BEFORE ALLAN L. MCVEY, INSURANCE COMMISSIONER
OF THE STATE OF WEST VIRGINIA

In the Matter of:

CARESOURCE WEST VIRGINIA CO. (NAIC #15728)

ADMINISTRATIVE PROCEEDING NO. 25-IC-181713

ORDER ADOPTING REPORT OF FINANCIAL EXAMINATION

NOW COMES, Allan L. McVey, Insurance Commissioner of the State of West Virginia (hereinafter, "Commissioner"), who, after consideration of the Report of Financial Examination (hereinafter, the "Examination Report") of CareSource West Virginia Co. (hereinafter referred to as "Company" or "CSWV"), as of December 31, 2023, made the following findings of fact, conclusions of law and order.

FINDINGS OF FACT

1. The Company was incorporated on January 30, 2015, as a non-profit, non-stock health maintenance organization in the State of West Virginia in accordance with *West Virginia Code* §33-25A-1 et seq. CSWV commenced business on January 1, 2016. The Company is authorized to transact business as a health maintenance organization under the provisions of Article 25A of Chapter 33 of the *West Virginia Code*. The Company only writes Marketplace business through the West Virigina Federally Facilitated Exchange.

2. An examination of the financial condition and operational affairs of the Company for the period beginning January 1, 2021, and ending December 31, 2023, was conducted in accordance with *West Virginia Code* §33-2-9(c) by the Insurance Commissioner.

3. On May 21, 2025, the examiner filed a Report of Financial Examination with the Insurance Commissioner pursuant to *West Virginia Code* §33-2-9(j)(2). A copy of the Report of

Financial Examination is attached hereto as Exhibit A and incorporated herein as if set forth in full.

4. On June 2, 2025, a true and accurate copy of the Report of Financial Examination was mailed to Todd Richard White, CEO and President. A copy of the Letter dated June 2, 2025, is attached hereto as Exhibit B.

5. Pursuant to *West Virginia Code* §33-2-9(j)(2), the Company, by letter dated June 2, 2025, Exhibit B, was notified and afforded a period of ten (10) days, after receipt of the Report of Financial Examination, to make a submission, rebuttal, or objection concerning any matter contained in the Report.

6. By letter dated June 6, 2025, Mike Taylor, Plan President, acknowledged that he had reviewed the Report of Financial Examination and did not materially dispute the findings of the examination. A copy of the Company's letter of June 6, 2025, is attached hereto as Exhibit C.

CONCLUSIONS OF LAW

1. The Insurance Commissioner is charged with the duty of administering and enforcing the provisions of Chapter 33, of the West Virginia Code of 1931, as amended.

2. The Company is organized pursuant to provisions of Article 25A, Chapter 33 of the *West Virginia Code*.

3. *West Virginia Code* § 33-2-9(j)(2) provides that no later than sixty (60) days following completion of the examination, the examiner in charge shall file with the Insurance Commissioner a verified, written Report of Financial Examination under oath, and, upon receipt of the verified report, the Insurance Commissioner shall transmit the Report of Financial Examination to the Company with a notice that shall afford the Company a reasonable opportunity, of not more than thirty (30) days, to make a written submission or rebuttal.

4. *West Virginia Code* § 33-2-9(j)(3) provides that within thirty (30) days of the end of the period allowed for the receipt of written submissions or rebuttals the Insurance Commissioner shall fully consider and review the Report of Financial Examination, together with any written submissions or rebuttals, and shall enter an ORDER adopting the Report of Financial Examination as filed, or with modifications or corrections, enter an ORDER rejecting the Report of Financial Examination with directions to the examiners to reopen the examination or call for an investigatory hearing.

ORDER

It is therefore **ORDERED** as follows:

1. The Report of Financial Examination of the Company, attached hereto as Exhibit A, is hereby **ADOPTED** and **APPROVED** by the Insurance Commissioner.

2. A copy of this *Order Adopting Report of Financial Examination* and the Report of Financial Examination shall be mailed to the Company via certified mail, return receipt requested, upon entry by the Insurance Commissioner.

