



COMMONWEALTH OF MASSACHUSETTS
OFFICE OF CONSUMER AFFAIRS AND BUSINESS REGULATION
DIVISION OF INSURANCE

REPORT OF EXAMINATION OF THE
TUFTS INSURANCE COMPANY

Canton, Massachusetts

As of December 31, 2020

NAIC GROUP CODE 4742

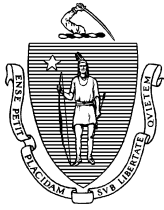
NAIC COMPANY CODE 60117

EMPLOYER ID NUMBER 04-3319729

TUFTS INSURANCE COMPANY

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COMMONWEALTH OF MASSACHUSETTS
Office of Consumer Affairs and Business Regulation
DIVISION OF INSURANCE

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GARY D. ANDERSON
COMMISSIONER OF INSURANCE

May 25, 2022

The Honorable Gary D. Anderson
Commissioner of Insurance
Commonwealth of Massachusetts
Division of Insurance
1000 Washington Street, Suite 810
Boston, MA 02118-6200

Honorable Commissioner:

Pursuant to your instructions and in accordance with Massachusetts General Laws, Chapter 175, Section 4, and other applicable statutes, an examination has been made of the financial condition and affairs of

TUFTS INSURANCE COMPANY

at its home office located at One Wellness Way, Canton, MA, 02021-1166. The examination was conducted remotely. The following report thereon is respectfully submitted.

Tufts Insurance Company

SCOPE OF EXAMINATION

Tufts Insurance Company (“TICO” or “Company”) was last examined as of December 31, 2017 by the Massachusetts Division of Insurance (“Division”). The current examination was also conducted by the Division and covers the three-year period from January 1, 2018 through December 31, 2020, including any material transactions and/or events occurring subsequent to the examination date and noted during the course of this examination.

Concurrent with this examination, the following insurance affiliates in the Tufts Health Plan, Inc. (“Group”) were also examined and separate Reports of Examination have been issued:

Tufts Health Public Plans, Inc. (“THPP”)
Tufts Associated Health Maintenance Organization, Inc. (“TAHMO”)

The examination was conducted in accordance with standards and procedures established by the National Association of Insurance Commissioners (“NAIC”) Financial Condition (E) Committee and prescribed by the current NAIC *Financial Condition Examiners Handbook*, the examination standards of the Division and with Massachusetts General Laws. The Handbook requires that we plan and perform the examination to evaluate the financial condition and identify current and prospective risks of the Company by obtaining information about the Company, including corporate governance, identifying and assessing inherent risks within the Company, and evaluating system controls and procedures used to mitigate those risks.

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 Massachusetts General Laws, Chapter 175, Section 4, and general information about the insurer and its financial condition. There may be other items identified during the examination that, due to their nature (e.g., subjective conclusions, proprietary information, etc.), are not included within the examination report but separately communicated to other regulators and/or the Company.

The Company is audited annually by Ernst & Young (“E&Y”), an independent certified public accounting firm. The firm expressed unqualified opinions on the Company’s financial statements for calendar years 2018 through 2020. A review and use of the Certified Public Accountants’ work papers were made to the extent deemed appropriate and effective.

The INS Companies (“INS”) was engaged by the Division to assist in the examination by performing certain examination procedures at the direction of and under the overall management of the Division’s examination staff. The assistance included a review of accounting records, information systems, investments and actuarially determined loss and loss adjustment expense reserves, as well as other significant actuarial estimates.

SUMMARY OF SIGNIFICANT FINDINGS OF FACT

There were no significant findings identified during the examination nor during the prior examination as of December 31, 2017.

COMPANY HISTORY

TICO is a for profit Massachusetts insurance company and was originally licensed in 1996 in New Hampshire as a for-profit, accident & health carrier as a subsidiary of Tufts Health Plan of New England, Inc. which was subsequently placed in liquidation. In 2001, under the court approved Plan of Liquidation, all the outstanding TICO stock was conveyed to TAHMO Holdings, Inc. (“THI”).

