

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

IN THE MATTER OF: )  
 )  
**Fresenius Health Plans Insurance Company** )  
**3711 S. Mopac Expressway, Bldg Two, Suite 300** )  
**Austin, TX 78746** )

Examination of: **Fresenius Health Plans Insurance Company**

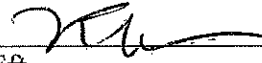
**NOTICE OF ENTRY OF ORDER**

Enclosed is the Final Order entered by Stephen W. Robertson, Commissioner of the Indiana Department of Insurance, after fully considering and reviewing the Verified Report of Examination of Fresenius Health Plans Insurance Company, any relevant examination work papers, and any written submissions or rebuttals. The Verified Report of Examination, as sent to you on June 11, 2018, 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 Fresenius Health Plans 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 27, 2018  
Date

  
Roy Eft  
Chief Financial Examiner

**CERTIFIED MAIL NUMBER: 7005 3110 0002 4444 0199**

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Examination of: **Fresenius Health Plans Insurance Company**

**FINDINGS AND FINAL ORDER**

The Indiana Department of Insurance conducted an examination into the affairs of the Fresenius Health Plans Insurance Company (hereinafter “Company”) for the time period January 1, 2014 through December 31, 2016.

The Verified Report of Examination was filed with the Commissioner of the Department of Insurance (hereinafter “Commissioner”) by the Examiner on April 30, 2018.

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 June 11, 2018 and was received by the Company on June 14, 2018.

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 Fresenius Health Plans Insurance Company as of December 31, 2016.
2. That the Examiner’s Recommendations are reasonable and necessary in order for the Fresenius Health Plans Insurance Company 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 27 day of  
June, 2018.

  
Stephen W. Robertson  
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.

*[Handwritten signature]*

*[Handwritten signature]*

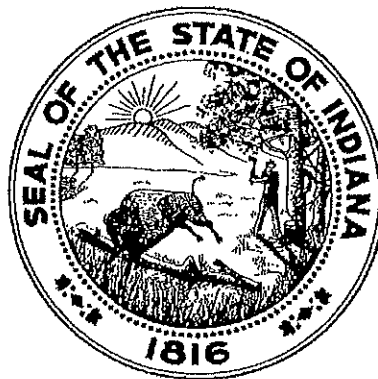
**STATE OF INDIANA**  
**Department of Insurance**  
**REPORT OF EXAMINATION**  
**OF**

**FRESENIUS HEALTH PLANS INSURANCE COMPANY**

NAIC Co. CODE 85286  
NAIC GROUP CODE 4846

As of

December 31, 2016



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# STATE OF INDIANA

ERIC J. HOLCOMB, GOVERNOR

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## Indiana Department of Insurance

Stephen W. Robertson, 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)

April 30, 2018

Honorable Stephen W. Robertson, 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 3990, an examination has been made of the affairs and financial condition of:

**Fresenius Health Plans Insurance Company**  
**3711 South Mopac Expressway, Building Two, Suite 300**  
**Austin, Texas 78746**

hereinafter referred to as the "Company", or "FHPIC", an Indiana domestic stock, life, accident and health insurance company. The examination was conducted at the corporate offices of the Company in Austin, Texas.

The Report of Examination, reflecting the status of the Company as of December 31, 2016, is hereby respectfully submitted.

ACCREDITED BY THE NATIONAL ASSOCIATION OF INSURANCE COMMISSIONERS

|                                 |                                    |  |                                    |                                     |                                 |  |
|---------------------------------|------------------------------------|--|------------------------------------|-------------------------------------|---------------------------------|--|
| AGENCY SERVICES<br>317-232-2413 | COMPANY COMPLIANCE<br>317-232-3495 | CONSUMER SERVICES<br>317-232-2395/1-800-622-4461 | FINANCIAL SERVICES<br>317-232-2390 | MEDICAL MALPRACTICE<br>317-232-2402 | COMPANY RECORDS<br>317-232-5692 | STATE HEALTH INSURANCE PROGRAM<br>1-800-452-4800 |
|---------------------------------|------------------------------------|--|------------------------------------|-------------------------------------|---------------------------------|--|

## SCOPE OF EXAMINATION

The previous examination was conducted by representatives of the Indiana Department of Insurance (INDOI) for the period January 1, 2009 through December 31, 2013 under the former company name of OneNation Insurance Company. The present risk-focused examination was conducted by Noble Consulting Services, Inc., and covered the period from January 1, 2014 through December 31, 2016, 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.

