

STATE OF INDIANA) BEFORE THE INDIANA
) SS:
COUNTY OF MARION) COMMISSIONER OF INSURANCE

IN THE MATTER OF:)
)
American Specialty Health Insurance Company)
12800 North Meridian Street)
Carmel, IN 46032)

Examination of: **American Specialty Health Insurance Company**


NOTICE OF ENTRY OF ORDER

Enclosed is the Final Order entered by Stephen W. Robertson, Commissioner of the Indiana Department of Insurance, after fully considering and reviewing the Verified Report of Examination of American Specialty Health Insurance Company, any relevant examination work papers, and any written submissions or rebuttals. The Verified Report of Examination, as sent to you on June 6, 2018, has been adopted by the Commissioner.

Pursuant to Ind. Code § 27-1-3.1-12(b), within thirty (30) days of receipt of the Final Order, each director of American Specialty Health Insurance Company⁷ shall file an affidavit with the Indiana Department of Insurance stating that he/she has received a copy of the Verified Report of Examination and the Final Order.

The Final Order is a final administrative decision that may be appealed pursuant to Ind. Code § 4-21.5-5.

June 25, 2018
Date


Roy Eft
Chief Financial Examiner

CERTIFIED MAIL NUMBER: 7005 3110 0002 4443 9926

STATE OF INDIANA) BEFORE THE INDIANA
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American Specialty Health Insurance Company)
12800 North Meridian Street)
Carmel, IN 46032)

Examination of: **American Specialty Health Insurance Company**

FINDINGS AND FINAL ORDER

The Indiana Department of Insurance conducted an examination into the affairs of the American Specialty Health Insurance Company (hereinafter “Company”) for the time period January 1, 2012 through December 31, 2016.

The Verified Report of Examination was filed with the Commissioner of the Department of Insurance (hereinafter “Commissioner”) by the Examiner on March 30, 2018.

A copy of the Verified Report of Examination, along with a Notice of Opportunity to Make Written Submission or Rebuttal, was mailed to the Company via Certified Mail on June 6, 2018 and was received by the Company on June 13, 2018.

The Company did not file any objections.

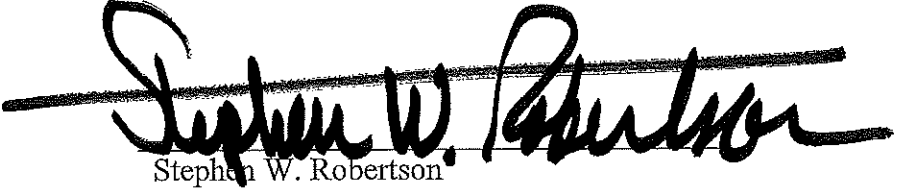
NOW THEREFORE, based on the Verified Report of Examination, I hereby make the following **FINDINGS**:

1. That the Verified Report of Examination is a true and accurate report of the financial condition and affairs of the American Specialty Health Insurance Company as of December 31, 2016.
2. That the Examiner’s Recommendations are reasonable and necessary in order for the American Specialty Health Insurance Company to comply with the laws of the State of Indiana.

Based on the FINDINGS, the Commissioner does hereby ORDER:

1. Pursuant to Ind. Code § 27-1-3.1-11(a)(1), the Verified Report of Examination is adopted and shall be filed. Hereafter the Verified Report of Examination, may constitute prima facie evidence of the facts contained therein in any action or proceeding taken by the Indiana Department of Insurance against the Company, its officers, directors, or agents.
2. The Company shall comply with the Examiner's Recommendations enumerated in summary form and throughout the text of the Verified Report of Examination. A written response to these recommendations should be provided to the Department within 30 days of receipt of this order.
3. Compliance with the Examiner's recommendations shall be completed on or before the filing of the subsequent annual statement. In the event it is not feasible to comply with a recommendation before the filing of the subsequent annual statement, the Company shall submit a written explanation as to why it was not feasible with the filing of the annual statement.

Signed this 25 day of
June, 2018.


Stephen W. Robertson
Insurance Commissioner
Indiana Department of Insurance

ABOUT AFFIRMATIONS

The following pages for affirmations need to be signed by each Board Member and returned to the Indiana Department of Insurance within thirty (30) days in accordance with I.C. §27-1-3.1-12(b).

If your affirmations list individuals that are no longer on your Board of Directors, you may simply retype the form on plain white paper with the correct names and a line to the right for signature. If the names are misspelled, you may do the same, simply re-type the corrected form with a line to the right for signature.

Should you have any questions or difficulties with these forms or you require additional time past the thirty (30) day requirement, please do not hesitate to contact this department at (317) 232-2390.

Robert W. ...

...

STATE OF INDIANA
Department of Insurance
REPORT OF EXAMINATION
OF

AMERICAN SPECIALTY HEALTH INSURANCE COMPANY
NAIC COMPANY CODE 84697
NAIC GROUP CODE 3502

As of

December 31, 2016

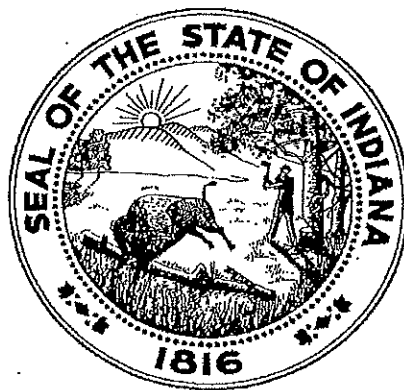


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STATE OF INDIANA

ERIC J. HOLCOMB, GOVERNOR

Indiana Department of Insurance

Stephen W. Robertson, Commissioner
311 W. Washington Street, Suite 103
Indianapolis, Indiana 46204-2787
Telephone: 317-232-2385
Fax: 317-232-5251
Website: in.gov/idoi

March 30, 2018

Honorable Stephen W. Robertson
Commissioner
Indiana Department of Insurance
311 West Washington Street, Suite 300
Indianapolis, Indiana 46204-2787

Dear Commissioner:

Pursuant to the authority vested in Appointment Number 3962, an examination has been made of the affairs and financial condition of:

American Specialty Health Insurance Company
12800 North Meridian Street
Carmel, IN 46032

an Indiana domestic stock life, accident and health insurance company, hereinafter referred to as the "Company." The examination was conducted at the corporate offices of the Company located at 10221 Wateridge Circle, San Diego, California 92121.

The Report of Examination, showing the financial status of the Company as of December 31, 2016, is hereby respectfully submitted.

ACCREDITED BY THE NATIONAL ASSOCIATION OF INSURANCE COMMISSIONERS

AGENCY SERVICES 317-232-2413	COMPANY COMPLIANCE 317-232-3495	CONSUMER SERVICES 317-232-2395/1-800-622-4461	FINANCIAL SERVICES 317-232-2390	MEDICAL MALPRACTICE 317-232-2402	COMPANY RECORDS 317-232-5692	STATE HEALTH INSURANCE PROGRAM 1-800-452-4800
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SCOPE OF EXAMINATION

The Company was last examined by representatives of the Illinois Department of Insurance as of December 31, 2011. The present risk-focused examination was conducted by The Thomas Consulting Group, Inc. (Thomas Consulting) and covered the period from January 1, 2012 through December 31, 2016, included any material transactions and/or events occurring subsequent to the examination date and noted during the course of this examination.

In conducting the risk-focused examination, the Indiana Department of Insurance (INDOI), by its representatives, relied upon the independent audit reports and opinions contained therein rendered by KPMG, LLP for each year of the examination period. Such reports were prepared on a statutory basis and reconciled to the financial statements contained in the respective Annual Statements.

Thomas Consulting conducted a review of the information systems controls and gained an understanding of the information systems utilized. It was concluded that there would be reliance placed upon the Company's information systems.

In accordance with the 2016 NAIC *Financial Condition Examiners Handbook*, Thomas Consulting planned and performed the risk-focused examination to evaluate the financial condition of the Company and to identify prospective risks related to its operations. The examination process included an evaluation of corporate governance, identification and assessment of inherent risks and documentation of system controls, and procedures used to mitigate the identified risks. In addition, the Examiners performed an assessment of the principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. The examination also included a review of the Company's compliance with Statutory Accounting Principles, Annual Statement Instructions, and the Indiana Insurance Code. All accounts and activities of the Company were considered in accordance with the risk-focused examination process.

HISTORY

The Company was incorporated in the State of Illinois as Western Diversified Life Insurance Company (WDL) on December 27, 1972 and licensed on July 24, 1974.

Effective April 1986, the Company was acquired from the Wickes Companies, Inc. (WCI) by Continental Life and Accident Company (CLAC), as part of a larger transaction between Aristar, Inc. (AI) and the WCI.

All outstanding stock of CLAC was directly owned by John Alden Life Insurance Company, a Minnesota corporation and subsidiary of AI. During 1987, John Alden Life Insurance Company was acquired by John Alden Financial Corporation, the ultimate holding company. Through a reorganization of John Alden Financial Corporation on October 30, 1987, John Alden Life Insurance Company became the direct parent of WDL.

On September 30, 1997, Protective Life Insurance Company (PLIC) acquired 100% of the outstanding common stock of the Company and its affiliates. PLIC is a Tennessee domestic insurer, qualified to do business as a capital stock legal reserve life and health insurer.

On October 30, 2001, American Specialty Health Incorporated, (ASHI), a Delaware Corporation, purchased

all of the outstanding common stock of WDL from PLIC. On February 13, 2003, the Company's name was changed to American Specialty Health Insurance Company.

On December 22, 2016, the INDOI approved the registrant's application for redomestication to the State of Indiana from the State of Illinois effective December 15, 2016.

CAPITAL AND SURPLUS

The Amended Articles of Incorporation provide that the authorized capital of the Company shall be \$3,000,000, which consists of 300,000 shares of common stock with a par value of \$10 per share. As of December 31, 2016, the Company's total capital and surplus was \$8,414,819, which included; (a) \$3,000,000 common stock issued and outstanding, (b) gross paid-in contributed surplus of \$4,688,328, and (c) unassigned funds (surplus) of \$726,491. All issued shares were owned by ASHI as of December 31, 2016. Mr. George T. DeVries, III holds 85.56% of the shares of common stock of ASHI.

DIVIDENDS TO STOCKHOLDERS

No dividends were declared or paid during the period under examination.

TERRITORY AND PLAN OF OPERATION

The Company does not sell or market direct insurance policies, but instead assumes quota share reinsurance business from other health plans. Under these agreements, the Company accepts downstream financial risks for limited physical medicine related services. The Company's primary business is the delivery of specialty health care benefit programs including, but not limited to, chiropractic care, acupuncture, physical therapy, occupational therapy, massage therapy, naturopathy, and dietetics.

The Company also provides specialty healthcare services to its customers through the use of risk-based products in which the Company assumes all or a substantial portion of the responsibility for the cost of providing treatment services to covered members in exchange for a fixed per member per month fee. The Company compensates practitioners that provide treatment services to its members on a fee-for-services basis. As of December 31, 2016, the Company had 187,559 total covered lives related to its contracts with health plans and Health Maintenance Organizations.

In 2012, due to new requirements set forth in the Affordable Care Act, the Company stopped marketing and issuing direct group business. The Company continues to provide reinsurance to health plans for physical medicine related services.

The Company is currently licensed to operate in forty-three (43) states and the District of Columbia.

GROWTH OF THE COMPANY

The following exhibit summarizes the Company's financial results during the examination period:

<u>Year</u>	<u>Admitted Assets</u>	<u>Liabilities</u>	<u>Policyholder Surplus</u>	<u>Net Premiums Earned</u>	<u>Net Income</u>
2016	\$9,540,985	\$1,126,166	\$8,414,819	\$1,775,668	\$178,118
2015	8,518,225	369,017	8,149,208	3,016,955	664,189
2014	8,119,190	590,628	7,528,562	3,030,214	445,950
2013	8,104,167	844,525	7,259,642	5,227,239	(269,229)
2012	9,241,069	1,649,742	7,591,327	4,933,138	(678,020)

The total admitted assets increased by \$1,022,760 or 12% in 2016. This increase is primarily driven by net income earned over the period and customer unapplied payments which are recorded as liabilities in remittances and items not allocated. The total liabilities increased by \$757,149 or 205% in 2016. This significant increase is primarily driven by unfavorable revenue adjustments related to amounts that it had previously recognized as revenue, and accordingly, adjusted its revenue. The decrease in 2016 net premiums earned and net income is primarily attributable to a decrease of 23% in member months. The Company has reported a positive net income in all but two (2) years under examination. The loss positions in 2012 and 2013 were associated with the Medical Loss Ratios rebates.

MANAGEMENT AND CONTROL

Directors

The Bylaws of the Company stipulate that the Board of Directors (Board) shall be fixed from time to time by resolution of the directors or the shareholders provided that; (a) the Board shall consist of a minimum of five (5) and a maximum of fourteen (14) natural persons, and (b) that no decrease in the number of directors shall have the effect of shortening the term of any incumbent director. At least one (1) of the directors shall be a resident of the State of Indiana.

The following persons were serving as directors as of December 31, 2016:

<u>Name and Residence</u>	<u>Principal Occupation</u>
George T. DeVries, III Rancho Santa Fe, CA	Chairman and Chief Executive Officer American Specialty Health, Inc.
Jerome C. Bonhomme San Diego, CA	Chief Technology Officer and Executive Vice President (EVP) American Specialty Health, Inc.
William M. Comer, Jr. San Diego, California	Chief Financial Officer, Treasurer and EVP American Specialty Health, Inc.

Monte I. Dube Chicago, Illinois	Attorney Proskaur Rose LLP
Julie K. Jennings Carmel, Indiana	Executive Vice President American Specialty Health, Inc.
Kevin E. Kujawa Carmel, Indiana	Chief Information Officer and EVP American Specialty Health, Inc.
R. Douglas Metz, D.C. Carmel, Indiana	Chief Health Service Officer and EVP American Specialty Health, Inc.
Paul R. Peterson Hinsdale, Illinois	Corporate Lawyer Sole Practitioner
Robert P. White San Diego, California	Chief Operations Officer, President and Secretary American Specialty Health, Inc.
Daniel T. Yunker Batavia, Illinois	President and CEO Midwest Healthcare Institute

Officers

The following persons were serving as officers of the Company as of December 31, 2016:

<u>Name</u>	<u>Title</u>
George T. DeVries, III	Chairman and Chief Executive Officer
Robert P. White	Chief Operations Officer, President and Secretary
R. Douglas Metz, D.C.	Chief Health Services Officer and EVP
William M. Comer, Jr.	Chief Financial Officer, Treasurer and EVP
Kevin E. Kujawa	Chief Information Officer and EVP
Julie K. Jennings	Executive Vice President
Jerome C. Bonhomme	Chief Technology Officer and EVP

Corporate Governance

The Company is a wholly-owned subsidiary of ASHL. ASHL's Board, which includes external directors, indirectly oversees the activities of the Company and provides a sufficient framework to manage the best

interests of the Company. ASHI's Board includes an Audit and Finance Committee, a Quality and Compliance Committee, and a Compensation Committee. Each committee is chaired by an independent board member with specific expertise related to their committee's charter and oversight responsibilities.

As of December 31, 2016, the members serving on the committees of ASHI's Board were as follows:

Audit and Finance Committee:

Woodrin B. Grossman	Chairman
Paul R. Peterson	
Daniel T. Yunker	

Quality and Compliance Committee:

Paul R. Peterson	Chairman
Woodrin Grossman	
Daniel T. Yunker	
George T. DeVries, III	
Jan E. DeVries	

Compensation Committee:

Daniel T. Yunker	Chairman
Paul R. Peterson	
Woodrin B. Grossman	

CONFLICT OF INTEREST

The Company has in place an established conflict of interest policy and procedures for the disclosure of any material interest or affiliation by any director, officer, or key employee, which is likely to conflict with their official duties. From a review of the officers' and directors' signed statements, there were no conflicts of interest noted for the period under examination.

OATH OF OFFICE

Indiana Code (IC) 27-1-7-10(i) stipulates that every director, when elected, shall take and subscribe to an oath stating that he or she will faithfully, honestly and diligently administer the affairs of the corporation, and will not knowingly violate any of the laws applicable to such corporation. Each director signed an Oath of Office statement when elected and annually thereafter.

CORPORATE RECORDS

Articles of Incorporation

The Company's Articles of Incorporation were amended during the period under examination as a result of the redomestication of the Company from the State of Illinois to the State of Indiana in late December 2016.

Bylaws

The Company's Bylaws were amended during the period under examination as a result of the redomestication of the Company from the State of Illinois to the State of Indiana in late December 2016.

Minutes

The minutes for the Board of Directors and the Shareholders for the period under examination were reviewed and deemed to adequately describe the actions taken during the Meetings.

AFFILIATED COMPANIES

Organizational Structure

The Company is a member of an insurance holding company system as defined by IC 27-1-23.

The following is a list of ASHI subsidiaries or affiliates which may have a direct or indirect relationship with the Company.

- ❖ George T. DeVries, III and Family 85.56% - Holding Co., Inc. 13.18% and Other Minority Shareholders 1.26%
 - American Specialty Health Incorporated (Delaware) Owns 100% of 14 Companies
 - American Specialty Health Administrators, Inc. (Delaware)
 - American Specialty Health Clearinghouse, Inc. (Delaware)
 - American Specialty Health Group, Inc. (California)
 - American Specialty Health Group of South Dakota, Inc. (South Dakota)
 - American Specialty Health IPA of New York, Inc. (New York)
 - American Specialty Health Plans of California, Inc. (California)
 - American Specialty Physical Medicine, Inc. (Delaware)
 - American Specialty Health Fitness, Inc. (Delaware)
 - American Specialty Health Management, Inc. (California)
 - Healthyroads Biometrics, Inc. (Delaware)
 - American Specialty Health Engaged, Inc. (Delaware)
 - **American Specialty Health Insurance Company (Indiana) (NAIC 84697)**
 - American Specialty Health Systems, Inc. (Delaware)
 - American Specialty Health ODS of New Jersey, Inc. (New Jersey) (NAIC 11866)

Affiliated Agreements

Intercompany Administrative Service Agreement

The Company maintains an Intercompany Administrative Service Agreement with ASHI and American Specialty Health Group, Inc. (ASHG). Under the terms of the agreement, ASHI provides facilities, administrative personnel, information technology support, equipment leasing, legal, accounting, insurance, and cash and investment management services to the Company. ASHI provides similar administrative services to all of its subsidiaries, and therefore, costs are allocated to all of its subsidiaries using the same methodology. In 2016, the Company amended its Administrative Services Agreement with ASHI to modify how ASHI charges the Company. The amendment and new methodology, as compared to the former methodology of charging costs, resulted in an increase of \$75,967 in costs incurred by the Company for the year ending December 31, 2016. In 2016, the Company recorded total costs of \$311,795 for general and administrative services it received from ASHI.

ASHG provides claims processing, medical necessity review, call center services, and other administrative services, and provides the Company access to its contracted practitioners under a separate services agreement. In 2016, the Company recorded total costs of \$213,080 for the services it receives from ASHG. These costs are included in claims adjustment expenses in the accompanying statutory-basis statements of revenue and expenses.

Tax-Sharing Agreement

The Company files a consolidated federal income tax return with its affiliates under a Tax-Sharing Agreement with ASHI. There is a written Tax-Sharing Agreement, which sets forth the manner in which the total combined federal income tax is allocated to each entity that is party to the consolidation. Pursuant to this agreement, the consolidated income tax liability of ASHI is allocated to its affiliates, including the Company, in accordance with the pro rata share of ASHI's total consolidated taxable income.

ASHI Credit Facility Agreement

ASHI has a Credit Facility Agreement with a lending institution, which ASHI's affiliates have agreed to guarantee. The Company is not a party to this guarantee agreement and provides no guarantees under the agreement.

ASHI's obligations under the agreement are collateralized by stock pledged for all of its wholly owned subsidiaries. The stock pledge under this agreement for the Company is a limited stock pledge under which any actual transfer of the pledged common stock can only be made with advance approval of any and all regulatory authorities having jurisdiction over the Company.

As of December 31, 2016, ASHI was in compliance with all of the terms of the agreement. As of December 31, 2016, ASHI's outstanding debt on the agreement was \$1,664,670, and standby letters of credit in the amount of \$5,334,539 were outstanding, but not drawn upon.

FIDELITY BOND AND OTHER INSURANCE

The Company protects itself against loss from any fraudulent or dishonest acts by its employees through a Crime Insurance Policy. The policy provides up to \$2,000,000 of coverage with a \$50,000 deductible and meets the prescribed minimum coverage as specified by the NAIC.

The Company was a named insured on other customary forms of insurance in-force as of December 31, 2016, including, but not limited to, cybersecurity, commercial general liability, automobile liability, workers' compensation, and employer liability. The limits on these policies appear to be satisfactory.

STATUTORY AND SPECIAL DEPOSITIS

The Company reported statutory and special deposits comprised of U.S. Treasury bonds, bank certificates of deposit, and cash and cash equivalents held by various Departments of Insurance in compliance with statutory requirements as of December 31, 2016:

<u>State</u>	<u>Book Value</u>	<u>Fair Value</u>
Deposits for the benefit of all Policyholders:		
Illinois	\$ 1,550,000	\$ 1,550,000
Indiana	1,547,432	1,547,319
Massachusetts	104,000	104,000
New Hampshire	25,209	25,209
South Carolina	125,000	125,000
Virginia	352,977	352,993
All Other Special Deposits:		
Georgia	50,025	50,025
Indiana	7,971	7,971
New Mexico	109,735	109,611
Total Deposits	<u>\$ 3,872,349</u>	<u>\$ 3,872,128</u>

NOTE: Amounts are shown in whole dollars and columns may not total due to rounding.

REINSURANCE

In the ordinary course of business, the Company assumes quota share reinsurance business from other health plans. All assumed reinsurance premiums earned in 2016 relate to specialty healthcare benefits programs provided by the Company and totaled \$1,775,668. On December 31, 2016, the Company's net reserves for assumed reinsurance contracts were \$93,715. In 2016, the total amount of policy benefits incurred under these contracts was \$806,208.

RESERVES

Arthur L. Baldwin III, FSA, MAAA, of Milliman, Inc. is the Appointed Actuary for the Company. Mr. Baldwin was appointed by the Board to render an actuarial opinion on the statutory-basis reserves of the Company for all years covered by this examination.

The scope of the opinion was to examine the actuarial assumptions and methods used in determining reserves and related actuarial items, as shown in the Annual Statement of the Company. In forming the opinion, information prepared by the Company was relied upon. This information was evaluated for reasonableness and consistency. In other respects, the examination included such review of the actuarial assumptions and methods used, and such tests of the calculations as considered necessary.

The 2016 opinion stated that the amounts carried in the balance sheet on account of the actuarial items; 1) are in accordance with presently accepted actuarial standards consistently applied and are fairly stated in accordance with sound actuarial principles, 2) are based on actuarial assumptions relevant to contract provisions and appropriate to the purpose for which the statement was prepared, 3) meets the requirements of the Insurance Laws and regulations of the state of Indiana and are at least as great as the minimum aggregate amounts required by any state in which this statement is filed, 4) makes good and sufficient provisions for all unpaid claims and other actuarial liabilities of the organization under the terms of its contracts and agreements, and 5) includes appropriate provisions for all actuarial items that ought to be established.

ACCOUNTS AND RECORDS

The Company's accounting procedures, practices, account records, and supporting data were reviewed and tested to the extent deemed necessary. The detail trial balance prepared from the Company's general ledger for the year ending December 31, 2016, was agreed to the Annual Statement without exception. The Company's independent auditors issued unqualified opinions on the Company's audited Statutory Financial Statements for each year during the examination period. The audited Statutory Financial Statements were agreed to the Annual Statement for the year ending December 31, 2016, with no material exceptions noted. All of the independent audit work papers were made available to the Examiners during the examination.

An evaluation of controls of information systems was performed in this examination. The objective of the review was to assess whether the controls of information systems were adequate and risks associated with information system had been adequately addressed. The assessment of the controls to mitigate risks was *effective* and no material weaknesses or significant findings were noted.

Overall, the Examiners determined the Company's accounting procedures, practices, and account records were satisfactory.

FINANCIAL EXHIBITS

Comparative Exhibit – Statutory Statement of Assets
Comparative Exhibit – Statutory Statement of Liabilities, Surplus and Other Funds
Comparative Exhibit - Statutory Statement of Revenue and Expenses
Comparative Exhibit – Statutory Capital and Surplus Account

NOTE: Amounts are shown in whole dollars and columns may not total due to rounding.

AMERICAN SPECIALTY HEALTH INSURANCE COMPANY

FINANCIAL STATEMENTS

Assets

As of December 31, 2016

	Per Annual Statement	Exam Adjustments	Per Examination	December 31, Prior Year
Assets:				
Cash, cash equivalents and short-term investments	\$ 9,246,706	\$ -	\$ 9,246,706	\$ 8,317,288
Subtotals, cash and invested assets	\$ 9,246,706	\$ -	\$ 9,246,706	\$ 8,317,288
Uncollected premiums and agents' balances in the course of collection	\$ 15,052	\$ -	\$ 15,052	\$ 111,538
Current federal and foreign income tax recoverable and interest thereon	161,583	-	161,583	-
Net deferred tax asset	41,039	-	41,039	10,254
Receivable from parent, subsidiaries and affiliates	76,305	-	76,305	79,145
Aggregate write-ins for other-than-invested assets	300	-	300	-
Total Assets	<u>\$ 9,540,985</u>	<u>\$ -</u>	<u>\$ 9,540,985</u>	<u>\$ 8,518,225</u>

AMERICAN SPECIALTY HEALTH INSURANCE COMPANY

FINANCIAL STATEMENTS

Liabilities, Surplus and Other Funds

As of December 31, 2016

	<u>Per Annual Statement</u>	<u>Exam Adjustments</u>	<u>Per Examination</u>	<u>December 31, Prior Year</u>
Liabilities:				
Claims unpaid	\$ 93,715	\$ -	\$ 93,715	\$ 98,987
Unpaid claims adjustment expenses	25,016	-	25,016	34,551
General expenses due or accrued	120,184	-	120,184	160,840
Current federal and foreign income tax payable and interest thereon	-	-	-	52,947
Remittance and items not allocated	866,908	-	866,908	21,692
Amounts due to parent, subsidiaries and affiliates	<u>20,343</u>	<u>-</u>	<u>20,343</u>	<u>-</u>
Total Liabilities	<u>\$ 1,126,166</u>	<u>\$ -</u>	<u>\$ 1,126,166</u>	<u>\$ 369,017</u>
Capital and Surplus:				
Common capital stock	\$ 3,000,000	\$ -	\$ 3,000,000	\$ 3,000,000
Gross paid in and contributed surplus	4,688,328	-	4,688,328	4,688,328
Unassigned funds (surplus)	<u>726,491</u>	<u>-</u>	<u>726,491</u>	<u>460,880</u>
Total Capital and Surplus	<u>\$ 8,414,819</u>	<u>\$ -</u>	<u>\$ 8,414,819</u>	<u>\$ 8,149,208</u>
Total Liabilities, Capital and Surplus	<u>\$ 9,540,985</u>	<u>\$ -</u>	<u>\$ 9,540,985</u>	<u>\$ 8,518,225</u>

AMERICAN SPECIALTY HEALTH INSURANCE COMPANY

FINANCIAL STATEMENTS

Statement of Revenue and Expenses

As of December 31, 2016

	Per Annual Statement	Exam Adjustments	Per Examination	December 31, Prior Year
Member months	2,172,917	-	2,172,917	2,822,160
Net premium income	\$ 1,775,668	\$ -	\$ 1,775,668	\$ 3,016,955
Total revenues	\$ 1,775,668	\$ -	\$ 1,775,668	\$ 3,016,955
Hospital and Medical				
Other professional services	\$ 806,208	\$ -	\$ 806,208	\$ 1,001,730
Claims adjustment expenses	213,080	-	213,080	362,321
General administration expenses	503,495	-	503,495	651,472
Total underwriting deductions	\$ 1,522,783	\$ -	\$ 1,522,783	\$ 2,015,523
Net underwriting gain	\$ 252,885	\$ -	\$ 252,885	\$ 1,001,432
Investment income				
Net investment income earned	\$ 16,609	-	\$ 16,609	\$ 9,994
Net investment gain	\$ 16,609	\$ -	\$ 16,609	\$ 9,994
Aggregate write-ins for other income or expenses	\$ 308	\$ -	\$ 308	\$ (5,080)
Net income before federal income taxes	\$ 269,802	\$ -	\$ 269,802	\$ 1,006,346
Federal and foreign income taxes incurred	91,684	-	91,684	342,157
Net Income	\$ 178,118	\$ -	\$ 178,118	\$ 664,189

AMERICAN SPECIALTY HEALTH INSURANCE COMPANY

FINANCIAL STATEMENTS

Capital and Surplus Account

	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>
Capital and surplus, December 31, prior year	\$ 8,149,208	\$ 7,528,562	\$ 7,259,642	\$ 7,591,327	\$ 8,311,244
Net income	\$ 178,118	\$ 664,189	\$ 445,950	\$ (269,229)	\$ (678,020)
Change in nonadmitted assets	23,655	4,092	(16,291)	110,875	(83,277)
Change in surplus notes	63,838	(47,635)	(160,739)	(173,331)	41,380
Net change in capital and surplus for the year	\$ 265,611	\$ 620,646	\$ 268,920	\$ (331,685)	\$ (719,917)
Capital and surplus, December 31, current year	<u>\$ 8,414,819</u>	<u>\$ 8,149,208</u>	<u>\$ 7,528,562</u>	<u>\$ 7,259,642</u>	<u>\$ 7,591,327</u>

COMMENTS ON THE FINANCIAL STATEMENTS

There were no recommended adjustments to surplus as of December 31, 2016, based on the results of this examination.

OTHER SIGNIFICANT FINDINGS

There were no other significant findings noted during the course of this examination.

SUBSEQUENT EVENTS

There were no events subsequent to the examination date that significantly affected the finances or operations of the Company.

MANAGEMENT REPRESENTATION

In support of contingencies and accuracy of information provided during the course of the examination, the Examiners obtained a management representation letter in the standard NAIC format. This letter was executed by key financial personnel of the Company and provided to the Examiners.

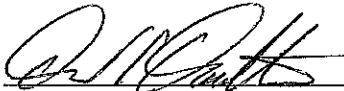
AFFIDAVIT

This is to certify that the undersigned is a duly qualified Examiner-In-Charge appointed by the Indiana Department of Insurance and that he, in coordination with staff assistance from The Thomas Consulting Group, Inc., performed an examination of the **American Specialty Health Insurance Company** as of **December 31, 2016**.

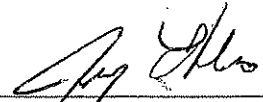
The Indiana Department of Insurance is accredited under the National Association of Insurance Commissioners Financial Regulation Accreditation Standards.

The examination was performed in accordance with those procedures required by the 2016 NAIC *Financial Condition Examiner's Handbook* and other procedures tailored for this examination. Such procedures performed on this examination do not constitute an audit made in accordance with generally accepted auditing standard and no audit opinion is expressed on the financial statements contained in this report.

The attached Report of Examination is a true and complete report of condition of the **American Specialty Health Insurance Company** as of **December 31, 2016**, as determined by the undersigned.



David L. Daulton, CFE
The Thomas Consulting Group, Inc.



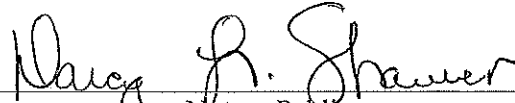
Jerry Ehlers, CFE, CPA
Indiana Department of Insurance

State of: Indiana
County of: Marion

On this 29th day of May, 2018, before me personally appeared, David L. Daulton and Jerry Ehlers to sign this document.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed my notarial seal in said County and State, the day and year last above written.

My commission expires October 4, 2025



Notary Public
Darcy L. Shawver

DARCY L. SHAWVER
NOTARY PUBLIC

SEAL
MARION COUNTY, STATE OF INDIANA
MY COMMISSION EXPIRES OCTOBER 4, 2025
COMMISSION NO 706653

