

STATE OF INDIANA)
) SS:
COUNTY OF MARION) BEFORE THE INDIANA
 COMMISSIONER OF INSURANCE

IN THE MATTER OF:)
)
PHP Insurance Company of Indiana, Inc.)
1700 Magnavox Way, Suite 201)
Fort Wayne, Indiana 46804)

Examination of: **PHP Insurance Company of Indiana, Inc.**


NOTICE OF ENTRY OF ORDER

Enclosed is the Final Order entered by Amy L. Beard, Commissioner of the Indiana Department of Insurance, after fully considering and reviewing the Verified Report of Examination of PHP Insurance Company of Indiana, Inc., any relevant examination work papers, and any written submissions or rebuttals. The Verified Report of Examination, as sent to you on March 31, 2022, has been adopted by the Commissioner.

Pursuant to Ind. Code § 27-1-3.1-12(b), within thirty (30) days of receipt of the Final Order, each director of PHP Insurance Company of Indiana, Inc. shall file an affidavit with the Indiana Department of Insurance stating that he/she has received a copy of the Verified Report of Examination and the Final Order.

The Final Order is a final administrative decision that may be appealed pursuant to Ind. Code § 4-21.5-5.

4/19/2022
Date


Roy Eft
Chief Financial Examiner

CERTIFIED MAIL NUMBER: 7018 1130 0001 7982 6499

STATE OF INDIANA) BEFORE THE INDIANA
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COUNTY OF MARION) COMMISSIONER OF INSURANCE

IN THE MATTER OF:)
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PHP Insurance Company of Indiana, Inc.)
1700 Magnavox Way, Suite 201)
Fort Wayne, Indiana 46804)

Examination of: **PHP Insurance Company of Indiana, Inc.**

FINDINGS AND FINAL ORDER

The Indiana Department of Insurance conducted an examination into the affairs of the PHP Insurance Company of Indiana, Inc. (hereinafter “Company”) for the time period January 1, 2018 through December 31, 2020.

The Verified Report of Examination was filed with the Commissioner of the Department of Insurance (hereinafter “Commissioner”) by the Examiner on February 17, 2022.

A copy of the Verified Report of Examination, along with a Notice of Opportunity to Make Written Submission or Rebuttal, was mailed to the Company via Certified Mail on March 31, 2022 and was received by the Company on April 4, 2022.

The Company did not file any objections.

NOW THEREFORE, based on the Verified Report of Examination, I hereby make the following **FINDINGS**:

1. That the Verified Report of Examination is a true and accurate report of the financial condition and affairs of the PHP Insurance Company of Indiana, Inc. as of December 31, 2020.
2. That the Examiner’s Recommendations are reasonable and necessary in order for the PHP Insurance Company of Indiana, Inc. to comply with the laws of the State of Indiana.

Based on the FINDINGS, the Commissioner does hereby ORDER:

1. Pursuant to Ind. Code § 27-1-3.1-11(a)(1), the Verified Report of Examination is adopted and shall be filed. Hereafter the Verified Report of Examination, may constitute prima facie evidence of the facts contained therein in any action or proceeding taken by the Indiana Department of Insurance against the Company, its officers, directors, or agents.
2. The Company shall comply with the Examiner's Recommendations enumerated in summary form and throughout the text of the Verified Report of Examination. A written response to these recommendations should be provided to the Department within 30 days of receipt of this order.
3. Compliance with the Examiner's recommendations shall be completed on or before the filing of the subsequent annual statement. In the event it is not feasible to comply with a recommendation before the filing of the subsequent annual statement, the Company shall submit a written explanation as to why it was not feasible with the filing of the annual statement.

Signed this 19 day of
April, 2022.



Amy L. Beard
Insurance Commissioner
Indiana Department of Insurance

ABOUT AFFIRMATIONS

The following pages for affirmations need to be signed by each Board Member and returned to the Indiana Department of Insurance within thirty (30) days in accordance with I.C. §27-1-3.1-12(b).

