



NC DEPARTMENT
of **INSURANCE**
MIKE CAUSEY, COMMISSIONER

COMPANY SERVICES GROUP
FINANCIAL EXAMINATION DIVISION

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I, Mike Causey, Commissioner of Insurance in and for the State of North Carolina do hereby certify that: I have caused Troy Health, Inc. as of December 31, 2021 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 14th day of June, 2023.



Mike Causey
Commissioner of Insurance

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

Troy Health, Inc.

Charlotte, North Carolina

Report on Examination

As of December 31, 2021

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May 11, 2023

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 GS § 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

Troy Health, Inc.

(hereinafter referred to as the “Company”), at its main administrative and statutory home office located at 615 South College Street, Floor 10, Charlotte, North Carolina 28202. 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 April 1, 2019, to December 31, 2021, including any material transactions and events occurring subsequent to the examination date and noted during the course of this examination. This examination serves as 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 sets forth findings of fact (together with citations of pertinent laws, regulations, and rules) with regard to any material adverse findings disclosed by the examination.

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:

Underwriting
Claims Handling
Reserving
Reinsurance Ceding
Related Parties
Investing and Capital

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 § 58-67-171 and GS § 58-10-185(a). Baker Tilly US, LLP of Philadelphia, PA, the designated independent public accountant of the Company, issued an unmodified opinion for the years 2019 through 2021.

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”
Board of Directors	“Board”
Troy Health, Inc.	“Company”
Health Maintenance Organization	“HMO”
Troy Holdings, Inc.	“THI”
Third Party Administrator	“TPA”
Annual Statement	“AS”
Dual Special Needs Plans	“D-SNP”
Center for Medicare and Medicaid Services	“CMS”
PerformRx, LLC	“PerformRx”
TabulaRasa Healthcare TPA, LLC	“TabulaRasa”

SUMMARY OF SIGNIFICANT FINDINGS

COMMENTS, RECOMMENDATIONS AND DIRECTIVES

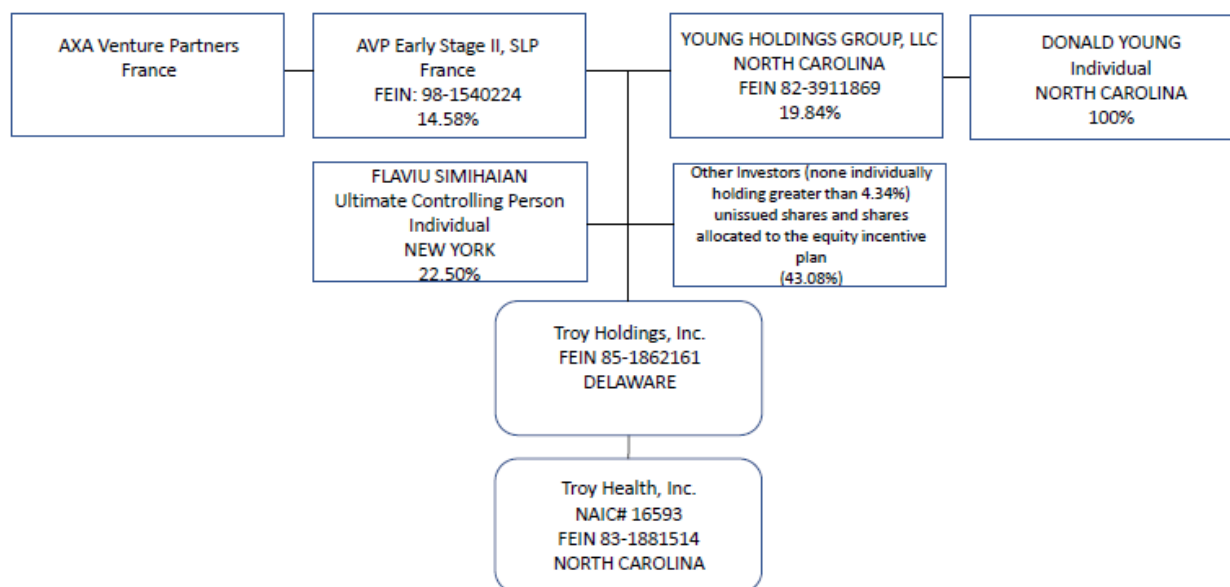
- a. The Company did not maintain fidelity bond coverage from April 1, 2019, through December 31, 2021. The NAIC’s recommended minimum fidelity bond coverage is \$225,000. The Company is directed to maintain fidelity bond coverage for no less than the minimum recommended by the NAIC.
- b. The Company did not properly execute conflict of interest statements for all directors and officers for the years 2019 through 2021. Pursuant to North Carolina Administrative Code Title 11 Chapter 11C.0117, the Company is directed to execute conflict of interest forms annually for all directors and officers.
- c. The Company is in violation of GS § 58-56-26(c) by failing to submit a certification of completion audit of the operations of its Third Party Administrators (“TPA”) to the Department within the timeframe prescribed by the law. GS § 58-56-26(c) requires the Company to submit its previous years semi-annual audits of their TPA to the Department annually. The Company is directed to file all TPA audits in accordance with GS § 58-56-26(c).

