

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

REPORT OF EXAMINATION

OF

**SANFORD HEART OF AMERICA
HEALTH PLAN
SIOUX FALLS, SOUTH DAKOTA**

**AS OF
DECEMBER 31, 2015**

STATE OF NORTH DAKOTA
DEPARTMENT OF INSURANCE

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 Examination of the


Sanford Heart of America Health Plan

Sioux Falls, South Dakota

as of December 31, 2015, with the original on file in this Department and that the same is a correct transcript therefrom 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 14th day of
June, 2017.





Jon Godfread
Insurance Commissioner

DECLARATION OF INTEREST

STATE OF TEXAS

I, the undersigned, do hereby declare that I am not a member of any political party, and that I am not a candidate for any office in any political party.

I further declare that I am not a member of any organization, association, or society, the primary purpose of which is to influence the legislation of the State of Texas.

I further declare that I am not a member of any organization, association, or society, the primary purpose of which is to influence the administration of the State of Texas.

I further declare that I am not a member of any organization, association, or society, the primary purpose of which is to influence the judiciary of the State of Texas.

I further declare that I am not a member of any organization, association, or society, the primary purpose of which is to influence the executive branch of the State of Texas.

I further declare that I am not a member of any organization, association, or society, the primary purpose of which is to influence the legislative branch of the State of Texas.

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I further declare that I am not a member of any organization, association, or society, the primary purpose of which is to influence the legislative branch of the State of Texas.

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Sioux Falls, South Dakota
March 31, 2017

Honorable Jon Godfread
Commissioner
North Dakota Insurance Department
600 East Boulevard Avenue, Dept. 401
Bismarck, ND 58505-0320

Dear Commissioner:

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

**Sanford Heart of America Health Plan
Sioux Falls, South Dakota**

Sanford Heart of America Health Plan, hereinafter referred to as the "Company", was last examined as of December 31, 2012, by the North Dakota Insurance Department (Department).

SCOPE OF STATUTORY EXAMINATION

This examination was a group, risk focused financial condition examination conducted in accordance with N.D.C.C. § 26.1-18.1-18 and observed guidelines and procedures contained in the NAIC Financial Condition Examiners Handbook. The examination was conducted to determine the Company's financial condition, its compliance with statutes, and to review the corporate affairs and insurance operations. The last examination covered the period of January 1, 2008, through December 31, 2012. This examination covers the three-year period from January 1, 2013, through December 31, 2015, including any material transactions and/or events occurring subsequent to the examination date and noted during the course of this statutory examination.

The examination was conducted in accordance with examination policies and standards established by the North Dakota Insurance Department and procedures recommended by the NAIC. In accordance with the NAIC Financial Condition Examiners Handbook, the examination was planned and performed 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. The examination also included identifying and evaluating significant risks that could cause an insurer's surplus to be materially misstated both currently and prospectively.

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

This examination report includes significant findings of fact, as mentioned in the N.D.C.C. § 26.1-18.1-18, and general information about the insurer and its financial condition. There may be other items identified during the examination that, due to their nature, are not included within the examination report but are separately communicated to other regulators and/or the Company.

Work papers provided by the Company's independent auditor, Deloitte & Touche, LLP, were reviewed and, where deemed appropriate, certain procedures and conclusions documented in those work papers have been relied upon and copied for inclusion into the working papers for this examination.

STATUS OF PRIOR EXAM FINDINGS

The examination included a review to determine the current status of the condition of the one exception commented upon in our preceding Report on Examination which covered the period from January 1, 2008 to December 31, 2012. We determined that the Company had satisfactorily addressed this item.

SUMMARY OF SIGNIFICANT FINDINGS

There were no material adverse findings or material changes in the financial statements.

SUBSEQUENT EVENTS

The Company's coverage limit under the HMO Excess Reinsurance Agreement with American National Insurance Company increased from \$2 million in 2015 to \$3 million per member per agreement period, effective January 1, 2016.

