquisition of WHP, at which time WHP became a wholly owned subsidiary of Centene Corporation.

WHPNJ's statutory home office is located at 550 Broad Street, Suite 1200, Newark, New Jersey 07012. The registered agent upon whom process may be served in the State of New Jersey is The Corporation Trust Company, 820 Bear Tavern Road, West Trenton, New Jersey 08628.

WHPNJ's main administrative office is located at 7700 Forsyth Boulevard, St. Louis, Missouri 63105.

## TERRITORY AND PLAN OF OPERATION

The Company offers Medicare health plans and prescription drug benefits to Medicare beneficiaries through the Medicare Part D Prescription Drug Program. The Company, as of December 31, 2022, operates in Atlantic, Bergen, Burlington, Camden, Cape May, Cumberland, Essex, Gloucester, Hudson, Mercer, Middlesex, Monmouth, Morris, Ocean, Passaic, Salem, Somerset, Sussex, Union, and Warren counties, began offering Medicare Advantage HMO coverage on January 1, 2008.

Beginning January 1, 2014, the Company began offering Medicaid managed care in New Jersey. Effective July 1, 2014, the Company completed the acquisition of Medicaid assets from Healthfirst Health Plans of New Jersey, Inc. (“Healthfirst NJ”). The acquired assets related to approximately 42,000 Healthfirst NJ Medicaid members who were transferred to the Company’s Medicaid plan in New Jersey, as well as certain provider agreements, which transferred to the Company as well. As of December 31, 2022, the Company offers Medicaid coverage in the same twenty (20) counties where Medicare is offered.

The Company has no employees. All personnel, material, facilities, and services necessary for the Company to transact the business of insurance in the State of New Jersey are provided to the Company by Centene Management Company LLC (“CMC”) under the terms of a management services agreement effective January 1, 2022, which is discussed further in this report under the heading “Intercompany Agreements”.

## REINSURANCE

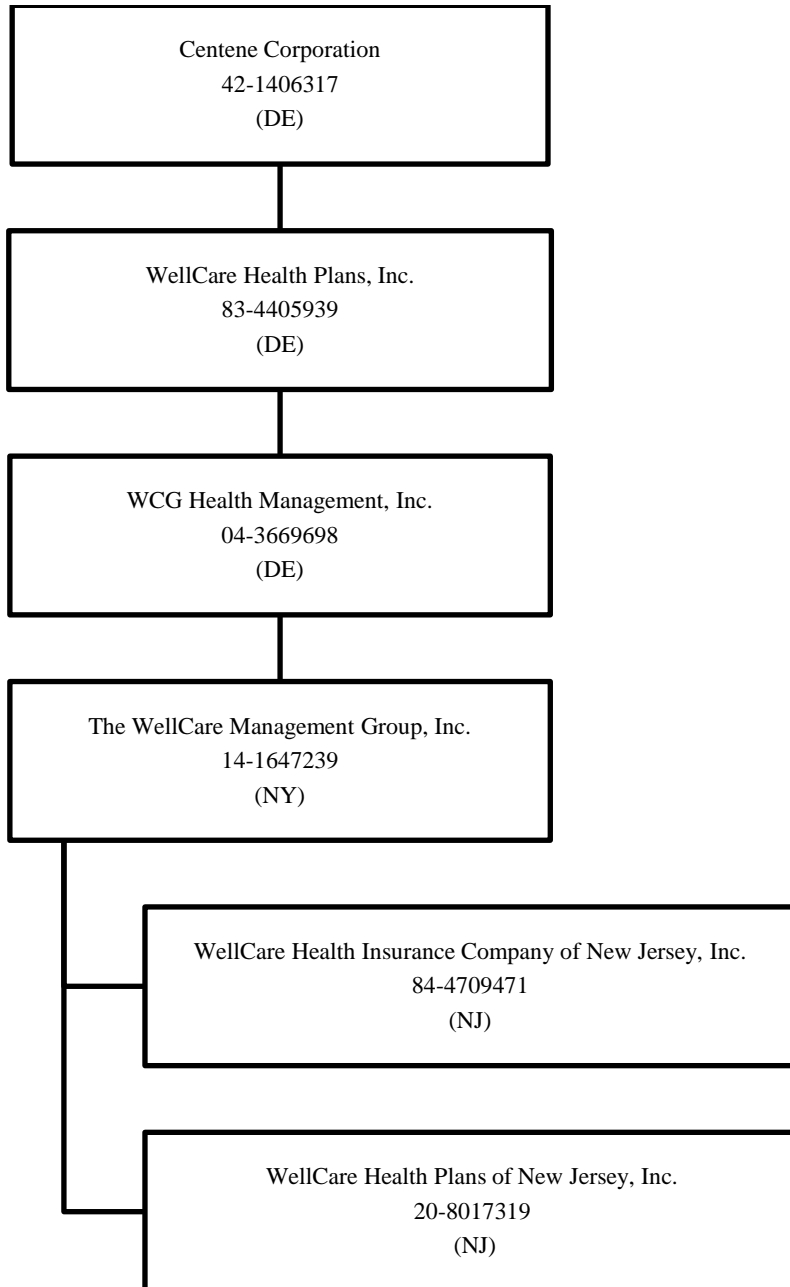
During the period under examination, the Company ceded business under an excess of loss reinsurance agreement with PartnerRe America Insurance Company (“PartnerRe”), an authorized reinsurer in the State of New Jersey. The agreement with PartnerRe is renewed by the parties for twelve-month periods, with the most recent agreement being effective January 1, 2022. WHPNJ’s retention limit under this contract during 2022 was \$5,000,000. Premiums ceded under this agreement were \$45,607 in 2022.