ORGANIZATIONAL STRUCTURE

The Company is part of an insurance holding company system as defined in GS § 58-19. The Company is wholly owned by Troy Holdings, Inc. (“THI”), a Delaware domiciled holding company. THI is owned by the following investors: co-founder, Flaviu Simihaian (22.5%); Young Holdings Group, LLC (19.84%); SLP France (14.6%); and various other investors which are primarily independent community pharmacists (43.1%). AXA Venture Partners France owns 100% of SLP France. Co-founder Donald Young owns 100% of Young Holdings Group, LLC. THI owns 100% of all outstanding shares of the Company’s common stock at December 31, 2021.

ORGANIZATIONAL CHART

The Company’s 2021 Annual Statement (“AS”) Schedule Y contains a complete organizational chart. The following is the organizational chart of the holding company group as of December 31, 2021:



COMPANY HISTORY

The Company was incorporated on September 12, 2018, under the laws of the State of North Carolina as a Health Maintenance Organization (“HMO”). On September 12, 2018, the Company authorized 1,000,000 shares of common stock and issued 50,000 shares to Young Holdings Group, LLC and another 50,000 shares to Flaviu Simihaian, both of whom are co-founders of the Company. During 2018, the Company issued convertible debt totaling \$3,135,000 with a 5% interest rate.

In 2019, the Company increased the number of its authorized shares of Series A \$0.001 par value preferred stock from 0 to 5,293,173. On April 19, 2019, the debt was converted into 1,756,648 shares of Series A preferred stock. In addition, the Company issued a Series A preferred stock offering resulting in the Company receiving an additional \$6,416,450 in exchange for 3,521,154 shares of Series A preferred stock in 2019. As of September 1, 2019, the Company has 5,277,802 shares of \$0.001 par value preferred stock Series A issued.

The Company completed three common stock splits in 2019 which resulted in the Company ultimately issuing 100 shares of \$0.001 par value common stock for every 1 share, which increased the total number of common stock shares issued and outstanding from 100,000 to 10,000,000 as of September 1, 2019.

The Company received surplus contributions from its parent, THI, totaling \$8,000,000 and \$5,000,000, in 2021 and 2020, respectively.

CAPITAL STOCK

As of December 31, 2021, the Company’s capitalization consisted of the following:

Common Stock	Value
Number of authorized common capital shares	16,404,284 shares
Number of shares issued and outstanding	10,000,000 shares
Total common stock	\$10,000
Par value per share	\$0.001

Preferred Stock	Value
Number of authorized preferred capital shares	5,293,173 shares
Number of shares issued and outstanding	5,277,802 shares
Total preferred stock	\$5,277
Par value per share	\$0.001

The Company increased the number of authorized shares of its common and preferred capital stock during the examination period. (Refer to Corporate Records)

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 in years 2019 through 2021.

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 appoint. Special meetings of the shareholders may be called at any time by the Board, the chairman of the board, the chief executive officer, the president, or by one or more stockholders with shares in the aggregate entitled to cast not less than 20% of the votes at that meeting.

