

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

IN THE MATTER OF: )  
 )  
**American Specialty Health Insurance Company** )  
**12800 North Meridian Street** )  
**Carmel, Indiana 46032** )

Examination of: **American Specialty Health Insurance Company**


**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 American Specialty Health Insurance Company, any relevant examination work papers, and any written submissions or rebuttals. The Verified Report of Examination, as amended by the Final Order, 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 American Specialty Health Insurance Company, 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.

June 26, 2023  
Date

  
Roy Eft  
Chief Financial Examiner

**CERTIFIED MAIL NUMBER: 7019 0700 0000 3590 2805**

STATE OF INDIANA ) BEFORE THE INDIANA  
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**12800 North Meridian Street** )  
**Carmel, Indiana 46032** )

Examination of: **American Specialty Health Insurance Company**

### FINDINGS AND FINAL ORDER

The Indiana Department of Insurance conducted an examination into the affairs of the American Specialty Health Insurance Company (hereinafter “Company”) for the time period January 1, 2017 through December 31, 2021.

The Verified Report of Examination was filed with the Commissioner of the Department of Insurance (hereinafter “Commissioner”) by the Examiner on May 2, 2023.

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 May 31, 2023 and was received by the Company on May 31, 2023.

On June 21, 2023 pursuant to Ind. Code § 27-1-3.1-10, the Company filed a response to the Verified Report of Examination. The Commissioner has fully considered the Company’s response.

NOW THEREFORE, based on the Verified Report of Examination and the response filed by the Company, the Commissioner hereby FINDS as follows:

1. The suggested modifications to the Verified Report of Examination submitted by the Company are reasonable and shall be incorporated into the Verified Examination Report. A copy of the Verified Report of Examination, as amended, is attached hereto.
2. The Verified Report of Examination, as amended, is true and accurate report of the financial condition and affairs of the Company as of December 31, 2021.

3. The Examiners' recommendations are reasonable and necessary in order for the Company to comply with the insurance 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, as amended, 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, as amended. 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 26 day of  
June, 2023.

  
\_\_\_\_\_  
Amy L. Beard  
Insurance Commissioner

## **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.

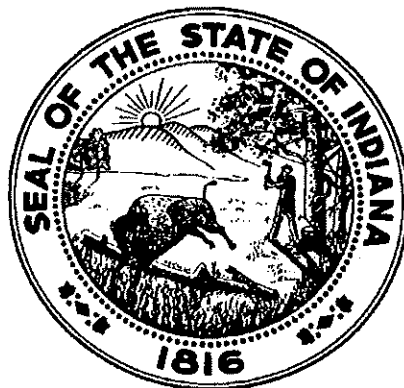
Should you have any questions or difficulties with these forms or you require additional time past the thirty (30) day requirement, please do not hesitate to contact this department at (317) 232-2390.

**STATE OF INDIANA**  
**Department of Insurance**  
**REPORT OF EXAMINATION**  
**OF**

**AMERICAN SPECIALTY HEALTH INSURANCE COMPANY**  
NAIC COMPANY CODE 84697  
NAIC GROUP CODE 3502

As of

December 31, 2021



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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](http://in.gov/idoi)

May 2, 2023

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 4118, an examination has been made of the affairs and financial condition of:

**American Specialty Health Insurance Company  
12800 North Meridian Street  
Carmel, IN 46032**

an Indiana domestic life and health insurance company hereinafter referred to as the "Company." The examination was conducted at the corporate offices of the Company located at 10221 Wateridge Circle, Suite 201, San Diego, California 92121.

The Report of Examination, showing the financial status of the Company as of December 31, 2021, 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

## SCOPE OF EXAMINATION

The Company was last examined by representatives of the Indiana Department of Insurance (INDOI) as of December 31, 2016. The present risk-focused examination was conducted by The Thomas Consulting Group, Inc. (Thomas Consulting) and covered the period from January 1, 2017 through December 31, 2021, and included any material transactions and/or events occurring subsequent to the examination date and noted during the course of this examination.