During 2003, TICO was re-domesticated to Massachusetts. Subsequently on September 1, 2008, under a restructure agreement, TICO became a subsidiary of Tufts Associated Health Plans, Inc. (“TAHP”), a for-profit corporation organized to perform certain management, administrative, and marketing services for its affiliates and subsidiaries. As of the restructure date, TAHP is now a wholly owned subsidiary of TAHMO, a not-for-profit corporation established for the purpose of arranging for the delivery of health care services, on a prepaid basis, to subscribing individuals and groups. Additionally, as part of the restructure THI merged into TAHP.

On September 28, 2016, Tufts Health Plan, Inc. (“THPI”), an insurance holding company and the ultimate controlling person, was formed as a not-for-profit Massachusetts organization. Effective October 1, 2017, the Tufts Health Plan corporate family underwent another corporate restructuring where THPI became the sole corporate member of TAHMO. TAHMO continues as owner of TAHP and TICO remains a subsidiary of TAHP. On September 24, 2020, THPI was renamed as Health Plan Holdings, Inc. (“HPHI”).

The Company is licensed in a number of states to write insurance; though actively writing in seven states, predominantly Massachusetts, Rhode Island, and New York.

The Company’s lines of business include Comprehensive, Medicare Supplement, and Other Health. Primary products within Comprehensive line of business included Advantage Preferred Provider Option (“APPO”), PPO Carelink, and Student Health products. In addition to the Medicare Supplement product, the Other Health line of business consists of Medicare Part D prescription drug coverage (“PDP”) which includes wrap coverage.

MANAGEMENT AND CONTROL

Board of Directors Minutes

The minutes of meetings of the Board of Directors (“Board”) and its Committees for the period under examination were read and they indicated that all meetings were held in accordance with the Company’s bylaws and the laws of the Commonwealth of Massachusetts. As a subsidiary of TAHMO and the ultimate parent, Tufts Health Plan, Inc. (“THPI”), the committees formed by these Boards also provide oversight to TICO.

Shareholders Meeting Minutes

The annual sole shareholder meetings were held on June 6, 2018, May 7, 2019, and in June 2020 for the purpose of electing Directors as prescribed by the articles of organization and the bylaws. The written consent documents evidencing the election of the directors in lieu of an in-person meeting were reviewed for 2018 and 2019. The Company was unable to locate a signed version of the written consents regarding the election of the directors of TICO during June 2020, a month where the Company’s processes were complicated by the pandemic. The Directors of TICO remained the same between 2019 and 2020, thus even without an executed consent for 2020 in place, the same Directors would be effective given the language from the 2019 consent states each Director was “to serve until the next Annual Meeting of the Board of Directors of TAHP and thereafter until a successor has been duly elected and qualified.

Articles of Organization and Bylaws

The articles of organization and bylaws of the Company were reviewed, and there were no changes during the examination period. The bylaws provide guidance related to corporate governance, including the roles and responsibilities of the Shareholders, Directors and Officers of the Company.

Board of Directors

According to the bylaws, the Company's business shall be managed by a Board which may exercise all of the powers of the Company, except such as are conferred upon the shareholders by law, the articles of organization, or bylaws. The Board shall consist of not fewer than five and no more than fifteen Directors.

Tufts Insurance Company

At December 31, 2020, the Company's Board consisted of the following:

<u>Director</u>	<u>Title</u>
Greg Tranter	Chairman of the Board, TAHMO
Thomas A. Croswell	President and Chief Executive Officer, TAHMO
Umesh Kurpad	Chief Financial Officer, TAHMO
Mary O'Toole Mahoney, Esq.	Senior Vice President, Chief Legal Officer, TAHMO
Patricia Trebino	Senior Vice President, Chief Operations Officer, TAHMO

Officers

According to the Company's bylaws, the officers shall be a Chief Executive Officer, a President, a Treasurer, and a Clerk, each of whom shall be elected by the Board; the Clerk shall be a resident of the Commonwealth of Massachusetts unless the Company has appointed a resident agent to receive service of process.