Board of Directors

The business of the Company is conducted by its management team and subject to review by the Board. The bylaws specify that the number of directors shall be one. Directors are elected annually, at the annual meeting of stockholders or by the written consent of the stockholders, and each director elected shall hold office until a successor is elected and qualified. (Refer to the Summary of Significant Findings)

The following individuals served as directors as of December 31, 2021:

Name	Location	Principal Occupation
Flaviu Simihaian	New York, New York	Executive
Jessica Lynn Astrup Ehret	Austin, Minneapolis	Pharmacist
Manish Agarwal	New York, New York	Venture Capitalist
Jeffrey Lee Spight	Phoenix, Arizona	Consultant
Donald Joshua Young	Concord, North Carolina	Pharmacist

The Board established no committees to act on behalf of the Company.

Officers

The bylaws provide that the Board will elect the officers of the Company. The officers of the Company consist of a president and secretary. There may also be a chief executive officer, chief financial officer, a treasurer, one or more vice presidents, one or more assistant secretaries and one or more assistant treasurers. 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, 2021:

Name	Title
Flaviu Simihaian	Chief Executive Officer, President, Treasurer, and Secretary
Michael Cutroni	Chief Financial Officer

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 the Company did not act in accordance with its policy and procedure for disclosure of conflicts of interest. (See Summary of Significant findings)

CORPORATE RECORDS

We reviewed the minutes of the meetings of the Board for the period under examination. Based on our review, it appears that the minutes documented the Company's significant transactions and events and that the directors approved these transactions and events.

The Company's articles of incorporation were reviewed for any changes during the period under examination. Based on our review, the following amendments were submitted to the Department:

On April 19, 2019, the Company increased the number of its authorized shares of common stock from 1,000,000 to 13,903,829 and authorized 2,792,718 shares of preferred stock.

On August 24, 2019, the Company increased the number of its authorized shares of common stock from 13,903,829 to 15,015,395 and increased the number of its authorized shares of preferred stock from 2,792,718 to 3,904,284.

On September 1, 2019, the Company increased the number of its authorized shares of common stock from 15,015,395 to 16,404,284 and increased the number of its preferred stock from 3,904,284 to 5,293,173.

STATUTORY DEPOSITS

Statutory deposits are maintained as required by insurance regulatory agencies for doing business in such jurisdictions. The Company's 2021 AS Schedule E, Part 3 contains a complete description and listing of the Company's statutory deposits by state. The Company only maintains a statutory deposit in North Carolina.

FIDELITY BONDS

The Company did not have fidelity bond coverage for the period under examination. (Refer to the Summary of Significant Findings)

EMPLOYEE BENEFITS AND PENSION PLANS

The Company and THI offer a 401(k) savings plan. The plan is a voluntary contributory plan under which employees may elect to defer compensation. The employee can participate in the 401(k) plan by contributing through payroll deductions up to 100% of the employee's compensation. Once the contributions are distributed, the employee is then taxed. No matching contributions were made by the Company or THI for this plan.

RELATED PARTY AGREEMENTS

The Company has an administrative management services agreement with THI, effective January 1, 2021, whereby THI provides certain management consultation and administrative services to the Company. The expenses incurred under this agreement are to be apportioned in accordance with SSAP 70 and compensation shall not exceed the actual costs and expenses incurred by THI. Under this agreement, the Company incurred management fees totaling \$395,030 for 2021.

The Company is included in a consolidated income tax return in accordance with a tax allocation agreement between THI, effective February 5, 2021. The agreement sets forth the parties' obligations in connection with their filing as a consolidated tax filing group. Each entity shall remit to THI any amount determined to be due in accordance with the agreement no more than 60 days after the taxes are due. Refunds received by THI resulting from tax savings shall be remitted to the applicable entity 60 days after the tax refund was received. Refunds received by THI resulting from adjustments to previously filed tax returns shall be remitted to the applicable entity no more than 30 days after such payments are received.