## PARENT, SUBSIDIARIES AND AFFILIATES

The Company is a member of an insurance holding company registration system as defined by N.J.S.A. 17:27A-1. The Company is a wholly owned subsidiary of WMG, which is owned by WCG, which in turn is owned by WHP, which in turn is owned by Centene Corporation, an insurance holding company domiciled in the State of Delaware.

A review of the Company’s holding company registration statement indicated that the Company was in compliance with N.J.S.A. 17:27A-3, Sections a-j, requiring registration of those insurers who qualify as determined by N.J.S.A. 17 27A-1.

A simplified organizational chart as of December 31, 2022, reflecting the holding company system, is shown on the following page. Schedule Y of the Company’s 2022 annual statement provided a list of all related companies of the holding company group.



During the examination period, the Company paid ordinary cash dividends to its parent as summarized below:

2018	\$ 0
2019	\$ 0
2020	\$ 0
2021	\$ 0
2022	<u>\$ 727,690</u>
Total	<u>\$ 727,690</u>

During 2022, the Company paid an extraordinary dividend of \$17,272,310 to its parent company, The WellCare Management Group, Inc.

During the examination period, the Company received the following capital contributions:

2018	\$ 10,000,000
2019	\$ 15,000,000
2020	<u>\$ 15,000,000</u>
Total	<u>\$ 40,000,000</u>

### INTERCOMPANY AGREEMENTS

The examination determined that the Company was a named party to the following affiliated agreements as of December 31, 2022:

1. Management Services Agreement
2. Tax Sharing Agreement
3. Dental Services Agreement
4. Administrative Services Agreement (Nurseline)
5. Vision Services Agreement
6. Administrative Radiology Services Agreement

#### Management Services Agreement

Effective January 1, 2022, the Company entered into a management agreement with CMC, for a one (1) year term, whereby the Company delegates CMC the authority to manage certain day-to-day business operations and affairs of the Company. The specified management services provided under the agreement include: (a) program planning and development; (b) management information system; (c) financial systems and services; (d) claims administration; (e) provider and enrollee services and records; (f) utilization review; (g) quality assurance; (h) premium billing and collections; and (i) marketing services.

In consideration for services provided under the agreement, the Company shall pay a monthly fee to CMC on the first day of the month based on a percentage of estimated net revenues for the month. In 2022, the Company incurred \$108,528,989 in expenses under the agreement.

The agreement was approved by the NJDOBI on February 7, 2021.