3. The Company shall file with the Insurance Commissioner, within thirty (30) days of the issuance of this Order, affidavits executed by each of its directors stating under oath that they have received a copy of the Report of Financial Examination and a copy of this *Order Adopting Report of Financial Examination* in accordance with *West Virginia Code* §33-2-9(j)(4).

4. The Company shall take whatever actions are required to comply with the recommendations set forth in the Report of Financial Examination, if any, and shall demonstrate compliance to the satisfaction of the Insurance Commissioner, if necessary.

5. Inasmuch as orders entered by the Insurance Commissioner are subject to judicial review as set forth in *West Virginia Code* §33-2-14, any person aggrieved by any this order may,

within 30 days after the order has been mailed or delivered to the persons entitled to receive the same, file an appeal in and with the Circuit Court of Kanawha County, West Virginia.

Entered this 9th day of June 2025.

Allan L. McVey
CPCU, ARM, AAI, AAM, AIS
Insurance Commissioner

REPORT OF EXAMINATION

OF

CARESOURCE WEST VIRGINIA CO.

Dayton, Ohio

NAIC #15728

AS OF DECEMBER 31, 2023

EXHIBIT

A

TABLE OF CONTENTS

SALUTATION

May 21, 2025

Charleston, West Virginia

The Honorable Allan L. McVey

West Virginia Insurance Commissioner

900 Pennsylvania Ave.

Charleston, West Virginia 25302

Pursuant to the authority vested in the West Virginia Offices of the Insurance Commissioner ("WVOIC"), as well as rules, regulations and procedures promulgated by the National Association of Insurance Commissioners ("NAIC"), an examination has been made of the administrative affairs, books, records, and financial condition of:

CareSource West Virginia Co.

230 North Main Street

Dayton, Ohio 45402

hereinafter referred to as the "Company" or "CSWV". The following Report of Examination is respectfully submitted.

SCOPE OF EXAMINATION

The examiners have performed a financial examination of the Company. The last examination covered the three-year period from January 1, 2018 through December 31, 2020. This examination commenced on October 21, 2024 pursuant to W.Va. Code §33-2-9, as amended, and covers the three-year period from January 1, 2021 through December 31, 2023. This examination was conducted as a component of a coordinated financial examination of the CareSource Group (the "Group") with the state of Ohio serving as the lead state. This coordinated examination included participation by representatives from the states of Ohio, Georgia, Indiana, Kansas, Kentucky, North Carolina, Oklahoma, Tennessee, Texas and West Virginia.

As part of the coordinated examination, the lead state contracted Exam Resources ("ER") to conduct an actuarial review of the Company's claims, unpaid reserves, and unpaid claims adjustment expense reserve amounts reported by the Company as of December 31, 2023. ER's actuarial analysis was performed using a risk-focused approach according to the guidelines contained in the NAIC Handbook. ER's actuary concluded that the Company's actuarial reserves and related items listed in the Company's Statement of Actuarial Opinion were fairly stated and adequate in aggregate as of December 31, 2023.

In addition, the lead state contracted Risk & Regulatory Consulting, LLC ("RRC") to serve as the IT Specialist on the examination of the Group. The Examiners relied on the work of the IT Specialist representing the Ohio Department of Insurance ("OH DOI") for the review of IT general controls. Reliance was also placed on the testing completed by the OH DOI and other participating states over key functional activities of the Group that were relevant to the Company.

The purpose of this examination is to assess the financial condition of the Company and set forth findings of fact (together with citations of pertinent laws, regulations and rules) with regard to any material adverse findings disclosed by the examination.

The general procedures of the examination followed rules and standards as set forth in the NAIC Financial Condition Examiners Handbook ("Handbook") and West Virginia Laws, Regulations, and Directives of the WVOIC. The examination was conducted to evaluate the financial condition and identify prospective risks of the Company by obtaining information about the Company including corporate governance, identifying and assessing inherent risk within the Company and evaluating system controls and procedures used to mitigate those risks. In addition, the principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation, management's compliance with Statements of Statutory Accounting Principles ("SSAP") and annual statement instructions were assessed.

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.