The examination of the American Specialty Health Insurance Companies was directed through the consolidated efforts of the Indiana Department of Insurance, serving as the lead state on the examinations, in coordination with the New Jersey Department of Banking and Insurance.

In conducting the risk-focused examination, INDOI, by its representatives, relied upon the independent audit reports and opinions contained therein rendered by KPMG, LLP for each year of the examination period. Such reports were prepared on a statutory basis and reconciled to the financial statements contained in the respective Annual Statements.

Thomas Consulting conducted a review of information systems controls and gained an understanding of the information systems utilized. It was concluded that there would be reliance placed on the information systems.

In accordance with the 2021 NAIC *Financial Condition Examiners Handbook*, Thomas Consulting planned and performed the risk-focused examination to evaluate the financial condition of the Company and to identify prospective risks related to its operations. The examination process included an evaluation of corporate governance, identification and assessment of inherent risks, and documentation of system controls and procedures used to mitigate the identified risks. In addition, Thomas Consulting performed an assessment of the principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. The examination also included a review of the Company's compliance with Statutory Accounting Principles, Annual Statement Instructions, and the Indiana Insurance Code (IC). All accounts and activities of the Company were considered in accordance with the risk-focused examination process.

## HISTORY

The Company was incorporated as Western Diversified Life Insurance Company (WDL) on December 27, 1972, and licensed on July 24, 1974.

Effective April 1986, the Company was acquired from the Wickes Companies, Inc. (WCI) by Continental Life and Accident Company (CLAC) as part of a larger transaction between Aristar, Inc. (AI) and the WCI.

All outstanding stock of CLAC was directly owned by John Alden Life Insurance Company, a Minnesota corporation and subsidiary of AI. In 1987, John Alden Life Insurance Company was acquired by John Alden Financial Corporation, the ultimate holding company. Through a reorganization of John Alden Financial Corporation on October 30, 1987, John Alden Life Insurance Company became the direct parent of WDL.

On September 30, 1997, Protective Life Insurance Company (PLIC), a Tennessee domestic insurer acquired



100% of the Company's outstanding common stock and its affiliates. PLIC qualified to do business as a capital stock legal reserve life and health insurer.

On October 30, 2001, American Specialty Health Incorporated (ASHI), a Delaware Corporation, purchased all of the outstanding common stock of WDL from PLIC. On February 13, 2003, the Company's name was changed to American Specialty Health Insurance Company.

On December 22, 2016, the INDOI approved the Company's application for re-domestication to the State of Indiana from the State of Illinois, effective December 15, 2016.

### **CAPITAL AND SURPLUS**

The Amended Articles of Incorporation provide that the Company's authorized capital shall be \$3,000,000, which consists of 300,000 shares of common stock with a par value of \$10 per share. As of December 31, 2021, the Company's total capital and surplus was \$9,903,250, which included: 300,000 shares of common stock issued and outstanding totaling \$3,000,000; gross paid-in contributed surplus of \$4,688,328; and unassigned funds (surplus) of \$2,214,922. ASHI owns all issued shares as of December 31, 2021.

### **DIVIDENDS TO STOCKHOLDERS**

No dividends were declared or paid during the period under examination.

### **TERRITORY AND PLAN OF OPERATION**

The Company does not sell or market direct insurance policies, but instead assumes quota share reinsurance business and capitation arrangements from other health plans. The Company will accept downstream financial risk for limited physical medicine-related services under these products. The Company's primary business is the delivery of specialty healthcare benefit programs including, but not limited to, chiropractic, acupuncture, therapeutic massage, physical therapy, occupational therapy, speech therapy, nutrition services, and naturopathy. These benefits are sold to health plans under quota share reinsurance agreements and capitation arrangements in the states where the Company is an admitted insurer.