### Tax Sharing Agreement

Effective January 23, 2020, the Company entered into a Tax Sharing Agreement with Centene Corporation. Pursuant to this agreement, each subsidiary agrees to pay the Parent, the amount (if any) of the consolidated federal income tax liability attributable to the Subsidiary under the methods prescribed in Regulation Sections 1.1552-1(a)(1) and 1.11502-33(d)(3). Under the terms of the Tax Sharing Agreement, the Company's income is included in the consolidated federal income tax return of Centene and affiliates. The method allocates a tax asset (i.e., inter-company receivable) for any benefit derived by the consolidated group for the member's losses or credits that offset consolidated taxable income. Each member shall pay to Centene or receive from Centene the amount of tax liability or benefit within ninety (90) days of the date Centene files its consolidated federal income tax return.

On December 13, 2019, the Centene Corporation Tax Sharing Agreement was approved by the NJDOBI.

### Dental Services Agreement

Effective January 1, 2022, the Company entered into a dental services agreement with Evolve Dental, Inc. ("EDI"), for a one (1) year term, to provide or arrange to be provided various dental services for the Company. The specified services provided under the agreement include (dependent upon plan level): (a) preventive; (b) diagnostic; (c) non-routine; (d) restorative; (e) endodontics; (f) periodontics; (g) other oral/maxillofacial (simple and surgical extractions; (h) fixed and removable prosthodontics; and (i) implants.

In consideration for services provided under the agreement, the Company shall pay EDI a per member per month fee based on eligible enrollment on the 16<sup>th</sup> day of the month. In 2022, the Company incurred \$916,355 in expenses under the agreement.

The agreement was approved by the New Jersey Department of Banking and Insurance on July 20, 2023.

### Administrative Services Agreement (Nurseline)

Effective January 1, 2021, the Company entered into an administrative services agreement with Envolve PeopleCare, Inc. ("EPI"), for a one (1) year term, to provide various administrative services to the Company associated with a nurse advice line and online health information. The specified services provided under the agreement include the following: (a) nurse advice line; (b) online health information; (c) audio health information; (d) web form inquiry service; (e) provider related services; (f) benefit inquiries; (g) inpatient notifications, urgent authorizations, transfer requests and emergencies; (h) after hours admissions; and (i) crisis line support.

In consideration for services provided under the agreement, the Company shall pay EPI a per member per month fee based on eligible enrollment by the 16th calendar day of the month for the current month eligible members. In 2022, the Company incurred no expenses under the agreement.

The agreement was approved by the NJDOBI on October 25, 2021.

### Vision Services Agreement

Effective January 1, 2022, the Company entered into a vision services agreement with Envolve Vision, Inc. (“EVI”), for a one (1) year term, to provide or arranged to be provided various vision services for the Company. The specified services provided under the agreement include the following covered vision services: (a) preventive eye exams with refraction; (b) medical eye care services; (c) eyewear; (e) medically necessary eyewear and contact lenses; and (f) prosthetic eyes.

In consideration for services provided under the agreement, the Company shall pay EVI a per member per month fee based on eligible enrollment on the fifteenth (15) day of the month. In 2022, the Company incurred \$150,822 in expenses under the agreement.

The agreement was approved by the NJDOBI on July 18, 2022.

### Administrative Radiology Services Agreement

Effective April 1, 2021, the Company entered into an administrative radiology services agreement with National Imaging Associates, Inc. (“NIA”), for a five (5) year term, to provide various administrative services to the Company associated with the assistance in the management of utilization and cost for covered radiology services. The covered radiology services shall mean those covered services listed in the agreement that are non-emergency Outpatient Services or Outpatient Surgery Services and that are provided by a Participating Health Plan Provider or a Participating Radiology Provider. Covered Radiology Services include both the technical component of the imaging service and the professional component of the imaging service in instances where a provider bills separately for the technical and professional components.

In consideration for services provided under the agreement, the Company shall pay NIA a monthly capitation payment based on capitation rates described within the agreement. In 2022, the Company incurred \$1,797,784 in expenses under the agreement.

The agreement was approved by the NJDOBI on December 22, 2022.

