

**STATE OF NORTH DAKOTA
BISMARCK, NORTH DAKOTA**

**REPORT ON THE ORGANIZATION
OF THE
NEXTBLUE OF NORTH DAKOTA
INSURANCE COMPANY**

**AS OF
JANUARY 31, 2020**

STATE OF NORTH DAKOTA
INSURANCE DEPARTMENT

I, the undersigned, Commissioner of Insurance of the State of North Dakota do hereby certify that I have compared the annexed copy of the Report of Organization of the

NextBlue of North Dakota Insurance Company

Fargo, North Dakota

as of January 31, 2020, with the original on file in this Department and that the same is a correct transcript there from and of the whole of said original.


IN WITNESS WHEREOF, I have hereunto

set my hand and affixed my official seal at my

office in the City of Bismarck, this 21st day of

March, 2020.





Jon Godfread
Commissioner of Insurance

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Fargo, North Dakota
February 25, 2020

Honorable Jon Godfread
Commissioner of Insurance
State of North Dakota
600 East Boulevard Avenue
Bismarck, ND 58505

Dear Commissioner:

Pursuant to your instructions and statutory requirements, an organizational examination has been made of the books, records and financial condition of:

NextBlue of North Dakota Insurance Company

Statutory Home Office
4510 13th Ave S
Fargo, ND 58121

Administrative Offices
200 N. Grand Ave.,
Lansing, MI 48901

Representatives of the North Dakota Insurance Department (Department) conducted this examination of NextBlue of North Dakota Insurance Company, hereinafter referred to as "the Company" or "NBNDIC," as of January 31, 2020.

SCOPE OF EXAMINATION

This examination comprised a complete verification of the issuance of the Company's capital stock, the receipt of capital and surplus funds, and the determination of the Company's assets and liabilities. The records examined were the Company's Uniform Certificate of Authority Application (UCAA), articles of incorporation, by-laws, certificate of incorporation, corporate minutes, stock register and the inter-company agreements entered into by the Company as of the examination date.

INCORPORATION

The Company is a joint venture between Blue Cross Blue Shield of North Dakota (BCBSND) a subsidiary of HealthyDakota Mutual Holdings and Covantage Health Partners, Inc. (Covantage), whose ultimate controlling party is Blue Cross Blue Shield of Michigan Mutual Insurance Company (BCBSM).

The Company was incorporated under the laws of the State of North Dakota on December 13, 2019.

As of the examination date, the Company's board of directors was comprised of the following seven members:

<u>Name and Address</u>	<u>Business Affiliations</u>
Pritpal Virdee Rochester Hills, MI	President of Covantage, SVP, COO COBX, Co.
Anthony Phillips Highland, MI	EVP, Performance Management, CRO and Chief Actuary, Accident Fund Holdings, Inc.
Patric Bellmore Horace, ND	SVP Marketing and CMO BCBSND
David Breuer Fargo, ND	EVP Finance and CFO, BCBSND
Elizabeth Haar Dexter, MI	EVP and President of Emerging Markets BCBSM
Stacie Heiden Fargo, ND	EVP Strategic Development & Health Delivery BCBSND
Jeffery Turner Athens, GA	VP Business Development, COBX, Co.

Committees

The Board established an Audit Committee to oversee the accounting and financial reporting of the Company and of its external audits. The Audit Committee was comprised of all directors serving on the Board.

Officers

The Bylaws provide that the elected officers of the Company shall be a President, Treasurer, and a Secretary. Officers serving at January 31, 2020, were as follows:

<u>Name</u>	<u>Title</u>
Beth West	President
Anthony Phillips	Treasurer
Bobbi Elliott	Secretary

CAPITALIZATION AND SUBSCRIPTION

The Company is wholly owned by NextBlue, LLC, a privately held stock company. The Company has authorized 1,000,000 shares of \$1.00 par common stock, of which 500,000 shares are issued and outstanding. On October 30, 2019, the Company issued 500,000 shares of common stock to NextBlue, LLC for consideration of \$1,000,000 of which \$500,000 represents capital stock and \$500,000 paid in and contributed capital. As of January 31, 2020, NextBlue, LLC had contributed an additional \$1,000,000 of paid in and contributed capital.

AUTHORIZATION POWERS AND MINIMUM CAPITAL REQUIRED

The Company is seeking authorization to transact accident and health lines of business as defined under N.D.C.C. § 26.1-05-02.

