

**Application to Form a Mutual Holding Company System and for
the Approval of the Plan for the Simultaneous Mutualization and Reorganization
of**

HORIZON HEALTHCARE SERVICES, INC.,
a New Jersey Health Service Corporation (“HORIZON HSC”)

to

HORIZON MUTUAL HOLDINGS, INC.,
a New Jersey Mutual Holding Company (“Horizon Mutual”)

and

HORIZON HEALTHCARE SERVICES, INC., (“REORGANIZED-HHSI”)
a New Jersey Stock Insurance Company

and

Other Subsidiary Companies (collectively Horizon Companies referred to as “Horizon”)

Pursuant to P.L.2020 c.145; an Act permitting the reorganization of a health service corporation, supplementing P.L.1985, c.286, and amending P.L.2001, c.131 and P.L.1970, c.22 (“Reorganization Authorization Statute”).

Filed with

The New Jersey Department of Banking and Insurance (“Department”)

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APPLICATION

I. HORIZON HSC BOARD OF DIRECTORS RESOLUTION APPROVING PLAN FOR SIMULTANEOUS MUTUALIZATION OF HORIZON HSC

On January 13, 2021, the Board of Directors (“Board”) of HORIZON HSC adopted a resolution (“Resolution”) proposing to transition HORIZON HSC to a mutual insurer and form a mutual holding company system.

Pursuant to section 5 of the Reorganization Authorization Statute, the Resolution included a plan (“Plan”) to effectuate a simultaneous reorganization to a mutual insurer and the formation of a mutual holding company system. The Plan also included proposed articles of incorporation and bylaws for the mutual holding company and proposed articles of incorporation, certificates of formation, restatements of, or amendments to, existing articles of incorporation or bylaws, and plans of merger or consolidation, with respect to each entity to be formed, converted, or otherwise subject or party to the transition transactions pursuant to the Plan. The Plan, including the proposed governing documents of each entity subject to the transaction, is included below.

A copy of the minutes of the meeting at which the Resolution was adopted and a copy of the Resolution are attached as *Attachment A – Minutes and Resolution*.

HORIZON HSC submits its application (“Application”) to the Commissioner of the New Jersey Department of Banking and Insurance (“Department”) pursuant to the Reorganization Authorization Statute for the Department’s review, and approval (“Approval”) of the Plan to form a mutual holding company system. Pursuant to Section 5 of the Reorganization Authorization Statute, the Plan will be effectuated upon Approval and the Approval will constitute a self-executing approval of any internal dividends, distributions, mergers, acquisitions, consolidations, reorganizations, formations, liquidations, conversions, or change(s) of control within the holding company system that are part of the Plan.

HORIZON HSC respectfully submits that the standard for approval under the Reorganization Authorization Statute has been satisfied. The Plan: (1) is not contrary to law, (2) would not be detrimental to the safety or soundness of the proposed Reorganized HHSI and other insurance company subsidiaries of the proposed mutual holding company, and (3) benefits the interests of the policyholders of the health service corporation and treats them equitably.

A copy of the Application is simultaneously provided to the Attorney General pursuant to the Reorganization Authorization Statute.

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II. PLAN OF REORGANIZATION

Pursuant to the Reorganization Authorization Statute, the Plan provides for a narrative description of the purpose of the reorganization and all of the information required under section 2 of P.L. 1995, c.196 (C.17:48E-46) and subsections a(1) through a(8) of section 5 of the Reorganization Authorization Statute.

INTRODUCTION: PURPOSE OF REORGANIZATION

HORIZON HSC is currently organized as a health service corporation under C.17:48E-1 et seq. (the “HSC Act”). HORIZON HSC is New Jersey’s largest and oldest health insurer with nearly 90 years of service to New Jersey’s communities. HORIZON HSC is the only not-for-profit health insurer in the state serving over 3.7 million members who choose Horizon for their health coverage, including more than 1,000,000 who obtain their coverage through Medicaid.

HORIZON HSC also employs more than 5,000 New Jersey residents, 75% of whom are women and 50% of whom are Black, Hispanic, or Asian. Horizon maintains principal offices across Newark, Hopewell, and Wall Township and has provided more than \$60 million in grants to local organizations that improve the health and well-being of our communities.

Many of the laws governing health service corporations date from the 1980s. While some have been periodically amended over the decades, HORIZON HSC operates under many outdated restrictions and limitations that other health insurers do not face. These restrictions and limitations inhibit HORIZON HSC’s ability to operate in the best and most efficient manner for the benefit of Horizon’s members and the State of New Jersey’s health care landscape.

The purpose of the reorganization is to modernize HORIZON HSC’s corporate structure, subject to appropriate standards, regulatory oversight and approval, in order to meet the evolving needs of its members. HORIZON HSC seeks to augment its statutory mission to best serve its members by providing affordable and accessible health insurance, promoting the integration of the health care system, and offering innovative health solutions and diversified services. HORIZON HSC will maintain its not-for-profit corporate form in the succeeding mutual holding company, and will remain a charitable and benevolent institution under New Jersey law.

The HSC corporate form is a barrier to adapting to the changing healthcare landscape because it limits the strategic and operational flexibility required to pursue a diverse range of health solutions. Additionally, the HSC corporate form restricts the range of business activities and imposes an unequal premium tax burden on HORIZON HSC’s members. Collectively, the HSC limitations stifle meaningful growth and investments in areas that are critically important to achieve HORIZON HSC’s not-for-profit mission and business strategy.

The proposed reorganization is an important step to help deliver care that is more convenient, more connected, and more affordable for Horizon’s members and help improve the health of the communities it serves. The changes made possible by the proposed reorganization will give Horizon the flexibility it needs to explore and invest in new partnerships, health care programs, and innovations. These are only made possible by removing outdated restrictions that currently

limit the scope and scale of investment for HORIZON HSC solely because of its corporate structure. Some of these outdated restrictions and limitations are summarized below:

- First, HORIZON HSC is uniquely restricted in how much of its reserves it can invest in any single entity. Under existing rules, HORIZON HSC cannot invest more than 2 percent of its reserves in any single opportunity no matter how beneficial to our members and our mission.

This limitation has had real repercussions. In 2015, HORIZON HSC invested in a company that is an early pioneer in virtual behavioral health care. Horizon partnered with this company to launch over 18 clinical programs benefiting millions of members and served as an anchor client as well as an investor. Its services became even more vital to our members as we confronted the realities of COVID-19 and needed to step up virtual care – particularly virtual behavioral health care. Horizon was prevented from further investment in the company and that company was acquired by a competitor – Optum, a division of United Healthcare.