The Company provides specialty healthcare services to its customers through the use of risk-based products in which the Company assumes all, or a substantial portion of, the responsibility for the cost of providing treatment services to covered members in exchange for a fixed per member per month fee. The Company compensates practitioners that provide treatment services to its members based on a fee-for-service. As of December 31, 2020 and 2021, the Company had 119,807 and 83,421 total lives related to its health plans and HMO contracts.

The Company is licensed to operate in forty-three (43) states and the District of Columbia.

In 2021, the INDOI approved a limited health maintenance organization licensure for the Company. The Company expects this new license to provide significant growth opportunities and an additional mechanism for it to accept downstream risk from health plans.

## GROWTH OF THE COMPANY

The following exhibit depicts the Company's financial results throughout the examination period:

<u>Year</u>	<u>Total Admitted Assets</u>	<u>Total Liabilities</u>	<u>Policyholder Surplus</u>	<u>Net Income</u>	<u>Net Premiums Written</u>
2021	\$10,091,331	\$188,081	\$9,903,250	\$384,779	\$1,603,975
2020	9,676,047	160,793	9,515,254	468,414	1,554,191
2019	9,281,496	222,369	9,059,127	625,505	2,902,156
2018	9,635,297	1,197,829	8,437,468	2,765	1,111,625
2017	8,839,836	397,973	8,441,863	75,720	1,393,644

Note: Amounts shown in whole dollars and rows may not total due to rounding.

The Company has reported a positive net income in all years under the five (5) year examination. The admitted assets and policyholder surplus increases are consistent with increased net income.

## MANAGEMENT AND CONTROL

### **Directors**

The Bylaws of the Company stipulate that the Board of Directors (Board) shall be fixed from time to time by resolution of the directors or the shareholders provided that; (a) the Board shall consist of a minimum of five (5) and a maximum of fourteen (14) natural persons, (b) no decrease in the number of directors shall have the effect of shortening the term of any incumbent director, and (c) at least one (1) of the directors shall be a resident of the State of Indiana. The following persons were serving as directors as of December 31, 2021:

<u>Name and Residence</u>	<u>Principal Occupation</u>
George T. DeVries, III San Diego, California	Chairman and Chief Executive Officer American Specialty Health Incorporated
Jerome C. Bonhomme San Diego, California	Chief Technology Officer and Executive Vice President American Specialty Health Incorporated
Marcel M. Danko San Diego, California	Chief Financial Officer, Executive Vice President, and Treasurer American Specialty Health Incorporated
Erin L. Hiley San Diego, California	Chief Legal Officer, Executive Vice President, and Secretary American Specialty Health Incorporated
Joy G. Kleinmaier Carmel, Indiana	Chief Business Development Officer and Executive Vice President American Specialty Health Incorporated

R. Douglas Metz, D.C. Carmel, Indiana	Chief Health Service Officer and Executive Vice President American Specialty Health Incorporated
Robert P. White San Diego, California	Chief Operations Officer and President American Specialty Health Incorporated

During the period covered by this examination, we identified that ASHI, the parent of the Company, had not elected the directors of its subsidiary, ASHIC, annually within the first five (5) months of the fiscal year as required by IC 27-1-7-10. **(Please see the “Other Significant Findings” section of this Report of Examination.)**

### Officers

The Bylaws of the Company stipulate that the officers of the Company shall include, if and when designated by the Board, a Chief Executive Officer, President, one (1) or more Vice Presidents, Secretary, Chief Financial Officer, Treasurer, and Controller; all of whom shall be elected at the Annual Meeting of the Board. Accordingly, the following persons served as officers of the Company as of December 31, 2021:

George T. DeVries, III	Chairman and Chief Executive Officer
Robert P. White	Chief Operations Officer and President
Jerome C. Bonhomme	Chief Technology Officer and Executive Vice President
Marcel M. Danko	Chief Financial Officer, Executive Vice President, and Treasurer
Erin L. Hiley	Chief Legal Officer, Executive Vice President, and Secretary
Korry L. Huffman	Associate Vice President, Legal Counsel, and Assistant Secretary
Joy G. Kleinmaier	Chief Business Development Officer and Executive Vice President
R. Douglas Metz, D.C.	Chief Health Services Officer and Executive Vice President

