

REPORT ON EXAMINATION AS TO THE CONDITION OF

CLOVER INSURANCE COMPANY

JERSEY CITY, NEW JERSEY

AS OF DECEMBER 31, 2019

NAIC GROUP CODE 4918

NAIC COMPANY CODE 86371

FILED
OCTOBER 28, 2021
COMMISSIONER
DEPARTMENT
OF
BANKING & INSURANCE

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DEPARTMENT OF BANKING AND INSURANCE

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10/28/21

Honorable Marlene Caride
Commissioner of Banking and Insurance
State of New Jersey
20 West State Street
Trenton, New Jersey 08625

Commissioner:

Pursuant to the Revised Statutes of the State of New Jersey, an examination has been made of the conditions and affairs of the assets and liabilities, method of conducting business and other affairs of the:

CLOVER INSURANCE COMPANY

JERSEY CITY, NJ 07302

NAIC GROUP CODE 4918

NAIC COMPANY CODE 86371

a domestic insurer duly authorized to transact the business of insurance in the State of New Jersey. Hereinafter, the Clover Insurance Company will be referred to in this report as the "the Company", or "Clover".

SCOPE OF EXAMINATION

This risk-focused examination was called by the Commissioner of Banking and Insurance of the State of New Jersey pursuant to the authority granted by N.J.S.A. Section 17:23-22 of the New Jersey Revised Statutes.

The examination was made as of December 31, 2019 and addressed the five-year period from January 1, 2015 to December 31, 2019. During this period, the Company's reported admitted assets increased by \$148,684,813 to \$161,744,762 from \$13,059,949, liabilities increased by \$89,007,068 to \$96,628,830 from \$7,621,762 and total capital & surplus increased by \$59,677,745 to \$65,115,932 from \$5,438,187.

The examination was conducted in accordance with the risk-focused procedures and guidelines prescribed by the National Association of Insurance Commissioners ("NAIC"). According to the NAIC Handbook, "One of the increased benefits of the enhanced risk-focused approach is to include ... consideration of other than financial risks that could impact the insurer's future solvency. By utilizing the enhanced approach, the examiner reviewed the "financial" and "enterprise" risks that existed at the examination "as of" date and will be positioned to assess "financial" and "enterprise" risks that extend or commence during the time the examination was conducted and "prospective" risks which are anticipated to arise or extend past the point of examination completion. Using this approach examiners will be better positioned to make recommendations for appropriate future supervisory plans (i.e., earlier statutory exams, limited-scope exams, key areas for financial analysts to monitor, etc.) for each insurer."

All accounts and activities of the Company were considered in accordance with the risk-focused examination process. The examination report only addresses regulatory information revealed by the examination process in accordance with the NAIC Handbook. All other financial matters were reviewed and determined not to be material for discussion in this report.

This examination report is being submitted under the implementation of an extension to the NAIC 18 month rule. The Chief Examiner petitioned a waiver from the NAIC, and received an exemption and accompanying four month extension based on numerous delays in the examination process from the Company, delays related to COVID-19 and numerous and significant subsequent event transactions.

The Certified Public Accounting ("CPA") firm of Ernst & Young, LLP ("EY") provided an unqualified audit opinion on the fair presentation of the Company's year-end financial statements based on statutory accounting principles for the reporting year period ending December 31, 2019. Relevant work performed by the CPA firm during its annual audit of the Company was reviewed during the examination and incorporated into the examination work papers whenever feasible to facilitate efficiencies. Certain EY work papers have been incorporated into the work papers of the examiners and have been utilized in determining the scope and areas of emphasis in conducting the examination.

COMPLIANCE WITH PRIOR REPORT ON EXAMINATION RECOMMENDATIONS

There were two examination recommendations in the Company's prior report on examination as of December 31, 2014 as follows:

Management and Control

The Company does not have a formal Audit Committee outside of the overall governance of the Board of Directors. The Company is part of a Holding Company System and it is recommended that the Company establish an Audit Committee in accordance with N.J.S.A. 17:27A-4d(4) or request a waiver from the New Jersey Department of Banking and Insurance for an exemption of the requirements under N.J.S.A. 17:27A-4d(6).

During the period examined, the Company requested and received a waiver from the New Jersey Department of Banking and Insurance for an exemption of the requirements under N.J.S.A. 17:27A-4d(6) to meet the compliance of an Audit Committee.

