

REPORT ON ORGANIZATION

OF

BRIGHT HEALTH INSURANCE COMPANY OF NEW YORK

AS OF

MAY 18, 2018

DATE OF REPORT

JUNE 18, 2018

EXAMINER

ABENA MAYCOCK

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NEW YORK STATE
DEPARTMENT *of*
FINANCIAL SERVICES

Andrew M. Cuomo
Governor

Maria T. Vullo
Superintendent

June 18, 2018

Honorable Maria T. Vullo
Superintendent of Financial Services
Albany, New York 12257

Madam:

Pursuant to the instructions contained in Appointment Number 31757, dated May 9, 2018, and attached hereto, I have made an examination “on organization” of Bright Health Insurance Company of New York, and the following report thereon is respectfully submitted.

The examination was conducted at the home office of Bright Health Insurance Company of New York, located at 43 West 24th Street, New York, NY 10010.

Wherever the designations the “Company” or “Bright Health” appear herein, without qualification, they should be understood to refer to Bright Health Insurance Company of New York.

Wherever the designation the “Department” appears herein, without qualification, it should be understood to indicate the New York State Department of Financial Services.

1. ORGANIZATION

Bright Health Insurance Company of New York was incorporated, pursuant to a Declaration of Intention and Charter (“Charter”) approved by the Attorney General and placed on file with the Department as of May 31, 2017. The Certificate of Incorporation of Bright Health Insurance Company of New York, dated May 31, 2017, was issued in accordance with Section 1201 of the New York Insurance Law. On June 12, 2017, the Company filed a Uniform Certificate of Authority Application (“UCAA”) for licensure as an Article 42 Accident and Health insurer with the Department.

The Company’s Charter and by-laws stipulate the number of directors, which shall constitute the whole board of directors. The board of directors shall consist of no less than seven (7) and no more than twenty (20) directors. As of the date of this examination, the Company’s board of directors consisted of seven (7) directors, as follows:

<u>Name and Residence</u>	<u>Principal Business Affiliation</u>
Brian Keith Beutner Golden Valley, MN	Secretary, Bright Health, Inc., Bright Health Management, Inc. and Bright Health Insurance Company of New York
George Daniel Lyford Denver, CO	Chief Compliance Officer*, Bright Health Management, Inc.
Donald Alan Powers Bloomington, MN	Chief Financial Officer, Bright Health, Inc., Bright Health Management, Inc. and Bright Health Insurance Company of New York

<u>Name and Residence</u>	<u>Principal Business Affiliation</u>
Kyle Robert Rolfing Edina, MN	President and Treasurer, Bright Health, Inc., President, Bright Health Management, Inc. and Bright Health Insurance Company of New York
Robert John Sheehy Edina, MN	Chief Executive Officer and Chairman of the Board Bright Health, Inc., and Bright Health Insurance Company of New York Chief Executive Officer, Bright Health Management, Inc.
Tomás David Valdivia, M.D. Edina, MN	Chief Medical Officer, Bright Health, Inc., Bright Health Management, Inc. and Bright Health Insurance Company of New York
Rachel Linda Winokur New York, NY	Chief Business Officer*, Bright Health Management, Inc.

* Not an officer position elected/appointed by shareholders or board of directors.

The following are the officers of the Company as of the examination date:

<u>Name</u>	<u>Title</u>
Brian Keith Beutner	Secretary
Donald Alan Powers	Chief Financial Officer and Treasurer
Kyle Robert Rolfing	President
Robert John Sheehy	Chief Executive Officer and Chairman of the Board
Tomás David Valdivia, M.D.	Chief Medical Officer

2. **SCOPE OF EXAMINATION**

The examination was comprised of a verification of the issuance of the Company's capital stock, the receipt of capital and surplus funds, and the determination of assets and liabilities. The records examined included the Declaration of Intention and Charter, By-laws, Board of directors' minutes, Stockholders' register, and Holding Company Organizational Chart. In addition, an affidavit, appended hereto, was obtained from two officers of the Company indicating that the transactions noted in this report were bona fide.

3. **CAPITALIZATION AND SUBSCRIPTION**

The Company is a wholly-owned subsidiary of Bright Health Management, Inc. On May 18, 2018, the Company issued to its parent, 10,000 shares of common stock with a par value of \$1,000 per share for a price of \$2,310 per share resulting in an aggregate purchase price of \$23,100,000. The total investment consists of paid in capital of \$10,000,000 and contributed surplus of \$13,100,000.