The report is presented on an exception basis. It is designed to set forth the facts with regard to any material adverse findings disclosed during the examination. If necessary, comments and recommendations have been made in those areas in need of correction or improvement. In such cases, these matters were discussed with responsible Company officials during the course of the examination.

SUMMARY OF SIGNIFICANT FINDINGS

As a result of the current examination period and review of the subsequent events, examiners did not identify any significant findings.

HISTORY

The Company was incorporated on January 30, 2015 as a non-profit, non-stock health maintenance organization in the state of West Virigina in accordance with W. Va Code §33-25A. The Sole Member of CSWV is CareSource Management Group Co. ("CSMG"), which changed its name to CareSource ("CS") effective September 14, 2020 in West Virginia. CSWV received a Certificate of Authority on April 10, 2015 and commenced operations effective January 1, 2016. CSWV is permitted to write in all 55 counties of West Virginia. The Company only writes Marketplace business through the West Virigina Federally Facilitated Exchange.

Capitalization

On December 31, 2023, CSWV reported a total capitalization of $11,427,665, consisting of $9,500,000 gross paid in and contributed surplus and $1,927,665 of unassigned funds (surplus).

According to W. Va. Code §33-25A-4(2)(c)(ii) (B) & (C), CSWV must maintain a minimum of $1,000,000 in surplus and $1,000,000 in additional surplus funds to engage in business for which it is licensed. CSWV met this requirement throughout the examination period.

Dividends to Policyholders

During the period of examination, the Company did not declare or pay any dividends to policyholders.

Surplus Note

CSWV entered into a 10-year surplus note as of December 19, 2018 with CSMG for $2,000,000 which was paid in cash. On February 22, 2019, CSWV amended the surplus note to increase the amount by $6,000,000 to a total surplus note of $8,000,000 in exchange for cash. On September 30, 2019, with approval of WVOIC, CSWV repaid $2,000,000 of principal plus accrued interest. On December 15, 2023 with the approval of WVOIC, CSWV repaid the $8,639,995 total outstanding principal and accumulated interest balances remaining.

Mergers and Acquisitions

There were no mergers or acquisitions during the examination period.

Name Change

There were no name changes during the examination period.

Significant changes in key trends

Direct premium written increased in each of the last three (3) years as shown below:

DIRECT PREMIUM WRITTEN		
2023	**2022**	**2021**
$104,396,149	$84,079,036	$70,162,335

MANAGEMENT AND CONTROL

BOARD OF DIRECTORS

The corporate powers of the Company are vested in the Board of Directors consisting of not less than three (3) nor more than nine (9) members in compliance with Article I – Section 1 of the Company's Bylaws. The individuals serving as members of the Board of Directors on December 31, 2023 were as follows:

Name	Title
Erhardt H. Preitauer	Chairman
Lawrence R. Smart	Chief Financial Officer/Treasurer
Richard F. Topping	Secretary

OFFICERS

At each annual meeting, the Board is required to elect a Chairman, President, Treasurer and Secretary who, when designated so, may be the same person.

Officers appointed via an Action Without a Meeting dated May 1, 2023 and serving as of December 31, 2023, were as follows:

Name	Title
Michael P. Taylor	President
Lawrence R. Smart	Chief Financial Officer/Treasurer
Richard F. Topping	Secretary
Stephanie A. Williams	Assistant Treasurer