### MANAGEMENT

In accordance with Article III, Section 2 of the Company’s by-laws, the “Board of Directors of the Corporation shall be divided into Class A and Class B. The Board of Directors shall consist of at least three (3) Class A Directors, and may include such number of Class B Directors, if any, as may from time to time be determined by the Shareholders.” As of year-end 2022, the number of directors of the Company was fixed at three (3).

The following directors were elected and serving as of December 31, 2022:

<u>Name</u>	<u>Principal Occupation</u>
Linda Marie Bongiovanni	VP, Chief Financial Officer WellCare Health Plans, Inc.

John Joseph Kirchner

President & CEO  
WellCare Health Plans, Inc.

Lisa Lanette Knowles

Sr. Director of Compliance and Ethics  
WellCare Health Plans, Inc.

Article V, Section 1 of the Company's by-laws provides for the appointment and election of officers. The following officers were appointed and serving at December 31, 2022:

<u>Name</u>	<u>Title</u>
John Joseph Kirchner	President
Janet Robey Alonzo	Vice President and Secretary
Linda Marie Bongiovanni	CFO, Vice President, and Treasurer
Tricia L. Dinkelman	Vice President of Tax
Lisa Lanette Knowles	Assistant Secretary

N.J.S.A. 17:27A-4d (3) states, "Not less than one-third of the directors of a domestic insurer, and not less than one-third of the members of each committee of the board of directors of any domestic insurer, shall be persons who are not officers or employees of that insurer or of any entity controlling, controlled by, or under common control with, that insurer and who are not beneficial owners of a controlling interest in the voting securities of that insurer or any such entity. At least one such person shall be included in any quorum for the transaction of business at any meeting of the board of directors or any committee thereof."

N.J.S.A. 17:27A-4d (4) states, "The board of directors of a domestic insurer shall establish one or more committees comprised solely of directors who are not officers or employees of the insurer or of any entity controlling, controlled by, or under common control with, the insurer and who are not beneficial owners of a controlling interest in the voting securities of the insurer or any such entity. The committee shall be responsible for recommending the selection of independent certified public accountants, reviewing the insurer's financial condition, the scope and results of the independent audit and any internal audit, nominating candidates for director for election by shareholders or policyholders, evaluating the performance of officers deemed to be principal officers of the insurer and recommending to the board of directors the selection and compensation, including bonuses or other special payments, of the principal officers."

N.J.S.A. 17:27A-4d (5) states, "The provisions of (3) and (4) of this subsection d. shall not apply to a domestic insurer if the person controlling the insurer is an entity having a board of directors and committees thereof that substantially meet the requirements of those paragraphs."

The Company satisfies the requirements of N.J.S.A. 17:27A-4d (5) as its ultimate parent, Centene Corporation, has board of directors and committees thereof that substantially meet the requirements of provisions (3) and (4).

A review of resolutions made by the Company's directors indicates that they adequately approve of and support the Company's business transactions and events.

## POLICY ON CONFLICTS OF INTEREST

WHPNJ has adopted Centene Corporations Business Ethics and Code of Conduct, which indicates that all directors, officers, and employees are required to complete a Conflict of Interest Disclosure annually. The Business Ethics and Code of Conduct deals with activities of Directors, particularly with respect to transactions in the securities of the Company, potential conflicts of interest, corporate opportunities, confidentiality, personal loans, and protection of Company assets.

No apparent or potential conflicts of interest were noted during the review of the Conflict of Interest Disclosure forms.

## FIDELITY BOND AND OTHER INSURANCE COVERAGES

The companies in the Centene Group are named insureds under a fidelity bond which provides the Centene Group and its affiliates with coverage totaling \$10,000,000 million in aggregate. The coverage was more than the minimum amount of fidelity bond coverage recommended by the Handbook for WHPNJ.

In addition, WHPNJ is covered by various corporate property and liability policies issued to Centene Group, which appeared to be adequate to cover risks in the normal course of business.

## ACCOUNTS AND RECORDS

The Company shares in a centralized IT operation of Centene Corporation, which delivers a common control framework, people, processes, and technology for processing financial transactions. The Company's business is processed electronically on a networked infrastructure.