Board Chairman Dr. Clayton Van Balan was replaced by Steve Watkins who moved from Vice Chairman to Chairman. Marlin Overman resigned and has not been replaced.

In 2017, Jeff Sandene, Vice President of Finance, resigned his position and was replaced by Regina Bergh. Rebecca Song was hired as Senior Director of Finance to fill the opening left by Cecily Tucker.

HISTORY

General

The Company was incorporated January 19, 1978, pursuant to the North Dakota Nonprofit Corporation Act as a nonprofit corporation. The original name of the Company was Hub of America HMO Planning Council. On November 30, 1979, the Articles of Incorporation were amended which had the effect of bringing the corporation also under the provision of N.D.C.C. ch. 26.1-18.1. On February 24, 1982, the Company amended the Articles changing the name of the Company to Heart of America HMO. On August 1, 2004, the Company amended the Articles changing the name of the Company to Heart of America Health Plan.

The purpose of the Company is to develop and operate an HMO, to promote the general and social welfare of the citizens of North Dakota within the HMO market area, to improve the availability and accessibility of quality health care and health services, to provide and assist in the implementation of comprehensive health planning through cooperation with municipal, county, state, and federal agencies, and to do anything and everything necessary, proper, convenient, suitable, and incidental to the above-stated purposes or which may be done by a nonprofit corporation.

N.D.C.C. § 26.1-18.1-12(1)(c) provides that health maintenance organizations licensed before August 1, 1993, and licensed only in the State of North Dakota must maintain the minimum net worth requirements in effect at the time N.D.C.C. ch. 26.1-18.1 became law. The Company has no net worth requirement since it was chartered in 1982 when no net worth was required for health maintenance organizations.

The Company is subject to the risk-based capital requirements for health organizations under N.D.C.C. ch. 26.1-03.2, which became effective August 1, 1999.

Effective July 1, 2013, the Company became a subsidiary of Sanford Health Plan (SHP), a wholly-owned subsidiary of Sanford Health which, in turn, is wholly-owned by Sanford, the ultimate parent. In connection with the merger with SHP, two consumer representative board members from the Company joined the SHP Board of Directors. In addition, as part of the merger with SHP, the Company's surplus notes to Heart of America Medical Center were paid and the Company amended its Articles changing the name of the Company to Sanford Heart of America Health Plan.

Surplus Notes

Effective November 1, 1999, the Company issued two \$250,000 surplus notes—one to Johnson Clinic, P.C. and one to Heart of America Medical Center. On July 13, 2006, the Department approved the payment of the Johnson Clinic, P.C. surplus note and issuance of a second \$250,000 surplus note to Heart of America Medical Center. On July 31, 2006, Heart of America Medical Center issued a check to the Company which in turn issued a check along with a Release and Settlement Agreement to Johnson Clinic, P.C. in the amount of \$250,000.

The terms of the two surplus notes issued to Heart of America Medical Center provide for the following:

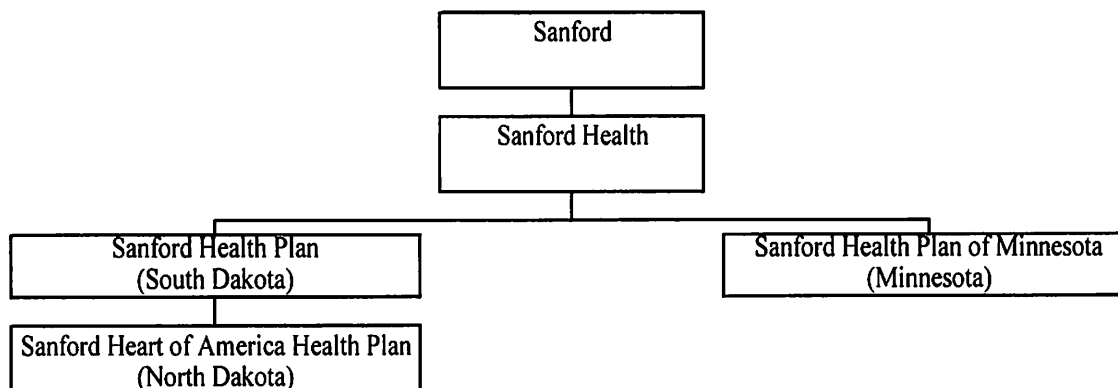
- The 1999 note pays interest at 8.25% per annum, with interest and principal payments payable semi-annually on May 1 and November 1 of each year and an extended maturity date that is contingent on net worth and risk-based capital requirements imposed by North Dakota law.
- The 2006 note pays interest at 6% per annum, with interest and principal payments payable semi-annually on May 1 and November 1 of each year and an extended maturity date that is contingent on net worth and risk-based capital requirements imposed by North Dakota law.

