

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

IN THE MATTER OF: )  
 )  
**Health Resources, Inc.** )  
**5010 Carriage Drive** )  
**Evansville, Indiana 47715** )

Examination of: **Health Resources, Inc.**


**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 Health Resources, Inc., any relevant examination work papers, and any written submissions or rebuttals. The Verified Report of Examination, as sent to you on March 19, 2021, 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 Health Resources, 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.

May 19, 2021  
Date

  
Roy Eft  
Chief Financial Examiner

**CERTIFIED MAIL NUMBER: 7018 1130 0001 7982 6062**

STATE OF INDIANA )  
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COUNTY OF MARION ) COMMISSIONER OF INSURANCE

IN THE MATTER OF: )  
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**Health Resources, Inc.** )  
**5010 Carriage Drive** )  
**Evansville, Indiana 47715** )

Examination of: **Health Resources, Inc.**

### FINDINGS AND FINAL ORDER

The Indiana Department of Insurance conducted an examination into the affairs of the Health Resources, Inc. (hereinafter “Company”) for the time period January 1, 2017 through December 31, 2019.

The Verified Report of Examination was filed with the Commissioner of the Department of Insurance (hereinafter “Commissioner”) by the Examiner on October 15, 2020.

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 19, 2021 and was received by the Company on March 24, 2021.

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 Health Resources, Inc. as of December 31, 2019.
2. That the Examiner’s Recommendations are reasonable and necessary in order for the Health Resources, 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 May, 2021.


  
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).

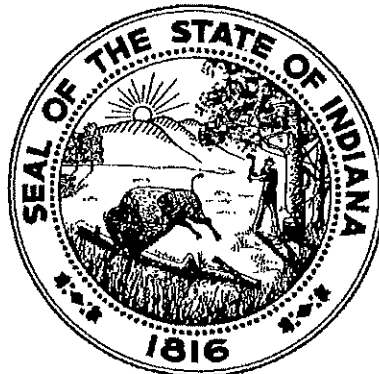
If your affirmations list individuals that are no longer on your Board of Directors, you may simply retype the form on plain white paper with the correct names and a line to the right for signature. If the names are misspelled, you may do the same, simply re-type the corrected form with a line to the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

A large, dark, handwritten signature in cursive script, appearing to be a name like "Michael J. ...".A smaller, dark, handwritten signature in cursive script, appearing to be a name like "M. ...".

**STATE OF INDIANA**  
**Department of Insurance**  
**REPORT OF EXAMINATION**  
**OF**  
**HEALTH RESOURCES, INC.**  
NAIC Co. CODE 96687  
NAIC GROUP CODE 01212

As of  
December 31, 2019



**TABLE OF CONTENTS**

SALUTATION.....1

SCOPE OF EXAMINATION.....2

HISTORY.....2

CAPITAL AND SURPLUS.....3

DIVIDENDS TO STOCKHOLDERS .....3

TERRITORY AND PLAN OF OPERATION.....3

GROWTH OF THE COMPANY.....3

MANAGEMENT AND CONTROL.....4

    Directors.....4

    Officers.....5

CONFLICT OF INTEREST .....5

CORPORATE RECORDS.....6

    Articles of Incorporation .....6

    Bylaws.....6

    Minutes.....6

AFFILIATED COMPANIES.....6

    Organizational Structure .....6

    Affiliated Agreements.....6

FIDELITY BOND AND OTHER INSURANCE.....8

PENSION, STOCK OWNERSHIP, AND INSURANCE PLANS.....8

SPECIAL AND STATUTORY DEPOSITS.....8

ACCOUNTS AND RECORDS .....8

FINANCIAL STATEMENTS .....9

    Assets .....9

    Liabilities, Capital and Surplus .....10

    Statement of Revenue and Expenses.....11

    Capital and Surplus Account Reconciliation.....12

COMMENTS ON THE FINANCIAL STATEMENTS .....13

SUBSEQUENT EVENTS.....13

AFFIDAVIT .....14

October 15, 2020

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 4050, an examination has been made of the affairs and financial condition of:

**Health Resources, Inc.  
5010 Carriage Drive  
Evansville, Indiana 47715**

hereinafter referred to as the "Company", or "HRI", an Indiana domestic stock, limited service health maintenance organization. The examination was conducted at the offices of Noble Consulting Services, Inc., in Indianapolis, Indiana.