The examination of the North Carolina domestic insurance company of Fresenius Health Plans of North Carolina, Inc. was called by the North Carolina Department of Insurance (NCDOI) in accordance with the Handbook guidelines, through the NAIC's Financial Examination Electronic Tracking System. The INDOI served as the lead state on the examination, and the NCDOI served as participant.

The NCDOI staff provided all actuarial services throughout the examination and conducted a review of the Company's actuarial related risks as of December 31, 2016.

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 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

The Company, formerly known as OneNation Insurance Company, was an Indiana domestic stock life and health insurance company and a wholly-owned subsidiary of ATH Holding, LLC (ATH Holding), a subsidiary of Anthem, Inc. On May 15, 2015, the Company was acquired by FHP Insurance Holding Company, Inc. and incorporated under the laws of the state of Indiana. Effective August 19, 2015, the Company changed its name from OneNation Insurance Company to Fresenius Health Plans Insurance Company. The Company provides Medicare Advantage Chronic Special Needs plans for end-stage renal disease patients.

## CAPITAL AND SURPLUS

The Company has 30,000 shares of \$100 par value common stock authorized. The number of shares issued and outstanding as of the examination date is 25,000.



**DIVIDENDS TO STOCKHOLDERS**

The Company paid the following dividends during the examination period:

| <u>Year</u>  | <u>Total</u>         | <u>Ordinary Dividends</u> | <u>Extraordinary Dividends</u> |
|--------------|----------------------|---------------------------|--------------------------------|
| 2016         | \$ -                 | \$ -                      | \$ -                           |
| 2015         | 77,100,000*          | -                         | 77,100,000*                    |
| 2014         | -                    | -                         | -                              |
| <b>Total</b> | <b>\$ 77,100,000</b> | <b>\$ -</b>               | <b>\$ 77,100,000</b>           |

\*On March 26, 2015, the INDOI approved a \$77,100,000 dividend payment to ATH Holding which was paid to ATH Holding on May 14, 2015. The Company reported \$38,398,448 as a dividend and \$38,701,442 as a return of capital.

In accordance with IC 27-1-23-4(h), the payment of dividends to holding companies or affiliated insurers may not exceed the greater of 10% of the prior year’s surplus or the net income of such insurer of the prior year. In accordance with IC 27-1-23-1.5, the Company notified the INDOI of all declared dividends to the parent during the examination period.

**TERRITORY AND PLAN OF OPERATION**

The Company began writing Medicare Advantage business effective January 1, 2016. The Company does not actively write any new life insurance business.

The Company is licensed in forty-nine (49) states (excluding New York) and the District of Columbia. In 2014 and 2015, the Company’s revenue was generated primarily from investment income. Effective January 1, 2016, the Company began to write business primarily in Arizona and California.

**GROWTH OF THE COMPANY**

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

| <u>Year</u> | <u>Admitted Assets</u> | <u>Liabilities</u> | <u>Capital and Surplus</u> | <u>Total Revenues</u> | <u>Net Income</u> |
|-------------|------------------------|--------------------|----------------------------|-----------------------|-------------------|
| 2016        | \$ 30,622,013          | \$ 17,896,970      | \$ 12,725,043              | \$ 20,558,672         | \$ (5,517,464)    |
| 2015        | 21,103,959             | 2,719,237          | *18,384,722                | -                     | (841,684)         |
| 2014        | 13,286,148             | 341,000            | 12,945,148                 | -                     | 1,534,523         |

\* As a result of the 2016 independent audit, a prior period adjustment was identified. The correction included: a) reversing a deferred tax asset; b) adjustments to the value of bonds. Corrections to these errors resulted in decreasing the 2015 ending balance for Unassigned Funds by \$3.1 million.