The inability to further invest in Horizon’s partners, particularly early innovators, due to these limitations creates an unlevel playing field. Competing insurers are able to utilize a modern day holding company structure to deploy their assets more efficiently, and at a pace that is not supported by the strict investment limitations solely applicable to insurers such as a health service corporation. The ability to deploy capital more flexibly would increase opportunities to better align with early innovators and deliver on the kind of health care solutions our members deserve and want. Further, these early innovators deliver strategic value and revenue diversification opportunities which are not realized under HORIZON HSC’s current corporate form.

- Second, HORIZON HSC is limited in the kinds of revenue that it can earn under today’s rules. Under existing rules, at least 50 percent of Horizon’s business must come from businesses engaged through the health service corporation, which is predominantly commercial health insurance services. This limit applies even if the other 50 percent is beneficial to New Jersey, consistent with our not-for-profit mission, and helps diversify our revenue to keep premiums affordable. Examples include lines of businesses like Medicare Advantage that serve our seniors, and Medicaid managed care that serve New Jersey’s most vulnerable. Diversifying in these areas, including in emerging areas like behavioral health services could create new streams of revenue that could help offset our reliance on member premiums to fund operational improvements.
- Lastly, HORIZON HSC is limited to 10 percent of its current reserves in the aggregate for all of these joint ventures and investments. A limit so low does not allow Horizon to invest robustly, and deliver the kinds of health care programs Horizon’s members have come to expect and that our competitors in the market are making.

HORIZON'S FUTURE INVESTMENTS IN HEALTH CARE

Horizon would consider investing in a number of opportunities if the Department were to approve the proposed reorganization. Specifically, there are two areas that represent immediate investment priorities for Horizon:

- The first is addressing disparities in health that are related to where a person lives, works, grows, and ages – what are called the Social Determinants of Health. In 2017, Horizon used unexpected federal tax reform funds on a pilot program to test a model it created that comprehensively addresses Social Determinants of Health. The Horizon Neighbors in Health program – launched in the midst of the COVID crisis in spring of 2020 – is a collaboration with six hospitals and two community organizations such as Trenton Health to address Social Determinants of Health. These include factors such as inadequate housing, lack of access to transportation and food insecurity – all significant barriers to good health.

Today, Horizon Neighbors in Health is targeting 24,000 members across 15 counties based on a pilot program in Newark that saw a 25 percent reduction in total cost of care and measurable improvements in people's lives. To meaningfully expand the program, however, would require new partnerships with sizeable investments that turn pilot programs into operating businesses. And, Horizon cannot do this alone. Opportunities like this require joint investments and partnerships with community-based agencies, local health care providers, social service entities, technology providers and others who can bring their specific expertise and skills to solve a problem than none can solve alone. These partnerships would employ community health workers who coordinate care and resources to serve not only Horizon members, but others including the more than 50,000 Medicaid recipients that Horizon hopes to enroll in this program.

Investments in this area would include a focus on scaling these models through sustainable, mutually beneficial partnerships that offer new opportunities and income streams to the local agencies, community support organizations, and health care delivery systems that service those communities.

- The second opportunity relates to addressing Horizon members' mental health needs through what we call an Integrated System of Care model ("ISC").

ISC is an innovative approach to care in which physical and behavioral health providers jointly manage the care of members with substance use disorders or serious mental illness through a designated "quarterback" – usually a community behavioral health provider. Following a one-year pilot in Monmouth County, Horizon saw an 80 percent reduction in hospital admissions and a 90 percent reduction in days of illegal drug use. To date, Horizon has rolled out the program to five additional counties. However, Horizon wants to do more and would like to expand it statewide, and has identified over 80,000 members who meet the program's criteria. That requires new investments with Certified Community Behavioral Health Clinics including joint investments in business operations that will build

out more care settings, technology tools to share information, and dedicated resources to engage and support patients. Specific examples includes things like text therapy, patient appointment reminders, peer support, virtual check-ins, data analytics, and virtual care enhancements.

- An additional component of our work in improving behavioral health could include investments to increase access to resources to address critical substance abuse and behavioral health, such as partnering with substance abuse facility operators that can bring much needed care resources to New Jersey. The opioid and substance use crisis continues to plague our communities. There are simply not enough evidence-based programs and facilities to address this and the larger mental health needs of the state. While technology is helping expand the options, an increase in outpatient facilities and programs that can deliver integrated therapies, that include medication assisted therapy (“MAT”), is needed.

Horizon knows many organizations who want to expand in New Jersey but lack the capital to do so. With additional flexibility achieved through the reorganization, Horizon could partner with these organizations to build out their community provider networks and help them establish brick and mortar facilities offering MAT and related supports across the state. MAT is the industry gold standard. The evidence is clear and compelling: Individuals whose recovery includes MAT have greater periods of sustained recovery and fewer relapses. Investments like these would not only benefit Horizon members but could also be accessed by residents covered by other insurance programs.

Critical investments in these kinds of proven community-based care models would not only create a virtuous cycle of improved health outcomes for New Jersey residents, they would also create new jobs, expand local business opportunities and drive stronger economic growth across the state. It also brings the right amount of strategic flexibility to ensure that Horizon can compete on a level playing field so that it can continue to deliver vitally important services to the New Jersey residents that rely on Horizon.

The proposed reorganization will bring further innovation, and unlock the potential for more solutions and partnerships that can bring integrated solutions that tie together many of the innovations that are important to deliver on Horizon’s not-for-profit mission. Additional investments could include:

- New, consumer-friendly technologies that make care more convenient and accessible including for pressing mental health and substance abuse needs magnified by the impact of COVID-19;
- A range of new services, such as student health insurance and expanded Medicare and senior services, including through greater investments in successful payer-provider joint ventures such as Braven Health;
- New capabilities for providers and hospitals in such areas as population health, electronic patient records, advanced analytics, prescription management programs and other tools to

promote clinical advancements and provide doctors with a more holistic look at their patient's health, while lowering the total cost of care; and

- Expansion of Horizon's comprehensive model addressing Social Determinants of Health, Horizon Neighbors in Health, which could benefit from increased investments and partnerships to serve more members across multiple lines of business, including Medicaid.

BENEFITS OF REORGANIZATION TO HORIZON HSC MEMBERS, GENERAL PUBLIC AND THE STATE

The investments contemplated if the proposed reorganization is approved by the Department will be in areas that are important to further Horizon's not-for-profit mission. This change would create a better Horizon by giving it the tools and capabilities to make the kinds of investments needed to modernize its offerings and create that healthier future for our members.