The Report of Examination, reflecting the status of the Company as of December 31, 2019, is hereby respectfully submitted.

## SCOPE OF EXAMINATION

The Company was last examined by representatives of the Indiana Department of Insurance (INDOI) and covered the period from January 1, 2014 through December 31, 2016. The present risk focused examination was conducted by Noble Consulting Services, Inc., and covered the period from January 1, 2017 through December 31, 2019, 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.

Merlinos & Associates, Inc. staff provided all actuarial services throughout the examination and conducted a review of the Company's actuarial related risks as of December 31, 2019.

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 was founded by practicing dentists in 1986 to provide quality dental plans to the public. All outstanding common stock of HRI was originally owned by various dentists and dental practices in which no single person or entity owned more than 5% of the outstanding voting common stock. HRI is a for-profit limited service health maintenance organization (HMO) domiciled in Indiana.

On December 3, 2015, the Company became a wholly-owned subsidiary of HRI Intermediate Holdings, Inc. (Intermediate), which was a wholly owned subsidiary of HRI Holdings Corporation (Holdings). HKW Capital Partners IV, L.P. and HKW Capital Partners IV-A, L.P. became the ultimate controlling person(s).

On December 29, 2017, HRI, Intermediate, and Holdings became wholly-owned subsidiaries of ProMedica Insurance Corporation (PIC), formerly known as Vanguard Health Ventures, a for-profit holding company incorporated in Ohio.

Effective with the December 31, 2018, statutory merger, Holdings, Intermediate, and HRI merged into HRI. HRI is the surviving entity and a wholly owned subsidiary of PIC. PIC is a wholly owned subsidiary of ProMedica Health System, Inc. (PHS), a not-for-profit Ohio corporation. PHS is considered the ultimate controlling person for HRI. PHS is the largest provider-sponsored health plan in Ohio. The group has four other insurers, three in Ohio and one in Michigan. HRI is the only insurer in the group that is domiciled in the State of Indiana.



## CAPITAL AND SURPLUS

The Company has 100,000 shares of no par value common stock authorized. There are 32,850 shares issued and outstanding.

## DIVIDENDS TO STOCKHOLDERS

The Company paid the following dividends to stockholders during the examination period:

<u>Year</u>	<u>Total</u>	<u>Ordinary Dividends</u>	<u>Extraordinary Dividends</u>
2019	\$ 6,385,431	\$ 6,385,431	\$ -
2018	1,173,823	1,173,823	-
2017	3,054,916	575,000	2,479,916
Total	<u>\$ 10,614,170</u>	<u>\$ 8,134,254</u>	<u>\$ 2,479,916</u>

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. The Company paid two (2) extraordinary dividends during the examination period with the prior approval of the INDOI. Other dividends paid during the examination period were ordinary in nature and did not require prior regulatory approval. 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 is a limited service, for-profit Dental only HMO currently selling three (3) distinct products. The Company's primary product is a fully insured group dental plan. The Company offers the standalone fully insured prepaid group dental plan primarily to small employer groups in Indiana and Kentucky. This product produced 98% of overall company revenue in 2019 and comprises 85% of total membership. The Company's second option is an Administrative Services Only (self-insured) group plan which transfers no risk to the Company. This product produced 1% of overall Company revenue in 2019. The Company's third option is a network access plan that gives participants minimal benefits but allows access to the network. This product produced 1% of overall Company revenue in 2019. As of December 31, 2019, the Company provides dental benefits to 223,455 members throughout Indiana and Kentucky. In 2018, the Company became a licensed Third-Party Administrator in Ohio and Michigan.