If your affirmations list individuals that are no longer on your Board of Directors, you may simply retype the form on plain white paper with the correct names and a line to the right for signature. If the names are misspelled, you may do the same, simply re-type the corrected form with a line to the right for signature.

Should you have any questions or difficulties with these forms or you require additional time past the thirty (30) day requirement, please do not hesitate to contact this department at (317) 232-2390.

STATE OF INDIANA
Department of Insurance
REPORT OF EXAMINATION
OF

PHP INSURANCE COMPANY OF INDIANA, INC.

NAIC Co. CODE 12331
NAIC GROUP CODE 3828

As of

December 31, 2020

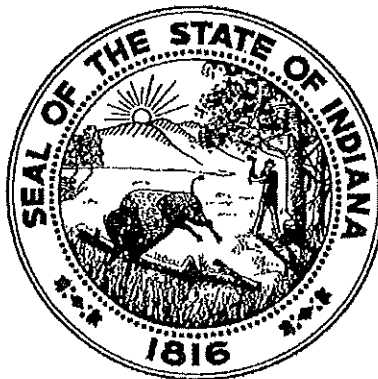


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STATE OF INDIANA

ERIC J. HOLCOMB, GOVERNOR

Indiana Department of Insurance

Amy L. Beard, Commissioner
311 W. Washington Street, Suite 103
Indianapolis, Indiana 46204-2787
Telephone: 317-232-2385
Fax: 317-232-5251
Website: in.gov/idoi

February 17, 2022

Honorable Amy L. Beard, Commissioner
Indiana Department of Insurance
311 West Washington Street, Suite 300
Indianapolis, Indiana 46204-2787

Dear Commissioner:

Pursuant to the authority vested in Appointment Number 4093, an examination has been made of the affairs and financial condition of:

PHP Insurance Company of Indiana, Inc.
1700 Magnavox Way, Suite 201
Fort Wayne, IN 46804

hereinafter referred to as the "Company", or "PHPIC", an Indiana domestic stock, life, accident and health insurance company. The examination was conducted remotely with assistance from the Company in Fort Wayne, Indiana.

The Report of Examination, reflecting the status of the Company as of December 31, 2020, is hereby respectfully submitted.

ACCREDITED BY THE NATIONAL ASSOCIATION OF INSURANCE COMMISSIONERS

AGENCY SERVICES 317-232-2389	COMPANY COMPLIANCE 317-232-3495	CONSUMER SERVICES 317-232-2395/1-800-622-4461	FINANCIAL SERVICES 317-232-2390	MEDICAL MALPRACTICE 317-232-2402	COMPANY RECORDS 317-232-5692	STATE HEALTH INSURANCE PROGRAM 1-800-452-4800
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SCOPE OF EXAMINATION

The Company was last examined by representatives of the Indiana Department of Insurance (INDOI) and covered the period from January 1, 2015, through December 31, 2017. The present risk-focused examination was conducted by Noble Consulting Services, Inc., and covered the period from January 1, 2018, through December 31, 2020, and included any material transactions and/or events occurring subsequent to the examination date and noted during the course of this examination.

The examination was conducted in accordance with the NAIC *Financial Condition Examiners Handbook* (Handbook). The Handbook requires that we plan and perform the examination to evaluate the financial condition, assess corporate governance, identify current and prospective risks of the Company, and evaluate system controls and procedures used to mitigate those risks. An examination also includes identifying and evaluating significant risks that could cause an insurer's surplus to be materially misstated both currently and prospectively.

Alberts Actuarial Consulting, LLC., provided actuarial services throughout the examination and conducted a review of the Company's actuarial related risks as of December 31, 2020.

All accounts and activities of the Company were considered in accordance with the risk-focused examination process. This may include assessing significant estimates made by management and evaluating management's compliance with Statutory Accounting Principles. The examination does not attest to the fair presentation of the financial statements included herein. If, during the course of the examination, an adjustment is identified the impact of such adjustment will be documented separately following the Company's financial statements.