Corporate Records

It was noted that the Certificate of Incorporation states that the present location of the Company is 69-71 New Hook Road, Bayonne, New Jersey. It is recommended that the Company amend its Certificate of Incorporation to include the change of address to their present location.

During the period examined, the Company amended their Certificate of incorporation to include the change of address to their present location in compliance with the recommendation.

HISTORY

The Company was incorporated as a stock company by means of a Certificate of Incorporation dated February 13, 2012 under the name of CarePoint Insurance Company. The Company was formed to offer Medicare Advantage insurance using a warehouse of technological analytics to lower hospital admissions and reduce healthcare costs.

Through a Certificate of Authority dated February 17, 2012, the Company is authorized to transact the business of "Health Insurance" as defined in Section 17B:17-4 of Subtitle 3 of Title 17B of the New Jersey Revised statutes, and such other insurance as may be permitted under the laws of the State of New Jersey to be written by an insurer authorized to do the kinds of business described in Section 17B:17-4 of said Subtitle 3. Independent of any insurance contract, the Corporation may provide services of the kinds authorized for a domestic insurance corporation by Section 17B:18-43 of said Subtitle 3, subject to the provisions of said Section.

The Company officially commenced business on January 12, 2013. The Company originated with writing in Hudson County, New Jersey but continued to expand into several other New Jersey counties and states as further detailed in Territory and Plan of Operations below.

The Company was a wholly-owned subsidiary of Healthy Choice Management, Inc. (as of December 31, 2014), a Delaware Corporation. Healthy Choice Management, Inc. was wholly-owned by New Jersey Healthcare Investments, LLC which was in turn wholly-owned by Sequoia Healthcare Services, LLC, the Ultimate Parent.

Pursuant to the New Jersey Healthcare Investments, LLC Reorganization Agreement dated October 7, 2014, Healthy Choice Management, LLC was merged with and into Clover Health Holdings, Inc. (Clover Health Holdings), a Delaware Corporation which was incorporated on

October 3, 2014 to serve as the holding company for the Company. Clover Health Investments Corp. (“Clover Investments”) became the sole owner of Clover Health Holdings concurrent with the reorganization.

On September 30, 2015, CarePoint Insurance Company d/b/a CarePoint Health Plans changed its name to Clover Insurance Company.

On April 12, 2016, Clover Investments acquired Union Life Insurance Company, a Maryland domiciled life and health insurance company and Ullico Life Insurance Company (“Ullico”), a Texas domiciled life and health insurance company wholly-owned by Union Life Insurance Company. Ullico had written life insurance policies prior to entering “run-off”. Some of the policies remained outstanding. Prior to the acquisition by Clover Investments, all outstanding policies were ceded as follows:

- Approximately \$4.8 million life insurance reserves issued by Ullico were 100% ceded to Southern Financial Life Insurance Company, a Louisiana domestic company, in full transfer of risk related to these policies. Southern Financial Life Insurance Company is required to hold in trust 100 % of the outstanding liabilities as of the reporting date.
- In addition, approximately \$1.36 million annuity reserves issued by Ullico were 100% ceded to Sagacor Life Insurance Company, a Texas domiciled company, in full transfer of risk.

On April 20, 2016, Ullico was re-domesticated to New Jersey and merged with Clover Insurance Company with Ullico as the surviving entity. The Company was then immediately renamed Clover Insurance Company and the NAIC# was subsequently changed from 14203 to 86371..

On April 20, 2016, the Company filed an amended Certificate of Incorporation with the State of New Jersey to merge with Ullico. All of Ullico’s assets and liabilities were transferred to the Company and are treated as a capital contribution from Clover Investments.

On December 22, 2016, the Company entered into a Subordinate Surplus Note (the “Note”) with Clover Investments for \$40 million. The principal is due and payable December 31, 2020 and the Note has no stated interest rate. The Note is subordinate to the policyholder, claimant and beneficiary claims as well as debt owed to all other classes of creditors, but is superior to all claims of Clover Investments’ common or preferred shareholders. No payment of principal or interest can be made without the prior written approval of the New Jersey Department of Banking and Insurance.

Clover Investments made a \$59.9 million cash contribution for the year ended December 31, 2016.

On April 11, 2017, the Company’s common stock par value increased from \$5 per share to \$15 per share. An additional capital contribution for the amount of \$1.4 million was made by the sole owner.

Clover Investments made a \$13.6 million cash contribution for the year ended December 31, 2017.