COMMITTEES

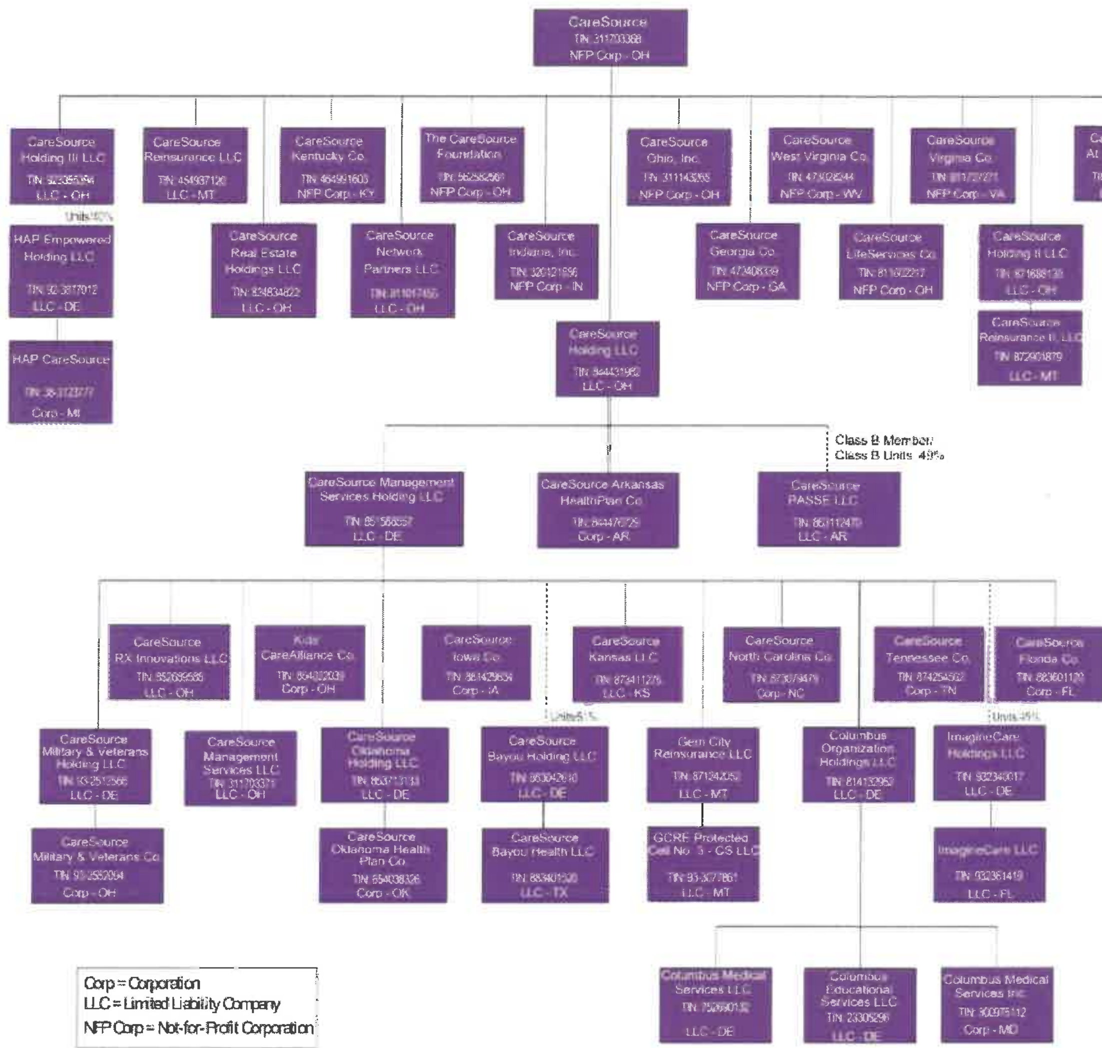
The Bylaws require three (3) committees, an Audit Committee, Risk Committee, and Compensation Committee. The Committees operate at the CS Board level and act on behalf of CS's subsidiaries, including the Company.

As of December 31, 2023, members serving on the Committees of the CS Board were as follows:

Audit Committee	Compensation Committee	Risk Committee
Craig Brown, Chair	Patricia Marting, Chair	Thomas Kelly, Chair
Thomas Kelly	E. Thomas Brodmerkel	Craig Brown
David Miller	Anthony Principi	Thomas Edwards
Anthony Principi	Anthony Winns	Patricia Martin
Linda Willett		Ernhardt Preitauer
		Anthony Principi
		Anthony Winns

ORGANIZATIONAL CHART

The Company is a member of an insurance holding company system. The following is an abbreviated organizational chart as of December 31, 2023:



AGREEMENTS

As of December 31, 2023, the Company had the following agreements in force:

Administrative Services Agreement

Effective January 1, 2020, the Company entered into an Administrative Services Agreement ("ASA") with its affiliate CareSource Management Services Co. ("CSMS"), whereby the

Company delegates to CSMS the authority to administer the Company's business on a day-to day basis, including the business operations and affairs of the Company. In exchange for services, the Company pays CSMS a variable fee, calculated as a percentage of all premiums or capitation collected. The fee varies depending on the member category (Medicaid, Medicare/Marketplace, or dual eligible), and the annual net revenue of the Company. The fee ranges from 8 percent to 12.5 percent.