The officers of the Company as of December 31, 2020 were as follows:

<u>Officer</u>	<u>Title</u>
Thomas A. Croswell	President and Chief Executive Officer
Umesh Kurpad	Senior Vice President and Chief Financial Officer
Roland Price	Treasurer
Mary O'Toole Mahoney, Esq.	Senior Vice President, Chief Legal Officer
Susan A. Kee, Esq.	Assistant Clerk
Tracey Carter	Senior Vice President and Chief Actuary

Committees of the Board of Directors

As described in the HPHI bylaws, the Board has designated the following standing committees, which are governed by committee charters:

- Audit & Compliance
- Care Management
- Compensation
- Finance (including Investment Subcommittee)
- Governance
- Technology
- Transaction

Each HPHI Board committee is responsible for oversight of critical risk areas that fall in its charter and to report on such risks to the overall Board. This includes the Finance Committee's oversight of financial risks and investment policies, the Technology Committee's oversight of systems infrastructure adequacy, the Care Management Committee's oversight of critical and quality issues, and the Governance Committee's oversight of key governance matters. The Audit &

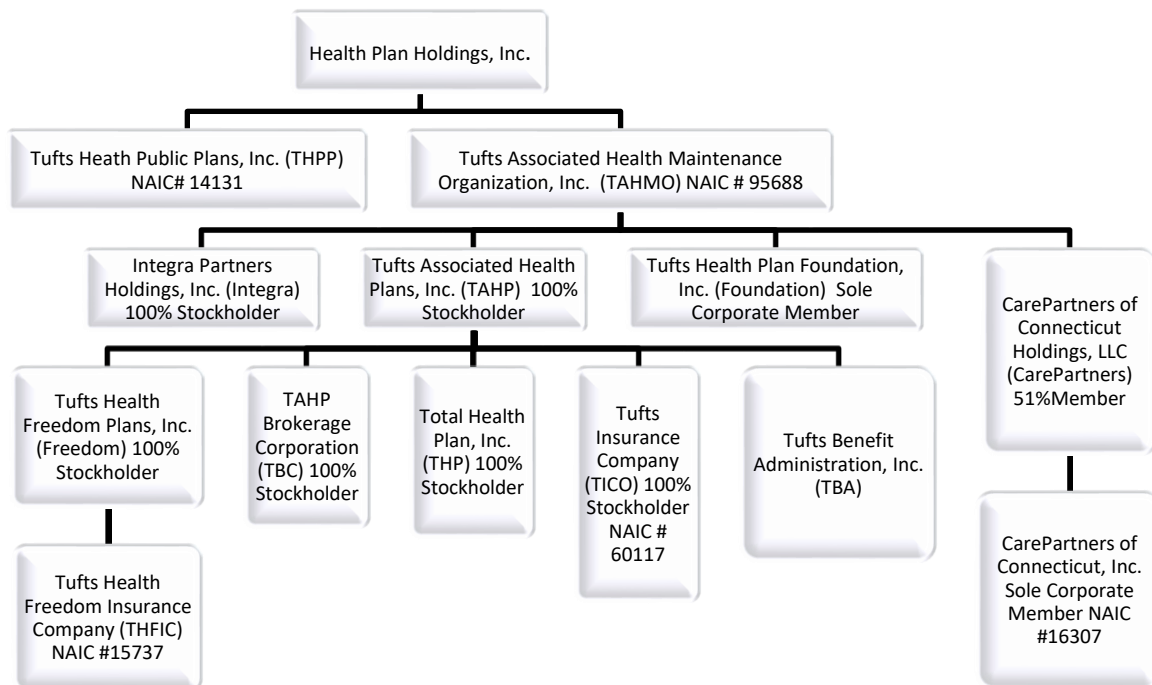
Tufts Insurance Company

Compliance Committee exercises oversight of critical risk areas impacting the business activities of HPHI and its subsidiaries through the Committee's oversight of the company Enterprise Risk Management program. The Chief Audit Executive of the Company has a direct reporting line to the Chair of the Audit & Compliance Committee. Management is responsible for the identification, remediation, and disclosure of critical risk areas.

Affiliated Companies

As stated in the Insurance Holding Company System Form B, Form C and Form F as filed with the Division, the Company is a member of an insurance holding company system and is subject to the registration requirements of Massachusetts General Law Chapter 175, Section 206C, Chapter 176G, Section 28 and Regulation 211 CMR 7.00. TAHMO used to be the "ultimate controlling person" of the holding company system; however, with restructuring on October 1, 2017, HPHI is the ultimate controlling person, and TAHMO is its subsidiary.