The Company co-leases office space with one of its investors, an independent community pharmacist investor and co-founder of the Company, Donald Young, who owned 21.4% and 19.8% of THI voting stock at December 31, 2021 and 2020, respectively.

THIRD PARTY ADMINISTRATORS

The Company has a pharmacy benefit management services agreement with PerformRx, LLC (“PerformRx”), effective February 3, 2019, whereby PerformRx provides or arranges for the provision of comprehensive pharmacy benefit management services. The Company pays PerformRx for core administrative and other fees within 15 days of PerformRx’s invoice for charges, fees, and expenses. Under this agreement, the Company paid fees totaling \$300,287 and \$140,977 in 2021 and 2020, respectively.

The Company has a carevention healthcare services agreement with TabulaRasa Healthcare TPA, LLC (“TabulaRasa”), effective January 1, 2021, whereby TabulaRasa provides licensing, member services, enrollment management/billing/reconciliation, claims adjudication and claims payment services. The Company is invoiced on the first day of each month for services provided and pays fees within thirty days upon receipt from TabulaRasa. The Company paid fees totaling \$548,881 and \$68,833 in 2021 and 2020, respectively.

TERRITORY AND PLAN OF OPERATION

The Company became licensed on April 24, 2019, and began writing business on January 1, 2020, as an HMO. The Company’s license is restricted to Medicare Advantage business only and limited to twenty-four (24) North Carolina counties with a membership cap of 3,440 as of December 31, 2021.

Through a Medicare Advantage contract with the Centers for Medicare and Medicaid Services (“CMS”), the Company provides Medicare plans in various counties in the State of North Carolina. The Company offers Medicare Part C plans, Medicare Part D plans, and Dual Eligible Special Needs Plans (“D-SNP”). Medicare Part C plans provide hospital coverage and typically offer extra benefits such as vision, hearing, and dental care. Medicare Part D plans cover the cost of prescription drugs. D-SNP plans provide specialized care and wrap-around services for dual eligible beneficiaries who are eligible for both Medicare and Medicaid. The Company has 1,036 members at December 31, 2021.

The Company solicits business through independent agents located throughout the various counties in which it is licensed.

At December 31, 2021, the Company was licensed in the following 24 counties in North Carolina:

Alexander	Alleghany	Anson	Bladen	Cabarrus
Catawba	Columbus	Cumberland	Davie	Granville
Harnett	Hoke	Iredell	Lincoln	Mecklenburg
Montgomery	Moore	Richmond	Robeson	Rowan
Sampson	Scotland	Wilkes	Yadkin	

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 2021:

Year	Net Admitted Assets	Capital and Surplus	Gross Premiums Written	Net Earned Premiums	Net Loss
2021	\$16,509,945	\$8,965,901	\$14,175,936	\$13,941,746	(\$3,269,866)
2020	\$10,980,000	\$4,464,833	\$3,028,091	\$2,958,350	(\$4,806,901)
2019	\$8,125,975	\$4,305,735	\$ 0	\$ 0	(\$5,821,475)

ACTUARIAL OPINION

Every health insurance company doing business in this State, unless otherwise exempted by the Commissioner, shall annually submit the opinion of an appointed actuary and an actuarial opinion summary in accordance with GS § 58-2-165(c) pursuant to GS § 58-67-55.

The statutory reserves and related items for 2021 were reviewed and certified by the Company's Appointed Actuary, Michael Krentzman, Fellow, Society of Actuaries, and Member, American Academy of Actuaries of Wakely Consulting Group, LLC, a Health Management Associates Company. Actuarial opinions regarding the Company's reserves for claims unpaid and unpaid claims adjustment expenses were issued by an appointed actuary for all years in the examination period. The appointed actuary evaluated the data provided by the Company for reasonableness and consistency of the claims unpaid, claims adjustment expense and premium deficiency reserves. According to the actuarial opinions, the Company's reserves on the claims unpaid, unpaid claims adjustment expense and the premium deficiency reserve 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 claims expense obligations of the Company.