Network Access Agreement

Effective February 22, 2016, the Company entered into a Network Access Agreement with CareSource Network Partners LLC ("CSNP"), whereby CSNP makes the CareSource network and its providers available to the Company and its covered members. CSNP enters into contracts with providers who wish to participate in the CareSource provider networks, and the Company is able to access all network providers contracted by CSNP. Services covered under this agreement are provided by CSNP to the Company at no cost. All costs associated with the agreement are billed to the Company through ASA with CSMS.

TERRITORY AND PLAN OF OPERATION

At December 31, 2023, the Company offers commercially insured qualified health plan products to qualified individuals on West Virginia's Federally Facilitated Marketplace. Effective January 1, 2021, the Company was permitted to write in all 55 counties of West Virigina.

REINSURANCE

Assumed

As of December 31, 2023, the Company had no assumed reinsurance.

Ceded

At December 31, 2023, the Company was party to the following ceded reinsurance agreement:

Effective January 1, 2023, the Company entered into a Medical Excess of Loss Reinsurance Agreement with PartnerRe American Insurance Company ("PartnerRe"). The reinsurance provides coverage for the liabilities that may accrue to the Company as a result of Claims Incurred under the Company's policies providing medical benefits. The Reinsurer shall be liable for the Ultimate Net Loss in excess of the Company's retentions of $500,000 of Ultimate Net Loss for each Covered Person with a limit of liability of $9,500,000 for each Covered Person during the term of the contract.

FINANCIAL STATEMENTS

The following financial statements are based on the statutory financial statements filed by the Company with the WVOIC and present the financial condition of the Company for the period ending December 31, 2023. The accompanying comments on financial statements reflect any examination adjustments to the amounts reported in the annual statement and should be considered an integral part of the financial statements.

STATEMENT OF ASSETS
DECEMBER 31, 2023

	Per Company
Bonds	$ 11,784,216
Cash, cash equivalents, and short-term investments	53,711,400
Subtotals, cash and invested assets	$ 65,495,616
Investment income due and accrued	127,111
Uncollected Premiums	569,184
Amounts recoverable from reinsurers	422,127
Health care and other amounts receivable	811,407
Total assets	**$ 67,425,445**

STATEMENT OF LIABILITIES, CAPITAL AND SURPLUS
DECEMBER 31, 2023

		Per Company
Claims unpaid	$	16,009,721
Accrued medical incentive pool and bonus amounts		63,146
Unpaid claims adjustment expenses		201,574
Aggregate health policy reserves		37,768,093
Premium received in advance		504,808
General expenses due and accrued		349,977
Amounts due to parent, subsidiaries, and affiliates		1,100,461
Totals liabilities	**$**	**55,997,780**
Gross paid in and contributed surplus		9,500,000
Unassigned funds (surplus)		1,927,665
Total capital and surplus	**$**	**11,427,665**
Total liabilities, capital and surplus	**$**	**67,425,445**

STATEMENT OF REVENUES AND EXPENSES
DECEMBER 31, 2023

	Per Company
Member months	125,528
Net premium income	$ 100,416,622
Total revenues	**100,416,622**
Hospital and medical:	
Hospital/medical benefits	72,537,127
Other professional services	212,464
Prescription drugs	9,721,191
Incentive pool, withhold adjustments and bonus amounts	151,485
Subtotal	82,622,267
Less:	
Net reinsurance recoveries	3,497,319
Total hospital and medical	**79,124,948**
Claims adjustment expenses	1,155,354
General administrative expenses	15,460,974
Total underwriting deductions	**95,741,276**
Net underwriting gain (loss)	4,675,346
Net investment income earned	102,772
Net realized capital gains (losses)	(1,518)
Net investment gains (losses)	$ 101,254
Net income, after capital gains tax and before federal taxes	4,776,600
Federal and foreign income taxes incurred	-
Net income (loss)	**$ 4,776,600**