Organization Chart



Tufts Insurance Company

Transactions and Agreements with Subsidiaries and Affiliates

The following documents the Company's transactions and agreements with subsidiaries and affiliates executed and completed during the examination period.

Inter-affiliate Agreement

Under the terms of the agreement, effective with respect to TAHMO and THP, January 1, 1995; June 15, 1995; with respect to TBA, January 1, 1996; and with respect to TICO as of the date of enrollment of its first member, the parties agree to be Network Affiliates allowing each entities covered members access to the Participating Providers of each affiliate. Through this arrangement, the parties to the agreement shall include in its provider contracts provisions which require the provider to provide covered services to Members of the other Tufts Companies. These services should be provided consistently with that of services provided to a Member of the Network Affiliate executing the contract with the provider. Each Tufts Health Plan Company shall be responsible for paying the applicable participating provider for the covered service, including out-of-plan referral rendered for such services.

Intercompany Agreement

This agreement is executed, effective June 30, 2008, by and among TAHMO, Tufts Associated Health Plans, Inc. ("TAHP"), Total Health Plan, Inc. ("THP"), TBA, TICO, and Tufts Health Plan Foundation, Inc. ("Foundation") to provide for the allocation of shared expenses of the related parties. Payment for expenses incurred by one Tufts entity on Tufts Benefits Administrators ("TBA") behalf of another, and/or for transactions between one Tufts entity and another, shall be due and payable within ninety days following the end of the month in which the expense was incurred or the transaction occurred. This agreement was subsequently amended, on November 1, 2011 to include THPP as a party to the agreement.

Administrative Services Agreement – TBA

This agreement, effective January 1, 2003, was executed between TICO and TBA establishing TBA as the Administrator responsible for administrative services to self-insured employers, insurers and other entities legally responsible for payment of health benefits for individuals entitled to such health benefits. As the Administrator, TBA shall provide services related to this operation to include, but not limited to: enrollment, premiums, claims, underwriting, member materials, marketing, accounting, and sales. The agreement was subsequently amended, on August 24, 2005, to make changes to Exhibits within the agreement related to record retention, change effective dates, and ensure TICO's investment guidelines were followed by TBA. Administrative fees paid to TBA were \$20,304,954 and \$22,932,332 for 2019 and 2020, respectively.

Administrative Services Agreement – TAHMO

This agreement, effective February 26, 2009, established TAHMO as the Administrator of TICO's Medicare Supplement ("Med Supp") and Medicare Prescription Drug Plan ("PDP"). As Administrator, TAHMO's responsibilities include, though are not limited to: enrollment,

Tufts Insurance Company

premiums, claims, underwriting, member materials, marketing, accounting, compliance, and record keeping / reporting. TICO is responsible for funding all claims and maintain in full force and effect a policy with each employer and/or individual. In exchange for these services, TICO will pay compensation in the form of an administrative fee that will be determined each year based on a defined allocation methodology that is consistent with the U.S. Transfer Pricing Regulations. The agreement was subsequently amended, effective May 23, 2014, to allow TAHMO to invest premiums collected on behalf of TICO consistent with TICO's investment strategy. Administrative fees paid to TAHMO were \$15,559,779 and \$16,352,884 for 2019 and 2020, respectively.

Federal Tax Allocation Agreement

This agreement, effective September 1, 2008, was entered into by Tufts Associated Health Plans ("TAHP" or "Parent") and TAHP Brokerage Corporation, THP, TICO, and TBA whereas the group has elected to file a consolidated Federal income tax return. The consolidated Federal income tax liability of the group shall be allocated to each Member in accordance with Treasury Regulations, allowing for certain members to have reduced liability while others may have an increased liability.

The First Amendment to the Federal Tax Allocation Agreement was effective as of April 15, 2016. Section 4(a)(iii) was deleted and replaced in its entirety. Payments shall be made no earlier than ten (10) days before and no later than ten (10) days after the date of filing the consolidated Federal income tax return for relevant taxable year. Section 4(c) Payments to Parent shall be made within ten (10) days of such assessment but shall be no earlier than ten (10) days before the date upon which the payment of Federal income tax is to be made to the IRS. Section 4 is revised with a new paragraph (d) Parent shall pay the appropriate Members any refunds of Federal income tax received from the IRS within ten (10) days of the receipt of such refund.