The Company's general ledger is the final repository for its financial information and is administered on Oracle Peoplesoft. The automated general ledger system stores and processes this information to produce financial and management reports. The Company utilizes the Xcelys system for their claims handling and enrollment administration. Policy administration is handled by the Archer system.

## TREATMENT OF POLICYHOLDERS

N.J.S.A. 26:2J-12 requires a health maintenance organization to establish and maintain a complaint system to provide reasonable procedures for the resolution of written complaints initiated by enrollees concerning health care services. A review of the Company's records indicated that the Company was in compliance with this statute.

## STATUTORY DEPOSIT

The examination determined that the Company had securities with a total carrying value of \$176,378,115 on deposit with the NJOBİ at December 31, 2022. All statutory deposits were verified by direct confirmation with the NJDOBİ and the custodial financial institution.

## FINANCIAL STATEMENTS AND OTHER EXHIBITS

- Exhibit A – Comparative Statement of Assets, Liabilities, Surplus, and Other Funds at December 31, 2022
- Exhibit B – Statement of Revenue and Expenses for the Five-Year Period Ended December 31, 2022
- Exhibit C – Capital and Surplus Account for Five-Year Period Ended December 31, 2022

EXHIBIT A

WELLCARE HEALTH PLANS OF NEW JERSEY, INC.  
COMPARATIVE STATEMENT OF ASSETS, LIABILITIES, SURPLUS, AND OTHER FUNDS  
AT DECEMBER 31, 2022

	Current Examination at 12/31/22	Balance Per Company at 12/31/22	Examination Change	Note Number
<u>ASSETS</u>				
Bonds	\$ 48,640,715	\$ 48,640,715	\$0	1
Cash and Cash Equivalents	343,472,246	343,472,246	0	
Other Invested Assets	4,282,336	4,282,336	0	
Investment Income Due and Accrued	428,717	428,717	0	
Uncollected Premiums and Agents' Balances In Course of Collection	2,643,181	2,643,181	0	
Accrued Retrospective Premiums and Contracts Subject to Redetermination	7,432,952	7,432,952	0	
Amounts Receivable Relating to Uninsured Plans	2,790,620	2,790,620	0	
Net Deferred Tax Asset	5,113,131	5,113,131	0	
Receivables from Parent, Subsidiaries and Affiliates	10,375,708	10,375,708	0	
Health Care and Other Amounts Receivable	14,146,379	14,146,379	0	
Total Admitted Assets	<u>\$ 439,325,985</u>	<u>\$ 439,325,985</u>	<u>\$0</u>	
<u>LIABILITIES, CAPITAL AND SURPLUS</u>				
Claims Unpaid	\$ 139,410,698	\$ 139,410,698	\$0	2
Accrued Medical Incentive Pool and Bonus Amounts	7,160,082	7,160,082	0	
Unpaid Claims Adjustment Expenses	1,446,371	1,446,371	0	2
Aggregate Health Policy Reserves	35,835,718	35,835,718	0	
Premiums Received in Advance	5,479	5,479	0	
General Expenses Due or Accrued	37,305,376	37,305,376	0	
Current Federal and Foreign Income Tax Payable and Interest Thereon	3,141,903	3,141,903	0	
Ceded Reinsurance Premiums Payable	155,886	155,886	0	
Amounts Due to Parent, Subsidiaries and Affiliates	618,852	618,852	0	
Liability for Amounts Held Under Uninsured Plans	14,716,783	14,716,783	0	
Aggregate Write-ins for Other Liabilities	12,124,466	12,124,466	0	
Total Liabilities	<u>\$ 251,921,614</u>	<u>\$ 251,921,614</u>	<u>\$0</u>	
<u>SURPLUS AND OTHER FUNDS</u>				
Common Capital Stock	\$ 10	\$ 10	0	3
Gross Paid In and Contributed Surplus	124,620,912	124,620,912	0	3
Unassigned Funds (Surplus)	62,783,449	62,783,449	0	3
Total Capital and Surplus	<u>\$ 187,404,371</u>	<u>\$ 187,404,371</u>	<u>\$0</u>	3
Total Liabilities, Surplus and Other Funds	<u>\$ 439,325,985</u>	<u>\$ 439,325,985</u>	<u>\$0</u>	

