



I, Mike Causey, Commissioner of Insurance in and for the State of North Carolina do hereby certify that: I have caused the Report on Examination of the Alignment Health Plan of North Carolina, Inc. as of December 31, 2022 with the original on file at this Department and find the same to be a correct copy of the whole said original.

IN TESTIMONY WHEREOF, I have hereunto set my hand and affixed my official seal at the City of Raleigh, this the 27th day of June, 2024.



Mike Causey
Commissioner of Insurance

Monique D. Smith, CPA, CFE, CIA
Deputy Commissioner
Financial Examination Division

Alignment Health Plan of North Carolina, Inc.

Raleigh, North Carolina

Report on Examination

As of December 31, 2022

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May 29, 2024

Honorable Mike Causey
Commissioner of Insurance
State of North Carolina
Raleigh, North Carolina

Sir:

Pursuant to your instructions and in accordance with Section (“§”) 58-67-100 and 58-2-131 of the General Statutes of North Carolina (“GS”), the North Carolina Department of Insurance (“Department”) conducted an examination of the records, business affairs and financial condition of

Alignment Health Plan of North Carolina, Inc.

(hereinafter referred to as the “Company”), acknowledging that its main administrative office is located at 1100 West Town & Country Road, Suite 1600, Orange, California 92868. The Company’s statutory home office is located at 160 Mine Lake Court, Suite 200, Raleigh, North Carolina 27615. The following report on examination is respectfully submitted.

SCOPE OF THE EXAMINATION

We performed a full-scope statutory examination of the Company. This examination covers the period from March 24, 2020, to December 31, 2022, including any material transactions and events occurring subsequent to the examination date and noted during the course of this examination. This is the Department’s first examination of the Company.

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

This was a coordinated financial examination of six (6) insurance company subsidiaries of Alignment Healthcare, USA LLC, collectively known as the “Alignment Healthcare Group”. North Carolina served as the Lead State, and Participating States included Arizona, Illinois, Nevada, and Virginia.

We conducted our examination in accordance with auditing standards established by the Department and the National Association of Insurance Commissioners (“NAIC”) Financial Condition Examiners Handbook (“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 and the following key functional activities were identified:

Capital and Surplus
Reinsurance - Ceding
Related Parties
Reserving
Claims Handling
Underwriting

This may include assessing significant estimates made by management, as well as evaluating the overall financial statement presentation, management's compliance with GS Chapter 58 and evaluating management's compliance with statutory accounting principles. This 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 from the Company's financial statements.

This examination report includes significant findings of fact 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 the Company.

The Company's Annual Statements, work papers, and the independent audit work papers were reviewed and relied upon whenever possible. A trial balance reconciliation of the Annual Statement was performed, as were a verification of ownership and valuation of assets, determination of liabilities and reserves, and an analysis and review of such accounts and records as deemed necessary by the examination team. A management representation letter attesting to the Company's ownership of assets, the nonexistence of unrecorded liabilities and contingent liabilities was received from Company management.

The books and records of the Company are audited annually by independent certified public accountants in accordance with GS § 58-10-185(a) pursuant to GS § 58-67-171. Deloitte & Touche, LLP of Los Angeles, California, the designated independent public accountant of the Company, issued an unmodified opinion for the years ended December 31, 2021, and 2022. The Company was exempt from an independent certified public accountant's audit for the year ended December 31, 2020.

REPORT ACRONYMS

General Statutes of North Carolina	“GS”
North Carolina Department of Insurance	“Department”
National Association of Insurance Commissioners	“NAIC”
Financial Condition Examiners Handbook	“Handbook”
Premium Deficiency Reserve	“PDR”
Statutory Accounting Principles	“SSAP”
Actuarial Standard of Practice	“ASOP”
Board of Directors	“Board”
North Carolina Administrative Code	“NCAC”
Generally Accepted Accounting Principles	“GAAP”
Own Risk and Solvency Assessment	“ORSA”
Alignment Healthcare USA, LLC	“AHCUSA”
Alignment Healthcare, Inc.	“AHI”
Health Maintenance Organization	“HMO”
Preferred Provider Organization	“PPO”
Alignment Healthcare of North Carolina, LLC	“AHNC”
Medicare Advantage	“MA”
Medicare Advantage Part D	“MAPD”
Ironshore Indemnity, Inc.	“Ironshore”
<u>“Alignment Healthcare Group”</u>	
Alignment Health Plan of North Carolina, Inc.	“Company”
Alignment Health Insurance Company of Arizona, Inc.	
Alignment Health Plan of Arizona, Inc.	
Alignment Health Plan of Illinois, Inc.	
Alignment Health Plan of Nevada, Inc.	
Alignment Health Plan of Virginia, Inc.	