### Corporate Governance

The Company is a wholly-owned subsidiary of ASHI. Accordingly, ultimate control and oversight occur at the parent level. ASHI’s Board, which includes external directors, indirectly oversees the activities of the Company and provides a sufficient framework to manage the Company's best interest. ASHI’s Board oversees all Company activities, including an Audit and Finance Committee, a Quality and Compliance Committee, and a Compensation Committee. Each committee is chaired by an independent Board member with specific expertise related to their committee’s charter and oversight responsibilities.

As of December 31, 2021, the independent members of the Audit and Finance Committee of ASHI were:

Woodrin B. Grossman (Chair)  
Paul R. Peterson  
Daniel T. Yunker

As of December 31, 2021, the members of the Quality and Compliance Committee of ASHI were:

Paul R. Peterson (Chair)  
George T. DeVries, III  
Jan E. DeVries  
Woodrin B. Grossman  
Daniel T. Yunker

As of December 31, 2021, the independent members of the Compensation Committee of ASHI were:

Daniel T. Yunker (Chair)  
Woodrin B. Grossman  
Paul R. Peterson

### **CONFLICT OF INTEREST**

The Company has in place an established conflict of interest policy and procedures for the disclosure of any material interest or affiliation by any director, officer, or key employee, which is likely to conflict with their official duties. From a review of the officers and directors signed statements, there were no conflicts of interest reported by any of the officers or directors.

### **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 corporation and will not knowingly violate any of the laws applicable to such corporation. During the period covered by this examination, it was identified that the Company had not elected its Board and therefore did not obtain signed Oath of Office statements for its directors as required by IC 27-1-7-10(i). **(Please see the “Other Significant Findings” section of this Report of Examination.)**

### **CORPORATE RECORDS**

#### **Articles of Incorporation**

The Company’s Articles of Incorporation were not amended during the period under examination.

#### **Bylaws**

The Company’s Bylaws were not amended during the period under examination.

## Minutes

The Board and Stockholders Meetings minutes were reviewed for the period under examination and deemed to adequately describe the actions taken during the meetings.

## AFFILIATED COMPANIES

### Organizational Structure

The Company is a member of an insurance holding company system as defined by IC 27-1-23 and is a wholly owned subsidiary of ASHI, a Delaware corporation. ASHI is an integrated healthcare organization focused on complementary healthcare services including, but not limited to, chiropractic care, acupuncture, physical therapy, occupational therapy, massage therapy, and naturopathy. Mr. George T. DeVries, III is considered the Ultimate Controlling Person in the holding company system.

The following is a list of ASHI's subsidiaries or affiliates, which may have a direct or indirect relationship with the Company:

- ❖ George T. DeVries, III and Family 84.63% - Holding Co., Inc. 13.04% and Other Minority Shareholders 2.33%
  - American Specialty Health Incorporated (Delaware) Owns 100% of 15 Companies
    - ASH Technologies, Inc. (Delaware)
    - American Specialty Health Clearinghouse, Inc. (Delaware)
    - American Specialty Health Fitness, Inc. (Delaware)
    - American Specialty Health Group, Inc. (California)
    - American Specialty Health Group of South Dakota, Inc. (South Dakota)
    - American Specialty Health IPA of New York, Inc. (New York)
    - American Specialty Health Plans of California, Inc. (California)
    - American Specialty Physical Medicine, Inc. (Delaware)
    - American Specialty Health Management, Inc. (California)
    - ASH Therapeutic Massage, Inc. (Delaware)
    - ASH Naturopathy, Inc. (Delaware)
    - ASH Real Property, LLC
    - **American Specialty Health Insurance Company NAIC Code: 84697 (Indiana)**
    - American Specialty Health Systems, Inc. (Delaware)
      - American Specialty Health ODS of New Jersey, Inc. NAIC Code: 11866 (New Jersey)

### Affiliated Agreements

#### Intercompany Administrative Services Agreements

The Company maintains Intercompany Administrative Services Agreements with ASHI and American Specialty Health Group, Inc. (ASHG). Under the terms of the agreements, ASHI provides facilities, administrative personnel, information technology support, equipment leasing, legal accounting, insurance, and cash and investment management services to ASHIC. In 2021, the Company recorded total costs of

\$502,809 for general and administrative services it received from ASHI under this agreement.