REINSURANCE PROGRAM OVERVIEW

REINSURANCE CEDED

The Company has a specific excess of loss reinsurance contract with Ironshore Indemnity Inc. effective January 1, 2021, through January 1, 2022, whereby the Company retains 10% of the cost of covered services and the reinsurer pays 90% after a \$150,000 deductible has been satisfied. The contract provides for an unlimited benefit coverage for each covered member in excess of the Company's retention of \$175,000 per member and a membership count of 792. Reinsurance limits are unlimited with a paid premium rate per member per month of \$16.85 for Medicare Advantage plans, \$23.59 for Duals plans, and \$24.43 for D-SNP plans, with a \$100,000 minimum premium. The Company ceded premiums totaling \$234,190 and \$69,741, in 2021 and 2020, respectively, 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, 2021. 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 as of December 31, 2020, are unexamined and are presented for comparative purposes only.

Troy Health, Inc.
Statutory Statement of Admitted Assets
December 31,

	2021	2020 <i>(unexamined)</i>
Cash and short-term investments	\$14,236,351	\$10,803,305
Total cash and invested assets	14,236,351	10,803,305
Investment income due and accrued	2	3
Accrued retrospective premiums	1,923,786	130,289
Amounts receivable relating to uninsured plans	-	1,669
Electronic data processing equipment and software	4,217	2,346
Receivables from parent, subsidiaries and affiliates	8,617	13,527
Health care and other amounts receivable	336,972	28,861
Total Admitted Assets	\$16,509,945	\$10,980,000

Troy Health, Inc.
Statutory Statement of Liabilities, Capital, and Surplus
December 31,

	2021	2020 <i>(unexamined)</i>
Claims unpaid	\$2,689,107	\$463,215
Unpaid claims adjustment expenses	250,667	40,517
Aggregate health policy reserves	3,922,451	5,596,838
Premiums received in advance	16,697	1,587
General expenses due or accrued	471,426	287,106
Ceded reinsurance premiums payable	-	5,699
Amounts withheld or retained for the account of others	9,466	8,560
Borrowed money	-	111,645
Amounts due to parent, subsidiaries and affiliates	37,679	-
Liability for amounts held under uninsured plans	146,551	-
Total Liabilities	7,544,044	6,515,167
Common capital stock	10,000	10,000
Preferred capital stock	5,277	5,277
Gross paid in and contributed surplus	24,284,767	16,284,737
Unassigned funds (surplus)	(15,334,143)	(11,835,181)
Total Capital and Surplus	8,965,901	4,464,833
Total Liabilities, Capital, and Surplus	\$16,509,945	\$10,980,000

Troy Health, Inc.
Statutory Statement of Revenue and Expenses
December 31,

	2021	2020 <i>(unexamined)</i>
Underwriting Income		
Net premium income	\$13,941,746	\$2,958,350
Total Revenues	13,941,746	2,958,350
Hospital/medical benefits	11,335,548	2,147,243
Prescription drugs	1,873,026	536,166
Subtotal	13,208,574	2,683,409
Less:		
Net reinsurance recoveries	97,127	-
Total hospital and medical	13,111,447	2,683,409
Claims adjustment expenses	1,594,394	444,558
General administrative expenses	4,291,821	2,689,719
Increase (decrease) in reserves for life and accident and health contracts	(1,674,387)	1,957,420
Total underwriting deductions	17,323,275	7,775,106
Net underwriting gain or (loss)	(3,381,529)	(4,816,757)
Net investment income earned	19	9,856
Net investment gains or (losses)	19	9,856
Aggregate write-ins for other income or expenses	111,645	-
Net Loss	(\$3,269,866)	(\$4,806,901)

Troy Health, Inc.
Statutory Statement of Capital and Surplus
December 31,

	2021	2020 <i>(unexamined)</i>
Capital and surplus prior reporting year	\$4,464,833	\$4,305,735
Net loss	(3,269,866)	(4,806,901)
Change in non-admitted assets	(229,066)	(47,120)
Paid in (surplus adjustments)	8,000,030	5,000,000
Stock options	(30)	13,118
Net change in capital and surplus	4,501,068	159,097
Capital and surplus, end of year	\$8,965,901	\$4,464,833