SUMMARY OF SIGNIFICANT FINDINGS

ANALYSIS OF EXAMINATION ADJUSTMENTS

	December 31, 2022	
	Capital and Surplus	Net Loss
As originally reported to the Department	\$2,167,909	(\$2,708,190)
a. Premium Deficiency Reserve	(4,761,606)	(4,761,606)
As adjusted	(\$2,593,697)	(\$7,469,796)

- a. To increase the premium deficiency reserve at December 31, 2022. (Refer to Comments, Recommendations, and Directives)

COMMENTS, RECOMMENDATIONS, AND DIRECTIVES

- a. The Company's Premium Deficiency Reserve ("PDR") calculation did not comply with the Statement of Statutory Accounting Principles ("SSAP") No. 54, the Actuarial Standard of Practice ("ASOP") No. 42, and the NAIC Health Reserves Guidance Manual based on the PDR reported at December 31, 2022. The Company improperly excluded selling, general, and administrative expenses totaling \$4,761,606 from their PDR analysis, which resulted in a significant deficiency in the PDR reported in the Company's 2022 Annual Statement. Although the Department noted that investment income may offset the calculated deficiency, a material understatement would still exist in the Company's PDR at year-end 2022. The Company is directed to comply with SSAP 54, ASOP 42, and the NAIC Health Reserves Guidance Manual by including 100% of their projected selling, general, and administrative expenses.
- b. The Company did not obtain signed conflict of interest statements from its Board of Directors ("Board") and officers in 2020 or 2022. In 2021, the Company obtained signed conflict of interest statements from its Board and officers, except for two individuals. Therefore, the Company was not in compliance with its Code of Conduct Policy and the North Carolina Administrative Code ("NCAC") Title 11, Chapter 11C.0117 which states, "Conflict of interest statements shall be executed annually by the officers, directors, trustees, attorneys-in-fact, and administrative personnel of every domestic insurer subject to GS 58, Articles 1 through 67." The Company is directed to comply with its Code of Conduct Policy and NCAC Title 11, Chapter 11C.0117.
- c. The Department noted that there are certain employees who are employed by AHI but are designated with responsibilities solely specific to the Company and receive share-based payments reported in equity. The Company is not directly liable for obligations under AHI's share-based payment plan and compensation costs associated with share-based payments provided by AHI are included in allocated expenses to the Company. According to SSAP 104R, paragraphs 123-125, the Company should disclose in the financial statements that its employees participate in a plan sponsored by the holding company for which the reporting entities have no legal obligation. The amount of the expense incurred, and the allocation methodology utilized by the provider shall also be disclosed. Based on our review of the Company's 2022 Annual Statement and audit report, no such disclosure was made. Additionally, the Department noted that there appears to be a lack of adequate disclosures to distinguish whether contributions made during the year are cash, non-cash, or stock based. The Company is directed to ensure accurate reporting to the Department in future filings pursuant to GS § 58-2-165(c).

- d. The Company did not properly disclose its related party agreements involving tax sharing and medical services with affiliates in Note 10 of its 2022 Annual Statement as required by the NAIC Health Annual Statement Instructions. The Company is directed to ensure accurate reporting to the Department in future filings pursuant to GS § 58-2-165(c).