All principal and interest payments require the prior approval of the Commissioner. With the Commissioner's approval, the Company began payments on the surplus notes to Heart of America Medical Center in October 2006.

As part of the Company's merger with SHP, on May 31, 2013, the Commissioner approved payment of the outstanding principal and interest on the surplus notes. On July 24, 2013, the Company paid off the two surplus notes for a total payment of \$354,182.

AFFILIATES

As previously noted, the Company is wholly owned by SHP. SHP, in turn, is a wholly owned subsidiary of Sanford Health. The following organizational chart depicts the holding company structure:



MANAGEMENT AND CONTROL

Board of Directors

As a result of the 2013 merger with SHP, the Company's bylaws were changed to state that the sole corporate member of the Company is SHP (Member). The Board of Directors of the Company consists of the same individuals serving on the Board of the Member. The terms of office for these directors coincide with the terms of office of directors of the Member. Any vacancies, resignations, or removal of directors are handled in accordance with the bylaws of the Member.

Directors serving at December 31, 2015, were as follows:

<u>Name and Address</u>	<u>Business Affiliation</u>
Clayton Gerald Van Balen MD Sioux Falls, SD	Director, Enterprise Employee Health
Denise Alice Myhre Rugby, ND	Educator, Rugby School District
Marlin Dean Overman Rock Rapids, IA	Vice President/CFO, DGR Engineering
Sheila Renee Beermann Vermillion, SD	Business Manager, Vermillion School District 13-1

Steven Neale Nelson, MD Fargo, ND	Senior Director/Medical Services, Sanford Health
Craig Jonathan Lambrecht MD Bismarck, ND	Executive Vice President, Medcenter One Health Systems
Robert Bruse St. Michel Rugby, ND	Retail Store Owner, St. Michel Furniture, Inc.
Steven Kenneth Watkins Sioux Falls, SD	President/CEO, Hot Stuff Foods
Lori Jeanne Devries Sioux Falls, SD	Assistant Office Manager/Co-Owner, The Insurance Connection
Kimberly Kay Elbers Sioux Falls, SD	VP/HR Manager, The First National Bank of Sioux Falls
Dwight William Thompson Grand Forks, ND	Treasurer/CFO, Altru Health Systems
Larry Lee Heidebrink Adrian, MN	Retired
Rich Gerald Adcock Sioux Falls, SD	Chief Innovation Officer, Sanford Health

Officers

Officers of the Company also are aligned with the Officers of the Member, SHP, which state that the President/Chief Executive Officer of Sanford Health shall be the Chief Executive Officer (CEO) of the corporation. The CEO, with approval of the Board of Directors, may appoint other officers having such duties as the CEO determines.

The officers duly elected or appointed by the Board of Directors and holding office at December 31, 2015, were as follows:

<u>Name</u>	<u>Title</u>
Kelby K. Krabbenhoft	Chief Executive Officer
Kirk J. Zimmer	President
Rich G. Adcock	Executive Vice President
Jeff D. Sandene ¹	Chief Financial Officer

Committees

Committees of the Board are required to be the same as the committees of the Member, SHP. SHP's bylaws only specifically mention the Nominating Committee for Non-Consumer Directors. Other key committees and their respective members at December 31, 2015, were as follows:

Nominating Committee

Clayton VanBalen, MD	Chairman
Rich Adcock	Chief Innovation Officer
Kirk Zimmer	President
Dr. Tim Donelan	VP – Medical

SHP Executive Committee

Kirk Zimmer	President
Barb Vandonslear	Director - Care Management
Katie Nermoe	Director - Wellness Services
Jeff Sandene	VP- Finance
Don Schott	Executive Director - Provider Contracting
Danny Weiss	Senior Director - Pharmacy
Jason Hubers	President - Great Plains Brokerage
Lisa Carlson	Senior Director - Planning & Regulation
Justin Taylor	Senior Director - Operations
Wyatt York	Senior Director - IT
Dr. Stephen Nelson	Senior Director - Medical Services
Blayne Hagen	Corporate Counsel
Jocelyn Wessels	Director – Human Resources
Dr. Tim Donelan	VP- Medical Officer
Tim Byrne	VP- Operations

Audit Committee

Clayton VanBalen, MD-Chair	Physician - Enterprise Employee Health
Dwight W. Thompson	CFO, Altru Health Systems
Rich Adcock **	EVP, Development and Research, Sanford Health
**Replaced by Steve Watkins in 2016	Hot Stuff Foods

¹ Jeff D. Sandene, SHP's CFO, resigned effective January 13, 2017.

CORPORATE RECORDS

Articles of Incorporation and Bylaws

The Articles of Incorporation were amended effective July 1, 2013. The following changes were made:

- Article 1: The name of the Company was changed to Sanford Heart of America Health Plan.
- Article 5: Upon dissolution or termination of the Company, any assets or property net of liabilities shall be distributed to a charitable organization.
- Article 9: The sole member of the Company is Sanford Health Plan.

The Bylaws were amended effective July 1, 2013. The following changes were made:

- Article I: The Company's name is Sanford Heart of America Health Plan. The sole corporate member of the Corporation shall be Sanford Health Plan.
- Article III: The Company may approve actions outside of Board meetings via written consent of the Board of Directors.
- Article V: Conflicts of interest shall be disclosed as prescribed by the Conflict of Interest policies and applicable state law.
- Article VI: The Company's Board of Directors shall be the same as SHP's.
- Article VII: The Company's Officers shall be the same as SHP's.
- Article VIII: The Company's Committees and membership shall be the same as SHP's.
- Article IX: By-Laws may be modified by a majority vote of Directors. SHP must approve Articles and By-Laws changes.
- Removed an article that detailed Board meeting Order of Business.
- Removed an article that listed the duties of the Executive Director.
- Removed an article that listed the duties of the Medical Director.
- Removed an article that detailed member dues.

Board of Directors, Members, and Committee Minutes

The minutes of the membership, the Board of Directors, and committees for the period under examination were read.

The minutes of the various meetings indicate that full board meetings were held in compliance with the Bylaws, Articles of Incorporation, and statutory requirements. The deliberations of the board were adequately documented and supported the Company's transactions and events.

The Company's Board, or committee thereof did not formally resolve within its minutes that all investments held were pursuant to the Company's approved investment guidelines per the requirements of N.D. Admin. Code § 45-03-12-05(03), which states:

Investments shall be acquired and held under the supervision and direction of the board of directors and the board shall evidence by formal resolution, at least annually, that it has determined whether all investments have been made in accordance with delegations, standards, limitations, and investment objectives prescribed by the

board or committee of the board charged with the responsibility to direct its investments.

It is recommended that the Company's Board of Directors formally resolve within its minutes, at least annually, that all investments have been made in accordance with delegations, standards, limitations, and investment objectives per the requirements of N.D. Admin. Code § 45-03-12-05(3).

Conflict of Interest

The Company has an established procedure for disclosing potential conflicts of interest to its Board of Directors of any material interest or affiliation on the part of its officers, directors or key employees which is in or likely to conflict with the official duties of such person.

The conflict of interest statements were reviewed and no conflicts were noted which would adversely affect the Company.

FIDELITY BOND AND OTHER INSURANCE

The Company is protected against loss from fraudulent or dishonest acts of its employees by a commercial blanket bond with a coverage limit of \$10,000,000. The amount of coverage exceeds the minimum amount recommended in the NAIC *Examiners Handbook*.

The Company also had in force policies covering general, automobile, umbrella, and excess liability along with a medical professional liability claims-made, privacy liability claims-made basis and a managed care errors & omissions liability.

PENSION AND INSURANCE PLANS

The Company does offer a pension plan which consists of a fifty percent match, up to six percent of the employee's salary. Contributions during the examination period totaled.

<u>Year</u>	<u>Amount</u>
2015	\$5,485
2014	\$6,523
2013	\$1,221

STATUTORY DEPOSITS

Deposits held by or pledged to regulatory agencies at December 31, 2015, are as follows:

<u>State</u>	<u>Type of Asset</u>	<u>Fair Value</u>	<u>Statement Value</u>
North Dakota	Certificates of Deposit	\$100,000	\$100,000

The deposits held by the State of North Dakota are held pursuant to N.D.C.C. §§ 26.1-18.1-12(2) and 26.1-18.1-13.

TERRITORY AND PLAN OF OPERATION

Territory

The Company has members or transacts business in the following North Dakota counties:

Benson	Bottineau	Burke	McHenry	Mountrail	Divide
Renville	Rolette	Pierce	Towner	Ward	McKenzie
Eddy	McLean	Sheridan	Wells	Williams	

Plan of Operation

The Company is duly licensed and qualified to transact accident and health business as a nonprofit mutual insurance company in North Dakota. The Certificate of Authority issued by the State of North Dakota was reviewed and found to be in proper order and effect.

The Company's enrollment at December 31, 2015, was approximately 781 members, which consisted of the following:

Type	Totals
Medicare	330
Individual	168
Group	225
Federal Employees	58
Total Enrollment	781

PROVIDER CONTRACTS

Capitation Contracts

Capitation agreements were terminated in 2013 as a result of the merger with SHP.

GROWTH OF THE COMPANY

The growth of the Company for the years 2011 through 2015 is shown on the following schedule:

Year	Admitted Assets	Liabilities	Capital & Surplus	Net Premium Earned	Members	Member Months
2011	1,778,594	592,676	1,185,918	4,519,308	1,260	15,315
2012	1,461,960	608,416	853,544	4,141,983	1,112	13,837
2013	2,003,410	770,901	1,232,509	3,833,853	968	12,182
2014	1,549,675	1,020,140	529,535	3,733,626	877	10,927
2015	3,084,703	1,150,117	1,934,586	3,499,075	781	9,449

LOSS EXPERIENCE

The ratio of claims and expenses incurred to premiums earned for years 2011 through 2015 is shown in the following schedule:

Year	Net Premium Earned	Hospital & Medical Benefits	Medical Net Loss Ratio	Claims Adj. & General Admin. Expenses	Admin. Expense Ratio	Combined Ratio
2011	4,519,308	4,598,373	93.8%	446,683	9.9%	103.7%
2012	4,141,983	4,282,610	98.3%	426,247	10.3%	108.6%
2013	3,833,853	3,753,541	97.9%	450,503	11.8%	109.7%
2014	3,733,626	4,008,408	107.4%	456,141	12.2%	119.6%
2015	3,499,075	3,675,766	105.0%	450,183	12.9%	117.9%

The Company's total hospital and medical benefits per member for the years 2011 through 2015 is shown in the following schedule:

Year	Total Members at Year-End	Average Members	Hospital & Medical Benefits	Hospital & Medical Benefits Per Member
2011	1,260	1,278	4,598,373	3,598
2012	1,112	1,186	4,282,610	3,611
2013	968	1,015	3,734,458	3,679
2014	877	911	3,791,408	4,162
2015	781	787	3,563,521	4,528

The Company's average members decreased 38 percent over the exam period, while the hospital and medical benefits per member increased 26 percent.