Troy Health, Inc.
Statutory Statement of Cash Flow
December 31,

	2021	2020 <i>(unexamined)</i>
Cash used by operations		
Premiums collected net of reinsurance	\$12,157,661	\$2,835,347
Net investment income	19	10,439
Total	12,157,680	2,845,787
Benefit and loss related payments	11,434,527	2,286,913
Commissions, expenses paid and aggregate write-ins	5,223,547	2,997,477
Total	16,658,074	5,284,390
Net cash used by operations	(4,500,394)	(2,438,604)
Cash from (used by) financing and miscellaneous sources		
Cash from capital and paid-in surplus	8,000,030	5,000,000
Borrowed funds	(111,645)	111,645
Other cash provided	45,055	4,875
Net cash from financing and miscellaneous sources	7,933,440	5,116,520
Reconciliation of cash and short-term investments		
Net change in cash and cash equivalents	3,433,046	2,677,916
Beginning of year cash and cash equivalents	10,803,305	8,125,389
End of year cash and cash equivalents	\$14,236,351	\$10,803,305

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 terms of the policies. The portion of direct premiums written applicable to the unexpired terms of the policies is recorded as unearned premium. Premiums are earned on a pro rata basis.

Reinsurance: Premiums, commissions, expense reimbursements, and reserves are reported for on a basis consistent with the original policies issued and the terms of the reinsurance agreements. Premiums ceded are reported as a reduction of premium income. Losses and loss adjustment expenses are reported as reductions of those items. Uncollateralized amounts from unauthorized reinsurers are deducted directly from capital and surplus through a provision for unauthorized reinsurance. Changes to the provision are credited or charged directly to surplus.

Non-admitted assets: Certain assets, such as premiums 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 & claims unpaid adjustment expense: Includes amounts determined from individual case estimates and loss reports and amounts, based on experience, for losses incurred but not reported. Estimated amounts of salvage and subrogation and reinsurance recoverable are deducted from the reserve for losses and loss adjustment expenses.

Analysis of Assets:

The Company had the following assets that were non-admitted at December 31, 2021: healthcare and other amounts receivables totaling \$283,718 and prepaid assets totaling \$66,910.

Reinsurance Activity:

The Company has an excess of loss 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 Risk Strategies Company 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:

	2021	2020
Direct written	\$ 14,175,936	\$3,028,091
Ceded written	234,190	69,741
Net written	\$13,941,746	\$2,958,350
Net earned	\$13,941,746	\$2,958,350

The reinsurers share in the risks at different levels as specified in the reinsurance contracts. Contract type 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:

	2021	2020
Reserve for claims unpaid and unpaid claims adjustment expenses, beginning of year	\$ 463,215	\$ -
Add:		
Provision for claims unpaid and unpaid claims adjustment expenses, current year	13,107,516	2,683,409
Change in estimated unpaid claims and unpaid claims adjustment expenses, prior years	3,933	-
Total incurred	13,111,449	2,683,409
Deduct:		
Claims and claims adjustment expenses paid, current year	(10,967,379)	(2,286,913)
Claims and claims adjustment expenses paid, prior year	(467,148)	-
Total paid	(11,434,527)	2,286,913
Reserve for unpaid claims and unpaid claims adjustment expenses, end of year	2,689,106	463,215
Increase in reserve for claims unpaid and unpaid claims adjustment expenses	\$548,970	\$66,719

Reserves for claims unpaid and unpaid claims adjustment expenses are reported net of the amounts that are recoverable under the Company's reinsurance contract. At December 31, 2021, and 2020, the liability for claims unpaid and unpaid claims adjustment expenses was reduced by \$97,127 and \$0, respectively, for amounts to be recovered from reinsurers.