## 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>
2019	\$ 36,063,377	\$ 9,414,280	\$ 26,649,097	\$ 65,315,701	\$ 7,608,773
2018	32,159,833	7,600,307	24,559,526	64,213,578	6,385,431
2017	22,828,849	2,999,902	19,006,453	62,340,746	1,173,873

The financial results of the Company have primarily been driven by results of operations during the exam period. The decrease in net income in 2017 was attributed to the one-time merger related expenses from the

December 29, 2017, merger with ProMedica Insurance Corporation. Due to the merger, surplus increased from 2017 to 2018.

Total revenues and net income were positively impacted by a 3% increase in membership during 2019.

**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 more than twenty-five (25) members. 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 following is a listing of persons serving as directors as of December 31, 2019, and their principal occupations as of that date:

<u>Name and Address</u>	<u>Principal Occupation</u>
Joseph A. Assenmacher, M.D. Sylvania, Ohio	Physician, Orthopedic Surgeon ProMedica Physician Group
Terry L. Bawel Evansville, Indiana	President Health Resources, Inc.
Elaine M. Canning Holland, Ohio	Partner and Vice President Palmer Energy
Tamara L. Claus Toledo, Ohio	Retired
Stephanie M. Cole, M.D. Swanton, Ohio	Physician, Otolaryngology ProMedica Physician Group
Vincent M. Davis Toledo, Ohio	State Farm Insurance Agent Vince Davis Insurance, Inc.
Andrea M. Gibbons Perrysburg, Ohio	Vice President, Client Development Signature Bank
John P. Imm, M.D. Sylvania, Ohio	Physician, Family Medicine ProMedica Physician Group
Lynn A. Isaac Perrysburg, Ohio	Commercial Services Officer State Bank and Trust Company
Lori A. Johnston Grand Rapids, Ohio	President ProMedica Insurance Corporation
Robert W. LaClair Maumee, Ohio	President Fifth Third Bank, Northwestern Ohio

Patrice A. McClellan, PhD Toledo, Ohio	Associate Professor Lourdes University
Lynn E. Olman Maumee, Ohio	Retired
Randall D. Oostra Holland, Ohio	President and Chief Executive Officer ProMedica Health System
Zachary J. Vassar Toledo, Ohio	President and Chief Executive Officer Toledo Symphony
Mark D. Wagoner, Jr. Ottawa Hills, Ohio	Partner Shumaker, Loop & Kendrick, LLP
Richard A. Wasserman Curtice, Ohio	President/Owner Pinnacle Technology Group, Inc.
Traci N. Watkins, M.D. Sylvania, Ohio	Physician, Family Medicine ProMedica Physician Group
Douglas J. Welch Holland, Ohio	Owner/Principal Welchco Company
James F. White, Jr. Ottawa Hills, Ohio	Counsel Shumaker, Loop & Kendrick, LLP

### Officers

The Bylaws state that the elected officers of the Company shall consist of a Chairman of the Board, a President and/or Chief Executive Officer, one (1) or more Vice Presidents, a Treasurer, and a Secretary. Officers are elected to annual terms of service unless removed, with or without cause, by at least three-quarters (3/4) majority of the Board members present at a validly held meeting. Any two (2) or more offices may be held by the same person, except that the duties of the President and Secretary shall not be performed by the same person.

The following is a list of key officers and their respective titles as of December 31, 2019:

<u>Name</u>	<u>Office</u>
James F. White, Jr.	Chairman of the Board
Terry L. Bawel	President
Jeffrey C. Kuhn	Secretary
Steven M. Cavanaugh	Treasurer

### 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, 2019.

## CORPORATE RECORDS

### Articles of Incorporation

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

### Bylaws

The Bylaws were amended on December 29, 2017, due to the acquisition of the Company by PIC.

### 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.

The Board committee meeting minutes for the examination period, and through the fieldwork date, were reviewed for the following committees: Audit/Compliance Committee and Finance/Investment Committee.