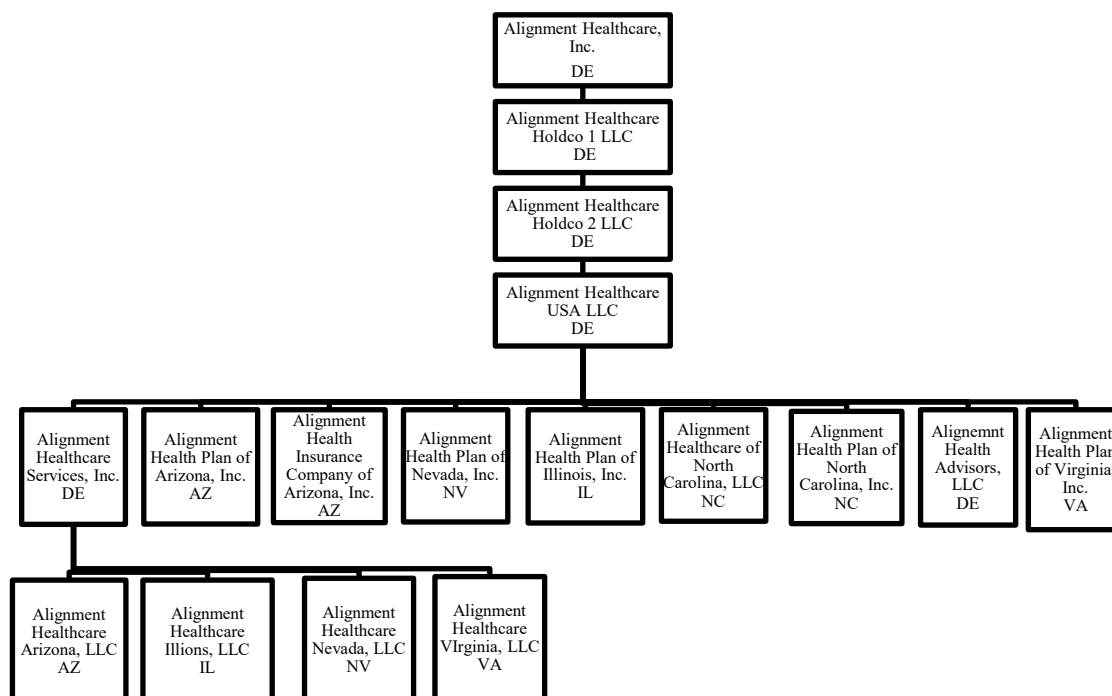
ORGANIZATIONAL STRUCTURE

The Company is part of an insurance holding company system as defined in GS § 58-19. The Company is a wholly owned subsidiary of Alignment Healthcare USA, LLC (“AHCUSA”), a Delaware corporation. AHCUSA is an intermediate holding company wholly owned by Alignment Healthcare, Inc. (“AHI”). General Atlantic L.P., a private equity firm, owns 32.4% of AHI and is the ultimate controlling person of AHI. AHI is a publicly traded corporation and serves as the primary source of corporate governance and oversight for the Alignment Healthcare Group.

AHI, through AHCUSA, operates and manages various Medicare Advantage (“MA”) health plans licensed as insurance companies and operating as either Health Maintenance Organizations (“HMO”) or Preferred Provider Organizations (“PPO”) in North Carolina, Arizona, California, Florida, Illinois, Nevada, and Virginia.

ORGANIZATIONAL CHART

The Company's 2022 Annual Statement Schedule Y contains a complete organizational chart. The following is a summarized organizational chart of the Company within the holding company group as of December 31, 2022:



COMPANY HISTORY

The Company was incorporated on November 27, 2019, under the laws of the State of North Carolina and became licensed as an HMO on March 24, 2020. The Company was initially funded in 2020 through the issuance of 1,000 shares of \$0.00 par value common capital stock and an additional paid-in capital contribution of \$7,000,000. The Company commenced business on January 1, 2021.

CAPITAL STOCK

As of December 31, 2022, the Company's capitalization consisted of the following:

Description	Value
Number of authorized common capital shares	1,000,000
Number of shares issued and outstanding	1,000
Total common capital stock	\$0
Par value per share	\$0.00

The Company's common capital stock has no monetary value; however, the Company reported common stock totaling \$1,000 in error as of December 31, 2022. No additional shares were issued during the period

under examination and all outstanding shares of the Company were owned by AHCUSA at December 31, 2022.

The Company received an additional paid-in capital contribution of \$3,100,000 from AHCUSA in 2021. At December 31, 2022, the Company reported \$10,100,000 in gross paid-in and contributed surplus and (\$7,933,091) in unassigned surplus.

DIVIDENDS TO STOCKHOLDER

Dividends on common stock are paid as declared by the Board of the Company. Under the insurance regulations of North Carolina, the maximum amount of ordinary dividends which the Company may pay to shareholders is limited to the greater of 10% of the most recent year-end policyholders' surplus or net income (excluding realized capital gains) earned for that same year-end. Any amounts in excess of this are considered extraordinary. The Company paid no dividends during the examination period.

MANAGEMENT AND CONTROL

CORPORATE GOVERNANCE

Shareholders

The bylaws of the Company provide that an annual meeting of the shareholders be held at such time and place as the Board may determine. Special meetings of the shareholders may be called by the president or by resolution of the directors and shall be called upon a written request stating the purpose or purposes thereof, delivered to the secretary and signed by a majority of the directors or by one-fifth in interest of the shareholders entitled to vote.

Board of Directors

The business of the Company is conducted by its management team and subject to review by the Board. The bylaws do not specify a maximum number of directors; however, the bylaws required the Board to be initially composed of three members. Directors are elected, at the annual meeting of shareholders or by the written consent of the shareholders. Each director elected shall hold office for an unexpired term until either resignation or removal by the shareholders.