This examination report includes significant findings of fact, as mentioned in the Indiana Code (IC) 27-1-3.1-10 and general information about the insurer and its financial condition. There may be other items identified during the examination that, due to their nature (e.g., subjective conclusions, proprietary information, etc.), are not included within the examination report but separately communicated to other regulators and/or the Company.

HISTORY

Physicians Health Plan of Northern Indiana, Inc. (PHPNI) is the ultimate controlling parent of PHPIC, which was incorporated as an Indiana domestic life, accident, and health insurance company on September 28, 2005, and commenced business on May 1, 2006.

CAPITAL AND SURPLUS

The Company has 20,000 shares authorized and 5,000 shares issued and outstanding as of December 31, 2020. The par value of each share is \$200. All shares of PHPIC were owned by PHP Holding Company (PHPHC) during the period of examination.

DIVIDENDS TO STOCKHOLDERS

The Company did not pay any dividends to stockholders during the examination period.

TERRITORY AND PLAN OF OPERATION

PHPIC holds Class 1A and 1B life and health licenses and issues employer group stop-loss policies to small, self-funded employer groups under their Level Solutions product. The Company focuses on employer groups with ten (10) to one hundred (100) employees and offers a cost-effective option to an Affordable Care ACT (ACA)-compliant fully-insured plan. The Level Solutions product is administered by PHP Management Systems (PHPMS), which is an indirect wholly owned subsidiary of PHPNI. The continued extension of grandmothered policies that are exempt from ACA requirements until the end of 2022 has impacted the growth of the product.

PHPIC is only licensed to conduct business in Indiana.

GROWTH OF THE COMPANY

The following table summarizes the financial results of the Company during the examination period:

<u>Year</u>	<u>Admitted Assets</u>	<u>Liabilities</u>	<u>Surplus and Other Funds</u>	<u>Premiums Earned</u>	<u>Net Income</u>
2020	\$ 3,792,885	\$ 817,163	\$ 2,975,722	\$ 704,452	\$ 248,659
2019	3,615,725	951,051	2,664,674	792,136	245,110
2018	2,961,336	626,851	2,334,485	593,553	31,779

The Company grew its admitted assets, primarily the common stock portfolio and cash and cash equivalents, due to positive underwriting gains, positive investment income, and maturities in the bond portfolio.

The variability in liabilities during the exam period was primarily due to variances in the stop loss claims reserve liability, which can vary materially from year to year as it is based on estimates.

The Company's member months decreased in 2020 to 3,473 member months, primarily due to the largest employer group stop-loss policy terminating at the end of 2019. Likewise, premium revenue decreased in 2020 due to the reduction in covered membership, which was partially offset by an increase in the average stop loss premium rate. Although administrative expenses increased in 2020, the increased gross margin generated by a decline in benefits paid allowed the Company to report a net underwriting gain and ultimately a slight increase in net income.

MANAGEMENT AND CONTROL

Directors

The Bylaws provide that the business affairs of the Company are to be managed by a Board of Directors (Board) consisting of no less than five (5) and no more than nine (9) Directors. At least one (1) of the Directors must be a resident of Indiana. The shareholders, at each annual meeting, elect the members of the Board. The annual meetings of shareholders of the Company shall be held within five (5) months after the close of each fiscal year of the Company.

The following is a listing of persons serving as directors as of December 31, 2020, and their principal occupations as of that date:

<u>Name and Address</u>	<u>Principal Occupation</u>
Dustin Wayne Crider Auburn, Indiana	Chief Financial Officer Physicians Health Plan of Northern Indiana, Inc.
Gail Marie Doran Fort Wayne, Indiana	Chief Operating Officer Physicians Health Plan of Northern Indiana, Inc.
Kevin Wayne Linker Fort Wayne, Indiana	Vice President of Actuarial and Risk Management Physicians Health Plan of Northern Indiana, Inc.
Matthew Allan Roskuski Fort Wayne, Indiana	Chief Sales Officer Physicians Health Plan of Northern Indiana, Inc.
Gary Duane Shearer Fort Wayne, Indiana	President and Chief Executive Officer Physicians Health Plan of Northern Indiana, Inc.

Officers

The Bylaws state that the elected officers of the Company shall consist of a President, one (1) or more Vice Presidents, a Treasurer, a Secretary, and such other officers as may be appointed in accordance with the provisions in the Bylaws. The Board may also elect one (1) or more Assistant Vice Presidents, Assistant Secretaries, and Assistant Treasurers. Each of these officers is elected by the Board and shall hold office for one (1) year or until their respective successors are duly chosen and have qualified.

The following is a list of key officers and their respective titles as of December 31, 2020:

<u>Name</u>	<u>Office</u>
Gary Duane Shearer	President
Gail Marie Doran	Vice President
Dustin Wayne Crider	Treasurer and Secretary

CONFLICT OF INTEREST

Directors and officers are required to review and sign Conflict of Interest statements annually. It was determined that all directors and officers listed in the Management and Control section of this Report of Examination have reviewed and signed their statements as of December 31, 2020.

OATH OF OFFICE

IC 27-1-7-10(i) stipulates that every director, when elected, shall take and subscribe to an oath stating that he or she will faithfully, honestly, and diligently administer the affairs of the Company and will not knowingly violate any of the laws applicable to such Company. It was determined that all directors listed in the Management and Control section of this Report of Examination have subscribed to an oath as of December 31, 2020.

CORPORATE RECORDS

Articles of Incorporation

There were no amendments made to the Articles of Incorporation during the examination period.

Bylaws

There were no amendments made to the Bylaws during the examination period.

Minutes

The Board and shareholders meeting minutes were reviewed for the period under examination through the fieldwork date. Significant actions taken during each meeting were noted.

IC 27-1-7-7(b) states an annual meeting of shareholders, members, or policyholders shall be held within five (5) months after the close of each fiscal year of the Company and at such time within that period as the Bylaws may provide. The Company's Bylaws specify that the annual meeting of shareholders is to be held on or before May 31 each year.

In 2018 and 2019, the Company did not hold an annual meeting of the shareholders as required by IC 27-1-7-7(b). See the "Other Significant Issues" section of the examination report.

AFFILIATED COMPANIES

Organizational Structure

The following organizational chart shows the Company's parent, subsidiaries, and affiliates as of December 31, 2020:

	<u>NAIC Co. Code</u>	<u>Domiciliary State/Country</u>
Physicians Health Plan of Northern Indiana, Inc.	95436	IN
PHP Holding Company		IN
PHP Insurance Company of Indiana, Inc.	12331	IN
PHP Management Systems, Inc.		IN
Pro-Claim Plus, Inc.		IN
Lion Tech, Inc.		IN
Innovative Healthcare Strategies, Inc.		IN

Affiliated Agreements

The following affiliated agreements and transactions were disclosed as part of the Form B – Holding Company Registration Statement and were filed with the INDOI, as required, in accordance with IC 27-1-23-4.

Management Agreement

Effective January 1, 2020, a Management Agreement was entered into by and between PHPNI and PHPIC, in which PHPNI shall provide to PHPIC comprehensive managerial services necessary for PHPIC's day-to-day operations. Such services include, but are not limited to, access to PHPNI's information systems; accounting and financial

analysis; actuarial; underwriting; medical management; utilization review; provider contracting; claims administration; and other general administrative services. In consideration for PHPNI's services provided PHPIC shall reimburse PHPNI for all allocable costs incurred by PHPNI for managerial services provided to support PHPIC's business. During 2020, PHPNI charged PHPIC \$70,236 in management fees for services provided by PHPNI.

Consolidated Federal Income Tax Allocation Agreement

Effective January 1, 2020, PHPHC, PHPMS, PHPIC, Pro-Claim Plus, Inc., Lion Tech, Inc., and Innovative Healthcare Strategies entered into a Tax Allocation Agreement. PHPHC files a consolidated tax return for the affiliated group consisting of all of the parties to the agreement. The agreement serves to establish a method by which all parties contribute to any consolidated tax liability in an equitable manner.