## AFFILIATED COMPANIES

### Organizational Structure

The following abbreviated organizational chart shows the Company's parent and affiliates as of December 31, 2019:

	<u>NAIC Co. Code</u>	<u>Domiciliary State/Country</u>
ProMedica Health System, Inc.		OH
ProMedica Insurance Corporation		OH
<b>Health Resources, Inc.</b>	<b>96687</b>	<b>IN</b>
Paramount Advantage	12353	OH
Paramount Benefits Agency, Inc.		OH
Paramount Care, Inc.	95189	OH
<b>Paramount Care of Indiana, Inc.</b>		<b>IN</b>
Paramount Care of Michigan, Inc.	95566	MI
Paramount Insurance Company	11518	OH
Paramount Preferred Options, Inc.		OH
Health Management Solutions, Inc.		OH
Paramount Preferred Solutions, Inc.		OH

### 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.

#### *Capital Maintenance Agreement*

Effective December 31, 2017, PHS and PIC entered into a Capital Maintenance Agreement with the INDOI in connection with the acquisition of the Company. All parties agreed that the Company's total adjusted capital will be maintained in an amount no less than 300% of the authorized control level, up to a maximum contribution from PIC and PHS of \$1,000,000. This agreement is in effect for three (3) years. There were no payments made under this agreement during the examination period.

#### *Cost Sharing Agreement*

Effective December 31, 2018, PHS and PIC and subsidiaries entered into a cost sharing agreement. The agreement requires HRI to advance funds to PHS and PIC for certain services provided to HRI by those entities. Services include but are not limited to: Corporate Services, Accounting and Tax, Audit and Compliance, Treasury, Legal, Human Resources, and Information Services. Expenses under this agreement are allocated to the entities on a quarterly basis. During 2019, the Company paid \$341,317 for services provided pursuant to this agreement.

#### *Administrative Services Agreement*

Effective January 1, 2019, HRI, Paramount Care, Inc., Paramount Insurance Company, and Paramount Care of Michigan, Inc. (collectively referred to as Paramount), entered into an administrative services agreement. Under the terms of the agreement, HRI provides certain administrative services in connection with administering the dental benefits offered by Paramount to commercial and Medicare Advantage members. There is a monthly allocation of expenses between HRI and Paramount for claims processing and related services. HRI charges a monthly fee for services under this agreement and is only obligated to advance funds to Paramount for services defined in the agreement. During 2019, the Company received \$172,734 for services provided pursuant to this agreement.

#### *Network Access Agreements*

Effective January 1, 2019, HRI, Paramount Care, Inc., and Paramount Care of Michigan, Inc., (collectively referred to as Paramount Elite), entered into a network access agreement. HRI established and maintains a network of institutional, professional, and ancillary providers for use by its members, known as the Paramount Network. Under the terms of the agreement, HRI and Paramount Elite agree that HRI will permit Paramount Elite full and complete access to the Paramount Network. This agreement is in effect for ten (10) years. There are no fees charged or collected pursuant to this agreement.

Effective January 1, 2019, HRI and Paramount Insurance Company (Paramount Insurance), entered into a network access agreement. HRI established and maintains a network of institutional, professional, and ancillary providers for use by its members, known as the Paramount Network. Under the terms of the agreement, HRI and Paramount Insurance agree that HRI will permit Paramount Insurance full and complete access to the Paramount Network. This agreement is in effect for ten (10) years. There are no fees charged or collected pursuant to this agreement.

Effective January 1, 2019, Paramount Insurance and HRI, entered into a network access agreement. Paramount Insurance established and maintains a network of institutional, professional, and ancillary providers for use by its members, known as the Paramount Network. Under the terms of the agreement, Paramount Insurance and HRI agree that Paramount Insurance will permit HRI full and complete access to the Paramount Network. This agreement is in effect for ten (10) years. There are no fees charged or collected pursuant to this agreement.

#### *Consolidated Federal Income Tax Sharing Agreement*

Effective September 17, 2019, PIC and affiliated entities entered into an amended and restated federal income tax sharing agreement. Federal income tax returns are completed on a consolidated basis. Allocation is based upon separate return calculations with current credit for net losses.