The proposed reorganization will provide a variety of benefits to the general public and the State as a whole. Prior to the enactment of the Reorganization Authorization Statute, Horizon commissioned a study prepared by the Econsult Solutions Inc., a well-regarded economic consultant, which was provided to the Legislature and the Governor during the legislative hearing process. The study measured the potential economic impacts of Horizon's proposed reorganization within New Jersey. The study concluded that a more diversified Horizon will deliver more economic benefits to the State and the general public in the form of increased economic output. Based on the study, the proposed reorganization is projected to generate approximately \$4.16 billion in additional economic output in New Jersey over 10 years. The study found that over this 10-year period, the innovation and additional activity that the reorganization would allow would support nearly 2,000 jobs per year, over \$1.9 billion in employee compensation, and an increase of approximately \$62 million in State income, sales, and business taxes.

The HSC Act specifies that a health service corporation "shall be operated for the benefit of its subscribers." See N.J.S.A. 17:48E-3(a). As such, Horizon's commitment is to achieve its not-for-profit mission for its members who secure their health insurance coverage through Horizon and its subsidiary insurance entities. Members of the general public also benefit from Horizon's service to its policyholders because Horizon makes available competitive health insurance products and services in the New Jersey marketplace for those that want it.

Horizon's commitment to New Jersey has secured New Jersey's health insurance marketplace. For example, Horizon is only one of two insurance carriers that have participated in the Affordable Care Act's health insurance exchange without disruption since 2014. Furthermore, Horizon is the only carrier that has continuously provided health insurance coverage for New Jerseyans in all 21 counties across all product lines while its competitors have abandoned crucial market segments serving the State's most vulnerable and underserved; delivering competitive health insurance services to individuals, small and large employers, and for those securing coverage through governmental health plans such as Medicare and Medicaid.

The proposed reorganization is an important step to help deliver care that is more convenient, more connected and more affordable for our members and help improve the health of the communities

we serve. The changes made possible by the proposed reorganization will give Horizon the flexibility it needs to explore and invest in new partnerships, health care programs, and innovations. These are only made possible by removing outdated restrictions that currently limit the scope and scale of investment for HORIZON HSC only because of its corporate structure. Policyholders and members of the general public will similarly benefit from Horizon's reorganization through Horizon's continued commitment to offer health insurance solutions that advance the health care needs of New Jersey citizens.

In addition to securing New Jersey's health insurance marketplace, the State and the general public benefit from a strong, not-for-profit health insurance company domiciled in New Jersey. HORIZON HSC is the only health insurer that has a statutory mission to benefit policyholders. Its not-for-profit mission ensures that policyholder services and the furtherance of its statutory mission remain central to its business activities.

Additionally, the most vulnerable populations in the State will benefit from the reorganization. The reorganization is intended to position Horizon for the health challenges of today and the future. During the legislative hearings on the Reorganization Authorization Statute, the law's sponsors strongly supported giving HORIZON HSC the tools to modernize in order for Horizon to continue to provide quality and affordable health insurance coverage to millions of State residents and to address the health care needs of the future.

HORIZON HSC is the only company that writes policies in all counties in the State. Horizon will continue to offer comprehensive medical coverage, compliant with all appropriate state and federal laws and regulations, in the individual market in each county in the State. Horizon's core mission will remain the same, while increasing its ability to innovate and deliver more for its insureds, and the members of the public that benefit from Horizon's continued participation in the health insurance marketplace, including through the delivery of competitive health solutions.

The proposed reorganization will not change the policies, benefits, network, and managed care operations of Horizon HSC. As such:

- All participating providers, regardless of their provider type, will continue to contract with Horizon or its affiliates as participating network providers with no impact to their contract terms or reimbursement rates based on the proposed reorganization. Similarly, Horizon's approach to credentialing participating providers or forming networks will not change as a result of the proposed reorganization.

While the reorganization into a mutual holding company system will not have any impact on the scope of Horizon's coverage or network programs and will be seamless to Horizon's insured, members, and providers, it will help Horizon expand on existing impactful programs and support new services to improve the quality of care and customer experience. Horizon looks forward to partnering with its provider community stakeholders to collaborate on delivering quality health care to our customers.

- The proposed reorganization will not change HORIZON HSC's members' health plan benefits, their rates, or their choice of doctors and hospitals. That said, the proposed

reorganization is an important step to help deliver care that is more convenient, more connected and more affordable for our members and help improve the health of the communities we serve. The changes made possible by the proposed reorganization will give Horizon the flexibility it needs to explore and invest in new partnerships, health care programs, and innovations. These are only made possible by removing outdated restrictions that currently limit the scope and scale of investment for Horizon only because of its corporate structure. If approved, we contemplate exploring many opportunities to benefit our policyholders across multiple lines of business, as discussed below.

Commercial Markets (Individual, Small Employer, and Large Employers)

- **Durable partnerships to better control rising prescription drug costs.**

The Blue Cross Blue Shield Association (the “Association”) and 18 Blue Cross Blue Shield independent health plans (the “Blue Plans”), including Horizon, have invested in and are partnering with Civica Rx (“Civica”), a drug manufacturer, to lower the cost of generic prescription drugs. Civica is a not-for-profit company formed in 2018 by three philanthropies and numerous healthcare organizations, including the Mayo Clinic, Trinity Health and Intermountain Healthcare, to combat drug shortages and price spikes at hospitals.

As a result of the partnership, Civica will produce generics taken outside the hospital setting for the treatment of a range of health conditions. The effort will focus on generics that currently carry a high price tag as a result of limited or no competition. The subsidiary will acquire and develop Abbreviated New Drug Applications for select generic drugs and partner with Civica and manufacturing partners to bring more affordable generic drugs to uncompetitive markets in exchange for aggregated volume and multiyear purchasing commitments. This partnership is expected to provide hundreds of millions of dollars in savings for consumers and promote competition in the generic drugs market. Horizon and the other partner companies will be able to pass the savings along to consumers.

This is just one example of how Horizon can invest in similar, durable partnerships across multiple service lines. Horizon is also currently exploring similar partnerships to help bring more affordable drugs to our members.

- **Capabilities to close gaps in care and empower health care providers.**

Today, Horizon empowers many practitioner groups and hospital systems that participate with it by facilitating access to health technology tools that provide online health care data management and analytics. The HealthSphere platform pulls together health records from different sources and gives care delivery teams a complete picture of their patient’s health to help make sure they get the right care. Through the platform, providers have access to a 360-degree view of their patient’s records. HealthSphere merges and organizes clinical patient information collected from a variety of internal and external health care information sources and systems and makes it available to users. For example, the tool allows providers to review data and utilization management claims, see when their patient visits a specialist

to identify gaps in care or monitor a patient's coordination/transition of care. The information accessed on HealthSphere platform helps providers improve patient outcomes, lower costs and enhance patient experience.

The HealthSphere platform's capabilities include:

- Easy access to near real-time patient information,
- Comprehensive, reliable information allowing for timely interventions, improved health outcomes and proactive monitoring of chronic disease management across the continuum of care,
- Ability to identify diagnostic and treatment opportunities, and
- Care coordination and transition-of-care improvement opportunities.