The following individuals served as directors of the Company as of December 31, 2022:

Name	Principal Occupation
John Kao	Chairman of Board, Chief Executive Officer, AHI
Thomas Freeman	Board Member, Chief Financial Officer, AHI
Vina Fuentesbella	Board Member, Senior Vice President of Financial Planning & Analysis, AHI
Dawn Maroney	Board Member, President of Markets, & Chief Executive Officer, AHI
Donald Furman, M.D.	Board Member, Chief Clinical Officer, AHI

AHI's Board was designated as the Company's Board and the Board established several committees including an Audit Committee, a Compensation Committee, and a Nominating, Corporate Governance & Compliance Committee to act on behalf of the Company.

The following individuals served on committees as of December 31, 2022:

Audit Committee

Jeff Margolis, Chair
Yon Jordan
Margret McCarthy

Compensation Committee

Robbert Vorhoff, Chair
Thomas Carella
Joseph Konowiecki

Nominating, Corporate Governance & Compliance Committee

David Hodgson, Chair
Joseph Konowiecki
Jody Bilney
Jacqueline Kosecoff

Officers

The bylaws provide that the Board will elect the officers of the Company annually for a term of one (1) year. The officers of the Company consist of a president, a secretary, and any other officers deemed necessary by the Board. All officers shall hold office, subject to removal at any time by the Board, until their successors are elected and qualified. Any two offices may be held by the same person.

The following individuals served as officers of the Company as of December 31, 2022:

Name	Title
John Kao	President and Chief Executive Officer
Thomas Freeman	Chief Financial Officer
Donald Furman	Chief Clinical Officer
Richard Cross	Secretary

CODE OF CONDUCT AND CONFLICT OF INTEREST

The Company has an established policy and procedure to identify existing or potential conflicts of interest and to report the same to the Board. Annually, the Company requires a signed statement from each director and officer disclosing any conflict of interest. A review of the signed conflict of interest statements for the examination period revealed that the Company did not act in accordance with its policies and procedures for disclosure of conflicts of interest. (Refer to Summary of Significant Findings)

CORPORATE RECORDS

We reviewed the minutes of the meetings of the Board and its committees for the period under examination. The minutes of the meetings of the Board and the following committees were reviewed: Audit, Compensation, and Nominating, and Corporate Governance & Compliance. Based on our review, it appears that the Company adequately reviewed, discussed, and approved material transactions and events in accordance with the committee Charters.

The Company's articles of incorporation and bylaws were reviewed for any changes during the period under examination. On May 7, 2020, the Company amended its articles of incorporation to reflect several changes including 1) to establish that the Company will act as an HMO organized under Article 67 of Chapter 58 of the General Statutes of North Carolina; 2) to establish the duration of the Company as perpetual; 3) to

include the initial registered office of the Company and name of the initial registered agent at such address; 4) to describe the operation of the business; 5) to establish the number of shares the Company is authorized to issue is one million (1,000,000); and 6) to authorize the Company to engage in all legal activities as a North Carolina domiciled corporation, when and after it shall have total paid in capital of not less than one million five hundred thousand dollars (\$1,500,000), deposits of five hundred thousand dollars (\$500,000), and net worth of one million dollars (\$1,000,000). The amended articles of incorporation were filed on May 13, 2020.

On May 10, 2021, the Company amended its articles of incorporation to establish that in addition to being an HMO organized under Article 67 of Chapter 58, the Company will also act as a life and health insurer organized under Chapter 58 of the General Statutes of North Carolina. The amended articles of incorporation were filed on May 14, 2021.

STATUTORY DEPOSITS

Statutory deposits are maintained as required by insurance regulatory agencies for doing business in such jurisdictions. The 2022 Annual Statement Schedule E, Part 3 contains a complete description and listing of the statutory deposits by state. At December 31, 2022, the Company maintains a statutory deposit in North Carolina totaling \$902,922.

INFORMATION TECHNOLOGY CONTROLS

A risk-based assessment and review was performed of the Alignment Healthcare Group's Information Technology General Controls ("ITGCs") in accordance with the NAIC requirements as outlined in the Handbook. The guidance and direction used to perform the review of the Alignment Healthcare Group ITGCs were derived from Exhibit C Part 1 - Information Technology Planning Questionnaire ("ITPQ") and Exhibit C Part 2 - Information Technology Work Program (collectively, "Exhibit C").

The Alignment Healthcare Group's responses to the ITPQ were evaluated, and certain controls within the IT control environment were tested to assess whether the selected controls were designed effectively and were functioning properly.

The IT review's objectives were to obtain reasonable assurance about whether:

1. The Alignment Healthcare Group had a process in place to effectively identify, mitigate and manage its IT risks;
2. The Alignment Healthcare Group's control structure, policies and procedures were suitably designed to achieve the control objectives specified in Exhibit C; and
3. The Alignment Healthcare Group complied with those policies and procedures.