### 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 Great American Insurance Company. The bond has a single loss coverage limit of \$10,000,000 with a \$100,000 deductible. The fidelity bond 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, 2019, including but not limited to commercial general liability, directors and officers liability, employers' liability, fiduciary liability, medical professional liability, and workers' compensation.

### PENSION, STOCK OWNERSHIP, AND INSURANCE PLANS

The Company, through a cost sharing agreement with PHS, contributes a match to an employee 401(k) plan covering employees who meet the eligibility requirements. PHS matches employee deferrals up to 3% of eligible compensation. Contributions were \$44,532 for the year ended December 31, 2019.

### SPECIAL AND STATUTORY DEPOSITS

The Company reported the following special and statutory deposits as of December 31, 2019.

<u>State</u>	<u>Book Value</u>	<u>Fair Value</u>
For All Policyholders:		
Indiana	\$ 50,000	\$ 50,000
Kentucky	50,000	50,000
Total Deposits	<u>\$ 100,000</u>	<u>\$ 100,000</u>

### 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 balances prepared from the Company's general ledger for the years ended December 31, 2018, and December 31, 2019, were agreed to the respective Annual Statements. The Annual Statements for the years ended December 31, 2018, through December 31, 2019, were agreed to each year's independent audit report without material exception. The Company's accounting procedures, practices, and account records were deemed satisfactory.

FINANCIAL STATEMENTS

HEALTH RESOURCES, INC.

Assets

As of December 31, 2019

	<u>Per Examination*</u>
Bonds	\$ 10,207,898
Stocks:	
Common stocks	5,017,713
Real estate:	
Properties occupied by the company	1,109,340
Cash, cash equivalents and short-term investments	<u>19,217,725</u>
Subtotals, cash and invested assets	35,552,676
Investment income due and accrued	63,521
Premiums and considerations:	
Uncollected premiums and agents' balances in course of collection	276,988
Amounts receivable relating to uninsured plans	125,787
Net deferred tax asset	27,084
Aggregate write-ins for other than invested assets	<u>17,321</u>
Total assets excluding Separate Accounts, Segregated Accounts and Protected Cell Accounts	<u>36,063,377</u>
Total	<u>\$ 36,063,377</u>

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

HEALTH RESOURCES, INC.  
Liabilities, Capital and Surplus  
As of December 31, 2019

	<u>Per Examination*</u>
Claims unpaid	\$ 1,993,940
Accrued medical incentive pool and bonus amounts	442,112
Unpaid claims adjustment expenses	49,570
Premiums received in advance	1,644,742
General expenses due or accrued	1,313,237
Current federal and foreign income tax payable and interest thereon	2,648,235
Amounts due to parent, subsidiaries and affiliates	1,015,746
Liability for amounts held under uninsured plans	306,700
Aggregate write-ins for other liabilities	(2)
Total liabilities	9,414,280
Aggregate write-ins for special surplus funds	509,643
Common capital stock	7,577,619
Unassigned funds (surplus)	18,561,835
Total capital and surplus	26,649,097
Total liabilities, capital and surplus	\$ 36,063,377

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



HEALTH RESOURCES, INC.  
Statement of Revenue and Expenses  
For the Year Ended December 31, 2019

	Per Examination*
Member Months	2,649,741
Net premium income	\$ 65,315,701
Total revenues	65,315,701
<b>Hospital and Medical:</b>	
Hospital/medical benefits	47,363,964
Incentive pool, withhold adjustments and bonus amounts	442,112
Subtotal	47,806,076
Total hospital and medical	47,806,076
Claims adjustment expenses, including \$128,077 cost containment expenses	407,451
General administrative expenses	7,963,936
Total underwriting deductions	56,177,463
Net underwriting gain or (loss)	9,138,238
Net investment income earned	367,824
Net realized capital gains (losses) less capital gains tax of (\$1,027)	(5,423)
Net investment gains (losses)	362,401
Aggregate write-ins for other income or expenses	182,382
Net income or (loss) after capital gains tax and before all other federal income taxes	9,683,021
Federal and foreign income taxes incurred	2,074,248
Net income (loss)	\$ 7,608,773