On February 13, 2018, the Company's common stock par value increased from \$15 per share to \$17.857 per share. The change in the amount of \$400,000 in the par value of the Company's common stock was reflected in a reclassification between common stock and contributed surplus.

Clover Investments made a \$27.6 million cash contribution for the year ended December 31, 2018.

Clover Investments made a \$79.4 million cash contribution for the year ended December 31, 2019. As part of this contribution, the Company recognized a \$20,000,000 receivable from Clover Heath Investments as a Type 1 subsequent event. The funds were deposited as of February 28, 2020.

At December 31, 2019, 140,000 shares of common stock were issued and outstanding with a value of \$2,500,000 in accordance with N.J.S.A. 17:17-8 which requires that all authorized shares of stock of a stock company are to be issued.

The principal office location of the Company is at 30 Montgomery Street, 15th Floor Jersey City, NJ 07302, and the registered agent upon whom process may be served is The Corporation Trust Company at 820 Bear Tavern Road, Ewing Township, New Jersey, 08628.

STATUTORY DEPOSIT

As of December 31, 2019, the Company, in accordance with N.J.S.A. 17B:18-37(c) had a market value of \$1,708,145 for the New Jersey statutory deposit.

TERRITORY AND PLAN OF OPERATIONS

The Company exclusively writes Medicare Advantage business. The Company was initially licensed in Hudson County, New Jersey. Since inception, the Company has continued to expand into various counties in New Jersey and as of 2019, were providing coverage in 2 – 6 counties across 7 states. In addition to direct marketing, the Company uses brokers and other third party agents to identify and obtain business. The Company uses a third party vendor to assist with some policies and endorsements. Renewals and cancellations are handled internally by the Company.

During 2018, the Company began providing coverage in Georgia, Pennsylvania and Texas.

During 2019, the Company began providing coverage in Arizona, South Carolina and Tennessee.

Clover Health Labs, LLC, an affiliate, maintains an office in San Francisco to house the Company's technology team to manage the Company's data warehouse. The warehouse is used to provide technical and analytical healthcare diagnostics of Medicare Advantage enrollees to aid in their health and wellness and to gain efficiencies in healthcare costs.

The Company does not have any employees. The Company has entered into an administrative contract with Clover Health LLC to provide various administrative services on behalf of the Company, as discussed in the "Inter-company Agreements" section of this report. Investment services are contractually provided by Bowie Capital Management, LLC.

The Company maintains its statutory home office at 30 Montgomery Street, Jersey City, NJ 07302. The Company conducts its business operations from its main administrative office at 30 Montgomery Street, Jersey City, NJ 07302, which serves as the primary location of the Company's accounting books and records.

REINSURANCE

At December 31, 2019, the Company had the following reinsurance in effect:

The Company entered into a facultative excess loss reinsurance agreement with PartnerRe America Insurance Company effective January 1, 2019 to December 31, 2019. There was a \$500,000 retention above which 100% of eligible expenses were paid by the reinsurer.

CORPORATE RECORDS

A review of the minutes of the Board of Directors (or "the Board") meetings noted that all meetings were well attended. The Board minutes contain limited details to document the Company's overall transactions and events were adequately supported and approved.

MANAGEMENT AND CONTROL

The business and affairs of the Company are managed by the Board of Directors. In accordance with the bylaws, the Board of Directors shall consist of not less than three directors. The following directors were elected and serving at the examination date:

Directors

<u>Name</u>	<u>Principal Occupation</u>
Ed Berde	Technology Consultant of Business Consulting Solutions Inc.
Justin Doheny	Adjunct Professor, Monroe College
Vivek Garipalli	Founder and Chief Executive Officer – holds numerous other management and directorships with affiliates

The Company is required to comply with the provisions of N.J.S.A. 17:27A-4d(3), which states that "not less than one-third of the directors of a 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."

The Company was determined to be in compliance with the provisions of N.J.S.A. 17:27A-4(d)(3) as of the examination date, as the Board of Directors consists of three members, of which two are considered outside directors.

Committees

The Company is required to comply with the provisions of N.J.S.A. 17:27A-4d(4), which states that "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 of 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."

The Company does not have a formal audit committee outside of the overall governance of the Board of Directors. The Company is part of a Holding Company System, and requested and received a waiver from the New Jersey Department of Banking and Insurance for an exemption of the requirements under N.J.S.A. 17:27A-4d(6).