Admitted assets increased in 2016 as the Company began to write business again and received a \$3 million capital contribution from FHP Holding Company, Inc.. Liabilities increased along with assets as the company resumed writing business in 2016. In 2016, the decrease in capital and surplus is mostly attributable to the \$5.5 million net loss.

The Company reported 2016 premiums of approximately \$20.6 million and member months at 2,729 compared to \$0 and 0 in 2015. The increase was attributed to the rollout of the End Stage Renal Disease Medicare Advantage business on January 1, 2016.

## MANAGEMENT AND CONTROL

### Directors

The Bylaws provide that the business affairs of the Company shall be managed under the direction of a Board of Directors (Board) consisting of no less than five (5) and no more than fourteen (14) directors. As required in IC 27-1-7-11, at least one (1) of the Directors must reside in Indiana. Directors shall be elected for one (1) year and shall hold office until their respective successors have been elected and qualified.

The following is a listing of persons serving as directors as of December 31, 2016, and their principal occupations as of that date:

| <u>Name and Address</u>                          | <u>Principal Occupation</u>  |
|--|--|
| Scott Edward Dickison<br>Georgetown, Texas       | Senior Vice President of Finance<br>Fresenius Medical Care North America                 |
| Karen Able Gledhill<br>Somerville, Massachusetts | Senior Vice President and Secretary<br>Fresenius Medical Care North America              |
| Michael Allen Graves<br>Plainfield, Indiana      | Indiana Director<br>Fresenius Medical Care North America                                 |
| William Preston McKinney<br>Austin, Texas        | Chief Executive Officer, President, and Chairman<br>Fresenius Medical Care North America |
| Maria Yonkova Radonova<br>Chicago, Illinois      | Senior Vice President<br>Fresenius Medical Care North America                            |

### Officers

The Bylaws state that the officers of the Corporation shall consist of a President, Secretary, and Treasurer. A person may hold more than one (1) office, with the exception of the President and Secretary. The President shall have the authority to appoint administrative officers such as Vice Presidents, Assistant Secretaries, and Assistant Treasurers, to perform such functions and duties as prescribed and approved by the President.

The following is a list of key officers and their respective titles as of December 31, 2016:

| <u>Name</u>              | <u>Office</u>   |
|--------------------------|---|
| William Preston McKinney | Chief Executive Officer, President, and Board<br>Chairman |
| Karen Able Gledhill      | Senior Vice President and Secretary                       |
| Bryan Herman Mello       | Officer and Treasurer                                     |
| Scott Edward Dickison    | Senior Vice President Finance                             |
| Terry Lane Ketchersid    | Chief Medical Officer                                     |
| Maria Yonkova Radonova   | Senior Vice President and Chief Actuary                   |

## CONFLICT OF INTEREST

Directors and officers are required to review and sign Conflict of Interest statements. 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 Conflict of Interest statements in compliance with standards as outlined in the Company's Code of Ethics and Business Conduct.

## CORPORATE RECORDS

### Articles of Incorporation

Effective August 18, 2015, the Company amended and restated its Articles of Incorporation. With the amendment the Company changed its name to "Fresenius Health Plans Insurance Company", restated the address for its principal office, specified its business plan, period of existence, and number of shares authorized and par value.

### Bylaws

On August 31, 2015, the Company adopted amended and restated Bylaws.

### 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.

Audit Committee meeting minutes were reviewed for the period under examination through the fieldwork date.

## AFFILIATED COMPANIES

### Organizational Structure

The following abbreviated organizational chart shows the Company's parent and subsidiaries as of December 31, 2016:

|  | <u>NAIC Co.<br/>Code</u> | <u>Domiciliary<br/>State/Country</u> |
|--|--------------------------|--------------------------------------|
| Fresenius Medical Care Holdings, Inc. dba Fresenius Medical Care North America |                          | NY                                   |
| Fresenius Health Partners, Inc.  |                          | DE                                   |
| FHP Insurance Holding Company, Inc.  |                          | DE                                   |
| <b>Fresenius Health Plans Insurance Company</b>                                | <b>85286</b>             | <b>IN</b>                            |
| Fresenius Health Plans of North Carolina, Inc.                                 | 12288                    | NC                                   |
| Fresenius Health Plans of Texas, Inc.  | 12597                    | TX                                   |
| Fresenius Health Plans of New York, Inc.                                       | 15939                    | NY                                   |

### Affiliated Agreements

The following affiliated agreements and transactions were not disclosed as part of the Form B – Holding Company Registration Statement, with the exception of the Administrative Services Agreement, and were filed with the INDOI, as required, in accordance with IC 27-1-23-4. See Other Significant Issues section of this report.