4. BALANCE SHEET

The following balance sheet sets forth the Company's financial condition as of the date of this examination:

Assets

Cash and cash equivalents	\$ 174,115.88
Investments	22,619,780.83
U.S. Treasury Notes	<u>223,940.25</u>
Total assets	<u>\$23,017,836.96</u>

<u>Liabilities*</u>	\$ 29,922.49
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Capital and Surplus

Common capital stock	\$10,000,000.00
Gross paid-in and contributed surplus	13,100,000.00
Unassigned funds	<u>(112,085.53)</u>
Total capital and surplus	<u>\$22,987,914.47</u>
Total liabilities, capital and surplus	<u>\$23,017,836.96</u>

(*) Liabilities are:

- (1) Intercompany payable of \$25,113.30 relating to the 2017 income tax liability for Bright Health Insurance Company of New York under the Bright Health consolidated tax sharing agreement.
- (2) Investment advisory fee intercompany payable reimbursement of \$3,612.20 to Bright Health Management, Inc. for Q1 2018.
- (3) Investment advisory and bank fee accrual of \$1,196.99 for Q2 2018.

Regarding item (1) above, the written income tax allocation agreement was not effective until May 30, 2018; thus, the Company should not have filed a consolidated tax return for 2017, but rather a separate return.

5. AUTHORIZED POWERS AND MINIMUM CAPITAL REQUIRED

The Company is authorized pursuant to its Charter to transact the kind of insurance as described in the following numbered paragraph of Section 1113(a) of the New York Insurance Law:

<u>Paragraph</u>	<u>Line of Business</u>
(3)(i) and (ii)	Accident and health insurance

However, the Company is not requesting licensure to transact the kind of insurance as described in Section 1113(a)(3)(ii) (“non-cancellable disability insurance”) of the New York Insurance Law. The Company’s Charter indicates that it may also engage in any other kind or kinds of business to the extent necessary or properly incidental to the kinds of business which it is authorized to do.

The Company’s minimum financial requirements for the above-mentioned line of business (Section 1113(a)(3)(i)), as set forth in Sections 4204 and 4206 of the New York Insurance Law are as follows:

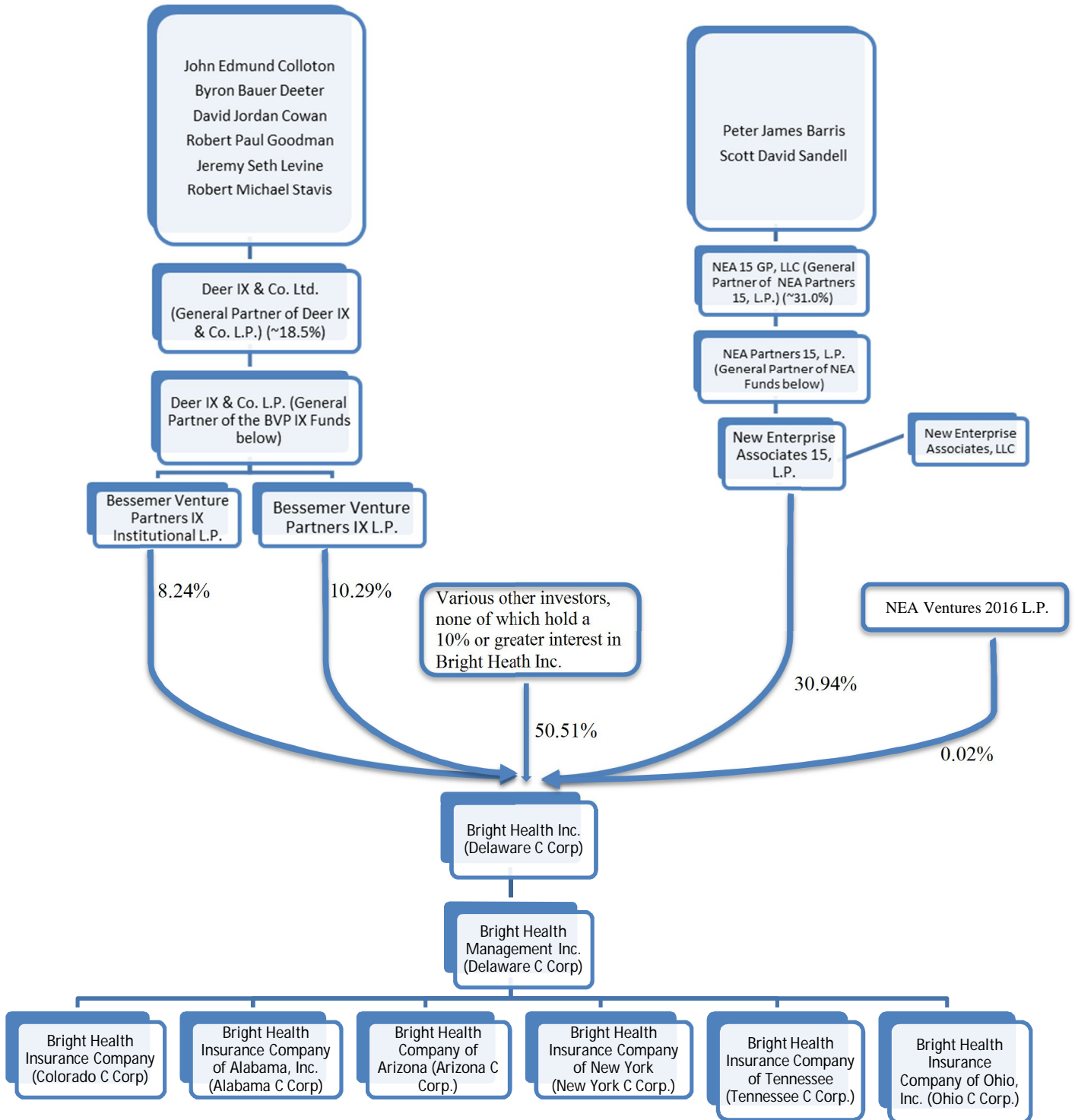
Initial surplus	\$300,000
Surplus to be maintained	\$200,000
Deposit	\$200,000
Capital	\$200,000
Minimum capital investments	\$200,000