Officers

The officers of the Company shall consist of a President, Treasurer and Secretary, and, if desired, a Chairman of the Board of Directors, Vice Chairman of the Board of Directors, Vice President, Assistant Treasurer and/or an Assistant Secretary. All officers shall serve one (1) year terms. The Board may appoint such other officers as they deem advisable, who shall hold their offices for such terms as shall be determined from time to time by the Board of Directors. The President shall be the chief executive officer of the Company and shall have the general powers and duties of supervision and management usually vested in the office of President.

The following officers were elected and serving the Company as at December 31, 2019:

<u>Name</u>	<u>Title</u>
Vivek Garipalli	Chief Executive Officer
Andrew Toy	President and Chief Technology Officer
Joseph Wagner	Chief Financial Officer
Gia Lee	General Counsel
Wendy Richey	Chief Medical Compliance Officer
Rachel Fish	Chief People Officer
Mark Spektor	Chief Medical Officer
Sophia Chang	Chief Clinical Informatics Officer

N.J.S.A. 17:27A-4d(5) states, "The provisions of paragraphs (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."

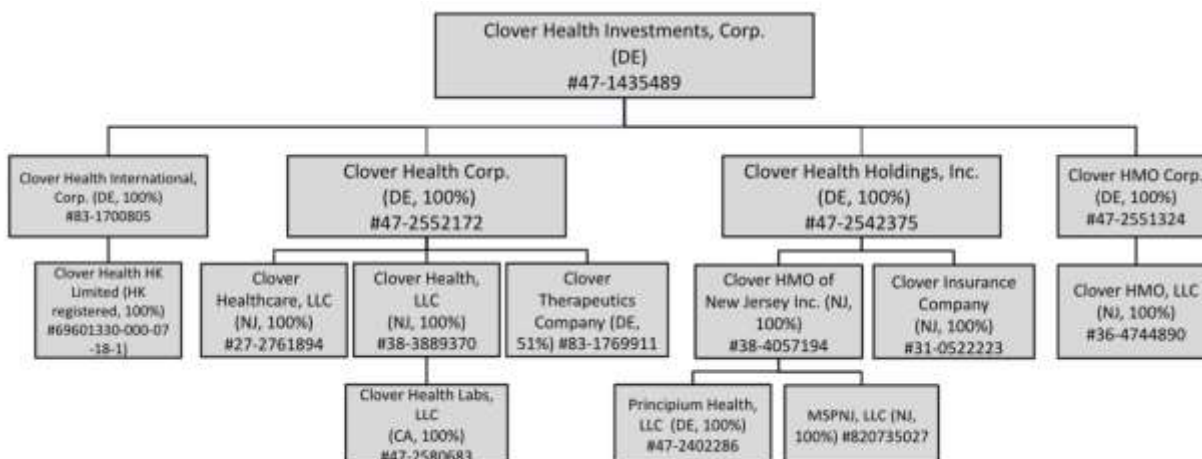
The Company satisfies the requirements of N.J.S.A. 17:27A-4d(5).

REGULATION OF INSURANCE HOLDING COMPANY SYSTEMS

The Company is a member of an insurance holding company system as defined by N.J.S.A. 17:27A-1.

A review of the 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 holding company system organizational chart as of December 31, 2019 follows:



INTER-COMPANY AGREEMENTS / RELATED PARTY TRANSACTIONS

Inter-Company Agreements

The Company was a named party to the following affiliated agreements at the examination date:

The Company has no employees and, as such, has entered into an administrative services agreement effective January 1, 2012 with its related party, Clover Health LLC (f/k/a CarePoint ASO, LLC) (“ASO”), to make use of certain employees, equipment and facilities in the operations and management of the Company. Under the terms of this adopted agreement, that was filed and approved by the New Jersey Department of Banking and Insurance, the Company pays ASO the following:

- Reimbursement for the actual cost of services that constitute activities that improve healthcare quality as defined by the Centers for Medicare and Medicaid Services (“CMS”) provided, however, that the total amount of reimbursement in a calendar year does not exceed 85% of the Company’s premiums earned. For the year ended December 31, 2019, the cost of these services exceeded the 85% threshold, therefore resulting in no additional reimbursement to be made to ASO by the Company.
- Administrative fee of 11% of the premiums the Company earns, for services that don’t constitute activities that improve healthcare quality.

- For the year ended December 31, 2019 the Company reported \$46,932,587 for ASO fees incurred under the contract.

Effective January 1, 2014, the Company assigned all of its administrative expenses to ASO.