#### *Administrative Services Agreement*

Effective May 18, 2015, Fresenius Health Partners, Inc. (FHP), agreed to provide administrative services to FHPIC (at that time the Company was still named OneNation Insurance Company). As of December 31, 2016, the amount due to FHP under this agreement was \$11,097,476.

#### *Capital Maintenance Agreements*

On April 15, 2015, the Company provided an agreement with FHP and Fresenius Medical Care Holdings, Inc. to ensure the Company will maintain its risk-based capital at the “Capital Threshold” required by the INDOI, which is in the amount of no less than 300% of the Company’s authorized control level risk-based capital as defined in IC 27-1-36-4. See the Other Significant Issues section of this report.

#### *Tax Allocation Agreements*

Effective October 23, 2017, the Company entered into an agreement with Fresenius Medical Care North America Holdings Limited Partnership (FMCNAH). This allows FMCNAH to file a consolidated return for FHPIC for the year ended December 31, 2016 and subsequent years. See the Other Significant Issues section of this report.

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

The Company protects itself against loss from any fraudulent or dishonest acts by any employees through fidelity coverage issued by Great American Insurance Company. The coverage has a limit of \$30,000,000 per occurrence and a deductible of \$500,000. The 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, 2016, including but not limited to business interruption, commercial property liability, employment practices liability, management indemnity/directors and officers liability, privacy and data breach liability, professional indemnity liability, and system damage insurance.

### **PENSION, STOCK OWNERSHIP, AND INSURANCE PLANS**

Fresenius Health Plans Insurance Company has no outstanding agreements of this nature.

## STATUTORY AND SPECIAL DEPOSITS

The Company reported the following statutory and special deposits as of December 31, 2016:

| <u>State</u>                | <u>Book Value</u>   | <u>Fair Value</u>   |
|-----------------------------|---------------------|---------------------|
| Deposits For the Benefit of |                     |                     |
| All Policyholders:          |                     |                     |
| Indiana                     | \$ 2,256,816        | \$ 2,203,057        |
| All Other Special Deposits: |                     |                     |
| Arkansas                    | 278,302             | 281,523             |
| Florida                     | 529,197             | 534,397             |
| Georgia                     | 143,119             | 141,909             |
| Massachusetts               | 201,237             | 201,672             |
| New Mexico                  | 125,316             | 125,454             |
| North Carolina              | 280,263             | 277,103             |
| Other: Pinehurst Accident   |                     |                     |
| Reinsurance Group Trust     | 1,350,955           | 1,346,029           |
| Total Deposits*             | <u>\$ 5,165,205</u> | <u>\$ 5,111,144</u> |

\*The balances include immaterial rounding differences.

## REINSURANCE

### Reinsurance Pool

The Company was a participant in the Pinehurst Accident Reinsurance Group ("PARG" or "Pool") in 1994 and 1995. The Company terminated this agreement for new business at the end of 1995. However, current in-force groups that were insured by the Pool and assumed by the Company (2% of the Pool) in 1994 and 1995 are still paying premium. Therefore, on a quarterly basis, if a quarter runs a deficit then the Company is required to pay its share of losses. It was noted in the 2011 Actuarial Memo, these reserves come from the Company's participation in PARG. It was further noted, the last exposure was in 1995 with the remaining risk being minimal. The outstanding reserves for this agreement are reported as aggregate health claim reserves on the liabilities page of the 2016 Annual Statement as \$175,358. Effective January 1, 2009, a reinsurance treaty was exercised between the Company and UniCare Life and Health (UniCare) to cede the Company's small amount of dental business to UniCare. The Company reports no premium but has hospital and medical expenses reported, which represent the Company's pro-rata portion of payments for a block of business that was assumed as part of the PARG contract. Since this block of business is fully paid up, there are no premiums associated with it. This block of business is not part of the ceded reinsurance agreements currently in existence. See the Other Significant Issues section of this report.