The minimum funding requirements outlined in N.D.C.C. § 26.1-05-04(3) require capital of \$500,000 and surplus of \$500,000. The Company's capital and surplus of \$1,900,000 at January 31, 2020 meets the defined minimums under this statute.

Conflict of Interest

At January 31, 2020, the Company's majority owner, Covantage was a party to the Emergent Holdings Code of Business Conduct and Ethics and Compliance policies.

Corporate Records

There were no amendments to the Bylaws or Articles of Incorporation during the period under examination.

Board of Directors and Stockholders

The minutes of the stockholder and Board of Directors actions for the period under examination were reviewed.

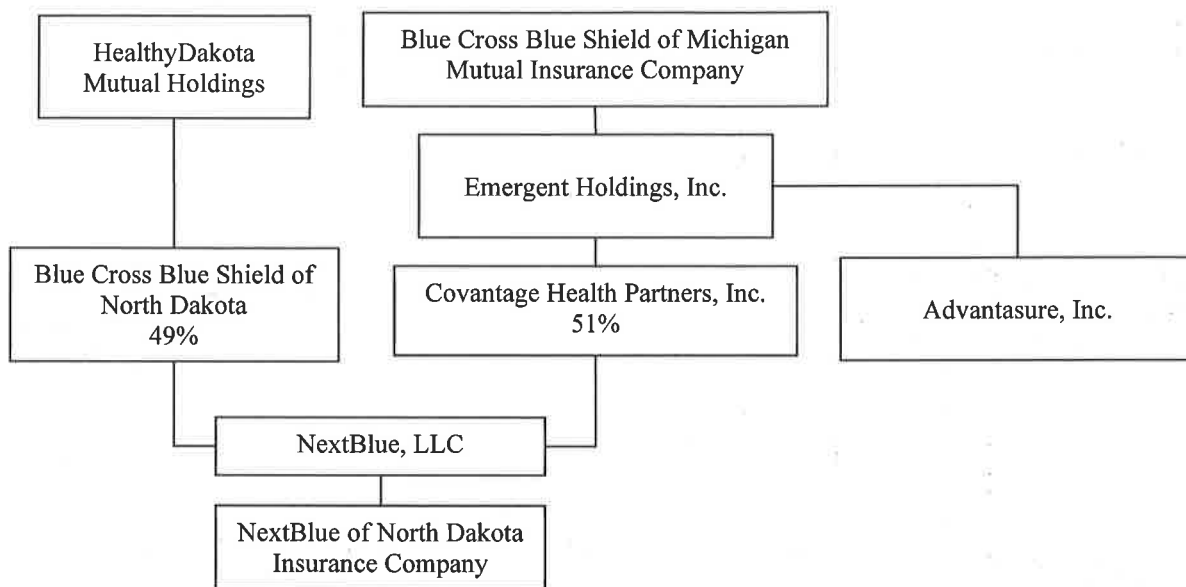
AFFILIATED COMPANIES

General

The Company is wholly owned by NextBlue, LLC, a 49/51 joint venture between BCBSND and Covantage, whose ultimate controlling party is BCBSM.

Organizational Chart

An organizational chart illustrating the Company's parents and other related companies as of January 31, 2020, is as follows:



INTERCOMPANY AGREEMENTS

Covantage and BCBSND Limited Liability Company Operating Agreement

Effective October 30, 2019, NextBlue, LLC's parent companies entered into a Limited Liability Company Operating Agreement that outlined considerations of the partnership including:

- Ownership in NextBlue, LLC is 49 percent BCBSND and 51 percent Covantage
- The Board of Directors is composed of four Covantage representatives and three BCBSND representatives.
- BCBSND has a purchase option to buy out Covantage's share of NextBlue, LLC
- Distributions are made on a pro rata basis

NBNDIC and Covantage Administrative Services Agreement

Effective January 24, 2020, the Company and Covantage entered into an Administrative Services Agreement that listed the services to be performed by Covantage. These services included:

- Product Strategy and Benefit Design
- Sales Strategy and Execution
- Marketing Operations and Execution
- Plan Performance Management
- Drug Utilization Review
- PBM Oversight
- Customer Relationship Management
- BCBSA Member Touchpoint Measure (MTM) Measurements
- Complaint Tracking
- Financials and Performance
- Legal, Regulatory, Compliance, Audit, and Investigations
- Information Technology
- Plan Performance Management
- Procurement/Vendor Management
- Actuarial Support
- Regulatory Relationships
- Project Management