ASHG provides claims processing, medical necessity review, call center services, other administrative services, and provides the Company access to its contracted practitioners under a separate services agreement. In 2021, the Company recorded total costs of \$196,501 for the services it receives from ASHG under this agreement. These costs are included in the claims adjustment expenses in the accompanying Statutory Basis Statements of revenue and expenses.

#### Tax Sharing Agreement

ASHIC files a consolidated federal income tax return with its affiliates under a Tax Sharing Agreement with ASHI. A written Tax Sharing Agreement sets forth how the total combined federal income tax is allocated to each entity that is a party to the consolidation. Pursuant to this agreement, ASHI's consolidated income tax liability is allocated to affiliates, including ASHIC, in accordance with the pro rata share of ASHI's total consolidated taxable income attributed to its affiliates, including ASHIC.

#### Credit Facility Agreement

ASHI has a Credit Facility Agreement with a lending institution, which ASHI's affiliates have agreed to guarantee. The Company is not a party to this agreement and provides no guarantees under it.

ASHI's obligations under the agreement are also collateralized by stock pledged for all wholly owned subsidiaries. The stock pledge under this agreement for the Company is a limited stock pledge under which any actual transfer of the pledged common stock can only be made with advance approval of any and all regulatory authorities having jurisdiction over the Company.

In 2021, ASHI was in compliance with all the terms of the agreement and the outstanding debt was \$23,151,562 under this agreement.

### **FIDELITY BOND AND OTHER INSURANCE**

The Company protects itself against loss from any fraudulent or dishonest acts by its employees through a crime insurance policy. The Company's crime insurance policy provides up to \$5,000,000 of coverage. The policy was determined to meet the prescribed minimum coverage specified by the NAIC. Contrary to the requirements of IC 27-1-7-14, the Company's coverage was not approved by its Board at any time during the examination period ending December 31, 2021. **(Please see the "Other Significant Findings" section of this Report of Examination.)**

The Company is a named insured on other customary forms of insurance in force as of December 31, 2021, including, but not limited to, cybersecurity, general commercial liability, automobile liability, workers' compensation, and employer liability. The limits on these policies appear to be satisfactory.

### **STATUTORY AND SPECIAL DEPOSITS**

The Company reported statutory and special deposits comprised of U.S. Treasury Bonds, cash in the form of a Certificate of Deposit, and cash equivalents held by various Departments of Insurance as of December 31, 2021:

<u>State</u>	<u>Book Value</u>	<u>Fair Value</u>
<b>Deposits for the benefit of all Policyholders:</b>		
Indiana	\$ 1,549,855	\$ 1,549,659
Massachusetts	104,000	104,000
South Carolina	125,000	125,000
Virginia	377,703	377,703
<b>All Other Special Deposits:</b>		
Georgia	50,000	50,000
Indiana	50,000	50,000
New Mexico	210,102	209,139
Total Deposits	<u>\$ 2,466,660</u>	<u>\$ 2,465,501</u>

NOTE: Amounts are shown in whole dollars and columns may not total due to rounding.

### REINSURANCE

In the ordinary course of business, the Company assumes quota share reinsurance business and capitation arrangements from other health plans. All assumed reinsurance premiums and capitation arrangements earned in 2021 relate to specialty healthcare benefits programs provided by the Company and total \$1,603,975. As of December 31, 2021, the Company's net reserves for assumed reinsurance contracts were \$77,054. In 2021, the total policy benefits incurred under these contracts was \$342,243.