REINSURANCE

The following is a summary of the reinsurance treaty in force at December 31, 2015:

Ceding Contract:

1. Type: HMO Excess
- Reinsurer: American National Insurance Company
- Scope: Commercial HMO Excess
- Reinsurance Limit: \$2 million per member
- Deductible: \$250,000
- Coinurance: Ninety percent
- Retained Corridor: Minimum of Sixty percent and a maximum of Ninety percent.

Experience Refund:	Fifty percent share of Profit
Premium:	Commercial \$14.52 per Non-Exchange Member per month
Effective Date:	January 1, 2015
Termination:	This agreement starts on the effective date and terminates in the end of period for which premiums have been paid, date a court declares a party to be insolvent, date of a material change provided notification from reinsurer, effective date if terminated because of misstated data or expiration date shown on Schedule of Reinsurance.

The reinsurance agreement contain the insolvency clause required by N.D.C.C. § 26.1-02-21 and all of the required clauses set forth in the NAIC's *Accounting Practices and Procedures Manual*.

ACCOUNTS AND RECORDS

The Company's accounting procedures, internal controls, and transaction cycles were reviewed during the course of the examination and a trial balance as of December 31, 2015, was extracted from the general ledger and traced to the appropriate schedules of the Company's Annual Statement. The Company's ledgers are maintained electronically. Revenues and expenses were test checked to the extent deemed necessary.

Claim Complaints

N.D.C.C. § 26.1-04-03(10) requires that the Company adopt and implement reasonable standards for the prompt handling of written communications, primarily expressing grievances, received by the Company from insureds or claimants.

During the exam period, the Company reported no complaints.

Custodial Agreement

The Company entered into a custodial agreement with Bremer Trust, N.A. (Bremer) on March 12, 2014, under which Bremer provides safekeeping of the Company's invested assets.

The Bremer agreement was reviewed for compliance with N.D. Admin. Code § 45-03-23-02 and was found to be in compliance; however, the Agreement was not authorized by the resolution of the Board of Directors or an authorized committee of the Board as required under N.D. Admin. Code § 45-03-23-01.

It is recommended that the Board of Directors formally approve the Company's custodial agreement per N.D. Admin Code § 45-03-23-01.

FINANCIAL STATEMENTS

The financial statements of the Company are presented on the following pages in the sequence listed below:

Statement of Assets, Liabilities, Capital and Surplus, December 31, 2015

Statement of Revenue and Expenses for the Year Ending December 31, 2015

Reconciliation of Capital and Surplus, January 1, 2013 through December 31, 2015

**Sanford Heart of America Health Plan
Statement of Assets
December 31, 2015**

	<u>Assets</u>	<u>Nonadmitted Assets</u>	<u>Net Admitted Assets</u>
Bonds	\$2,121,318		\$2,121,318
Cash	763,514		763,514
Investment Income Due and Accrued	8,071		8,071
Uncollected Premiums and Agents' Balances in the Course of Collection	50,621		50,621
Health Care and Other Amounts Receivable	141,179		141,179
Prepaid Insurance	11,891	11,891	0
Totals	\$3,096,594	\$11,891	\$3,084,703