If the proposed reorganization is approved, Horizon will be able to use its increased flexibility to continue engaging strategic partners and building new capabilities for providers and hospitals in such areas as population health, electronic patient records, advanced analytics, prescription management programs and other tools to promote clinical advancements and provide doctors with a more holistic look at their patient's health, while lowering the total cost of care. Further, accelerated investments in this areas would also permit Horizon to commercialize these capabilities to generate diversified income.

Medicaid Managed Care.

All of the opportunities discussed for the commercial marketplace would similarly benefit our Medicaid members. In particular, Horizon will be able to pursue greater investment in programs that address social determinants of health for its members, including for the benefit of its Medicaid members.

- **Addressing disparities in health.**

A key area of investment priority for Horizon is in opportunities to address disparities in health that are related to where a person lives, works, grows, and ages – what are called the Social Determinants of Health. As noted in earlier sections of this Application, Horizon in 2017 used unexpected federal tax reform funds on a pilot program to test a model it created that comprehensively addresses social determinants of health. The Horizon Neighbors in Health program – launched in the midst of the COVID crisis -- is a collaboration with six hospitals and two community organizations such as Trenton Health to address social determinants of health. Today, Horizon Neighbors in Health is targeting 24,000 members across 15 counties based on a pilot program in Newark that saw a 25 percent reduction in total cost of care and measurable improvements in people's lives.

The proposed reorganization will provide the tools to meaningfully accelerate and expand the program through new investments and partnerships that will evolve the pilot into a sustainable community-based program. Opportunities like this require joint investments and partnerships with community-based agencies, local health care providers, social

service entities, technology providers and others who can bring their specific expertise and skills to solve a problem than none can solve alone.

Medicare Advantage and Senior Services.

- **Collaborating with provider partners to deliver high-performing health plans.**

On January 1, 2021, Horizon successfully launched Braven Health (“Braven”), the first and only New Jersey Medicare plan built in partnership with two of the State’s most comprehensive health systems Hackensack Meridian Health and RWJBarnabas Health. Braven offers affordable Medicare Advantage health plans with access to the Horizon Hospital Network and the Horizon Managed Care Network. Braven individual plan options are offered to New Jersey’s Medicare-eligible population who reside in the following eight New Jersey counties: Bergen, Essex, Hudson, Middlesex, Monmouth, Ocean, Passaic and Union.

Key to the Braven model’s success is the collaboration with providers and health systems and securing their input, their commitment to integrate the health plan’s operations at the site of care, and their proactive role in member engagement. One way in which this is accomplished is through Braven’s engagement of a Practitioner Council made up of physicians representing various specialties. This council provides recommendations to the Braven CEO and board of directors on ways to improve the plan from the practitioner’s perspective, giving them an active role in Braven and helping ensure a better experience for the provider community.

If the proposed organization is approved, Horizon will have greater flexibility to tap into collaborative partnerships that will improve the cost, quality, and experience for its members and providers.

Claims Processing and Utilization Management

Horizon does not anticipate any changes to claims processing or utilization management after reorganizing into a mutual holding company system. If the proposed reorganization is approved by the Department, HORIZON HSC will reorganize into a mutual holding company system with its operating companies continuing to perform their claims processing, utilization management, and core payer functions. This includes the continuation of the current claims management and payment practices, including the continuity of reimbursement policies maintained by Horizon.

Lastly, Horizon has no plans to modify its service model as a result of the proposed reorganization.

FUTURE EMPLOYMENT COMMITMENT

Horizon does not have any plans for a reductions-in-force or downsizing over the next 12 months. The total number of full-time employees employed by HHSI on September 30, 2019 was 5,194.

SUMMARY

By forming a mutual holding company as the ultimate parent, Horizon will (i) remain member-focused, (ii) maintain its core health insurance business, (iii) have the flexibility to make substantial investments in healthcare services to improve members' health such as through programs addressing the social determinants of health and behavioral health needs, and (iv) be able to diversify and provide ancillary services. Horizon believes that the Plan will:

- Further HORIZON HSC'S not-for-profit mission of generating substantial improvements in healthcare quality, affordability, access, and member experience, and is in the best interest of the company and its subscribers;
- Preserve its not-for-profit status at the ultimate parent holding company level and allow for continuity of its not-for-profit mission as a charitable and benevolent institution;
- Allow greater flexibility under state law to invest assets in critical areas by removing asset and investment restrictions uniquely applicable to its legacy corporate form thereby allowing for more flexibility in how assets can be used across the entire enterprise as well as increase HORIZON HSC's ability to operate more effectively with affiliates, subsidiaries and other entities in support of its core mission;
- Permit HORIZON HSC to make investments synergistic to its core business that would otherwise be limited under the present organizational structure; and
- Protect HORIZON HSC'S regulated and non-regulated entities by segregating liabilities from businesses to better safeguard core health insurance operations.

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ITEM 1. A DESCRIPTION OF THE STRUCTURE OF THE MUTUAL HOLDING COMPANY SYSTEM CONSISTENT WITH SECTION 5a(1) OF THE REORGANIZATION AUTHORIZATION STATUTE

A. Description of Applicant As Currently Organized:

HORIZON HSC (incorporated as “Horizon Healthcare Services, Inc.” and also referred to as “HHSI”) is an independent licensee of the Blue Cross and Blue Shield Association (“BCBSA”) serving nearly 3.7 million members’ health insurance needs across all 21 counties in New Jersey. HORIZON HSC is organized as a health service corporation under N.J.S.A. 17:48E-1 et seq. and is the common parent of, and directly or indirectly owns 100% percent of the shares or membership interests, as applicable, in the following entities: (i) Horizon Healthcare Plan Holding Company, Inc. (“HHPHC”), a New Jersey corporation; (ii) Multistate Investment Services, Inc. (“MISI”), a New Jersey corporation; (iii) Multistate Professional Services, Inc. (“MPSP”), a New Jersey corporation; (iv) Enterprise Holdings, LLC (“EPH”), a New Jersey limited liability company classified as a disregarded entity for U.S. federal tax purposes; (v) Three Penn Plaza Property Holdings Urban Renewal, LLC (“3PPH”), a Delaware limited liability company classified as a disregarded entity for U.S. federal tax purposes; (vi) Horizon Healthcare of New Jersey, Inc. (“HHNJ”), a New Jersey health maintenance organization; (vii) Horizon Healthcare Dental, Inc. (“HHD”), a New Jersey dental maintenance organization; (viii) Horizon Insurance Company (“HIC”), a New Jersey accident and health insurance company; (ix) Horizon Casualty Services, Inc. (“HCS”), a New Jersey corporation; and (x) Greenwood Insurance Company, Inc. (“Captive”), a New Jersey captive insurance company. In addition, HHSI is the sole member of Horizon Charitable Foundation, Inc. (“Foundation”), a New Jersey not-for-profit corporation, and a member of New Jersey Collaborative Care, LLC (“NJCC”), a New Jersey limited liability company holding Healthier New Jersey Insurance Company (“HNJIC”), a New Jersey accident and health insurance company.