The objectives above were achieved through a combination of reviewing the Alignment Healthcare Group's policies and procedures, testing in key areas related to Exhibit C, interviewing the Alignment Healthcare Group's IT management, reviewing IT risk assessment processes, and leveraging relevant risk assessment procedures performed by Deloitte & Touche LLP.

Based upon the risk-based assessment and review, the Alignment Healthcare Group's ITGCs were determined to be effective.

FIDELITY BONDS

The Company has fidelity bond coverage totaling \$2,000,000 in aggregate, which exceeds the minimum amount of fidelity bond coverage recommended by the Handbook.

EMPLOYEE BENEFITS AND PENSION PLANS

The Company records stock option plans or equity-based compensation related to certain employees employed by AHCUSA but designated by AHCUSA with responsibilities that are solely specific to the Company. These employees participate in the equity-based incentive plan sponsored by AHI, for which the Company has no legal obligation. The allocation to the Company is based on the estimated percentage of the employee's time spent directly servicing the Company. (Refer to the Summary of Significant Findings).

RELATED PARTY AGREEMENTS

The Company has a management services agreement with AHCUSA, effective January 1, 2020, whereby AHCUSA provides management, administrative and operational support to the Company for a monthly fee due on the 20th equal to the amount incurred by AHCUSA, including services provided by a third party to AHCUSA on behalf of the Company and amounts in consideration of the Company's use of AHCUSA or other affiliate's assets. Effective March 24, 2020, there was a North Carolina Regulatory Addendum to the agreement noting specific requirements for affiliate service providers, settlement of balances, indemnification, assignment of authority, books and records, substantial control, third-party authorization provisions, and receivership protocols. Under this agreement, the Company incurred fees totaling \$1,550,662 and \$2,134,623 in 2021 and 2022, respectively.

The Company is part of a tax sharing agreement effective May 18, 2022, with AHI and AHI's subsidiaries and affiliates that file a consolidated federal and state income tax return, whereby AHI is appointed as agent for the subsidiaries and the subsidiaries agree to pay AHI for their portion of the tax liability. The Company must report and settle their portion of the tax liability within 30 days, income taxes due must be remitted no earlier than 10 days prior to the filing date and no later than 30 days after the filing date, estimated tax payments must be remitted no earlier than 10 days prior to the due date. (Refer to the Summary of Significant Findings).

The Company has a medical services agreement with Alignment Healthcare of North Carolina, LLC ("AHNC") effective January 1, 2021, whereby AHNC provides access to its provider network for the Company's covered beneficiaries. AHNC's compensation under this agreement will be at one hundred percent (100%) pass-thru based on the contracted rate in effect on the date covered services are provided, and AHNC shall bill, or cause its participating providers to bill, the Company for the covered services provided to its members by participating providers in full on a monthly basis. According to the North Carolina Regulatory Addendum, the Company shall not make any payment or advance any funds to AHNC for any purpose, except for payment of services defined in the agreement. (Refer to the Summary of Significant Findings).

The Company has a capital maintenance agreement with AHCUSA, effective February 27, 2020, whereby AHCUSA guarantees the capital obligations of the Company (i) for the protection against insolvency pursuant to GS §58-67-110; (ii) to ensure the Company maintains a minimum net worth of \$1.0 million; and (iii) to ensure the Company maintains risk-based capital of not less than 300%. Under this agreement, any payments by AHCUSA to the Company pursuant to this agreement shall be treated as a contribution of capital to the Company and not as a loan subject to repayment. The Company received additional capital contributions totaling \$3,100,000 from AHCUSA in 2021. No capital contributions were made in 2022 under this agreement. (Refer to Subsequent Events).

TERRITORY AND PLAN OF OPERATION

The Company became licensed on March 24, 2020, as an HMO restricted to writing MA business only in approved North Carolina counties. On January 1, 2021, the Company began offering three (3) HMO products under a contract with the Centers for Medicare and Medicaid Services. On January 1, 2022, the Company obtained an additional contract with the Centers for Medicare and Medicaid Services and began offering a PPO product.

At December 31, 2022, the Company served 1,347 members. The Company was authorized to write PPO products state-wide and to write HMO products in the following counties:

Avery	Forsyth	Johnston	Orange	Wilkes
Buncombe	Guilford	Macon	Polk	Yancey
Chatham	Haywood	Madison	Swain	
Davidson	Henderson	McDowell	Transylvania	
Davie	Jackson	Mitchell	Wake	

TRENDS OF THE COMPANY

The following data, obtained from annual statements filed with the Department, illustrates the trends of the Company for the three-year period ended December 31, 2022:

Year	Net Admitted Assets	Capital and Surplus	Gross Premiums Written	Net Earned Premiums	Net Income (Loss)
2020	\$6,999,942	\$6,746,559	\$0	\$0	(\$15,058)
2021	\$12,490,678	\$5,550,124	\$14,357,303	\$14,275,277	(\$3,880,270)
2022	\$14,198,806	\$2,167,909	\$17,805,578	\$17,707,262	(\$2,708,190)

ACTUARIAL OPINION

Every health insurance company doing business in this State, unless otherwise exempted by the Commissioner, shall annually have an Actuarial Opinion and Actuarial Memorandum made available to the Board in accordance with the Annual Statement Instructions and GS § 58-2-165(c) pursuant to GS § 58-67-55.