### RESERVES

Deana K. Bell, FSA, MAAA, is the Appointed Actuary for the Company. The Board appointed Ms. Bell to render an actuarial opinion on the statutory-basis reserves of the Company for 2021.

The scope of the opinion was to examine the actuarial assumptions and methods used in determining reserves and related actuarial items, as shown in the Annual Statement of the Company as prepared for filing with state regulatory officials as of December 31, 2021. In forming the opinion on reserves, information prepared by the Company was relied upon. This information was evaluated for reasonableness and consistency. In other respects, the examination included such review of the actuarial assumptions and methods used, and such tests of the calculations as considered necessary.

The 2021 opinion stated that the amounts carried in the balance sheet on account of the actuarial items; 1) are in accordance with presently accepted actuarial standards consistently applied and are fairly stated in accordance with sound actuarial principles, 2) are based on actuarial assumptions relevant to contract provisions and appropriate to the purpose for which the statement was prepared, 3) meet the requirements of the insurance laws and regulations of the State of Indiana, and are at least as great as the minimum aggregate amounts required by any state in which this statement is filed, 4) make a good and sufficient provision for all unpaid claims and other actuarial liabilities of the organization under the terms of its contracts and agreements, and 5) include appropriate provisions for all actuarial items that ought to be

established.

### **ACCOUNTS AND RECORDS**

The Company's accounting procedures, practices, account records, and supporting data were reviewed and tested to the extent deemed necessary. The detail trial balance prepared from the Company's general ledger for the year ending December 31, 2021, was agreed to the Annual Statement. The Company's independent auditors issued unqualified opinions on the Company's audited Statutory Financial Statements for each year during the examination period. The audited Statutory Financial Statements were agreed to the Annual Statement for the year ending December 31, 2021, with no exceptions noted. All of the independent audit work papers were made available to Thomas Consulting during the examination.

An evaluation of controls of the information systems was performed in this examination. The objective of the review was to assess whether the controls of the information systems were adequate and that the risks associated with the information systems had been adequately addressed. The assessment of the overall control risks is effective and no material weaknesses or significant findings were noted.

Overall, Thomas Consulting determined the Company's accounting procedures, practices, and account records were satisfactory.



**FINANCIAL EXHIBITS**

Comparative Exhibit – Statutory Statement of Assets  
Comparative Exhibit – Statutory Statement of Liabilities, Surplus and Other Funds  
Comparative Exhibit - Statutory Summary of Operations  
Comparative Exhibit – Statutory Capital and Surplus Account

NOTE: Amounts are shown in whole dollars and columns may not total due to rounding.

**AMERICAN SPECIALTY HEALTH INSURANCE COMPANY**

**FINANCIAL STATEMENTS**

**Assets**

**As of December 31, 2021**

	<b>Per Annual Statement</b>	<b>Exam Adjustments</b>	<b>Per Examination</b>	<b>December 31, Prior Year</b>
<b>Assets:</b>				
Bonds	\$ 210,102	\$ -	\$ 210,102	\$ 210,191
Cash, cash equivalents and short-term investments	<u>9,821,630</u>	<u>-</u>	<u>9,821,630</u>	<u>9,445,717</u>
Subtotals, cash and invested assets	<u>\$ 10,031,732</u>	<u>\$ -</u>	<u>\$ 10,031,732</u>	<u>\$ 9,655,908</u>
Investment income due and accrued	\$ 88	\$ -	\$ 88	\$ 789
Uncollected premiums and agents' balances in the course of collection	806	-	806	11,992
Amounts receivable relating to uninsured plans	-	-	-	3,274
Net deferred tax asset	5,160	-	5,160	1,918
Receivable from parent, subsidiaries and affiliates	53,285	-	53,285	1,845
Aggregate write-ins for other-than-invested assets	<u>260</u>	<u>-</u>	<u>260</u>	<u>321</u>
<b>Total Assets</b>	<b><u>\$ 10,091,331</u></b>	<b><u>\$ -</u></b>	<b><u>\$ 10,091,331</u></b>	<b><u>\$ 9,676,047</u></b>