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

HEALTH RESOURCES, INC.  
Capital and Surplus Account Reconciliation

	<u>2019</u>	<u>2018 *</u>	<u>2017</u>
Capital and surplus prior reporting year	\$ 24,559,526	\$ 19,006,453	\$ 15,472,481
Net income or (loss)	7,608,773	6,385,431	1,173,873
Change in net unrealized capital gains or (losses) less capital gains tax	700,207	(96,263)	-
Change in net deferred income tax	21,835	90,831	72,584
Change in non-admitted assets	139,405	131,096	103,864
Capital changes:			
Paid in	-	-	7,030,786
Surplus adjustments:			
Paid in	-	-	(969,727)
Dividends to stockholders	(6,385,431)	(1,173,823)	(3,054,916)
Aggregate write-ins for gains or (losses) in surplus	4,782	215,801	2
Net change in capital and surplus	<u>2,089,571</u>	<u>5,553,073</u>	<u>4,356,466</u>
Capital and surplus end of reporting year	<u>\$ 26,649,097</u>	<u>\$ 24,559,526</u>	<u>\$ 19,828,947</u>

\* An amended annual statement was filed for 2018. The ending balance in the 2017 Annual Statement was \$19,828,947. The beginning balance of Capital and surplus, prior year was originally reported as \$19,828,947 in the 2018 Annual Statement but the revised Annual Statement for 2018 reflected \$19,006,453 for Capital and surplus prior reporting year. The reason for the revised beginning balance in 2018 being restated was that the Capital and surplus account was corrected and amended in 2018 due to the 2018 statutory merger restatement of 2017 not being reflected.

## COMMENTS ON THE FINANCIAL STATEMENTS

There were no recommended adjustments to the financial statements as of December 31, 2019, based on the results of this examination.

The Capital and Surplus Account Reconciliation within this Report of Examination includes a prior period correction of \$498,233 in 2018 due to the Affordable Care Act fee moratorium in 2019. The Capital and Surplus Account Reconciliation within this Report of Examination also includes other prior period adjustments of \$324,261. The total effect of these restatements was to decrease the capital and surplus for the year ended December 31, 2017 by \$822,494. The adjustment had no impact on total admitted assets or liabilities for the years ended December 31, 2018 and 2019.

Certain amounts in the statutory statements of admitted assets, liabilities, and capital and surplus; revenue and expenses; and changes in capital and surplus have been classified differently in the independent audit report than as presented in the annual statement for the years ended December 31, 2018 and 2019.

## SUBSEQUENT EVENTS

On March 11, 2020, the World Health Organization declared the outbreak of a coronavirus (COVID-19) pandemic. The extent of the impact of COVID-19 on HRI's operational and financial performance will depend on certain developments, including the duration and spread of the outbreak, regulatory decisions, and the impact on the financial markets, all of which are uncertain and cannot be predicted. Due to the timing of the examination and field work, the effects of the pandemic on this entity are not fully addressed within this examination report.



**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 Merlino & Associates, Inc., performed an examination of Health Resources, Inc., as of December 31, 2019.

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 Health Resources, Inc. as of December 31, 2019, as determined by the undersigned.

Scott Williams  
Scott Williams, CPA, CFE  
Noble Consulting Services, Inc.

Under the Supervision of:

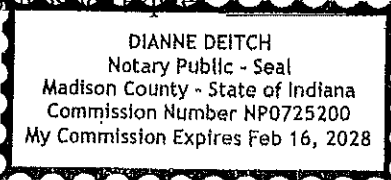
Jerry Ehlers  
Jerry Ehlers, CFE, AES  
Examinations Manager  
Indiana Department of Insurance

State of: Indiana  
County of: Marion

On this 13 day of May, 2021, before me personally appeared, Scott Williams 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 2-16-2028



Dianne Deitch  
Notary Public

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Notary Public