NBNDIC and BCBSND Administrative Services Agreement

Effective January 24, 2020, the Company and BCBSND entered into an Administrative Services Agreement that listed the services to be performed by BCBSND. These services included:

- Account Management
- Local Broker Management
- Network Design
- Provider Contracting and Management
- Credentialing

NBNDIC and Advantasure, Inc. Master Services Agreement

Effective January 24, 2020, the Company and Advantasure, Inc. (Advantasure) entered into a Master Services Agreement that listed the services to be performed by Advantasure. These services included:

- Appeals and Grievances Services
- Premium Billing Services
- Claims Services
- Correspondence, Print and Fulfillment Services
- Enrollment Services
- Health Management Services
- Implementation Services
- Member and Member Portal Services
- Provider and Provider Portal Services

- Quality Program Management
- Risk Adjustment Program Management

FIDELITY BOND AND OTHER INSURANCE

At December January 31, 2020, the Company was a named insured on a fidelity bond protecting against losses sustained by the Company as a result of dishonest or fraudulent acts committed by an employee. The bond provides up to \$20 million of coverage per occurrence and \$40 million in aggregate with a \$500,000 deductible. The coverage meets the minimum amount of fidelity insurance recommended by the NAIC's *Financial Examiners Handbook*.

TERRITORY AND PLAN OF OPERATION

The Company will use BCBSND's agency force to distribute its Medicare Advantage product to the following counties:

Burleigh
Morton
Ward

Cass
Richland

Grand Forks
Stutsman

FINANCIAL STATEMENTS

The following pages present a Statement of Assets, Liabilities, and Surplus as of January 31, 2020. This statement is followed by supporting statements and reconciliations presented in the following order:

Statement of Assets, Liabilities, and Surplus as of January 31, 2020

Statement of Income, as of January 31, 2020

These financial statements are based on the information provided by the Company to the North Dakota Insurance Department and present the financial condition of the Company as of January 31, 2020.

NextBlue of North Dakota Insurance Company
Statement of Assets, Liabilities, and Surplus
as of January 31, 2020

Assets	Ledger Assets	Non-admitted Assets	Net Admitted Assets
Bonds			
Stocks (Preferred & Common)			
Real Estate/Mortgage Loans on Real Estate			
Cash and cash equivalents	\$ 2,000,000		\$2,000,000
Other Invested Assets			
Aggregate Write-Ins For Invested Assets			
Net deferred tax asset	\$21,000	\$21,000	
All Other Assets			
Total Assets	\$2,021,000	\$21,000	\$2,000,000

Liabilities and Surplus

Losses (Unpaid Claims for A&H Policies)			\$ 0
Unpaid Claims Adjustment Expenses			
Aggregate Health Policy Reserves			
Ceded Reinsurance Premiums Payable			
Amounts Due To Parents, Subsidiaries & Affiliates			\$100,000
MLR Rebates			
Premiums Received In Advance			
All Other Liabilities			
Total Liabilities			\$ 100,000
Common Capital Stock		\$ 500,000	
Gross Paid-in and Contributed Surplus		1,500,000	
Unassigned Funds (Surplus)		(100,000)	
Surplus as Regards Policyholders			\$1,900,000
Total Liabilities and Surplus			\$2,000,000

NextBlue of North Dakota Insurance Company
Statement of Income
as of January 31, 2020

Premiums and other revenue

Premiums	\$0
Net investment income	0
Commissions and expense allowances on reinsurance ceded	0
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Total Premiums and other revenue	\$0

Benefits paid or provided

Losses paid on accident & health policies	\$0
Increase in aggregate reserves	0
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Total Benefits paid or provided	\$0

Insurance expenses and other deductions

Commissions on premiums	\$0
General insurance expenses	100,000
Insurance taxes, licenses and fees	0
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Total Expenses and other deductions	100,000
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Gain/Loss from operations	\$(100,000)
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Net realized capital, gains or (losses)	\$0
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Net income (loss) before federal income taxes	\$(100,000)
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Federal income taxes incurred	0
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Net income	\$(100,000)

CONCLUSION

The financial condition of the Company, as of January 31, 2020, as determined by this examination is summarized as follows:

TOTAL ADMITTED ASSETS		<u>\$2,000,000</u>
Liabilities	\$ 100,000	
Surplus as Regards Policyholders	<u>\$ 1,900,000</u>	
TOTAL LIABILITIES AND SURPLUS		<u>\$2,000,000</u>

Respectfully submitted,



Colton Schulz, CFE, ~~CFE~~
Supervising Examiner
North Dakota Insurance Department