EXHIBIT B

WELLCARE HEALTH PLANS OF NEW JERSEY, INC.  
STATEMENT OF REVENUE AND EXPENSES  
FOR THE FIVE-YEAR PERIOD ENDED DECEMBER 31, 2022

	2022	2021	2020	2019	2018
Member Months	1,493,926	1,403,998	1,226,794	985,278	895,528
Net Premium Income	\$ 1,530,246,847	\$ 1,352,236,689	\$ 1,083,122,895	\$ 885,816,639	\$ 717,363,514
Unearned Premium Reserve and Rate Credits	0	(28,462,345)	0	507,357	(342,477)
Total Revenues	<u>\$ 1,530,246,847</u>	<u>\$ 1,323,774,344</u>	<u>\$ 1,083,122,895</u>	<u>\$ 886,323,996</u>	<u>\$ 717,021,037</u>
Hospital and Medical Benefits	999,919,642	817,090,280	642,887,320	629,581,104	493,429,072
Other Professional Services	54,167,676	91,417,558	55,577,905	14,328,621	11,396,184
Emergency Room and Out-of-Area	50,160,098	43,469,527	46,364,102	30,950,002	25,292,741
Prescription Drugs	110,221,189	103,505,576	87,978,985	79,395,069	75,750,733
Incentive Pool and Bonus Amounts	787,434	6,495,770	78,418,620	3,550,549	(3,553)
Subtotal	<u>\$ 1,215,256,039</u>	<u>\$ 1,061,978,711</u>	<u>\$ 911,226,932</u>	<u>\$ 757,805,345</u>	<u>\$ 605,865,177</u>
Net Reinsurance Recoveries	0	1	8,280	228,291	(1,508)
Total Hospital and Medical	<u>\$ 1,215,256,039</u>	<u>\$ 1,061,978,710</u>	<u>\$ 911,218,652</u>	<u>\$ 757,577,054</u>	<u>\$ 605,866,685</u>
Claims Adjustment Expenses	12,679,716	9,470,240	13,716,160	11,283,053	9,702,716
General Administrative Expenses	222,832,841	241,582,102	153,199,468	123,367,585	97,104,600
Total Underwriting Deductions	<u>\$ 1,450,768,596</u>	<u>\$ 1,313,031,052</u>	<u>\$ 1,078,134,280</u>	<u>\$ 892,227,692</u>	<u>\$ 712,674,001</u>
Net Underwriting Gain	<u>\$ 79,478,251</u>	<u>\$ 10,743,292</u>	<u>\$ 4,988,615</u>	<u>\$ (5,903,696)</u>	<u>\$ 4,347,036</u>
Net Investment Income Earned	2,890,847	508,474	1,374,115	3,188,234	1,827,975
Net Realized Capital Gains (Losses)	(79,250)	0	10,593	(389)	0
Net Investment Gains	<u>\$ 2,811,597</u>	<u>\$ 508,474</u>	<u>\$ 1,384,708</u>	<u>\$ 3,187,845</u>	<u>\$ 1,827,975</u>
Agents' Balances Charged Off	(46,934)	(100,270)	(26,205)	0	0
Aggregate Write-ins	<u>(3,266)</u>	<u>0</u>	<u>(68,816)</u>	<u>(839,419)</u>	<u>0</u>
Net Income or (Loss)	<u>\$ 82,239,648</u>	<u>\$ 11,151,496</u>	<u>\$ 6,278,302</u>	<u>\$ (3,555,270)</u>	<u>\$ 6,175,011</u>
Federal and Foreign Income Taxes	17,981,481	3,421,652	2,856,543	(928,031)	1,650,102
Net Income (Loss)	<u><u>\$ 64,258,167</u></u>	<u><u>\$ 7,729,844</u></u>	<u><u>\$ 3,421,759</u></u>	<u><u>\$ (2,627,239)</u></u>	<u><u>\$ 4,524,909</u></u>