The statutory reserves and related items for 2022 were reviewed and certified by the Company's Appointed Actuary, Timothy D. Gustafson, FSA, MAAA of Deloitte Consulting LLP. Actuarial opinions regarding the Company's reserves for claims unpaid, unpaid claims adjustment expenses, and aggregate health policy reserves were issued by an appointed actuary in 2021 and 2022. The appointed actuary evaluated the data provided by the Company for reasonableness and consistency of the claims unpaid, unpaid claims adjustment expenses, and aggregate health policy reserves. According to the actuarial opinions, the Company's reserve on the claims unpaid and unpaid claims adjustment expenses met the requirements of the insurance laws of North Carolina; were consistent with reserves computed in accordance with accepted actuarial standards and principles; and made a reasonable provision for all unpaid claims and other actuarial liabilities of the organization under the terms of its contracts and agreements.

REINSURANCE PROGRAM OVERVIEW

REINSURANCE CEDED

The Company had a stop-loss reinsurance contract with Ironshore, effective January 1, 2022, whereby the Company was reimbursed for 90% of eligible expenses in excess of \$250,000 per covered member, per contract year. In 2022, the Company ceded premiums totaling \$98,317 to Ironshore under this contract.

FINANCIAL STATEMENTS

The following financial statements are based on the statutory financial statements filed by the Company with the Department and present the financial condition of the Company for the period ending December 31, 2022. The supporting exhibits present the information required to be included, in conformity with reporting practices prescribed by the Department. The financial statements and supporting schedules for the prior year are unexamined and are presented for comparative purposes only.

Alignment Health Plan of North Carolina, Inc.
Statutory Statement of Admitted Assets
December 31, 2022

	2022	2021 <i>(unexamined)</i>
Cash and short-term investments	\$12,074,950	\$11,498,756
Total Cash and Invested Assets	12,074,950	11,498,756
Premiums and agents' balances in course of collection	-	5,400
Accrued retrospective premiums and contracts subject to redetermination	245,117	109,748
Amounts receivable relating to uninsured plans	1,467,600	591,370
Health care and other accounts receivable	411,139	285,404
Total Admitted Assets	\$14,198,806	\$12,490,678

Alignment Health Plan of North Carolina, Inc.
Statutory Statement of Liabilities, Capital, and Surplus
December 31, 2022

	2022	2021 <i>(unexamined)</i>
Claims unpaid	\$2,080,560	\$1,905,230
Accrued medical incentive pool and bonus amounts	13,123	238,237
Unpaid claims adjustment expenses	36,001	34,604
Aggregate health policy reserves	1,090,112	7,325
Premiums received in advance	706	2,878
General expenses due and accrued	87,332	19,165
Amounts due to parent, subsidiaries, and affiliates	8,615,334	4,723,203
Escheat Funds	107,729	9,913
Total Liabilities	12,030,897	6,940,555
Common capital stock	1,000	-
Gross paid in and contributed surplus	10,100,000	10,100,000
Unassigned funds	(7,933,091)	(4,549,877)
Total Capital and Surplus	2,167,909	5,550,123
Total Liabilities, Capital, and Surplus	\$14,198,806	\$12,490,678

Alignment Health Plan of North Carolina, Inc.
Statutory Statement of Revenue and Expenses
December 31, 2022

	2022	2021 <i>(unexamined)</i>
Member months	15,967	13,442
Underwriting Income		
Premiums earned	\$17,707,262	\$14,275,277
Hospital and Medical		
Hospital and medical benefits	10,028,854	12,277,015
Other professional services	741,944	797,912
Emergency room and out-of-area	3,362,603	-
Prescription drugs	1,493,433	1,298,301
Incentive pool, withhold adjustments and bonus amounts	(175,692)	238,237
Subtotal	15,451,142	14,611,465
Less		
Total hospital and medical	15,451,142	14,611,465
Claims adjustment expenses	101,438	197,837
General administrative expenses	3,912,250	3,346,291
Increase in reserves for life and accident contracts	973,000	-
Total underwriting deductions	20,437,830	18,155,593
Net underwriting gain (loss)	(2,730,568)	(3,880,316)
Net investment income earned	30,052	46
Net investment gains (losses)	30,052	46
Net gain (loss) from agents' or premium balances charged off	(7,674)	-
Net Income (Loss)	(\$2,708,190)	(\$3,880,270)