Related Entities

Medical Service Professionals of New Jersey, LLC (“MSPNJ”), provides in-home chronic care, palliative and supportive services to the Company and affiliates. MSPNJ contracts with the Company, Clover HMO of New Jersey Inc., Clover Health, LLC and Principium Health, LLC (“Principium”) to provide in-home health services and receives funding for operating expenses from Clover Health, LLC and Principium.

Principium owns the medical equipment, and leases vehicles and office space in relation to in-home chronic care services provided by MSPNJ. Principium has various agreements with the Company and its other subsidiaries and affiliates. Principium supports MSPNJ for in-home health services and receives funding for operating expenses from various affiliates.

The Company has various contracts with IJKG Opco LLC (d/b/a CarePoint Health - Bayonne Medical Center), Hudson Hospital Opco LLC (d/b/a CarePoint Health - Christ Hospital) and Hoboken University Medical Center Opco LLC (d/b/a CarePoint Health - Hoboken University Medical Center), which collectively do business as the CarePoint Health System (CarePoint Health). CarePoint Health is ultimately held and controlled by Mr. Vivek Garipalli, the Chief Executive Officer and stockholder of Clover Investments. Clover Investments contracts with CarePoint Health for the provision of inpatient and hospital-based outpatient services.

Clover Health Labs, LLC, an affiliate, maintains an office in San Francisco to house the Company’s technology team managing the Company’s data warehouse. The warehouse is used to provide technical and analytical healthcare diagnostics of Medicare Advantage enrollees to aid in their health and wellness and to gain efficiencies in healthcare costs.

The Company files a consolidated Federal Income Tax Return with: Clover Investments, Clover HMO, Corp., Clover Health, Corp., and Clover Health Holdings, Inc.

On December 22, 2016, Clover Investments provided a surplus note in the amount of \$40 million with no stated interest rate. The surplus note matures on December 31, 2020. No principal or interest may be paid without prior approval by the Commissioner of Banking and Insurance of the State of New Jersey.

POLICY ON CONFLICT OF INTEREST

Conflict of Interest forms are completed by all employees, temporary employees, consultants and members of the Board at time of hiring, contracting or appointment, and yearly thereafter.

Upon review of the Board Minutes for the year 2019, it was determined that the Company did not have any reported conflicts of interest.

INFORMATION SYSTEMS

Information systems were reviewed at the Group level. The IT examination team's procedures considered a customized range of IT risks contained within the NAIC Exhibit C Part 2 Work Program, focusing on both IT governance and IT operational controls. Overall, the IT examination team concluded that IT General Controls ("ITGCs") are *ineffective*. IT review conclusions were based on inquiry, inspection of documentation, observation, independent research and a review of third-party workpapers. The IT examination team's conclusion regarding control strength was discussed with, and accepted by, the Examiner-in-Charge at the conclusion of the IT review.

CONTINUITY OF OPERATIONS

The Company's by-laws provide for the election of directors and the appointment of officers to fill any vacancies caused by death, resignation, disqualification, or removal by the Board of Directors.

The Company has a disaster recovery plan that was reviewed in the course of the examination IT review. No material findings were noted.

FIDELITY BOND AND OTHER INSURANCE COVERAGES

The Company maintains managed care errors and omissions coverage as well as the financial institution and crime coverages up to \$2,000,000 with up to a \$10,000 single loss deductible as of December 31, 2019. This policy provides forgery or alteration, securities and computer fraud coverage. This coverage is deemed adequate to satisfy the suggested minimum amounts of fidelity insurance proposed by the NAIC.

TREATMENT OF POLICYHOLDERS

A review of the Company's complaint log indicated that the Company maintains its complaint log in accordance with N.J.S.A. 17:29B-4(10).

FINANCIAL STATEMENT EXHIBITS

<u>Exhibit A:</u>	Statement of Assets, Liabilities, Surplus and Other Funds at December 31, 2019	12
<u>Exhibit B:</u>	Summary of Revenue and Expenses for the Five-Year Period ending December 31, 2019	13
<u>Exhibit C:</u>	Capital and Surplus Account for the Five-Year Period ending December 31, 2019	14