AMERICAN SPECIALTY INSURANCE COMPANY

FINANCIAL STATEMENTS

Liabilities, Surplus and Other Funds

As of December 31, 2021

	Per Annual Statement	Exam Adjustments	Per Examination	December 31, Prior Year
<b>Liabilities:</b>				
Claims unpaid	\$ 58,816	\$ -	\$ 58,8816	\$ 40,807
Unpaid claims adjustment expenses	18,238	-	18,238	15,525
General expenses due or accrued	54,477	-	54,477	59,809
Current federal and foreign income tax payable and interest thereon	9,080	-	9,080	10,028
Amounts due to parent, subsidiaries and affiliates	47,470	-	47,470	33,772
<b>Total Liabilities</b>	<b><u>\$ 188,081</u></b>	<b><u>\$ -</u></b>	<b><u>\$ 188,081</u></b>	<b><u>\$ 160,793</u></b>
<b>Capital and Surplus:</b>				
Common capital stock	\$ 3,000,000	\$ -	\$ 3,000,000	\$ 3,000,000
Gross paid-in and contributed surplus	4,688,328	-	4,688,328	4,688,328
Unassigned funds (surplus)	2,214,922	-	2,214,922	1,826,926
<b>Total Capital and Surplus</b>	<b><u>\$ 9,903,250</u></b>	<b><u>\$ -</u></b>	<b><u>\$ 9,903,250</u></b>	<b><u>\$ 9,515,254</u></b>
<b>Total Liabilities, Capital and Surplus</b>	<b><u>\$ 10,091,331</u></b>	<b><u>\$ -</u></b>	<b><u>\$ 10,091,331</u></b>	<b><u>\$ 9,676,047</u></b>

**AMERICAN SPECIALTY HEALTH INSURANCE COMPANY**

**FINANCIAL STATEMENTS**

**Summary of Operations**

**For the Year Ending December 31, 2021**

	<b>Per Annual Statement</b>	<b>Exam Adjustments</b>	<b>Per Examination</b>	<b>December 31, Prior Year</b>
<b>Income:</b>				
Net premium income	\$ 1,603,975	\$ -	\$ 1,603,975	\$ 1,554,191
<b>Hospital and Medical</b>				
Other Professional services	\$ 342,243	\$ -	\$ 342,243	\$ 260,321
Claims adjustment expenses	161,849	-	161,849	178,761
General administration expenses	<u>620,351</u>	<u>-</u>	<u>620,351</u>	<u>558,739</u>
Total underwriting deductions	\$ 1,124,443	\$ -	\$ 1,124,443	\$ 997,821
<b>Net underwriting gain</b>	<b><u>\$ 479,532</u></b>	<b><u>\$ -</u></b>	<b><u>\$ 479,532</u></b>	<b><u>\$ 556,370</u></b>
<b>Investment Income</b>				
Net investment income earned	\$ 7,530	-	\$ 7,530	\$ 36,896
<b>Net investment gain</b>	<b><u>\$ 7,530</u></b>	<b><u>\$ -</u></b>	<b><u>\$ 7,530</u></b>	<b><u>\$ 36,896</u></b>
Net income before federal income taxes	\$ 487,062	\$ -	\$ 487,062	\$ 593,266
Federal and foreign income taxes incurred	<u>102,283</u>	<u>-</u>	<u>102,283</u>	<u>124,852</u>
<b>Net Income</b>	<b><u>\$ 384,779</u></b>	<b><u>\$ -</u></b>	<b><u>\$ 384,779</u></b>	<b><u>\$ 468,414</u></b>