Capital and Surplus:

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

	2019
Capital and surplus, beginning of year	\$645,151
Capital and surplus increases (decreases):	
Net loss	(5,821,475)
Change in non-admitted assets	(74,441)
Capital adjustments to paid-in capital	15,177
Surplus adjustments to paid-in capital	9,541,323
Change in surplus as regards policyholders for the year	3,660,584
Capital and surplus, end of year	\$4,305,735

Borrowed Money:

The Company received a loan totaling \$111,645 in May 2020 pursuant to the Paycheck Protection Program, which was established as part of the Coronavirus Aid, Relief and Economic Security Act and is administrated through the Small Business Administration. The program allows for the loan to be forgivable after a covered period of either eight or twenty-four weeks as long as the borrower maintains its payroll levels and uses the proceeds for eligible expenses. In September 2020, the Company met the loan forgiveness requirements and applied for forgiveness. On June 13, 2021, the Company's loan was fully forgiven by the federal government.

Medicare Part D Risk Corridor Program:

The Company receives monthly payments from CMS and a portion of those payments is subject to risk sharing through the Medicare Part D risk corridor provisions. The program has risk corridor provisions which allow for the Company and CMS to share the risk associated with the ultimate costs of the Medicare Part D plan prescription drug benefit. The risk corridor provisions compare the actual prescription drug costs, known as actual allowable costs, to their targeted costs, as reflected in the Company's bid ("target amount") and could result in either positive or negative adjustments to CMS payments to the Company, which are reported through premium revenue. Any variances which exceed or are below thresholds may result in CMS making additional payments to the Company or require the Company to refund a portion of the payments received back to CMS. Actual allowable costs subject to risk sharing with CMS are limited to the costs that are, or would have been, incurred under the CMS defined "standard" benefit plan. The Company estimates and recognizes an adjustment to its premium revenue related to the risk corridor payment, based upon its prescription drug claims experience to date, net of any manufacturer rebates and other Medicare Part D plan revenues. The Company recorded a receivable totaling \$491,494 and \$117,709, at December 31, 2021 and 2020, respectively, related to the Medicare Part D Risk Corridor Program.

SUBSEQUENT EVENTS

In March 2022, Michael Cutroni resigned as Chief Financial Officer of the Company.

In April 2022, Nick Christianson was appointed Chief Financial Officer of the Company.

In June 2022, Jeffrey Spight and Manish Agarwal resigned as members of the Board.

In July 2022, Babette Edgar was appointed as Board chair.

In September 2022, Nick Christianson resigned as Chief Financial Officer and Russ Mohawk was appointed as Chief Financial Officer of the Company.

In October 2022, Flaviu Simihaian resigned as Chief Executive Officer and appointed Chief Product Officer.

In October 2022, Ethan Lipkind was appointed as Chief Executive Officer of the Company.

In December 2022, Donald Young resigned from the Board and Ethan Lipkind was appointed to the Board.

On April 24, 2023, the Company received approval to add nineteen (19) new counties to its service area for plan year 2024 and to increase its membership cap to 6,710.

Troy Health, Inc.
DISTRIBUTION OF REPORT ON EXAMINATION
December 31, 2021

Joey Shandley, Vice President of Finance
615 South College Street, Floor 10
Charlotte, North Carolina 28202

Ethan Lipkind, Chief Executive Officer
615 South College Street, Floor 10
Charlotte, North Carolina 28202

Russ Mohawk, Chief Financial Officer
615 South College Street, Floor 10
Charlotte, North Carolina 28202

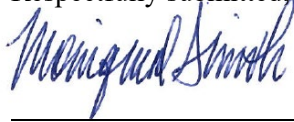
CONCLUSION

The examination procedures, described, herein, revealed no material adverse findings to surplus.

We conclude that the Company complies with the minimum net worth requirements of GS § 58-67-110(b) for the kinds of insurance that the Company has been authorized to write, which is \$1,000,000 or the amount required pursuant to the risk-based capital provisions of Article 12 of Chapter 58.

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

Respectfully submitted,



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

May 11, 2023

STATE OF NORTH CAROLINA

COUNTY OF WAKE

Keith Greene, Supervising Examiner, 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: Keith Greene Date: May 11, 2023

Sworn and subscribed before me this 11th day of May, 2023.

Notary Public Signature: Christine M. Williams Notary Public Seal:

