

**STATE OF ALABAMA
DEPARTMENT OF INSURANCE
MONTGOMERY, ALABAMA**

REPORT OF EXAMINATION

**VIVA HEALTH, INC.
BIRMINGHAM, ALABAMA**

AS OF

DECEMBER 31, 2019

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EXAMINER'S AFFIDAVIT

**STATE OF ALABAMA
COUNTY OF JEFFERSON**

Agnes D. Riggins being duly sworn, states as follows:

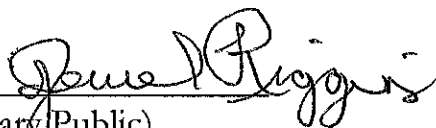
1. I have authority to represent Alabama in the examination of VIVA Health, Inc.
2. Alabama is accredited under the National Association of Insurance Commissioners Financial Regulation Standards and Accreditation.
3. I have reviewed the examination workpapers and examination report, and the examination of VIVA Health, Inc. was performed in a manner consistent with the standards and procedures required by the State of Alabama.

The affiant says nothing further.


Agnes D. Riggins
Examiner-in-Charge

Subscribed and sworn before me by Agnes D. Riggins on this 30th day of June 2020.

(SEAL)



(Signature of Notary Public)

My commission expires May 28, 2024



KAY IVEY
GOVERNOR

JIM L. RIDLING
COMMISSIONER

STATE OF ALABAMA
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RICHARD L. FORD
STATE FIRE MARSHAL
SCOTT F. PILGREEN
GENERAL COUNSEL
REYN NORMAN

June 30, 2020

Jim L. Ridling, Commissioner
State of Alabama
Department of Insurance
201 Monroe Street, Suite 502
Montgomery, Alabama 36104

Dear Commissioner Ridling:

Pursuant to your authorization and in compliance with the statutory requirements of the State of Alabama and resolutions adopted by the National Association of Insurance Commissioners (NAIC), an examination has been made of the affairs and financial condition of

VIVA Health, Inc.
Birmingham, Alabama

as of December 31, 2019 at its home office located at 417 20th Street North, Suite 1100, Birmingham, Alabama 35203. The report of examination is submitted herewith.

Where the description "Company" appears herein, without qualification, it will be understood to indicate VIVA Health, Inc.

SCOPE OF EXAMINATION

We have performed an examination of VIVA Health, Inc., a single state insurance company. The last examination covered the period of January 1, 2014 through December 31, 2016. The current examination covers the period of January 1, 2017 through December 31, 2019.

The examination was conducted in accordance with applicable statutory requirements of the Code of Alabama, 1975, as amended, the Alabama Insurance Department regulations, bulletins and directives, and in accordance with the procedures and guidelines promulgated by the NAIC, as deemed appropriate, and in accordance with generally accepted examination standards and practices.

The examination was conducted in accordance with the NAIC *Financial Condition Examiners 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.

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 Code of Alabama, 1975, as amended 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 separately communicated to other regulators and/or the Company.

The Company's annual statements for each year under examination were compared with or reconciled to the corresponding general ledger account balances.

An examination of the Company's information technology systems (IT) was conducted concurrently with the financial examination. The IT examination included a review of management and organizational controls, logical and physical security controls, changes in applications controls, system and program development controls, contingency planning controls, service provider controls, operations controls, processing controls, e-commerce controls, and network and internet controls.

A market conduct examination was performed concurrently with the financial examination. The examination included reviews of the Company's territory, plan of operation, claims handling, advertising and marketing, policy forms and underwriting, policyholders' complaints, producers' licensing requirements, and privacy standards.

PricewaterhouseCoopers, LLP, was the Company's certified public accountant (CPA) for all years under examination. The examiners reviewed the CPAs' workpapers, copies of which were incorporated into the examination as deemed appropriate.

A signed letter of representation was obtained at the conclusion of the examination. In this letter, management attested to having valid title to all assets and to the nonexistence of unrecorded liabilities as of December 31, 2019.

ORGANIZATION AND HISTORY

The Company was organized as a for-profit stock corporation on February 27, 1995, and commenced business on February 8, 1996. The Company was certified as a Health Maintenance Organization (HMO), as defined in ALA. CODE § 27-21A-1(7) (1975). The Company was originally incorporated as "HMO Inc." However, its Articles of Incorporation were amended on August 3, 1995, to change the name to current "VIVA Health, Inc."

The Company was formed as a wholly owned subsidiary of Triton Enterprises, LLC (Triton). Triton was formed, simultaneously with the Company, by the University of Alabama at Birmingham (UAB) (75% owner) and JBL & Company (JBL) (25% owner). During 1996, JBL relinquished its ownership in Triton. Subsequently, the name of Triton was changed to Triton Health Systems, LLC; and, it has since been owned 99% by UAB and 1% by the UAB Educational Foundation.

The Company was incorporated with \$100 in authorized capital, which consisted of 10,000 shares of common capital stock with par value of \$0.01 per share. On August 3,

1995, the Company increased its capitalization to \$100,000, which consisted of 10,000 shares of common capital stock with a par value of \$10 per share.

The Company received approval from the Alabama Department of Insurance on December 20, 2011, to convert to an Alabama non-profit corporation, effective January 1, 2012.

At December 31, 2019, the Company's unassigned funds (surplus) was \$129,502,240.

MANAGEMENT AND CONTROL

As of December 31, 2019, Triton Health Systems, L.L.C. (Triton) was the sole owner of the Company. Triton is owned 99% by the University of Alabama at Birmingham and 1% by the University of Alabama Educational Foundation, both are not-for-profit entities.

Board of Directors

Members elected to the Board of Directors of the Company by the sole member and serving at December 31, 2019, were as follows:

<u>Director and Residence</u>	<u>Principle Occupation</u>
Arthur Bradford Rollow Birmingham, Alabama	President/CEO, VIVA Health, Inc.
Dr. Isaac William Ferniany Birmingham, Alabama	CEO, UAB Health Systems
Dr. Ray Lannom Watts Birmingham, Alabama	President, University of Alabama at Birmingham
Dr. Selwyn M. Vickers Birmingham, Alabama	Senior VP/Dean, University of Alabama School of Medicine
Nelson Straub Bean Birmingham, Alabama	President/CEO, First Commercial Bank
Glenn Allen Bolton, Jr. Birmingham, Alabama	VP Financial Affairs and Administration University of Alabama at Birmingham
James Louie Cartee, Jr. Birmingham, Alabama	Retired Senior Account Manager, Corporate and Government Customers, Pfizer, Inc.
John Hobson Presley, Jr. Birmingham, Alabama	Partner, Balch & Bingham

Officers

Officers of the Company elected by the Board of Directors and serving at December 31, 2019 were as follows:

<u>Officer</u>	<u>Title</u>
Arthur Bradford Rollow	President/Chief Executive Officer
Glenn Allen Bolton, Jr.	Secretary/Treasurer
Dr. Isaac William Ferniany	Chairman of the Board
Letitia Eubanks Watkins	Chief Financial Officer
Frank Cardwell Feagin, Jr.	Chief Operating Officer
Elizabeth Clayton Yates	Chief Administrative Officer
Tara McCormick Bryant, MD	Chief Medical Director
William Doug Cannon	Vice President, Information Systems
Terry Dane Knight	Vice President, Provider Services
Cindy Ryland-Holmes	Vice President, Human Resources
James Wesley Yeatman	Corporate Controller

Audit Committee

The following were members of the Audit Committee as of December 31, 2019:

Glenn Allen Bolton, Jr.
Nelson Straub Bean
James Louie Cartee, Jr.
John Hobson Presley, Jr.

Conflict of Interest

Conflict of Interest Statements were reviewed for each director, officer, and key personnel. No material conflicts were noted.

CORPORATE RECORDS

The Articles of Incorporation and By-Laws as amended were inspected during the course of the examination and were found to provide for the Company's operation in accordance with the usual corporate practices and applicable statutes and regulations.

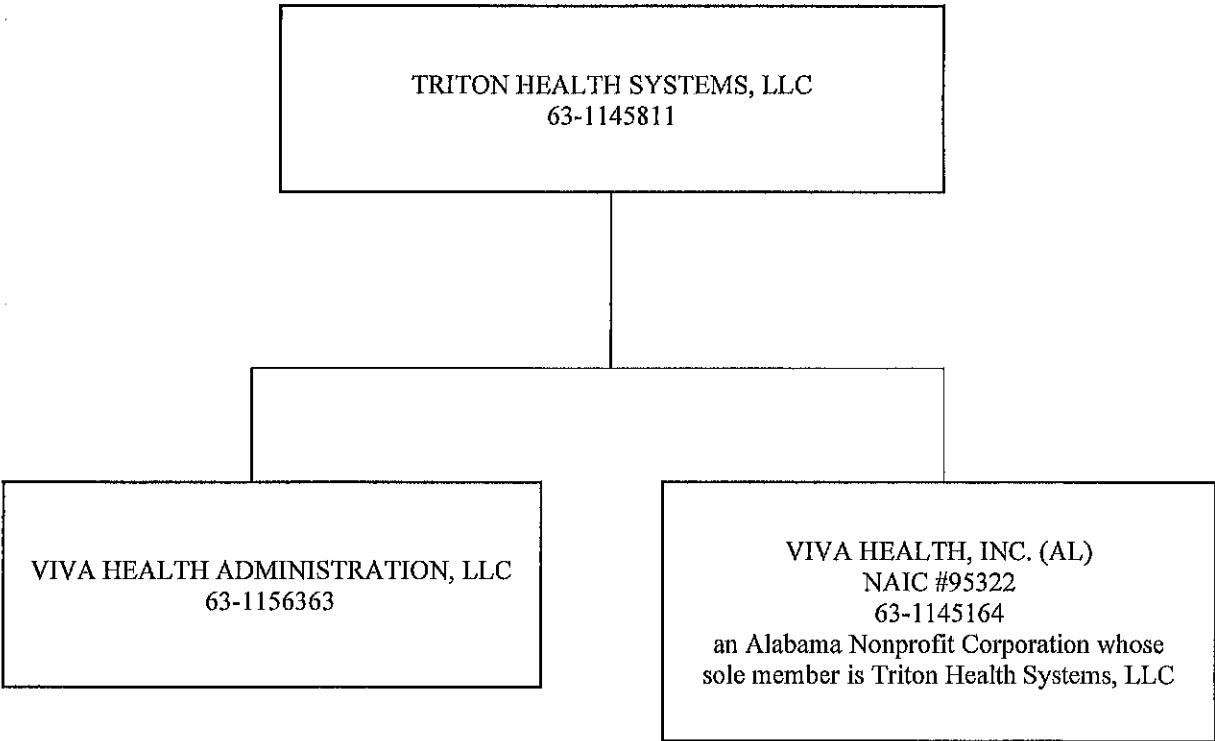
Minutes of meetings of the Board of Directors and committees were reviewed for the period under examination. The minutes appeared to be complete and provided for the operation of the Company in accordance with usual corporate practices and applicable statutes and regulations.

HOLDING COMPANY AND AFFILIATE MATTERS

Holding Company Registration

The Company is subject to the *Alabama Holding Company Regulatory Act* as defined in ALA. CODE § 27-29-1 (1975), as amended. The review of the Company’s filings during the examination period of January 1, 2017 through December 31, 2019, indicated that the required disclosures were included in the Company’s filings.

Organizational Chart



Management and Service Agreements

The Company had no employees during the examination period. It operated under a Management Services Agreement with its parent, Triton Health Systems, L.L.C. (Triton). The Management Services Agreement was approved by the Alabama Department of Insurance.

The Management Services Agreement was entered into on December 1, 2006, by VIVA Health, Inc. (VIVA) and Triton Health Systems, L.L.C. (Triton). In the Agreement, management services for VIVA including, but not limited to, general management, personnel management, human resources, facility management, purchasing, accounting, finance and legal services, as set forth in Attachment A of the Agreement will be performed by Triton. Notwithstanding the management services furnished by Triton, VIVA shall retain responsibility for ensuring that its activities comply with all applicable statutes and regulations.

In return for the management services furnished by Triton to VIVA, VIVA shall pay Triton a monthly management fee. The management fee is intended to cover all direct expenses and indirect expenses paid by Triton on behalf of VIVA. Amounts owed under this agreement will be settled within 30 days of month-end.

The Agreement may be terminated by either party upon thirty days' advance written notice of termination of the Agreement. This Agreement is the sole agreement between Triton and VIVA for the purpose of management of VIVA and payment to Triton for management services. Any amendments or revisions to the Agreement shall be effective only with the prior written consent of VIVA, Triton and the Commissioner.

First Amendment to the Management Services Agreement effective date January 1, 2010

The management fee per member per month for commercial and Medicare products increased.

Second Amendment to the Management Services Agreement effective date April 1, 2012

The management fee per member per month for commercial decreased and the management fee per member per month for Medicare products increased.

Third Amendment to the Management Services Agreement effective date September 1, 2016

The management fee per member per month for commercial and Medicare products increased.

Fourth Amendment to the Management Services Agreement effective date August 1, 2017

The management fee per member per month for commercial and Medicare products increased.

COMPLIANCE WITH 18 U.S.C. § 1033

18 U.S.C. § 1033 of the U.S. Code and ALA. ADMIN. CODE 482-1-146-.11 (2009) requires the Company to determine if prospective and current employees are in conflict with 18 U.S.C. § 1033, which prohibits persons with certain felony offenses from participating in the conducting of the business of insurance.

The Company's operations are conducted by personnel employed by Triton under the terms of a Management Services Agreement. (See page 7 for the Management Services Agreement.) Triton requires applicants for employment and all individuals with whom the Company intends to contract for activities in the business of insurance to consent to a background check as part of the employment application process. Employees who accept continued employment acknowledge and consent to periodic background checks as determined by the Company.

It was determined that the Company complied with 18 U.S.C. § 1033 of the U.S. Code and ALA. ADMIN. CODE 482-1-146-.11 (2009).

SCHEDULE OF SPECIAL DEPOSITS

In order to comply with the statutory requirements for doing business in the state of Alabama, the Company had the following on deposit with the Alabama Department of Insurance as of December 31, 2019:

Description	Book/Adjusted Carrying Value	Fair Value
*Certificate of Deposit	\$100,000	\$100,000
Total	\$100,000	\$100,000

*For the benefit of all Policyholders

FINANCIAL CONDITION / GROWTH OF THE COMPANY

The following table sets forth the significant items indicating the growth and financial condition of the Company for the period under review:

	Admitted Assets	Liabilities	Capital and Surplus	Net Premium Income
2019	\$ 214,905,740	\$ 85,403,500	\$ 129,502,240	\$ 785,542,248
2018	\$ 207,219,860	\$ 83,993,355	\$ 123,225,905	\$ 735,247,894
2017	\$ 208,200,418	\$ 97,324,768	\$ 110,875,650	\$ 710,567,796

MARKET CONDUCT ACTIVITIES

Plan of Operation

The Company is a health maintenance organization whose purpose is to provide a prescribed range of healthcare services through agreements with primary care physicians, specialty physicians, hospitals and ancillary service providers to their enrolled population. The Company's principle lines of business are Comprehensive (Hospital and Medical) and Title XVIII Medicare insurance. The Company utilized independent producers to write business in the Alabama counties where it was licensed.