Pursuant to the provisions of Section 1314 of the New York Insurance Law, the Company, as of May 18, 2018, had deposited into a bank account at U.S. Bank, in the name of the New York Superintendent of Financial Services, a qualifying U.S. Treasury Bill with a market value of \$223,940.25, in satisfaction of the \$200,000 deposit required pursuant to Section 4206 of the New York Insurance Law.

In addition to the \$300,000 initial surplus amount prescribed by Section 4204 of the New York Insurance Law, an additional \$22,539,750 of capitalization is required based on the Company's submitted business plan and financial projections, per Department correspondence dated March 8, 2018. The funds supporting such initial capital and surplus are also on deposit with U.S. Bank.

6. HOLDING COMPANY SYSTEM

Below is a chart of the holding company system applicable to the Company and its related parties, as of the date of this examination:



Bright Health, Inc., a Delaware C Corporation, is the parent company in the Bright Health insurance holding company system. Bright Health, Inc. does not hold a certificate of authority to offer insurance products in any state.

Bright Health Management, Inc., a Delaware C Corporation, is the immediate parent company of the regulated entities in the Bright Health insurance holding company system. Bright Health Management, Inc. provides management and administrative services to all subsidiary insurers in the holding company system through intercompany management services agreements. Bright Health Management, Inc. is wholly-owned by Bright Health, Inc.

Bright Health Insurance Company is a Colorado C Corporation and is one hundred percent owned by Bright Health Management, Inc. Bright Health Insurance Company is licensed as a Life and Health insurer under Colorado Revised Statutes § 10-3-102(1)(b) and offers comprehensive major medical policies to individuals as well as Medicare Advantage products to Colorado consumers.

Bright Health Insurance Company of Alabama, Inc. is an Alabama C Corporation and is one hundred percent owned by Bright Health Management, Inc. Bright Health Insurance Company of Alabama, Inc. is licensed as a disability insurer under the Code of Alabama § 27-5-4 and offers comprehensive major medical policies to individuals as well as Medicare Advantage products to Alabama consumers.

Bright Health Company of Arizona is an Arizona C Corporation and is one hundred percent owned by Bright Health Management, Inc. Bright Health Company of Arizona is licensed as a Health Care Services Organization under Arizona Revised Statutes § 20-1051. Bright Health Company of Arizona offers Medicare Advantage Products to Arizona consumers.

Bright Health Insurance Company of New York is a New York C Corporation and is one hundred percent owned by Bright Health Management, Inc. Bright Health Insurance Company of New York is currently seeking licensure as an Accident and Health insurer under Article 42 of the New York Insurance Law. Bright Health Insurance Company of New York does not currently offer any insurance products.

Bright Health Insurance Company of Tennessee is a Tennessee C Corporation and is one hundred percent owned by Bright Health Management, Inc. Bright Health Insurance Company of Tennessee is licensed as an Accident and Health insurer under Tennessee Code Annotated § 56-2-201(a). Bright Health Insurance Company of Tennessee does not currently offer any insurance products.

Bright Health Insurance Company of Ohio, Inc. is an Ohio C Corporation and is one hundred percent owned by Bright Health Management, Inc. Bright Health Insurance Company of Ohio, Inc. is licensed as a Health Insurance Corporation with a Life and Health line of business under Ohio Revised Code § 1751. Bright Health Insurance Company of Ohio, Inc. does not currently offer any insurance products.