An organizational chart depicting HORIZON HSC and its subsidiaries as currently organized is attached as **Exhibit 1-A**. (The further clarity, the chart refers to HORIZON HSC by its corporate name - HHSI).

B. Description of Post-Reorganization Mutual Holding Company System

HORIZON HSC will transition its business operations into a mutual holding company system pursuant to Section 5 of the Reorganization Authorization Statute. Upon conclusion of the reorganization, Horizon Mutual will become the ultimate parent entity (instead of HORIZON HSC) and Reorganized HHSI will become a subsidiary stock insurance company (referred to as the “Reorganized Insurer” in the Reorganization Authorization Statute). Reorganized HHSI will be fully owned, through a wholly-owned intermediate holding company of the resulting mutual holding company, Horizon Mutual. HORIZON HSC’s current insurance subsidiaries will also be owned directly or indirectly by Horizon Mutual. Horizon Mutual will be a not-for-profit entity incorporated under, and conducting its business pursuant to, the provisions of the New Jersey

Nonprofit Corporation Act, N.J.S.A. 15A:1-1 et seq., as amended, and the Reorganization Authorization Statute.

In order to avoid policyholder disruption, as part of the proposed reorganization, we request that the Reorganized Insurer retain the corporate name of Horizon Healthcare Services, Inc. (HHSI). The Department has discretion under N.J.S.A. 17B:18-4 to permit the Reorganized Insurer to retain its name since it will cause the least amount of confusion or disruption to Horizon's policyholders. Retaining the name will facilitate the seamless continuation of Horizon's policies without the need to replace or amend policyholder documents mid-term. Given the total number of policyholders, it is also in the public interest to avoid any market disruption potentially caused by a name change.

An organizational chart depicting Horizon Mutual and its subsidiaries as proposed after Approval from the Department is attached as **Exhibit 1-B**.

ITEM 2. DESCRIPTION OF THE QUALIFICATIONS FOR MEMBERSHIP IN THE MUTUAL HOLDING COMPANY AND THE RIGHTS OF MEMBERS PURSUANT TO SECTION 5a(2) OF THE REORGANIZATION AUTHORIZATION STATUTE AND C.17:48E-46.a(4), AND FORM NOTICE TO POLICYHOLDERS PURSUANT TO C.17:48E-46.a(5)

As a result of the proposed restructuring, current and future policyholders of HORIZON HSC will become members of Horizon Mutual as such term is defined in Section 2 of the Reorganization Authorization Statute ("Members"). Members will gain membership rights in accordance with the eligibility established in the bylaws of Horizon Mutual. The proposed bylaws of Horizon Mutual are attached as **Exhibit 3-D(ii)**.

Members of Horizon Mutual will gain the right to elect directors of Horizon Mutual in accordance with Section 9 of the Reorganization Authorization Statute. In accordance with the Reorganization Authorization Statute and the New Jersey Nonprofit Corporation Act, Members will have no rights to dividends, to any part of the income or profit of Horizon Mutual, or to the corpus upon the dissolution of Horizon Mutual.

Section 9 of the Reorganization Authorization Statute provides the qualifications for membership that may be considered by Horizon Mutual. Article II Section 1 of the proposed bylaws attached as Exhibit 3-D(ii) defines the eligibility of a Member.

Within 180 days of Approval, Horizon will provide each Member with notice advising them of the reorganization including notice of eligibility for membership interest. Notice may be provided electronically on member portals for Horizon subscribers or via electronic delivery. A form of the proposed notice is attached as **Exhibit 2 – Form notice to Members**.

ITEM 3. DESCRIPTION OF TRANSACTION AFFECTING THE MUTUALIZATION AND REORGANIZATION PURSUANT TO SECTION 5a(3) OF THE REORGANIZATION AUTHORIZATION STATUTE

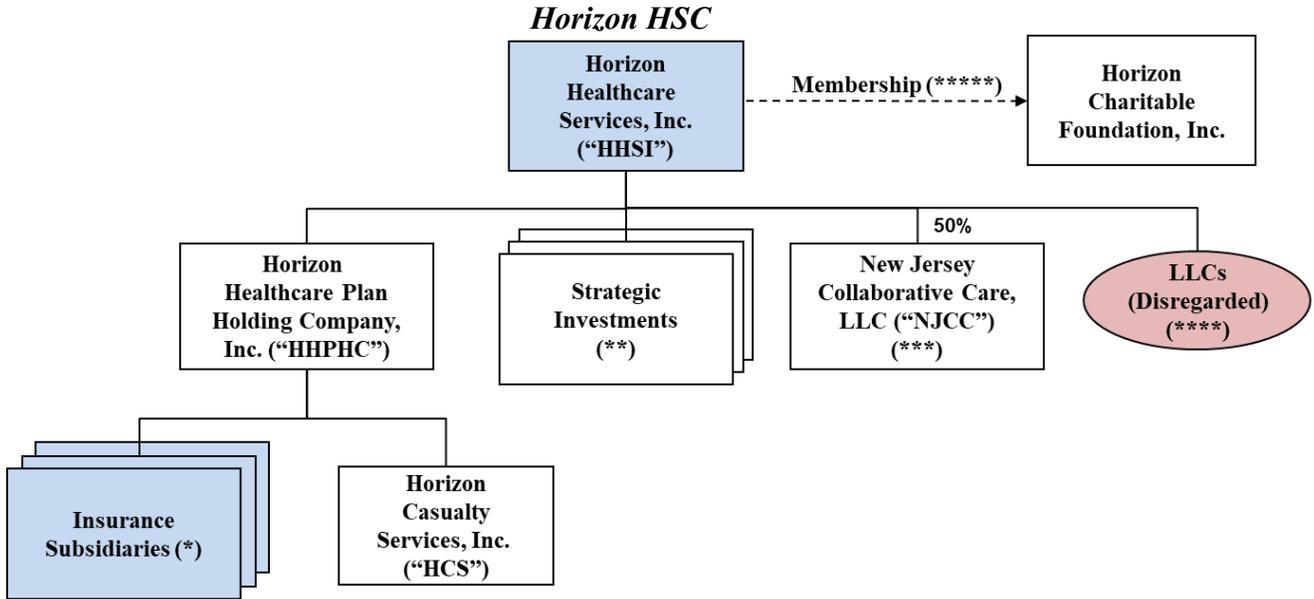
This section provides a description of the transactions, and parties to those transactions that will affect the mutualization and reorganization including, but not limited to, transfer and assumption of policies, contracts, assets and liabilities, formation of entities and the amendment or restatement of articles of incorporation or bylaws. Consistent with the Reorganization Authorization Statute, the Plan also provides for the transfer of assets of the health service corporation to the mutual holding company or one or more subsidiaries of the mutual holding company in connection with the formation of the mutual holding company system.

A. The Proposed Restructuring

Horizon plans to undertake ten steps to effectuate the Plan as set forth in the attached **Exhibit 3-A** (the “**Step Plan**”).

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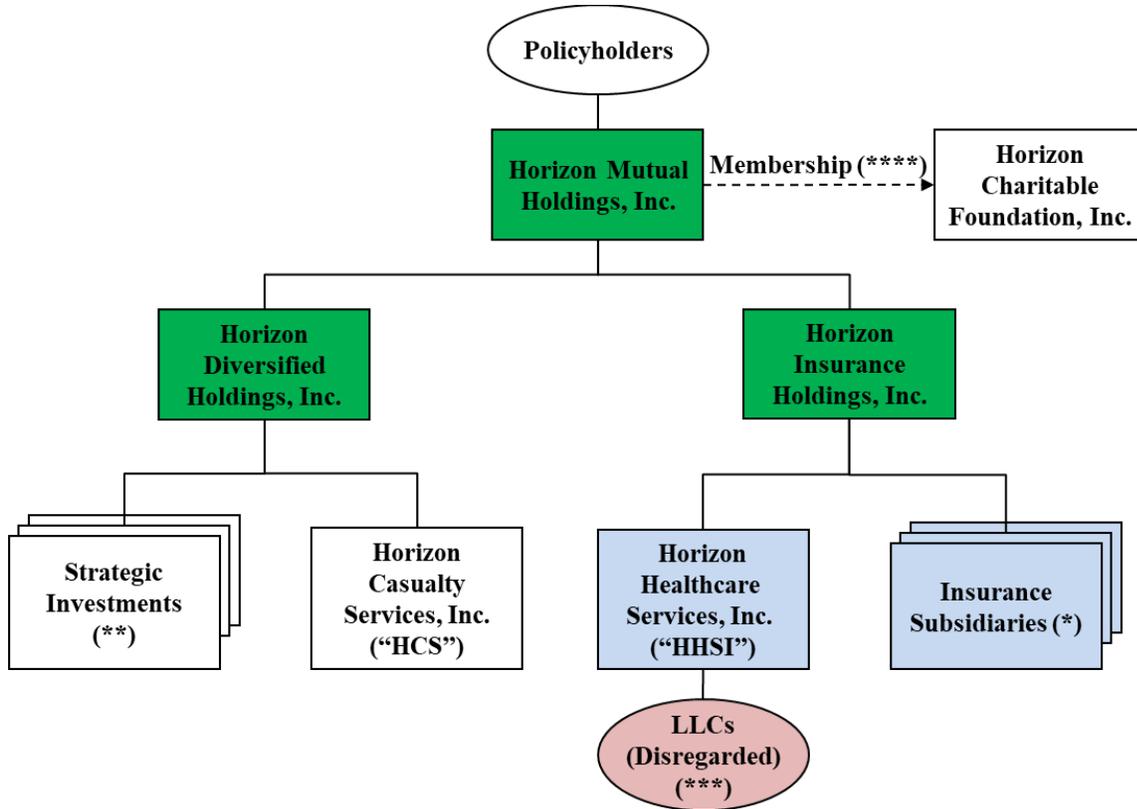
The current organizational structure of HORIZON HSC (prior to the Department’s Approval of the Plan) is depicted below:



(*) Horizon Healthcare Dental, Inc. (“HHD”), Horizon Healthcare of New Jersey, Inc. (“HHNJ”), Horizon Insurance Company (“HIC”), and Greenwood Insurance Company, Inc. (“Captive”)
 (**) Multistate Investment Services, Inc. (“MISI”) and Multistate Professional Services, Inc. (“MPSI”)
 (***) HHSI is a 50% shareholder in New Jersey Collaborative Care, LLC (“NJCC”) which in turn holds Healthier New Jersey Insurance Company (“HNJIC”)
 (****) Enterprise Property Holdings, LLC (“EPH”) and Three Penn Plaza Property Holdings Urban Renewal, LLC (“3PPH”).
 (*****) Membership interest means board control of the Horizon Charitable Foundations, Inc. Membership will be transferred to the mutual holding company.

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The relevant organizational structure of Horizon Mutual following the Department’s Approval of the Plan is depicted below:



(*) Horizon Healthcare Dental, Inc. (“HHD”), Horizon Healthcare of New Jersey, Inc. (“HHNJ”), Horizon Insurance Company (“HIC”), New Jersey Collaborative Care, LLC (“NJCC”) holding Healthier New Jersey Insurance Company (“HNJC”), and Greenwood Insurance Company, Inc. (“Captive”)
 (**) Multistate Investment Services, Inc. (“MISI”) and Multistate Professional Services, Inc. (“MPSI”)
 (***) Enterprise Property Holdings, LLC (“EPH”) and Three Penn Plaza Property Holdings Urban Renewal, LLC (“3PPH”).
 (****) Membership interest means board control of the Horizon Charitable Foundations, Inc.

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B. Assumption of Insurance Policies

All of the health insurance policies and contracts of insurance written by Horizon's insurance entities will remain in full force and effect upon HORIZON HSC's reorganization into a mutual holding company system pursuant to Section 6.a of the Reorganization Authorization Statute. Further, there will be no transfer of the policies or contracts for the subsidiary insurers of the mutual holding company. All policies will remain in full force and effect without changes to the current coverage terms or issuer because all of the insurers in the holding system will continue in existence.

C. Transfer or Assumption of Business Contracts

All business contracts of the health service corporation will continue and remain in Reorganized HHSI with the exception of HORIZON HSC's credit facility agreement. HORIZON HSC's credit facility agreement will be terminated and replaced by a succeeding credit facility agreement that includes Horizon Mutual.

D. Organizational Documents

In order for HORIZON HSC, which is currently organized as a not-for-profit health service corporation, to reorganize into a mutual holding company system, with Horizon Mutual as the ultimate parent and the Reorganized HHSI becoming a subsidiary stock insurer of Horizon Mutual as specified under the Reorganization Authorization Statute, and as part of this Plan, Reorganized HHSI will amend and restate its articles of incorporation and bylaws to authorize the issuance of capital stock, and 100% of its stock will be issued to Horizon Mutual Holdings, Inc., which will be subsequently contributed to Horizon Insurance Holdings, Inc. (the intermediate holding company which will hold all Horizon regulated insurance entities and which will be wholly owned by Horizon Mutual Holdings, Inc., the ultimate parent).