Alignment Health Plan of North Carolina, Inc.
Statutory Statement of Capital and Surplus
December 31, 2022

	2022	2021 <i>(unexamined)</i>
Capital and Surplus, Beginning of Year	\$5,550,123	\$6,746,559
Net income (loss)	(2,708,190)	(3,880,270)
Change in non-admitted assets	(1,339,756)	(416,166)
Surplus adjustments to paid-in capital	-	3,100,000
Aggregate write-ins for gains (losses) in surplus	665,732	-
Net change in capital and surplus	(3,382,214)	(1,196,436)
Capital and Surplus, End of Year	\$2,167,909	\$5,550,123

Alignment Health Plan of North Carolina, Inc.
Statutory Statement of Cash Flow
December 31, 2022

	2022	2021 <i>(unexamined)</i>
Cash From (Used By) Operations		
Premiums collected net of reinsurance	\$17,688,820	\$14,166,419
Net investment income	30,052	49
Total	17,718,872	14,166,468
Benefit and loss related payments	15,781,953	13,033,555
Commissions, expenses paid and aggregate write-ins	4,828,028	4,081,729
Total	20,609,981	17,115,284
Net Cash From (Used By) Operations	(2,891,109)	(2,948,816)
Cash From (Used By) Financing and Miscellaneous Sources		
Cash from capital and paid-in surplus	-	3,100,000
Other cash (applied) provided	3,467,303	4,347,632
Net Cash From (Used By) Financing and Miscellaneous Sources	3,467,303	7,447,632
Reconciliation of Cash and Short-Term Investment		
Net change in cash and short-term investments	576,194	4,498,816
Cash and short-term investments, beginning of year	11,498,756	6,999,940
Cash and short-term investments, end of year	\$12,074,950	\$11,498,756

COMMENTS ON FINANCIAL STATEMENTS

Basis of Presentation and Summary of Significant Accounting Policies:

The accompanying financial statements have been prepared on the basis of the accounting practices prescribed or permitted by the Department.

The more significant accounting policies followed by the Company are as follows:

Cash and short-term investments: Carried at amortized cost (which approximates fair value) and includes money market instruments and debt securities with maturities of less than one year.

Premiums: Insurance premiums, net of premiums ceded to reinsurers, are earned over the period to which healthcare coverage relates.

Reinsurance: Premiums ceded are reported as a reduction of premium revenue. Reinsurance recoveries are reported as a reduction of medical benefits under health policies.

Non-admitted assets: Certain assets, such as health care receivables over 90 days past due, excess of book value over market value for securities, and prepaid expenses, are "non-admitted" and are charges against surplus.

Claims unpaid & unpaid claims adjustment expense: Includes amounts determined from individual case estimates and case reports and amounts, based on experience, for claims incurred but not reported. The methods for making such estimates and for establishing the resulting liability, are continually reviewed and any adjustments are reflected in the period determined.

Analysis of Assets:

The following represents an analysis of the Company's net admitted assets as of December 31, 2022:

	Assets	Assets Not Admitted	Net Admitted Assets
Cash and short-term investments	\$12,074,950	\$-	\$12,074,950
Total cash and invested assets	12,074,950	-	12,074,950
Accrued retrospective premiums and contracts subject to redetermination	245,117	-	245,117
Amounts receivable relating to uninsured plans	1,467,600	-	1,467,600
Electronic data processing equipment and software	43,244	43,244	-
Health care and other accounts receivable	846,584	435,445	411,139
Prepaid assets	1,501,368	1,501,368	-
Deposits	14,247	14,247	-
Total admitted assets	\$16,193,110	\$1,994,304	\$14,198,806

Reinsurance Activity:

The Company has a stop-loss reinsurance contract to minimize its exposure to losses. Reinsurance contracts do not relieve the Company of its primary obligation to policyholders. Failure of the reinsurers to discharge their obligations could result in losses to the Company. The Company utilizes HCP National Insurance Services, Inc. as a reinsurance intermediary, to negotiate and obtain reinsurance contracts on its behalf for specifically identified risks.

Direct and ceded premiums written and earned are as follows:

	2022	2021
Direct written	\$17,805,579	\$14,357,303
Ceded written	98,317	82,026
Net written	17,707,262	14,275,277
Net earned	\$17,707,262	\$14,275,277

The reinsurer shares in the risks as specified in the reinsurance contract. The type of contract and retention limits are described under the Reinsurance Program Overview.