Exhibit A

Statement of Assets, Liabilities, Surplus and Other Funds at December 31, 2019

	Per Examination	Balance Per Company	Examination Change	Note Number
Admitted Assets				
Bonds	\$ 44,982,492	\$ 44,982,492	\$ -	
Cash, cash equivalents, and short-term investments	45,951,473	45,951,473	-	1
Receivables for securities	150,000	150,000	-	
Subtotals, cash and invested assets	<u>91,083,965</u>	<u>91,083,965</u>	<u>-</u>	
Investment income due and accrued	201,378	201,378	-	
Premiums and considerations:				
Uncollected premiums and agents' balances in course of collection	639,931	639,931	-	
Accrued retrospective premiums and contracts subject to redetermination	13,089,643	13,089,643	-	
Reinsurance:				
Amounts recoverable from reinsurers	482,221	482,221	-	
Amounts receivable relating to uninsured plans	6,639,979	6,639,979	-	
Guaranty funds receivable or on deposit	34,680	34,680	-	
Receivable from parent, subsidiaries and affiliates	37,918,431	37,918,431	-	
Health care and other amounts receivable	<u>11,654,534</u>	<u>11,654,534</u>	<u>-</u>	
Total Admitted Assets	<u><u>\$ 161,744,762</u></u>	<u><u>\$ 161,744,762</u></u>	<u><u>\$ -</u></u>	
Liabilities, Capital and Surplus				
Liabilities				
Claims unpaid	\$ 71,695,817	\$ 71,695,817	\$ -	2
Unpaid claims adjustment expenses	2,577,474	2,577,474	-	2
Aggregate health policy reserves	19,155,501	19,155,501	-	2
General expenses due or accrued	640	640	-	
Ceded reinsurance premium payable	337,080	337,080	-	
Payable to parent, subsidiaries and affiliates	1,346,324	1,346,324	-	
Liability for amounts held under uninsured plans	1,511,543	1,511,543	-	
Aggregate write-ins for other liabilities	<u>4,451</u>	<u>4,451</u>	<u>-</u>	
Total Liabilities	<u>96,628,830</u>	<u>96,628,830</u>	<u>-</u>	
Capital and Surplus				
Aggregate write-ins for special surplus funds	8,245,649	8,245,649	-	3
Common capital stock	2,500,000	2,500,000	-	3
Gross paid in and contributed surplus	208,790,037	208,790,037	-	3
Surplus notes	40,000,000	40,000,000	-	3
Unassigned (deficit) surplus	<u>(194,419,754)</u>	<u>(194,419,754)</u>	<u>-</u>	3
Total Capital and Surplus	<u>65,115,932</u>	<u>65,115,932</u>	<u>-</u>	
Total Liabilities, Capital and Surplus	<u><u>\$ 161,744,762</u></u>	<u><u>\$ 161,744,762</u></u>	<u><u>\$ -</u></u>	

Note: Financial statement exhibits may not reconcile due to rounding.

Summary of Revenue and Expenses for the Five-Year Period Ending December 31, 2019

	2015	2016	2017	2018	2019
Underwriting Income					
Premiums earned	\$ 52,520,881	\$ 45,955,135	\$ 267,218,955	\$ 290,080,357	\$ 432,546,737
Deductions					
Hospital/medical benefits	23,924,258	52,186,599	106,318,847	143,258,562	248,119,338
Other professional services	19,967,162	73,512,032	4,902,701	8,004,856	11,865,521
Outside referrals	-	-	116,784,673	143,178,338	121,094,428
Emergency room and out-of area	-	-	10,868,529	13,838,054	19,843,935
Prescription drugs	3,720,023	13,283,673	31,372,214	26,507,402	30,918,506
Aggregate write-ins for other hospital and medical	9,281,405	52,116,663	2,406,561	3,577,995	1,358,187
Net reinsurance (recoveries)/expense	(11,001,117)	(140,354,362)	2,590,885	(63,582,566)	(1,149,696)
Claim adjustment expenses	-	-	13,392,696	13,149,470	18,188,779
General administrative expenses	8,257,097	14,694,476	19,524,942	33,832,443	30,306,864
Increase in reserves for life, accident and health contracts	3,604,295	14,996,173	(19,278,000)	9,604,658	4,437,281
Total underwriting deductions	57,753,123	80,435,254	288,884,048	331,369,212	484,983,143
Net underwriting loss	(5,232,242)	(34,480,119)	(21,665,093)	(41,288,855)	(52,436,406)
Investment Income					
Net investment income earned	255	47,478	141,033	362,947	1,206,713
Net realized capital gains or (losses)	-	-	-	(2,231)	64,603
Net investment gain	255	47,478	141,033	360,716	1,271,316
Other Income					
Net gain (loss) from agents' or premium balances charged off					
Finance and service charges not included in premiums					
Aggregate write-ins for miscellaneous income	292,418	(137,946)	5,900	-	(271)
Total other income	292,418	(137,946)	5,900	-	(271)
Net income/(loss) before dividends to policyholders and before federal income taxes	(4,939,569)	(34,570,587)	(21,518,160)	(40,928,139)	(51,165,361)
Dividends to policyholders	-	-	-	-	-
Net income/(loss), after dividends to policyholders, after capital gains tax and before all other federal and foreign income taxes	(4,939,569)	(34,570,587)	(21,518,160)	(40,928,139)	(51,165,361)
Foreign and federal income taxes incurred	(8,126)	-	-	(4,628)	-
Net income/(loss)	\$ (4,931,443)	\$ (34,570,587)	\$ (21,518,160)	\$ (40,923,511)	\$ (51,165,361)