In order to effectuate the Plan, the articles of incorporation and/or bylaws of the following entities will be established and/or amended upon Approval of the Plan:

- Horizon Mutual Holdings, Inc. will be formed by the filing of articles of incorporation and bylaws. *See Exhibit 3-D(i) and Exhibit 3-D(ii)*
- Horizon Insurance Holdings, Inc. will be formed by the filing of articles of incorporation and bylaws. *See Exhibit 3-D(iii) and Exhibit 3-D(iv)*
- Horizon Health Services, Inc., dba Horizon Blue Cross Blue Shield of New Jersey, will file amended and restated articles of incorporation and bylaws. *See Exhibit 3-D(v) and Exhibit 3-D(vi)*
- Horizon Healthcare of New Jersey, Inc. will file amended bylaws. *See Exhibit 3-D(vii)*
- Horizon Insurance Company will file amended bylaws. *See Exhibit 3-D(viii)*
- Horizon Healthcare Dental, Inc. will file amended bylaws. *See Exhibit 3-D(ix)*
- Horizon Diversified Holdings, Inc. will be formed by the filing of articles of incorporation and bylaws. *See Exhibit 3-D(x) and Exhibit 3-D(xi)*
- Horizon Casualty Services, Inc. will amend its bylaws. *See Exhibit 3-D(xii)*
- Multistate Investment Services, Inc. will amend its bylaws. *See Exhibit 3-D(xiii)*

- Multistate Professional Services, Inc. will amend its bylaws. See **Exhibit 3-D(xiv)**

E. Transfers of Assets and Liabilities Between Controlled Entities

The transfer of assets and liabilities between the controlled entities are described in the appended Step Plan. In summary, the following transfers of assets or interests will occur to effectuate the Plan:

- 100% of HHPHC’s interest in each of HHNJ, HIC, HHD, and Captive and HHSI’s membership interest in NJCC will be transferred to Horizon Insurance Holdings, Inc., a newly formed New Jersey intermediate holding company to hold the insurance businesses of Horizon Mutual pursuant to the Plan.
- 100% of HHSI’s equity interest in each of MISI and MPSI and 100% of HHPHC’s equity interest in HCS will be transferred to Horizon Diversified Holdings, Inc., a newly formed New Jersey intermediate holding company to hold non-insurance strategic investments and diversified businesses of Horizon Mutual pursuant to the Plan.
- Upon Approval, in accordance with the Step Plan, Horizon Mutual will be capitalized.
- HHSI’s membership interest in Horizon Charitable Foundation Inc. will be transferred to Horizon Mutual Holdings, Inc.

ITEM 4. DIRECTORS AND OFFICERS OF HORIZON MUTUAL HOLDINGS, INC. AND ITS SUBSIDIARIES PURSUANT TO SECTION 5a(4) OF THE REORGANIZATION AUTHORIZATION STATUTE

The identity of those persons who shall serve as directors and officers of Horizon Mutual Holdings, Inc. and its subsidiaries, including Reorganized HHSI, is attached as **Exhibit 4** as further noted below:

- A. *Horizon Mutual Holdings, Inc.:*** Section 15.b of the Reorganization Authorization Statute governs the initial directors of Horizon Mutual’s board. The initial directors of Horizon Mutual shall be: (a) the elected directors of HORIZON HSC supplemented by two additional elected directors elected by the directors of Horizon Mutual for a total of 13 elected directors; and (b) nine public directors with five of nine public directors appointed by the Governor with the advice and consent of the Senate, two of nine public directors appointed by the Senate President, and two of nine public directors appointed by the Speaker of the General Assembly. Until the public directors are appointed (or reappointed as the case may be), the current public directors shall temporarily holdover in their respective position. HORIZON HSC’s current officers will serve as Horizon Mutual’s officers. The identity of those persons to serve as Horizon Mutual’s initial directors and officers is provided in **Exhibit 4-A**.
- B. *Horizon Insurance Holdings, Inc.:*** Intermediate holding company formed to hold the insurance businesses of Horizon Mutual, including Reorganized HHSI. A list of officers and directors of Horizon Insurance Holdings, Inc. is provided in **Exhibit 4-B**.
- C. *Horizon Healthcare Services, Inc. (also referred to as Reorganized HHSI):*** Health service corporation reorganized into a stock insurance subsidiary of Horizon Mutual under the

Reorganization Authorization Statute. A list of the officers and directors of Horizon Healthcare Services, Inc. is provided in **Exhibit 4-C**. The officers of Reorganized HHSI are the same as before the reorganization.

- D. *Horizon Healthcare of New Jersey, Inc.*:** New Jersey licensed health maintenance organization (“HMO”) subsidiary conducting commercial HMO and Managed Medicaid businesses. A list of the officers and directors of Horizon Healthcare of New Jersey, Inc. is provided in **Exhibit 4-D**. The directors and officers are the same as before the reorganization.
- E. *Horizon Insurance Company*:** New Jersey licensed health insurance company conducting Medicare Advantage and other senior health insurance program businesses. A list of the officers and directors of Horizon Insurance Company is provided in **Exhibit 4-E**. The directors and officers are the same as before the reorganization.
- F. *Horizon Healthcare Dental, Inc.*:** New Jersey licensed dental plan organization conducting managed dental business. A list of the officers and directors of Horizon Healthcare Dental, Inc. is provided in **Exhibit 4-F**. The directors and officers are the same as before the reorganization.
- G. *Enterprise Property Holdings, LLC*:** Limited liability company holding real estate assets of the insurance holding system. A list of the officers and members of the management committee of Enterprise Property Holdings, LLC is provided in **Exhibit 4-G**. The officers and members of the management committee are the same as before the reorganization.
- H. *Three Penn Plaza Holdings Urban Renewal, LLC*:** Limited liability company holding real estate assets of the insurance holding system. A list of the officers and members of the management committee of Three Penn Plaza Holdings Urban Renewal, LLC is provided in **Exhibit 4-H**. The officers and members of the management committee are the same as before the reorganization.
- I. *Horizon Diversified Holdings, Inc.*:** Intermediate holding company formed to hold the diversified businesses and investments of Horizon Mutual Holdings, Inc. A list of the officers and directors of Horizon Diversified Holdings, Inc. is provided in **Exhibit 4-I**.
- J. *Horizon Casualty Services, Inc.*:** New Jersey licensed workers compensation managed care organization. A list of the officers and directors of Horizon Casualty Services, Inc. is provided in **Exhibit 4-J**. The directors and officers are the same as before the reorganization.
- K. *Multistate Investment Services, Inc.*:** New Jersey corporation holding the investment assets of the insurance holding system. A list of the officers and directors of Multistate Investment Services, Inc. is provided in **Exhibit 4-K**. The directors and officers are the same as before the reorganization.
- L. *Multistate Professional Services, Inc.*:** New Jersey corporation providing services to affiliate entities within the insurance holding system. A list of the officers and directors Multistate

Professional Services, Inc. is provided in **Exhibit 4-L**. The directors and officers are the same as before the reorganization.