Summary of Reserves:

The following provides a reconciliation of the Company's reserves for claims unpaid and unpaid claims adjustment expenses:

	2022	2021
Reserve for claims unpaid and unpaid claims adjustment expenses, beginning of year	\$1,851,309	\$-
Add:		
Provision for claims unpaid and unpaid claims adjustment expenses, current year	12,011,531	10,589,546
Change in estimated claims unpaid and unpaid adjustment expenses, prior years	(627,071)	-
Total incurred	11,384,460	10,589,546
Deduct:		
Claims unpaid and unpaid claims adjustment expenses paid, current year	10,105,752	8,738,237
Claims unpaid and unpaid claims adjustment expenses paid, prior year	1,220,481	-
Total paid	11,326,233	8,738,237
Reserve for claims unpaid and unpaid claims adjustment expenses, end of year	1,909,536	1,851,309
Other claims unpaid liabilities	207,025	88,525
Total claims unpaid and unpaid claims adjustment expenses, end of year	\$2,116,561	\$1,939,834

Capital and Surplus:

The following, in conjunction with the Statutory Statement of Capital and Surplus, represents the changes in the Company's capital and surplus since inception:

	2022	2021	2020
Capital and surplus, beginning of year	\$5,550,123	\$6,746,559	\$-
Capital and surplus increases (decreases):			
Net income (loss)	(2,708,190)	(3,880,270)	(15,058)
Change in non-admitted assets	(1,339,756)	(416,166)	(238,383)
Surplus adjustments to paid-in capital	-	3,100,000	7,000,000
Aggregate write-ins for gains (losses) in surplus	665,732	-	-
Change in surplus as regards policyholders for the year	(3,382,214)	(1,196,436)	(6,746,559)
Capital and surplus, end of year	\$2,167,909	\$5,550,123	\$6,746,559

SUBSEQUENT EVENTS

In April 2023, the Company expanded to Nevada and was in violation of GS §58-67-10(d)(1), which requires prior notice for significant modifications to business plans. The Department approved the business plan and notice of significant modification on September 22, 2023.

In 2023, the Company received multiple capital contributions totaling \$12,505,339 pursuant to its capital maintenance agreement with AHCUSA.

On December 27, 2023, the Company filed an ORSA with the Department.

Alignment Health Plan of North Carolina, Inc.
DISTRIBUTION OF REPORT ON EXAMINATION
December 31, 2022

Lam Ta, Senior Vice President, Chief Accounting Officer
1100 West Town & Country Road, Suite 1600
Orange, California 92868

Blayze Evans, Senior Director, SEC Reporting
1100 West Town & Country Road, Suite 1600
Orange, California 92868

Glenn Hertel, AVP, Compliance and Regulatory Affairs, ACO-REACH Compliance Officer
1100 West Town & Country Road, Suite 1600
Orange, California 92868

CONCLUSION

The examination procedures, described, herein, revealed a material adverse finding related to an insufficient PDR resulting in a significant decrease to the Company's surplus and net income as originally reported to the Department at December 31, 2022. (Refer to Summary of Significant Findings).

Based on the above, we conclude that the Company does not comply with the minimum net worth requirements of GS § 58-67-110(b) and minimum capital and surplus requirements of GS § 58-7-75(2)a for the kinds of insurance that the Company has been authorized to write, which is \$1,000,000 and \$500,000, respectively, or the amount required pursuant to the risk-based capital provisions of Article 12 of Chapter 58 at December 31, 2022.

The courteous cooperation and assistance extended by the officers and employees of the Company during the examination is hereby acknowledged.

Respectfully submitted,



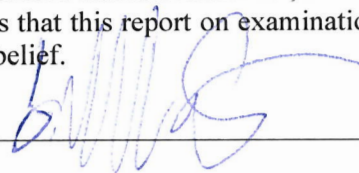
Monique Smith, CPA, CFE, CIA
Deputy Commissioner
North Carolina Department of Insurance

May 29, 2024

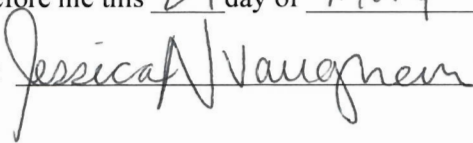
STATE OF NORTH CAROLINA

COUNTY OF WAKE

Jeffrey Streyle, Chief Financial Examiner, North Carolina Department of Insurance, being first, duly sworn, deposes and says that this report on examination, subscribed by him, is true and correct to the best of his knowledge and belief.

Signature:  Date: 5/29/2024

Sworn and subscribed before me this 29 day of May, 2024.

Notary Public Signature:  Notary Public Seal:

JESSICA N VAUGHAN
Notary Public, North Carolina
Wake County
My Commission Expires
December 08, 2026