Exhibit C**Capital and Surplus Account for the Five-Year Period Ending December 31, 2019**

	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>
Capital and surplus, December 31 prior year	\$ 5,438,187	\$ 10,185,202	\$ 67,929,336	\$ 48,356,935	\$ 35,059,312
Net income	(4,931,443)	(34,570,587)	(21,518,160)	(40,923,511)	(51,165,361)
Change in net deferred income tax	-	(276,285)	9,841	(5,213)	(4,628)
Change in nonadmitted assets	3,678,458	(7,233,475)	(13,214,082)	9,492,790	(1,771,391)
Change in surplus notes	-	40,000,000	-	-	-
Capital adjustments: Paid in	-	-	1,400,000	400,000	-
Surplus adjustments: Paid in	6,000,000	59,824,481	13,600,000	27,600,000	79,416,168
Aggregate write-ins for gains/(losses) in surplus	-	-	150,000	(9,861,689)	3,581,832
Change in capital and surplus	<u>4,747,015</u>	<u>57,744,134</u>	<u>(19,572,401)</u>	<u>(13,297,623)</u>	<u>30,056,620</u>
Capital and surplus, December 31 current year	<u>\$ 10,185,202</u>	<u>\$ 67,929,336</u>	<u>\$ 48,356,935</u>	<u>\$ 35,059,312</u>	<u>\$ 65,115,932</u>

NOTES TO THE FINANCIAL STATEMENTS

There were no changes made to the assets, liabilities or surplus balances reported by the Company for the year ended December 31, 2019. The capital and surplus as regards policyholders, which totaled \$65,115,932 as of the examination date, was determined to be reasonably stated and in compliance with N.J.S.A 17:17 et seq.

Note 1 – Bonds

Treasury notes totaling \$1,000,000 in par value and \$709 ,265 in a money market fund were held as statutory deposits by the NJDOBI on behalf of the Company in accordance with N.J.S.A. 17:20-1.

Note 2 - Claims Unpaid and Unpaid Claim Adjustment Expenses

No adjustments to reserves or surplus were indicated as a result of the actuarial portion of the examination. The assumptions used were generally found to be appropriately conservative. The actuarial examination was limited to providing substantive reviews of the actuarial items on page 3 of the Annual Statement and one item from page 2 of the Annual Statement.

Summarized below are the recorded estimates which were included in our review:

Claims unpaid	\$ 71,695,817
Unpaid claims adjustment expense	2,577,474
Aggregate health policy reserves	<u>19,155,501</u>
Total	<u>\$93,428,792</u>

The examination team collaborated with the examination actuaries to conduct all of the reviews of internal controls and risk analysis.

The aggregate net amounts above, which were reported by the Company, met or exceeded the statutory minimums of the State of New Jersey. The claims reserves and policy reserves, including Incurred but Not Reported (“IBNR”), as reported by the Company were deemed to be reasonable in light of the liabilities they support and materially in compliance with the Statutes of the State of New Jersey. This examination conclusion is not a guarantee that the reserves and any supporting assets will be adequate under every scenario of future experience; the results reached in this analysis are dependent on the assumptions used. Realized results may vary as actual experience differs from the assumptions.

Note 3 – Capital and Surplus

The Company reported total capital and surplus in the amount of \$65,115,932 at December 31, 2019 as summarized:

The Company is organized as a stock company with 140,000 shares of \$17.857 par value common stock authorized, issued and outstanding as of December 31, 2019.