**AMERICAN SPECIALTY HEALTH INSURANCE COMPANY**

**FINANCIAL STATEMENTS**

**Capital and Surplus Account**

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Capital and surplus, December 31, prior year	\$ 9,515,254	\$ 9,059,127	\$ 8,437,468	\$ 8,441,863	\$ 8,414,819
<b>Net income</b>	<b>\$ 384,779</b>	<b>\$ 468,414</b>	<b>\$ 625,505</b>	<b>\$ 2,765</b>	<b>\$ 75,720</b>
Change in nonadmitted assets	(2,330)	(12,993)	(3,846)	4,766	(4,712)
Aggregate write-ins for gains (losses) in surplus	5,547	706	-	(11,926)	(43,964)
<b>Net change in capital and surplus for the year</b>	<b>\$ 387,996</b>	<b>\$ 456,127</b>	<b>\$ 621,659</b>	<b>\$ (4,395)</b>	<b>\$ 27,044</b>
<b>Capital and surplus, December 31, current year</b>	<b>\$ 9,903,250</b>	<b>\$ 9,515,254</b>	<b>\$ 9,059,127</b>	<b>\$ 8,437,468</b>	<b>\$ 8,441,863</b>

## **COMMENTS ON THE FINANCIAL STATEMENTS**

There were no recommended adjustments to surplus as of December 31, 2021, based on the results of this examination.

### **OTHER SIGNIFICANT FINDINGS**

#### **Annual Election of Directors**

During our review of the meeting minutes, we identified that ASHI, the parent of the Company, had not elected the directors of its subsidiary, ASHIC, annually within the first five (5) months of the fiscal year as required by IC 27-1-7-10.

**It is recommended that the Company's Board be elected annually in accordance with IC 27-1-7-10.**

#### **Oath of Office**

During the period covered by this examination, it was identified that the Company had not elected its Board and therefore did not obtain signed Oath of Office statements for its directors as required by IC 27-1-7-10(i).

**It is recommended that all directors sign an Oath of Office statement when elected and annually thereafter in accordance with IC 27-1-7-10(i).**

#### **Fidelity Bond**

Contrary to the requirements of IC 27-1-7-14, the Company's coverage was not approved by its Board at any time during the examination period ending December 31, 2021.

**It is recommended that the Company's Board approve the fidelity bond coverage annually and file it with the INDOI on a timely basis as required by IC 27-1-7-14.**

### **SUBSEQUENT EVENTS**

The Company received a Consent Order from the Florida Office of Insurance Regulation, dated December 8, 2022, approving its application for the transfer of domicile to Florida. The Indiana Department of Insurance also accepted the Company's re-domestication from Indiana to Florida on December 27, 2022. The Company became a Florida domestic on April 21, 2023. As a result, as of June 30, 2023, the Company's quarterly financial statements will be the first statement filed as a Florida domestic.

### **MANAGEMENT REPRESENTATION**

In support of contingencies and accuracy of information provided during the course of the examination, Thomas Consulting obtained a management representation letter in the standard NAIC format. This letter was executed by key financial personnel of the Company and provided to Thomas Consulting.

**AFFIDAVIT**

This is to certify that the undersigned is a duly qualified Examiner-In-Charge appointed by the Indiana Department of Insurance and that he, in coordination with staff assistance from The Thomas Consulting Group, Inc., performed an examination of the **American Specialty Health Insurance Company** as of **December 31, 2021**.

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

The examination was performed in accordance with those procedures required by the 2021 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 standard 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 condition of the **American Specialty Health Insurance Company** as of **December 31, 2021**, as determined by the undersigned.

  
\_\_\_\_\_  
David L. Daulton, CFE  
The Thomas Consulting Group, Inc.

  
\_\_\_\_\_  
Jerry Ehlers, CFE, CPA  
Indiana Department of Insurance

State of: Indiana  
County of: Marion

On this 22nd day of May, 2023, before me personally appeared, David L. Daulton 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 October 4, 2025   
\_\_\_\_\_  
Notary

DARCY L. SHAWVER  
NOTARY PUBLIC  
**SEAL**  
MARION COUNTY, STATE OF INDIANA  
MY COMMISSION EXPIRES OCTOBER 4, 2025  
COMMISSION NO 706053