On May 29, 2018, the Department notified the Company that it will not interpose any objection to the implementation of the following Agreements:

1. Effective May 30, 2018, the Company entered into a Management Services Agreement with Bright Health Management, Inc. Pursuant to the terms of the agreement, Bright Health Management Inc. agrees to provide all staffing, IT, enrollment, billing and cash collection, claims adjudication, a comprehensive network, utilization management, marketing, office space and other general expenses. The management fee under this Agreement shall be equal to the actual cost of the services rendered, on a “no gain, no loss” basis, as prescribed by Insurance Regulation 30 (11 NYCRR 105-109).
2. Effective May 30, 2018, the Company entered into a Tax Sharing Agreement with Bright Health, Inc. and Bright Health Management, Inc. Pursuant to the terms of the agreement, Bright Health Inc. will file consolidated federal income tax returns with Bright Health Management Inc. and Bright Health Insurance Company of New York under Section 1501 of the Internal Revenue Code of 1986, as amended (the “Code”). The tax liability of Bright Health Inc., Bright Health Management Inc., and Bright Health Insurance Company of New York will be determined by Section 1502 of the Code. The consolidated federal income tax liability, state and local income tax liability, and certain related matters are to be allocated in a manner consistent with the requirements of New York State Department of Financial Services Insurance Circular Letter No. 33 (December 20, 1979).
3. The Company entered into an Excess Risk Reinsurance Agreement with Swiss Re Life & Health America Inc. (“Reinsurer”) to be effective July 1, 2018. Pursuant to the terms of the agreement, Swiss Re Life & Health America Inc. will provide coverage for the following services:
 - Eligible Inpatient Hospital Services
 - Eligible Outpatient Health Services
 - Eligible Inpatient Rehabilitation Services
 - Eligible Home Health Services
 - Eligible Skilled Nursing Facility Services
 - Eligible Out of Area Emergency Services
 - Eligible Physician Services

- Eligible Physician Related Services
- Organ Transplants – Plan Approved Transplant Contract
- Organ Transplants – Non-Plan Approved Transplant Contract
- Drug Related Services

The Reinsurer's liability under the agreement is unlimited in excess of a \$250,000 deductible per member, per agreement period.

7. EXPENSES

During the examination, it was indicated that all the pre-operational expenses incurred by and on behalf of Bright Health were paid for by Bright Health Management, Inc. and that Bright Health Management, Inc. does not intend to "charge-back" Bright Health for any expenses it has or will incur on behalf of Bright Health prior to the formation and licensure of Bright Health, except for investment expenses and taxes.

Where applicable, with respect to transactions with affiliates and corresponding expense allocations, the Company is reminded to comply with the provisions of Article 15 of the New York Insurance Law and Insurance Regulation 30.

8. CONCLUSION

Based upon the foregoing examination, it is noted that the Company sold all of its 10,000 authorized shares of \$1,000 par value per share common stock for a sale price of \$2,310 per share, resulting in a total sale price of \$23,100,000. Of this amount, \$223,940.25 is on deposit, as of the date of this examination, in an account in the name of the New York Superintendent of Financial Services to meet the Company's statutory deposit and minimum capitalization requirements.

9. SUMMARY OF COMMENTS AND RECOMMENDATIONS

<u>ITEM</u>		<u>PAGE NO.</u>
A.	<u>Balance Sheet</u>	
	The written income tax allocation agreement was not effective until May 30, 2018; thus, the Company should not have filed a consolidated tax return for 2017, but rather a separate return.	5
B.	<u>Expenses</u>	
	Where applicable, with respect to transactions with affiliates and corresponding expense allocations, the Company is reminded to comply with the provisions of Article 15 of the New York Insurance Law and Insurance Regulation 30.	12

Respectfully submitted,

Abena Maycock
Senior Insurance Examiner

STATE OF NEW YORK)
) SS.
)
COUNTY OF NEW YORK)

Abena Maycock, being duly sworn, deposes and says that the foregoing report submitted by her is true to the best of her knowledge and belief.

Abena Maycock

Subscribed and sworn to before me

this _____ day of _____ 2018

NEW YORK STATE

DEPARTMENT OF FINANCIAL SERVICES

I, MARIA T. VULLO, Superintendent of Financial Services of the State of New York, pursuant to the provisions of the Financial Services Law and the Insurance Law, do hereby appoint:

Abena Maycock

as a proper person to examine the affairs of

Bright Health Insurance Company of New York

and to make a report on organization to me in writing of the condition of said

Company

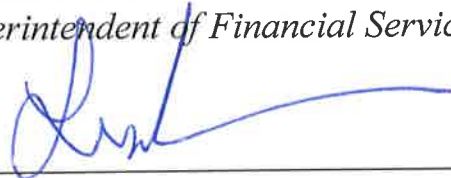
with such other information as he shall deem requisite.

*In Witness Whereof, I have hereunto subscribed my name
and affixed the official Seal of the Department
at the City of New York*

this 9th day of May, 2018

MARIA T. VULLO
Superintendent of Financial Services

By:



Lisette Johnson
Bureau Chief
Health Bureau