At December 31, 2019, the Company reported gross paid-in and contributed surplus of \$208,790,037.

At December 31, 2019, the Company had a surplus note of \$40,000,000.

At December 31, 2019, the Company had an unassigned deficit of \$194,419,754.

At December 31, 2019, the Company reported write-in for special surplus funds of \$8,245,649 representing the 9010 ACA Fee accrual.

The Company was determined to be in compliance with the minimum capital and surplus requirements of the State of New Jersey at December 31, 2019.

SUMMARY OF EXAMINATION RECOMMENDATIONS

Ineffective Conflict of Interest Process

During the examination period it was noted that the Company's process for obtaining and reviewing complete annual conflict of interest disclosure statements from management and Board was operating ineffectively. Based on our review, the annual conflict of interest disclosures were incomplete and noted conflicts were not discussed with the appropriate personnel and Board for proper resolution.

It is recommended the Company obtain annual conflict of interest disclosures for all key management and board of directors and the conflict of interest disclosures are deemed complete and accurate at the time of submission. All conflicts should be reviewed and disposed by appropriate authority level and discussed at the Company Board to assure integrity and independence of management and Board.

Lack of Key Documents and Controls

Throughout the course of the examination fieldwork the examination team made numerous requests for supporting documentation around key agreements, key controls and processes. In many instances, the Company was unable to provide comprehensive and complete documentation for examiner review with ineffective processes and controls to ensure completeness and accuracy of recorded balances.

It is recommended the Company review all significant processes to ensure there are key risk mitigating controls in place and the controls are operating effectively. It is further recommended that all supporting agreements be reviewed and/or updated to ensure appropriate support is available and consistently applied between operating affiliates for accurate and complete recording of expenses. This is particularly important around commitments and contingencies to ensure the liability is complete and accurate and to ensure these balances are estimated and monitored timely to ensure continued solvency.

COMMITMENTS AND CONTINGENCIES

The Company and its affiliates are routinely involved in numerous claims, lawsuits, regulatory audits, investigations and other legal matters arising, for the most part, in the ordinary course of managing the business. The Company believes that the legal actions, regulatory matters, proceedings and investigations currently pending against it should not have a material adverse effect on the Company's results of operations, financial condition or liquidity based upon our current knowledge and taking into consideration current accruals.

SUBSEQUENT EVENTS

In 2020, the Company recognized a \$26.5 million receivable from Clover Heath Investments as a Type 1 subsequent event. The funds were deposited as of February 28, 2021 and recorded as a capital contribution.

On March 11, 2020, the outbreak of a novel strain of coronavirus, COVID-19, was declared a pandemic by the World Health Organization. The extent of the pandemic's impact on the Company's operational and financial performance cannot be predicted and will depend on various factors, such as the duration and spread of the outbreak, regulatory developments, and the impact on the financial markets. Due to the uncertainty of the pandemic, it is not feasible to assess the impact at this time.

Effective January 7, 2021, Clover Health Investments and Social Capital Hedosophia Holdings Corp. III, a publicly traded special purpose acquisition company, completed a business combination to form one of the nation's fastest growing publicly-traded Medicare Advantage insurers. The newly formed company is named Clover Health Investments, Corp.

CONCLUSION

A regular statutory financial condition examination was conducted by the undersigned with the assistance of examiners of the New Jersey Department of Banking and Insurance examination staff.

The examination and audit was conducted remotely. The courteous assistance and cooperation of the Company's management is acknowledged.

Respectfully submitted,



Alex Quasnitschka, CFE
Examiner-in-Charge
Risk & Regulatory Consulting, LLC
Representing the New Jersey Department of Banking and Insurance

Under the Supervision of,



Nancy Lee Chice, CFE
Supervising Insurance Examiner
New Jersey Department of Banking and Insurance

Clover Insurance Company

The undersigned hereby certifies that an examination has been made of Clover Insurance Company and the foregoing report is true to the best of my knowledge and belief.

Respectfully submitted,

Alex Quasnitschka

Alex Quasnitschka, CFE
Examiner-in-Charge
Representing the New Jersey Department of Banking and Insurance

Under the Supervision of,

Nancy Lee Chice

Nancy Lee Chice, CFE
Supervising Insurance Examiner
New Jersey Department of Banking and Insurance

State of New Jersey
County of Mercer

Subscribed and sworn to before me, on this 12th day of October 2021

Spencer M. Thomas

Notary Public of New Jersey

My commission expires: July 2025