FIDELITY BOND AND OTHER INSURANCE

The Company protects itself against loss from any fraudulent or dishonest acts by any employees through a fidelity bond issued by Federal Insurance Company. The bond has a single loss coverage limit of \$1,000,000 with a \$100,000 deductible. The Company also maintains \$3,000,000 of crime coverage with a \$50,000 deductible. The fidelity bond and crime coverage is adequate to meet the prescribed minimum coverage specified by the NAIC.

The Company had additional types of coverage in-force as of December 31, 2020, including but not limited to commercial property liability, cybersecurity liability, employment practices liability, general liability, managed care and error omissions liability, management indemnity/directors and officers liability, and workers' compensation liability.

PENSION, STOCK OWNERSHIP, AND INSURANCE PLANS

The Company has no retirement plans or postemployment benefits.

SPECIAL AND STATUTORY DEPOSITS

The Company reported a statutory deposit for the benefit of all policyholders of Indiana as of December 31, 2020, with a book value and fair value of \$111,856 and \$111,856, respectively.

REINSURANCE

Ceded Reinsurance

Effective January 1, 2020, PHPNI and PHPIC renewed a health maintenance organization reinsurance agreement with HM Life Insurance Company that provides stop loss coverage for claims by members. Under the agreement, there is a \$600,000 retention limit per member with a maximum covered loss of \$5,000,000.

Effective January 1, 2020, PHPNI and PHPIC renewed a contract with OptumHealth Care Solutions, Inc., to manage and reinsure human organ and bone marrow transplants. Under this contract, covered losses are 100% ceded with a maximum benefit for each member of \$2,000,000. The premium cost for this contract was \$5.62 per member per month.

ACCOUNTS AND RECORDS

The Company's accounting procedures, practices, account records, and supporting data were reviewed and tested to the extent deemed necessary. The trial balance prepared from the Company's general ledger for the year ended December 31, 2020 was agreed to the respective Annual Statement. The Annual Statement for the year ended December 31, 2020 was agreed to the independent audit report without material exception. The Company's accounting procedures, practices, and account records were deemed satisfactory.

FINANCIAL STATEMENTS

PHP INSURANCE COMPANY OF INDIANA, INC.

Assets

As of December 31, 2020

	<u>Per Examination*</u>
Bonds	\$ 705,148
Stocks:	
Common stocks	694,367
Cash, cash equivalents and short-term investments	<u>2,346,748</u>
Subtotals, cash and invested assets	3,746,263
Investment income due and accrued	5,839
Receivables from parent, subsidiaries and affiliates	19,590
Health care and other amounts receivable	<u>21,193</u>
Total assets excluding Separate Accounts, Segregated Accounts and Protected Cell Accounts	<u>3,792,885</u>
Totals	<u>\$ 3,792,885</u>

* There were no adjustments to the as-filed financial statements, therefore the Annual Statement amounts agree to the examination amounts.

PHP INSURANCE COMPANY OF INDIANA, INC.
Liabilities, Capital and Surplus
As of December 31, 2020

	Per Examination*
Claims unpaid	\$ 210,000
Premiums received in advance	92,825
General expenses due or accrued	49,497
Current federal and foreign income taxes on realized capital gains (losses)	78,215
Net deferred tax liability	51,433
Ceded reinsurance premiums payable	3,743
Amounts withheld or retained by company for account of others	307,487
Amounts due to parent, subsidiaries and affiliates	23,963
Total liabilities	817,163
Common capital stock	1,000,000
Gross paid in and contributed surplus	1,000,000
Unassigned funds (surplus)	975,722
Surplus as regards policyholders	2,975,722
Totals	\$ 3,792,885

* There were no adjustments to the as-filed financial statements, therefore the Annual Statement amounts agree to the examination amounts.