Territory

As of December 31, 2019, the Company was licensed to transact business in the state of Alabama. The Certificate of Authority was reviewed for the period under examination. The Company was licensed to write business in the following counties:

Autauga*	Baldwin*	Barbour	Bibb	Blount*	Bullock*
Butler	Calhoun*	Chambers	Cherokee*	Chilton*	Choctaw
Clarke	Clay	Cleburne	Coffee	Colbert*	Conecuh
Coosa	Covington	Crenshaw*	Cullman*	Dale*	Dallas
DeKalb*	Elmore*	Escambia	Etowah*	Fayette	Franklin*
Geneva*	Greene	Hale	Henry*	Houston*	Jackson
Jefferson*	Lamar	Lauderdale*	Lawrence	Lee*	Limestone
Lowndes*	Macon*	Madison	Marengo	Marion	Mobile*
Monroe	Montgomery*	Morgan	Perry	Pickens	Pike*
Randolph	Russell	Shelby*	St. Clair*	Sumter	Talladega*
Tallapoosa*	Tuscaloosa	Walker*	Washington	Wilcox	Winston

*Medicare Licensed Counties

Counties approved since the previous examination: Choctaw, Escambia, Greene, Jackson, Limestone, Marengo and Sumter.

Advertising and Marketing

A review of the Company's advertising materials for January 1, 2017 through December 31, 2019 was performed. The Company's advertising file contained specimen copies of all the Company's advertisements that were printed, published or prepared. Producers were not permitted to create their own advertising materials. The Company's web site www.vivahealth.com included the following: Home, Plans, About Us, Medicare Service Area, Group Insurance, Service Area, Provider Search, Member Portal, Notice of Privacy Practices, First Tier Downstream and Related Entities, Medicare, Group Coverage, Why VIVA, Provider, and Careers. The advertising materials did not misrepresent policy benefits, forms or conditions, make unfair or incomplete comparisons with other policies, or make false, deceptive or misleading statements or representations.

Claims Handling

Paid Claims

A sample of 109 Alabama paid claims were selected for the examination period, January 1, 2017 through December 31, 2019. The sample was reviewed for compliance with the Company's policy provisions, timeliness of payments, and adequacy of documentation. No issues were found.

The review determined the claims were paid in accordance with ALA. ADMIN. CODE 482-1-079.18 (1987), which states:

All licensed HMO's shall consider claims made under their health care contracts and, if found to be valid and proper, shall pay such claims within forty-five (45) days after the receipt of proof of the fact and amount of loss sustained under such contracts.

Denied and Closed Claims

A sample of 109 Alabama denied and closed without payment claims were selected for the examination period, January 1, 2017 through December 31, 2019. The sample was reviewed for compliance with the Company's policy provisions and adequacy of documentation. The review determined the Company was in compliance. No issues were found.

Dividends to Policyholders

There were no dividends paid to policyholders during the examination period.

Policyholders' Complaints

During the examination period, it was determined the Company recorded all complaints, both consumer direct and those forwarded by the Alabama Department of Insurance. The Company appropriately maintained the following information in its complaint register: line of business, function and reason for the complaint. The Company's responses fully addressed the issues raised, and the complaints were appropriately resolved within the required time frame. Based on the review of the Company's complaint procedures, it was determined that the Company had a sufficient method for the distribution of and obtaining and recording responses to complaints. The review of the complaints determined that the responses were submitted in a timely manner and addressed the issues raised.

Producers' Licensing Requirements

Producer Appointments

A sample of new business transactions during the examination period was reviewed. The sample consisted of 116 new business transactions from a population of 2,340 transactions during the examination period. NAIC's State Based System (NAIC SBS)

was used to verify that the producers were appropriately licensed and appointed by the Company prior to writing the business.

Producer Terminations

The entire population of thirty-nine Alabama terminated producers were reviewed. The review determined the Company appropriately terminated the producers through NAIC SBS.

Policy Forms and Underwriting

A sample selection of 116 transactions from a population of 2,340 written premium transactions for the examination period was selected. The sample selection was reviewed with regards to compliance with underwriting guidelines and unfair discriminatory practices. The premiums were calculated in accordance with the Company's guidelines, and rates filed with the Alabama Department of Insurance (ALDOI). The Company's rating factors are based upon the Group as a whole and each member of the Group is rated according to their age, sex and family status. The information reviewed indicated the Company did not use unfair or discriminatory practices.