- M. *New Jersey Collaborative Care, LLC*:** Limited liability company holding Healthier New Jersey Insurance Company. New Jersey Collaborative Care, LLC is a joint venture between Horizon Healthcare Services, Inc., Hackensack Meridian Health, Inc., and Barnabas Health, Inc. A list of the officers and directors of New Jersey Collaborative Care, LLC is provided in **Exhibit 4-M**. The directors and officers are the same as before the reorganization.
- N. *Healthier New Jersey Insurance Company*:** New Jersey health stock insurance company conducting Medicare Advantage business in eight New Jersey counties. New Jersey Collaborative Care, LLC is the sole shareholder of Healthier New Jersey Insurance Company. A list of the officers and directors of Healthier New Jersey Insurance Company is provided in **Exhibit 4-N**. The directors and officers are the same as before the reorganization.
- O. *Horizon Foundation For New Jersey*:** 501(c)(3) not-for-profit corporation whose sole member is Horizon Healthcare Services, Inc. Horizon Mutual shall become the sole member following the effective time. A list of the officers and directors of Horizon Foundation for New Jersey is provided in **Exhibit 4-O**. The directors and officers are the same as before the reorganization.
- P. *Greenwood Insurance Company, Inc.*:** New Jersey captive insurance company providing services to affiliates. A list of the officers and directors of Greenwood Insurance Company, Inc. is provided in **Exhibit 4-P**. The directors and officers are the same as before the reorganization.

ITEM 5. INFORMATION SUFFICIENT TO DEMONSTRATE THE FINANCIAL CONDITION OF THE REORGANIZED INSURER AND OTHER INSURANCE COMPANY SUBSIDIARIES PURSUANT TO SECTION 5a(5) OF THE REORGANIZATION AUTHORIZATION STATUTE INCLUDING INFORMATION CONCERNING HORIZON'S BUSINESS PLAN AND PROVISION ADDRESSING RECOVERY PLAN UNDER C.17:48E-46. a(2) AND a(6)

- A. *Business Plan*:** The business plan for the Reorganized HHSI and the insurance subsidiaries of Horizon is attached as **Exhibit 5-A**.
- B. *Balance Sheet and Income Statement*:** The controlled insurance subsidiaries, excluding the Captive, of Horizon Mutual following the reorganization will be: (a) Reorganized HHSI; (b) HHNJ; (c) HIC; and (d) HHD. The balance sheet and income statement of each insurance subsidiary is attached as **Exhibit 5-B**.
- C. *Capital accounts and risk-based capital following reorganization*:** Following the reorganization, each of the insurance subsidiaries, including Reorganized HHSI, will exceed the statutory minimum requirement under the "The Dynamic Capital and Surplus Act of 1993," P.L.1993, c.235 (N.J.S.A.17B:18-67 et seq.) and its implementing regulations (N.J.A.C.11:2-

39 et seq.). The insurance subsidiaries will maintain the risk based capital set forth in **Exhibit 5-C-1**.

Exhibit 5-C-2 provides the health risk-based capital (“HRBC”) of the reorganized insurer and each of the controlled insurance subsidiaries within the holding company system *prior* to, and *following* the reorganization, including after payment of the initial assessment under Section 13 of the Reorganization Authorization Statute. Reorganized HHSI’s projected HRBC conforms to the risk based capital requirements set forth in Exhibit 5-C-1.

ITEM 6. NO CHANGE TO THE MATERIAL TERMS AND CONDITIONS OF INSURANCE COVERAGE OF POLICYHOLDERS PURSUANT TO SECTION 5a(6) OF THE REORGANIZATION AUTHORIZATION STATUTE AND C.17:48E-46. a(2)

HORIZON HSC hereby certifies that, following the mutualization and reorganization, the material terms and conditions of insurance coverage of (a) policyholders of policies directly written and issued by the health service corporation shall remain in full force and effect under policies transferred to and assumed by Reorganized HHSI and (b) all other policyholders shall remain in full force and effect under policies transferred to and assumed by insurance company subsidiaries of Horizon Mutual.

ITEM 7. NO CHANGE TO THE MATERIAL TERMS AND CONDITIONS OF SUBORDINATED SURPLUS NOTES AND OTHER CONTRACTUAL OBLIGATIONS PURSUANT TO SECTION 5a(7) OF THE REORGANIZATION STATUTE

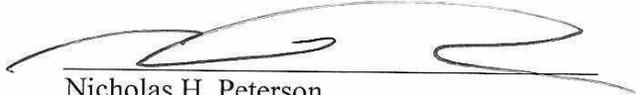
HORIZON HSC hereby certifies that, following the mutualization and reorganization, the material terms and conditions of subordinated surplus notes and other contractual obligations, other than those arising pursuant to policies described in Item 6, of the health service corporation and its subsidiaries shall, subject to the rights of the health service corporation and its subsidiaries pursuant to applicable law, and to the extent those obligations are not otherwise satisfied or terminated in accordance with their terms, remain in effect upon the transfer of those obligations to, and assumption of those obligations by, Reorganized HHSI and one or more other subsidiaries of Horizon Mutual.

ITEM 8. EMPLOYMENT COMMITMENT PURSUANT TO SECTION 5a(8) OF THE REORGANIZATION AUTHORIZATION STATUTE

HORIZON HSC hereby certifies that, following the mutualization and reorganization, Horizon Mutual (and its subsidiaries) shall comply with the employment requirements provided in Section 16 of the Reorganization Authorization Statute.

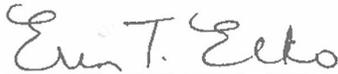
SIGNATURE AND CERTIFICATION

Pursuant to the requirements of Section 5 of the Reorganization Authorization Statute, Horizon Healthcare Services, Inc. has caused this application to be duly signed on its behalf on the 1st day of August, 2022.



Nicholas H. Peterson
Vice President, Corporate, Regulatory, Privacy, and
Corporate Secretary

Attest:



Erin T. Elko
Deputy General Counsel

CERTIFICATION

The undersigned deposes and says that she has duly executed the attached application, dated August 1st 2022, for and on behalf of Horizon Healthcare Services, Inc., that he is the Vice President and Corporate Secretary of such Company, and that he is authorized to execute and file such instrument. Deponent further says that he is familiar with the instrument and the contents thereof, and that the facts therein set forth are true to the best of her knowledge, information and belief.



Nicholas H. Peterson
Vice President, Corporate, Regulatory, Privacy, and
Corporate Secretary