### Ceded Reinsurance

The Company has ceded 100% of the risk on a small closed block of dental business to a previously affiliated company; on a closed block of premium paying life insurance to an affiliated company; on a paid-up-block of life insurance (to Southern Financial Life Insurance Company (Southern Financial), a nonaffiliated reinsurer). Southern Financial is a non-admitted reinsurer in Indiana that required the establishment of a trust fund with sufficient assets to allow the Company to take the reserve credit (Schedule S Part 4). No changes in reinsurance ceded were noted in 2016.

In 2016, the Company reported unpaid losses recoverable of \$210,634 from Anthem Life Insurance Company. The Company also reported \$9,396,658 reserve credit taken and \$185,758 of unpaid losses recoverable for Southern Financial.

#### Assumed Reinsurance

The Company did not report any assumed business.

### 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, 2016, was agreed to the 2016 amended Annual Statement. The 2016 amended Annual Statement for the year ended December 31, 2016 was agreed to the independent audit report without material exception. The Company's accounting procedures, practices, and account records were deemed satisfactory.

FRESENIUS HEALTH PLANS INSURANCE COMPANY

Assets

As of December 31, 2016

|  | <u>Per Examination*</u> |
|--|-------------------------|
| Bonds  | \$ 5,136,415            |
| Cash, cash equivalents and short-term investments  | <u>23,716,493</u>       |
| Subtotals, cash and invested assets  | 28,852,908              |
| Investment income due and accrued  | 105,426                 |
| Premiums and considerations:   |                         |
| Uncollected premiums and agents' balances in course of collection                            | 527,948                 |
| Health care and other amounts receivable   | <u>1,135,731</u>        |
| Total assets excluding Separate Accounts, Segregated Accounts and Protected<br>Cell Accounts | <u>30,622,013</u>       |
| Total  | <u>\$ 30,622,013</u>    |

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

FRESENIUS HEALTH PLANS INSURANCE COMPANY  
Liabilities, Capital and Surplus  
As of December 31, 2016

|  | Per Examination*     |
|--|----------------------|
| Claims unpaid                                      | \$ 3,822,644         |
| Aggregate health policy reserves                   | 2,796,681            |
| Aggregate health claim reserves                    | 175,358              |
| General expenses due or accrued                    | 4,811                |
| Amounts due to parent, subsidiaries and affiliates | 11,097,476           |
| Total liabilities                                  | <u>17,896,970</u>    |
| Common capital stock                               | 2,500,000            |
| Gross paid in and contributed surplus              | 18,147,084           |
| Unassigned funds (surplus)                         | <u>(7,922,041)</u>   |
| Total capital and surplus                          | <u>12,725,043</u>    |
| Total liabilities, capital and surplus**           | <u>\$ 30,622,013</u> |

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

\*\* The balances include immaterial rounding differences.



FRESENIUS HEALTH PLANS INSURANCE COMPANY  
Statement of Revenue and Expenses  
For the Year Ended December 31, 2016

|  | Per Examination*      |
|--|-----------------------|
| Member Months  | 2,729                 |
| Net premium income   | <u>\$ 20,558,672</u>  |
| Total revenues   | <u>20,558,672</u>     |
| Hospital and Medical:  |                       |
| Hospital/medical benefits  | 10,103,357            |
| Other professional services  | 1,657,246             |
| Outside referrals  | 4,225,007             |
| Emergency room and out-of-area   | 1,829,609             |
| Prescription drugs   | 630,699               |
| Subtotal   | <u>18,445,918</u>     |
| Total hospital and medical   | <u>18,445,918</u>     |
| Claims adjustment expenses   | 3,256,972             |
| General administrative expenses  | 1,738,460             |
| Increase in reserves for life and accident and health contracts                          | 2,796,681             |
| Total underwriting deductions  | <u>26,238,031</u>     |
| Net underwriting gain or (loss)  | <u>(5,679,359)</u>    |
| Net investment income earned   | 161,396               |
| Net realized capital gains (losses) less capital gains tax                               | 500                   |
| Net investment gains (losses)  | <u>161,896</u>        |
| Net income or (loss) after capital gains tax and before all other federal income taxes** | <u>(5,517,464)</u>    |
| Net income (loss)**  | <u>\$ (5,517,464)</u> |

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

\*\* The balances include immaterial rounding differences.