The review of cancellation/nonrenewed files determined the Company maintained proper documentation of Company initiated and insured initiated cancellations. The Company provided all cancellation/nonrenewed policies requested which complied with ALA. CODE § 27-21A-16 (f) (1975), which states:

All records necessary for the complete examination of a health maintenance organization domiciled in this state shall be maintained in a location approved by the commissioner.

Privacy

The Company's Privacy Notice disclosed the types of information collected, how the information is used, the way the information is collected and how the information is protected. The Company's Privacy Notice also stated the customers' rights, and the Company does not disclose any information to any nonaffiliated third parties unless permitted to do so by law. In addition, the Company's HIPAA guidelines described how the medical information about the customer may be used and disclosed how the Company gained access to the information. The Company established that it makes reasonable efforts to disclose only the minimum necessary information and trains its employees on the importance of protecting customer's Protected Health Information

(PHI). There were mechanisms in place to ensure the integrity of data during transmission, and a strict policy for its employees and vendors for violations of its HIPAA policy and procedures. The Company's policies, practices and procedures regarding the protection and disclosure of non-public personal information of consumers and former customers were in compliance with ALA. ADMIN. CODE 482-1-122 (2001).

REINSURANCE

Reinsurance Assumed

The Company did not assume any reinsurance during the examination period.

Reinsurance Ceded

As of the examination date, the Company maintained two reinsurance treaties designed to protect the Company from large single-risk losses and losses from human organ and bone marrow transplant services. The treaty with American National Insurance Company, Galveston, Texas, was structured as an HMO Excess of Loss reinsurance treaty and the treaty with Gerber Life Insurance Company, White Plains, New York, was structured as a human organ and bone marrow transplant reinsurance agreement. Schedule S - Part 3 - Section 2 of the Company's 2019 Annual Statement reported \$4,739,221 in ceded premiums. No reserve credit was taken at year-end 2019 for ceded reinsurance.

The reinsurance contracts in-force as of December 31, 2019, are summarized below:

American National Insurance Company

Policy effective date:	January 1, 2019 through January 1, 2020
Coverage:	Subject to the limits and terms in the agreement, American National Insurance Company will reimburse VIVA Health, Inc. the Reimbursement Amount calculated as the Coinsurance percent multiplied by the amount by which the Eligible Expense for a Member exceeds the retention, up to any applicable limits.
Lines of business covered:	Commercial HMO
Annual deductible:	\$2,200,000 per Member per Agreement Period
Reinsurance Maximum:	\$2,000,000 per Member per Agreement Period
Coinsurance:	90%

Gerber Life Insurance Company

Type of contract:	Human Organ and Bone Marrow Transplant
Policy effective date	October 1, 2019 through September 30, 2020
Coverage	Organ transplants which occurs during the term of the agreement, as outlined in Schedule 1.3, Item 1.1.4 of the agreement (liver, kidney, heart, lung, heart/lung, double lung, pancreas, or simultaneous pancreas/kidney transplant and digestive)
Lines of Business Covered	Commercial, UAB Access, Medicare
Deductible per transplant	\$25,000 per transplant
Individual Lifetime Maximum	\$2,000,000 for each covered transplant procedure

ACCOUNTS AND RECORDS

The Company's principal accounting records were maintained primarily on electronic data processing (EDP) equipment. Management and record keeping functions were performed by the personnel of Triton Health Systems, L.L.C. under the terms of a Management Services Agreement.

FINANCIAL STATEMENT INDEX

The following financial statements are based on the statutory financial statements filed by the Company with the Alabama Department of Insurance and present the financial condition of the Company for the period ending December 31, 2019. The accompanying comments on the financial statement reflect any examination adjustments to the amount reported in the annual statement and should be an integral part of the financial statements.

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VIVA HEALTH, INC.
STATEMENT OF ASSETS
For the Year Ended December 31, 2019

	<u>Assets</u>	<u>Assets Not Admitted</u>	<u>Net Admitted Assets</u>	<u>Prior Year Net Admitted Assets</u>
ASSETS				
Bonds	\$ 104,675,773	\$ 0	\$ 104,675,773	\$ 106,325,913
Common Stocks				
Cash, cash equivalents and short-term investment	47,236,833		47,236,833	71,772,123
Investment income due and accrued	482,803		482,803	592,701
Uncollected premiums and agents' balance in the course of collection	29,981,757	95,099	29,886,658	5,815,865
Accrued retrospective premiums and contracts subject to redetermination	2,218,130		2,218,130	533,227
Amounts receivable relating to uninsured plans	7,964,408		7,964,408	2,262,242
Current federal and foreign income tax recoverable and interest thereon				
Net deferred tax asset	4,180,316		4,180,316	3,171,430
Guaranty funds receivable or on deposit	50,000		50,000	75,000
Receivables from parent, subsidiaries and affiliates	1,445,812		1,445,812	2,405,447
Health care and other amounts receivables	<u>35,974,370</u>	<u>19,209,363</u>	<u>16,765,007</u>	<u>14,265,912</u>
TOTAL ASSETS	\$ <u>234,210,202</u>	\$ <u>19,304,462</u>	\$ <u>214,905,740</u>	\$ <u>207,219,860</u>

THE NOTES IMMEDIATELY FOLLOWING THE FINANCIAL STATEMENTS IN THIS REPORT ARE AN INTEGRAL PART THEREOF.

VIVA HEALTH, INC.
STATEMENT OF LIABILITIES, CAPITAL AND SURPLUS
For the Year Ended December 31, 2019

	<u>Covered</u>	<u>Uncovered</u>	<u>Total</u>	<u>Prior Year</u> <u>Total</u>
Liabilities:				
Claims unpaid	\$ 51,842,438	\$ 1,603,374	\$ 53,445,812	\$ 52,410,224
Accrued medical incentive pool and bonus amounts	3,600,000		3,600,000	4,869,112
Unpaid claims adjustment expenses	2,022,085		2,022,085	2,156,327
Aggregate health policy reserves	350,000		350,000	721,608
Premiums received in advance	511,227		511,227	498,566
General expenses due or accrued	767,626		767,626	342,763
Current federal and foreign income tax payable and interest thereon	1,636,807		1,636,807	359,868
Amounts due to parent, subsidiaries and affiliates	227,479		227,479	135,487
Payable for securities	342,464		342,464	
Liability for amounts held under uninsured plans	0	0	0	0
Aggregate write-in for other liabilities	<u>22,500,000</u>	<u>0</u>	<u>22,500,000</u>	<u>22,500,000</u>
Total Liabilities	<u>\$ 83,800,126</u>	<u>\$ 1,603,374</u>	<u>\$ 85,403,500</u>	<u>\$ 83,993,955</u>
Capital and Surplus:				
Common capital stock				
Preferred capital stock				
Gross paid in and contributed surplus				
Unassigned funds (surplus)			129,502,240	123,225,905
Total capital and surplus			<u>\$ 129,502,240</u>	<u>\$ 123,225,905</u>
Total liabilities, capital and surplus			<u>\$ 214,905,740</u>	<u>\$ 207,219,860</u>

THE NOTES IMMEDIATELY FOLLOWING THE FINANCIAL STATEMENTS IN THIS REPORT ARE AN INTEGRAL PART THEREOF.

VIVA HEALTH, INC.
STATEMENT OF REVENUE AND EXPENSES
For the Years Ended December 31, 2019, 2018 and 2017

	<u>2019</u>	<u>2018</u>	<u>2017</u>
MEMBER MONTHS	891,397	894,409	900,787
Net premium income	\$ 785,534,554	\$ 735,247,894	\$ 710,567,796
Aggregate write-ins for other health care related revenues	<u>7,694</u>	<u>8,000</u>	<u>5,365</u>
Total revenues	\$ 785,542,248	\$ 735,255,894	\$ 710,573,161
<u>Medical and Hospital:</u>			
Hospital/medical benefits	\$ 526,810,976	\$ 490,114,467	\$ 474,345,983
Other professional services	25,665,636	20,398,093	17,593,707
Emergency room and out-of-area	18,975,698	17,950,223	17,624,577
Prescription drugs	65,820,311	55,689,116	52,719,660
Aggregate write-ins for other hospital and medical	40,742,234	38,012,982	35,442,573
Incentive pool, withhold adjustments, and bonus amounts	<u>2,812,132</u>	<u>5,145,290</u>	<u>3,895,345</u>
Subtotal	\$ 680,826,987	\$ 627,310,171	\$ 601,621,845
<u>Less:</u>			
Net reinsurance recoveries	185,396		
Total hospital and medical	\$ 680,641,591	\$ 627,310,171	\$ 601,621,845
Claims adjustment expenses	24,333,427	23,854,964	22,341,972
General administration expenses	73,000,281	71,564,892	67,025,917
Increase in reserves for life and accident and health contracts	<u>0</u>	<u>0</u>	<u>0</u>
Total underwriting deductions	\$ 777,975,299	\$ 722,730,027	\$ 690,989,734
Net underwriting gain or (loss)	\$ 7,566,949	\$ 12,525,867	\$ 19,583,427
Net investment income earned	4,094,399	3,144,675	1,050,601
Net realized capital gains or (losses)	<u>778,223</u>	<u>(56,381)</u>	<u>(2,742)</u>
Net investment gains or (losses)	\$ 4,872,622	\$ 3,088,294	\$ 1,047,859
Net gain or (loss) from agents' or premium balance charged off	(5,243)	(8,759)	(10,920)
Aggregate write-ins for other income or expenses			
Net income or (loss)	\$ 12,434,328	\$ 15,605,402	\$ 20,620,366
Federal and foreign income taxes incurred	<u>\$ 2,472,470</u>	<u>\$ 3,295,839</u>	<u>\$ 7,144,098</u>
Net income (loss)	\$ 9,961,858	\$ 12,309,563	\$ 13,476,268

THE NOTES IMMEDIATELY FOLLOWING THE FINANCIAL STATEMENTS IN THIS REPORT ARE AN INTEGRAL PART THEREOF.

NOTES TO FINANCIAL STATEMENTS

Note 1- Analysis of Changes to Surplus

There were no adjustments made to surplus.

CONTINGENT LIABILITIES AND PENDING LITIGATION

The review of contingent liabilities and pending litigation included a review of the statutory financial statement disclosures, minutes of the corporate governing bodies, examination of the accounts and unrecorded items; and obtaining a letter of representation from management. These reviews did not disclose any items that would have a material effect on the Company's financial condition.

SUBSEQUENT EVENTS

A review of events subsequent to the December 31, 2019, examination date was completed. The review of subsequent events included an inspection of the general journal entries, minutes of meetings, interim financial statements and an inquiry of accounting matters. These reviews did not disclose any items that would have a material effect on the Company's financial condition in the event of an adverse outcome.

The first quarter of 2020 noted the spread of coronavirus (COVID-19) across the United States. The potential impact of COVID-19 on the Company is undetermined at this time due to the ongoing nature and implications of COVID-19.

COMPLIANCE WITH PREVIOUS RECOMMENDATIONS

A review of the Company's compliance with recommendations made in the previous examination report indicated the Company had satisfactorily complied with the previous examination recommendations.

COMMENTS AND RECOMMENDATIONS

The examination did not result in any significant examination findings. There were no comments or recommendations.

CONCLUSION

Acknowledgment is hereby made of the courtesy and cooperation extended by the management and employees of VIVA Health, Inc. during this examination.

The customary insurance examination procedures, as recommended by the National Association of Insurance Commissioners, have been followed to the extent appropriate in connection with the verification and valuation of assets and determination of liabilities set forth in this report.

In addition to the undersigned, Mora Perkins-Taylor, MCM, Jackson Goodwin, Insurance Examiner Trainee, Andarius Vincent, Insurance Examiner Trainee, Harland Dyer, ASA, MAAA, Stefan Obereichholz-Bangert, AES, CISA, CISM Noble Consulting Services, Inc. all representing the Alabama Department of Insurance, participated in certain phases of this examination.

Respectfully submitted,



Agnes D. Riggins
Examiner-in-Charge
State of Alabama Department of Insurance