EXHIBIT C

WELLCARE HEALTH PLANS OF NEW JERSEY, INC.  
CAPITAL AND SURPLUS ACCOUNT  
FOR FIVE YEAR PERIOD ENDED DECEMBER 31, 2022

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Capital and Surplus, Prior Year	<u>\$ 142,620,922</u>	<u>\$ 116,139,478</u>	<u>\$ 95,433,853</u>	<u>\$ 82,504,204</u>	<u>\$ 69,146,380</u>
Net Income	\$ 64,258,167	\$ 7,729,844	\$ 3,421,759	\$ (2,627,239)	\$ 4,524,909
Change in Net Unrealized Capital Gains	45,270	(53,936)	(7,976)	(2,026)	0
Change in Net Deferred Income Tax	1,423,137	879,926	(285,109)	(399,177)	(1,017,626)
Change in Nonadmitted Assets	(2,943,125)	925,610	2,576,951	958,091	(149,459)
Surplus Adjustments: Paid In	(17,272,310)	17,000,000	15,000,000	15,000,000	10,000,000
Dividends to Stockholders	<u>(727,690)</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Net Change in Capital and Surplus	<u>\$ 44,783,449</u>	<u>\$ 26,481,444</u>	<u>\$ 20,705,625</u>	<u>\$ 12,929,649</u>	<u>\$ 13,357,824</u>
Capital and Surplus, Current Year	<u><u>\$ 187,404,371</u></u>	<u><u>\$ 142,620,922</u></u>	<u><u>\$ 116,139,478</u></u>	<u><u>\$ 95,433,853</u></u>	<u><u>\$ 82,504,204</u></u>



## NOTES TO THE FINANCIAL STATEMENTS

### Note 1: Bonds

The Company reported “Bonds” in the amount of \$48,640,715 at December 31, 2022. The Company’s bonds are summarized as follows:

<u>Investment</u>	<u>Par Value</u>	<u>Fair Value</u>	<u>Admitted Value</u>
U.S. Government	\$ 2,400,000	\$ 2,358,750	\$ 2,392,830
States, Territories and Possessions	325,000	386,272	373,030
Political Subdivisions	680,000	589,031	694,802
Special Revenue	19,444,731	17,425,474	19,262,287
Industrial and Miscellaneous	<u>25,656,000</u>	<u>23,894,395</u>	<u>25,917,767</u>
Total	<u>\$48,505,731</u>	<u>\$44,653,922</u>	<u>\$48,640,715</u>

The Company’s bonds were held by the US Bank, N.A. The US Bank, N.A. is an approved custodian authorized by the NJDOBI.

The examination team relied upon audit procedures performed by the Company’s independent auditor to substantively test and confirm the existence of the Company’s invested assets. Based upon examination review, the assets have been accepted as reported by the Company.

### Note 2: Claims Unpaid and Unpaid Claims Adjustment Expenses

At December 31, 2022, the Company reported \$139,410,698 for Claims unpaid and \$1,446,371 for Unpaid claims adjustment expenses.

Sushil Dasani, ASA, MAAA, Senior Director, Reserve Review Team, Actuarial Services of Centene Corporation, was appointed by the board of directors, rendered an opinion that claims unpaid and aggregate claims reserves recorded as of December 31, 2022, and made a reasonable provision for all unpaid claims and other actuarial liabilities of the organization under the terms of its contracts and agreements.

The NJDOBI contracted with Taylor-Walker Consulting, LLC (“TW”) to review the Company’s loss reserves and actuarial liabilities, and the examination actuarial consultants determined the recorded amounts were reasonably stated. The Life & Health Actuarial Division of the NJDOBI reviewed the TW report on the Actuarial Examination of the Company and accepted the reported reserves without adjustment.

### Note 3: Capital and Surplus

The Company reported total capital and surplus in the amount of \$187,404,371 at December 31, 2022, as summarized:

Common Capital Stock	\$10
Gross Paid In and Contributed Surplus	124,620,912
Unassigned Funds (Surplus)	<u>62,783,449</u>
Total Capital and Surplus	<u>\$187,404,371</u>

The Company's common capital stock consisted of 1,000 shares issued and outstanding each with a \$.01 par value. The shares of the Company are owned by its parent, WMG. The examination resulted in no material findings affecting the Company's surplus as stated.