FRESENIUS HEALTH PLANS INSURANCE COMPANY  
Capital and Surplus Account Reconciliation

|  | <u>2016</u>         | <u>2015</u>         | <u>2014</u>         |
|--|---------------------|---------------------|---------------------|
| Capital and surplus prior reporting year*            | \$15,268,366        | \$12,945,148        | \$13,444,933        |
| Net income or (loss)                                 | (5,517,464)         | (841,684)           | 1,534,523           |
| Change in net deferred income tax                    | -                   | 244,727             | 693,521             |
| Change in nonadmitted assets                         | (26,661)            | 72,611,532          | (2,757,829)         |
| Change in unauthorized and certified reinsurance     | -                   | -                   | 30,000              |
| Surplus adjustments:                                 |                     |                     |                     |
| Paid in  | 3,000,000           | (28,176,442)        | -                   |
| Dividends to stockholders                            | -                   | (38,398,558)        | -                   |
| Aggregate write-ins for gains or (losses) in surplus | 802                 | -                   | -                   |
| Net change in capital and surplus**                  | <u>(2,543,323)</u>  | <u>5,439,574</u>    | <u>(499,785)</u>    |
| Capital and surplus end of reporting period*         | <u>\$12,725,043</u> | <u>\$18,384,722</u> | <u>\$12,945,148</u> |

\* 2015 prior period adjustment made as part of the 2016 independent audit adjustments was incorrectly reflected as a change to the beginning surplus reported in 2016 of (\$3,116,356).

\*\* The balances include immaterial rounding differences.

## COMMENTS ON THE FINANCIAL STATEMENTS

There were no recommended adjustments to the financial statements as of December 31, 2016, based on the results of this examination.

## OTHER SIGNIFICANT ISSUES

Reinsurance contracts are not being accurately reported in the statutory filings (e.g. Schedule S, Underwriting, and Investment Exhibit). It is recommended that the Company provide additional information relating to the reinsurance agreements listed in the OneNation Insurance Company stock purchase agreement to the INDOI.

The Capital Maintenance Agreement and Tax Allocation Agreement were not listed in the Annual Statement, Note 10, or in the Holding Company Registration Statement - Form B as transactions with affiliates. It is recommended the Company report all transactions with affiliates as required by Indiana Code and Annual Statement instructions.

## 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.



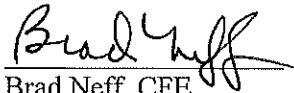
**AFFIDAVIT**

This is to certify that the undersigned is a duly qualified Examiner-in-Charge appointed by the Indiana Department of Insurance and that he, in coordination with staff assistance from Noble Consulting Services, Inc., and actuarial assistance from the North Carolina Department of Insurance, performed an examination of Fresenius Health Plans Insurance Company as of December 31, 2016.

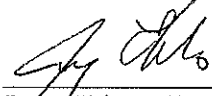
The Indiana Department of Insurance is accredited under the National Association of Insurance Commissioners Financial Regulation Accreditation Standards.

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 condition of Fresenius Health Plans Insurance Company as of December 31, 2016, as determined by the undersigned.

  
Brad Neff, CFE  
Noble Consulting Services, Inc.

Under the Supervision of:

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

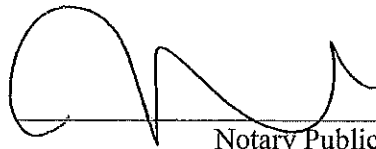
State of: Indiana  
County of: Marion

On this 30 day of April, 2018, before me personally appeared, Brad Neff 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:

July 4, 2019

  
\_\_\_\_\_  
Notary Public