**Sanford Heart of America Health Plan
Liabilities, Capital and Surplus
December 31, 2015**

	<u>Covered</u>	<u>Uncovered</u>	<u>Total</u>
Claims Unpaid	\$453,556	\$33,412	\$486,968
Unpaid Claims Adjustment Expenses	16,000		16,000
Aggregate Health Policy Reserves	390,000		390,000
Premiums Received in Advance	70,189		70,189
General Expenses Due or Accrued	146,106		146,106
Amounts Due to Parent, Subsidiaries and Affiliates	40,855		40,855
TOTAL LIABILITIES	<u>\$1,116,705</u>	<u>\$33,412</u>	<u>\$1,150,117</u>
Gross Paid In and Contributed Surplus			3,000,000
Unassigned Funds			(1,065,414)
TOTAL CAPITAL AND SURPLUS			<u>\$1,934,586</u>
TOTAL LIABILITIES, CAPITAL AND SURPLUS			<u><u>\$3,084,703</u></u>

**Sanford Heart of America Health Plan
Statement of Revenue and Expenses
Year Ending December 31, 2015**

	<u>Uncovered</u>	<u>Total</u>
Net Premium Income		\$3,499,075
Medical and Hospital:		
Hospital/Medical Benefits		1,692,180
Other Professional Services		1,479,975
Outside Referrals	\$244,502	244,502
Emergency Room and Out-of-Area		146,863
		<hr/>
Subtotal	244,502	3,563,521
Net Reinsurance Recoveries		60,754
Total Medical and Hospital	244,502	3,502,766
Claims Adjustments Expenses		112,782
General Administrative Expenses		337,401
Increase in Reserves for Life/Accident/Health Contracts		173,000
Total Underwriting Deductions	244,502	4,125,950
Net Underwriting Gain or (Loss)		(626,875)
Net Investment Income Earned		29,152
Net Realized Capital Gain or (Loss)		(748)
NET INVESTMENT GAIN OR (LOSS)		<hr/> 28,404
Net Income or (Loss) Before Federal Income Taxes		<hr/> (598,471)
Federal Income Taxes Incurred		0
NET INCOME		<hr/> <hr/> \$(598,471)

**Sanford Heart of America Health Plan
Reconciliation of Capital and Surplus Account
January 1, 2013 through December 31, 2015**

	<u>2015</u>	<u>2014</u>	<u>2013</u>
Capital and Surplus, December 31, Prior Year	\$529,535	\$1,232,509	\$853,544
Net Income or (Loss)	(598,471)	(711,614)	(358,002)
Net Unrealized Capital Gain or (Loss)	0	0	(2,458)
Change in Nonadmitted Assets	3,522	8,640	59,425
Change in Surplus Notes			(320,000)
Surplus Adjustments-Paid In	2,000,000	0	1,000,000
Net Change in Capital and Surplus	1,405,051	(702,974)	378,965
Capital and Surplus, December 31, Current Year	<u>\$1,934,586</u>	<u>\$529,535</u>	<u>\$1,232,509</u>

CONCLUSION

The financial condition of the Company as of December 31, 2015, as determined by this examination is summarized as follows:

Admitted Assets		<u>\$3,084,703</u>
Total Liabilities	\$1,150,117	
Total Capital and Surplus	<u>1,934,586</u>	
Liabilities, Surplus, and Other funds		<u>\$3,084,703</u>

Since the last examination conducted as of December 31, 2012, the Company's admitted assets have increased \$1,622,743, its total liabilities have increased \$541,701, and its capital and surplus has increased by \$1,081,042.

The courteous cooperation extended by the officers and employees of the Company during the course of the examination is gratefully acknowledged.

Respectfully submitted,



Colton Schulz, CFE
Examiner
North Dakota Insurance Department

RECOMMENDATIONS

It is recommended that the Company's Board of Directors formally resolve within its minutes, at least annually, that all investments have been made in accordance with delegations, standards, limitations, and investment objectives per the requirements of N.D. Admin. Code § 45-03-12-05(3).

It is recommended that the Board of Directors formally approve the Company's custodial agreement per N.D. Admin Code § 45-03-23-01.