PHP INSURANCE COMPANY OF INDIANA, INC.
Statement of Revenue and Expenses
For the Year Ended December 31, 2020

	Per Examination*
Member months	3,473
Net premium income	\$ 704,452
Aggregate write-ins for other non-health revenues	126,800
Total Revenues	831,252
Hospital and Medical:	
Aggregate write-ins for other hospital and medical	385,068
Subtotal	385,068
Less:	
Total hospital and medical	385,068
Claims adjustment expenses including cost containment expenses	48,000
General administrative expenses	111,379
Total underwriting deductions	544,447
Net underwriting gain or (loss)	286,805
Net investment income earned	29,139
Net investment gains (losses)	29,139
Aggregate write-ins for other income or expenses	28
Net income or (loss) after capital gains tax and before all other federal income taxes	315,972
Federal and foreign income taxes incurred	67,313
Net income	\$ 248,659

* There were no adjustments to the as-filed financial statements, therefore the Annual Statement amounts agree to the examination amounts.

PHP INSURANCE COMPANY OF INDIANA, INC.
Capital and Surplus Account Reconciliation

	2020*	2019*	2018*
Capital and surplus prior reporting year	\$ 2,664,674	\$ 2,334,485	\$ 2,315,234
Net income	248,659	245,110	31,779
Change in net unrealized capital gains or (losses) less capital gains tax	71,560	127,341	(54,417)
Change in net deferred income tax	(9,171)	(59,723)	20,874
Change in nonadmitted assets	-	17,461	21,015
Change in surplus as regards policyholders for the year	311,048	330,189	19,251
Surplus as regards policyholders, December 31 current year	<u>\$ 2,975,722</u>	<u>\$ 2,664,674</u>	<u>\$ 2,334,485</u>

* There were no adjustments to the as-filed financial statements, therefore the Annual Statement amounts agree to the examination amounts.

COMMENTS ON THE FINANCIAL STATEMENTS

There were no recommended adjustments to the financial statements as of December 31, 2020, based on the results of this examination.

OTHER SIGNIFICANT ISSUES

In 2018 and 2019, the Company did not hold an annual meeting of the shareholders as required by IC 27-1-7-7(b). It is recommended that the Company holds an annual meeting of the shareholders within 5 months after the close of each fiscal year as required by IC 27-17-7-7(b).

SUBSEQUENT EVENTS

There were no events subsequent to the examination date and prior to the completion of fieldwork which were considered material events requiring disclosure in this Report of Examination.

AFFIDAVIT

This is to certify that the undersigned is a duly qualified Examiner-in-Charge appointed by the Indiana Department of Insurance and that they, in coordination with staff assistance from Noble Consulting Services, Inc., and actuarial assistance from Alberts Actuarial Consulting, LLC, performed an examination of PHP Insurance Company of Indiana, Inc., as of December 31, 2020.

The Indiana Department of Insurance is accredited under the National Association of Insurance Commissioners Financial Regulation Accreditation Standards.

This examination was performed in accordance with those procedures required by the NAIC Financial Condition Examiners Handbook and other procedures tailored for this examination. Such procedures performed on this examination do not constitute an audit made in accordance with generally accepted auditing standards and no audit opinion is expressed on the financial statements contained in this report.

The attached Report of Examination is a true and complete report of the condition of PHP Insurance Company of Indiana, Inc. as of December 31, 2020, as determined by the undersigned.

Christopher Schutte, CFE
Noble Consulting Services, Inc.

Under the Supervision of:

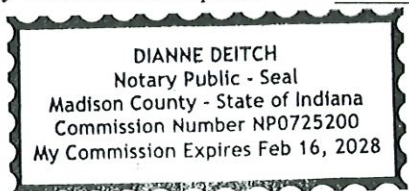
Jerry Ehlers, CFE, AES
Examinations Manager
Indiana Department of Insurance

State of: Indiana
County of: Marion

On this 17 day of February, 2022, before me personally appeared, Christopher Schutte and Jerry Ehlers, to sign this document.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed my notarial seal in said County and State, the day and year last above written.

My commission expires: Feb 16, 2028



Notary Public

Notary Public