Reinsurance Agreement

TICO and THPP have an agreement whereby TICO provides reinsurance coverage to THPP for a 100% of the ultimate net losses exceeding the retention limit of \$2,000,000.

Capital Contributions / Dividends

TAHP contributed \$10,000,000 in capital to the Company during 2018. On December 31, 2019, the Company declared and accrued a return of capital to TAHMO of \$10,000,000. The return of capital was approved by the Massachusetts Division of Insurance and the return of capital was paid on February 25, 2020.

TAHMO has provided a parental guarantee that if TICO's capital and surplus fall below defined regulatory levels it will contribute capital to bring TICO to within regulatory compliance.

TERRITORY AND PLAN OF OPERATION

The Company was licensed in twenty-one states, but the Company was only writing health insurance business in seven of these licensed states, with the largest numbers of insurance risks written in Massachusetts and Rhode Island. The Company reported \$294.5 million of 2020 direct premium written in Massachusetts.

Treatment of Policyholders – Market Conduct

During the course of the examination, a general review was made of the manner in which the Company conducts its business practices and fulfills its contractual obligations to members and claimants. This review was limited in nature and was substantially narrower than a full scope market conduct examination.

REINSURANCE

Effective July 1, 2019, THPP entered into a stop loss reinsurance agreement with the Company. THPP is responsible for 100% of its ultimate net loss in respect of losses incurred for each covered person that does not exceed the company's retention of \$2,000,000. TICO is responsible for all losses exceeding THPP's retention.

Tufts Insurance Company

FINANCIAL STATEMENTS

The following financial exhibits are based on the statutory financial statements prepared by management and filed by the Company with the Division and present the financial condition of the Company for the period ending December 31, 2020. The financial statements are the responsibility of Company management.

Statement of Assets, Liabilities, Capital and Surplus as of December 31, 2020

Statement of Income for the Year Ended December 31, 2020

Reconciliation of Capital and Surplus for Each Year in the Three Year Period Ended December 31, 2020

Tufts Insurance Company

**Statement of Assets, Liabilities, Capital and Surplus
As of December 31, 2020**

	Per Annual Statement
Assets	
Bonds	\$ 63,694,337
Common stocks	25,992,969
Cash, cash equivalents and short-term investments	11,523,435
Subtotals, cash and invested assets	101,210,741
Investment income due and accrued	157,852
Premiums and considerations:	
Uncollected premiums and agents' balances	1,358,944
Accrued retrospective premiums	1,462,110
Amounts receivable relating to uninsured plans	6,796,924
Receivables from parent, subsidiaries and affiliates	16,794,868
Health care and other amounts receivable	8,556,148
Total assets	\$ 136,337,587
Liabilities	
Claims unpaid	\$ 33,471,986
Unpaid claims adjustment expenses	835,687
Aggregate health policy reserves	18,082,330
Premiums received in advance	5,184,074
General expenses due or accrued	2,806,441
Current federal and foreign income tax payable	1,454,832
Amounts due to parent, subsidiaries and affiliates	4,805,539
Liability for amounts held under uninsured plans	19,529
Total liabilities	\$ 66,660,418
Common capital stock	3,000,000
Gross paid in and contributed surplus	152,500,000
Unassigned funds (surplus)	(85,822,831)
Total capital and surplus	\$ 69,677,169
Total liabilities capital, and surplus	\$ 136,337,587

Tufts Insurance Company

Statement of Income
For the Year Ended December 31, 2020

	Per Annual Statement
Member Months	<u>765,529</u>
Net premium income	\$ 320,053,615
Change in unearned premium reserves and reserve for rate credits	<u>(7,500,005)</u>
Total revenues	\$ 312,553,610
Deductions:	
Hospital/medical benefits	143,252,903
Other professional services	11,008,006
Emergency room and out-of-area	47,251,558
Prescription drugs	57,473,569
Aggregate write-ins for other hospital and medical	2,841,577
Incentive pool, withhold adjustment and bonus amounts	<u>474,158</u>
Subtotal	<u>\$ 262,301,771</u>
Net reinsurance recoveries	-
Total hospital and medical	<u>\$ 262,301,771</u>
Claims adjustment expenses	10,059,051
General administrative expenses	40,061,630
Increase in reserves for life and accident and health contracts	<u>5,718,000</u>
Total underwriting deductions	<u>\$ 318,140,452</u>
Net underwriting gain or loss	(5,586,842)
Net investment income earned	1,491,690
Net realized capital gains less capital gains tax	-
Net investment gains	<u>1,491,690</u>
Net loss, after capital gains tax and before all other federal income taxes	<u>\$ (4,095,152)</u>
Federal and foreign income taxes incurred	<u>1,451,521</u>
Net loss	<u><u>\$ (5,546,673)</u></u>