RECONCILIATION OF SURPLUS
DECEMBER 31, 2023

	2023	2022	2021
Capital and Surplus, December 31 prior year	$12,479,266	$10,158,048	$9,853,416
Net income	4,776,600	2,336,398	271,421
Change in nonadmitted assets	171,799	(15,180)	33,211
Change in surplus notes	(6,000,000)	-	-
Net change in capital and surplus	(1,051,601)	2,321,217	304,633
Capital and Surplus, December 31 current year	$11,427,665	$12,479,266	$10,158,048

SUMMARY OF EXAMINATION CHANGES

No adjustments were made to the Company's financial statements as a result of this examination.

SUBSEQUENT EVENTS

The following item was noted during the completion of the standard subsequent events procedures as part of the financial examination:

1. Effective December 31, 2024, the Company entered into a Surplus Note with CS for $9,000,000 with a term of 10-years and interest rate equal to the greater of 10.5 percent or 3 percent above published New York prime in the Wall Street Journal on the last day of each quarter.

SUMMARY OF EXAMINATION RECOMMENDATIONS

As a result of the full scope financial examination, Examiners did not have examination recommendations.

ACKNOWLEDGEMENT AND SIGNATURE

This is to certify that the undersigned is a duly qualified Examiner appointed by the WVOIC. In addition to the undersigned, William A. O'Connell, CPA, CFE, CFE (Fraud), consulting supervising examiner of Noble Consulting Services, Inc. participated in the examination, as well as examiners representing the states of, Ohio, Georgia, Indiana, Kansas, Kentucky, North Carolina, Oklahoma, Tennessee and Texas.

The examination was performed in accordance with those procedures authorized by the NAIC Financial Condition Examiner's Handbook and other procedures appropriate for this examination. The attached report of examination is a true and complete report of financial condition of CareSource West Virginia Co. as of December 31, 2023 as determined by this examination.

Respectfully Submitted,

Kimmea Stevenson, CFE
Examiner-in-Charge
Noble Consulting Services
Representing the WV Offices of the Insurance Commissioner

Mary Jo Lewis

Mary Jo Lewis, CPA
Chief Financial Examiner
Financial Conditions Division
WV Offices of the Insurance Commissioner

STATE OF WEST VIRGINIA
Offices of the Insurance Commissioner

Allan L. McVey
Insurance Commissioner

June 2, 2025

Mr. Erhardt H. Preitauer, President & CEO
CareSource West Virginia Co.
230 N. Main St.
Dayton, OH 45402

RE: Report of Financial Examination as of December 31, 2023
CareSource West Virginia Co. NAIC: #15728

Dear Mr. Preitauer:

Please find enclosed a copy of the Report of Examination of CareSource West Virginia Co. This examination was performed in accordance with the provisions of Chapter 33, Article 2, Section 9 of the West Virginia Code, as amended. The Report of Examination reflects the financial affairs and condition of CareSource West Virginia Co., as of December 31, 2023.

You are hereby notified that you have ten (10) working days from receipt of this letter to make written submission or rebuttals with respect to any matter contained in the Report of Examination. If no exception is taken, please respond accordingly by the end of the ten (10) day comment period.

Sincerely,

Allan L. McVey

Allan L. McVey
CPCU, ARM, AAI, AAM, AIS
Insurance Commissioner

ALM/mjl

Enclosure: Copy of Report of Examination

EXHIBIT
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CareSource

June 6, 2025

Kimmea Stevenson, CFE
Examiner-in-Charge
Noble Consulting Services
Representing the WV Offices of the Insurance Commissioner

Mary Jo Lewis
Chief Financial Examiner
Financial Conditions Division
WV Offices of the Insurance Commissioner

To Whom It May Concern,

CareSource West Virginia is acknowledging the Report of Examination as published by the West Virginia Offices of the Insurance Commissioner and is an agreement with the statements as contained within.

Michael Taylor

Mike Taylor
Plan President
CareSource West Virginia

EXHIBIT
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