During the current examination period, the Company received capital contributions of \$10,000,000 in 2018, \$15,000,000 in 2019, \$15,000,000 in 2020, and \$17,000,000 in 2021. The capital contributions were verified as part of this examination bringing the total gross paid in and contributed surplus to \$124,620,912 at December 31, 2022.

The Company was determined to be in compliance with the minimum capital and surplus requirements of the State of New Jersey at December 31, 2022.

#### SUBSEQUENT EVENTS

Effective June 30, 2023, Ms. Erin Henderson Moore replaced Mr. John Kirchner as President, CEO and Director of the Company.

Effective September 30, 2023, Ms. Kendra Archer replaced Ms. Janet Alonzo as Vice President and Secretary of the Company.

Effective November 1, 2023, Mr. Stuart Dubin, Mr. Sean McBride, and Mr. Brendan Peppard replaced Ms. Linda Bongiovanni as a Director of the Company.

The Company paid a cash dividend of \$10,000,000 on October 17, 2023, and a cash dividend of \$10,000,000 on December 15, 2023, to its parent WMG. These dividends were recorded as a reduction of surplus adjustments: paid in in the 2023 financial statements.

Effective January 1, 2023, the Management Services Agreement with CMC was amended and restated to change the services fees from a fee based on a percentage of the Company's monthly revenue to a fee based on the Company's actual costs.

On January 23, 2023, Centene Corporation completed its divestiture of NIA to Evolent Health, Inc.

Effective January 1, 2023, the Company entered into an administrative pharmacy services agreement with its affiliate Centene Pharmacy Services, Inc. The agreement was approved by the NJDOBI on December 20, 2022.

## SUMMARY OF EXAMINATION RECOMMENDATIONS

### Annual Statement Underwriting and Investment Exhibit, Part 3

The claims adjustment expenses columns 1 and 2 of the NAIC Annual Statement Underwriting and Investment Exhibit, Part 3 (Analysis of Expenses) was not completed properly by the Company in 2020, 2021, and 2022 in accordance with the Annual Statement Instructions of the NAIC. Pursuant to the NAIC Annual Statement Instructions: *“A reporting entity that pays any affiliated entity (including a managing general agent) for the management, administration, or service of all or part of its business or operations shall allocate these costs to the appropriate expense classification item (salaries, rent, postage, etc.) as if these costs had been borne directly by the company. The reporting entity may estimate these expense allocations based on a formula or other reasonable basis.”*

For future annual statement filings, it is recommended that the Company complete the Annual Statement Underwriting and Investment Exhibit, Part 3 in accordance with the NAIC Annual Statement Instructions.

## CONCLUSION

The courteous cooperation and assistance extended during the course of this examination by the officers of the Company and members of the office staff is hereby acknowledged.

Respectfully Submitted,



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Sigurd Kenneth Proudfit, CFE, AMCM  
Examiner-In-Charge  
Examination Resources, LLC  
Representing the State of New Jersey  
Department of Banking and Insurance

Under the supervision of:



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Nancy Lee Chice, CFE  
CFE Reviewer – Supervising Examination  
New Jersey Department of Banking and Insurance

AFFIDAVIT

I, Sigurd Kenneth Proudfit, the undersigned, hereby certify that the foregoing Report of Examination accurately discloses, to the best of my knowledge, all material and relevant information related to the financial condition of WellCare Health Plans of New Jersey, Inc., in accordance with the Handbook and New Jersey State Regulations.

Respectfully submitted,



\_\_\_\_\_  
Sigurd Kenneth Proudfit, CFE, AMCM  
Examiner-In-Charge  
Examination Resources, LLC  
Representing the State of New Jersey  
Department of Banking and Insurance

Under the supervision of:



\_\_\_\_\_  
Nancy Lee Chice, CFE  
CFE Reviewer – Supervising Examination  
New Jersey Department of Banking and Insurance

State of New Jersey  
County of Mercer

Subscribed and sworn to before me,

 Sheila M. Tkacs on this  
30<sup>th</sup> day of May, 2024.

  
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Notary Public of New Jersey

My commission expires: July 2025