Tufts Insurance Company

Reconciliation of Capital and Surplus
For Each Year in the Three-Year Period Ended December 31, 2020

	<u>2020</u>	<u>2019</u>	<u>2018</u>
Capital and surplus, December 31 prior year	\$74,104,038	\$70,788,022	\$52,607,155
Net income (losses)	(5,546,673)	16,000,071	9,377,708
Change in net unrealized capital gains (losses)	932,265	1,010,399	(691,715)
Change in nonadmitted assets	187,540	3,694,455)	(505,126)
Surplus adjustments paid in	<u>-</u>	<u>(10,000,000)</u>	<u>10,000,000</u>
Net change in capital and surplus for the year	<u>(4,426,868)</u>	<u>3,316,015</u>	<u>18,180,867</u>
Capital and surplus, December 31 current year	<u><u>\$69,677,169</u></u>	<u><u>\$74,104,038</u></u>	<u><u>\$70,788,022</u></u>

ANALYSIS OF CHANGES IN FINANCIAL STATEMENTS RESULTING FROM THE EXAMINATION

There have been no changes made to the financial statements as a result of the examination.

COMMENTS ON FINANCIAL STATEMENT ITEMS

As a result of the examination, no adverse findings, or changes to the financial statements were identified.

The Company uses estimates for determining its claims incurred but not yet reported which are based on historical claim payment patterns, healthcare trends and membership and includes a provision for adverse changes in claim frequency and severity. Amounts incurred related to prior years may vary from previously estimated liabilities as the claims are ultimately settled.

INS Health Actuaries prepared independent estimates of the unpaid claim liabilities (“UCL”) as of December 31, 2020. For December 31, 2020, completion factors for the projection of ultimate claims were developed using historical payment patterns and actuarial judgment. Estimates were developed by subtracting the claims paid-to-date from the actuarial incurred estimates. The actuarial estimates, as determined by INS, indicate that TICO's UCL is reasonable as of December 31, 2020. The Company’s premium deficiency reserve calculation was also reviewed and found to be reasonable as of December 31, 2020.

SUBSEQUENT EVENTS

On January 1, 2021, HPHI (formerly known as Tufts Health Plan, Inc.) entered into an agreement with Harvard Pilgrim Health Care, Inc. (“HPHC, Inc.”) to combine the two insurance holding company organizations under one parent company, HPHI. HPHI became the ultimate controlling person in the insurance holding company system. HPHI remained the sole corporate parent of HPHC, Inc. On July 1, 2021, HPHI changed its name to Point32Health, Inc.

TAHP, an affiliate, entered into a stock purchase agreement with United Healthcare Service, Inc. (“UHC”) in which UHC purchased 100% of Tufts Associated Health Plans, Inc. (“TAHP”)’s ownership interest in Tufts Health Freedom Plans, Inc. (“THFP”). The sale was effective as of January 1, 2021. As a result, effective January 1, 2021, TAHP has no ownership interest in THFP. This agreement had no impact on the Company’s operations in 2020 or 2019.

SUMMARY OF RECOMMENDATIONS

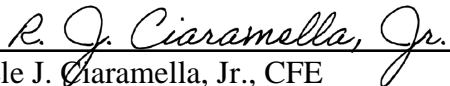
There were no significant recommendations that should be noted in this report.

SIGNATURE PAGE

Acknowledgement is made of the cooperation and courtesies extended by the officers and employees of the Company during the examination.

The assistance rendered by INS and the following Division examiner who participated in this examination hereby is acknowledged:

Carla Mallqui, CFE, Insurance Examiner II



Raffaele J. Ciaramella, Jr., CFE
Supervising Examiner & Examiner-In-Charge
Commonwealth of Massachusetts
Division of Insurance