



ODI
Ohio Department
of Insurance

John R. Kasich, Governor
Mary Taylor, Lt. Governor/Director

50 West Town Street
Third Floor – Suite 300
Columbus, OH 43215-4186
(614) 644-2658
www.insurance.ohio.gov

May 12, 2016

Mr. Richard Chiricosta
Chairman, President and Chief Executive Officer
Medical Mutual of Ohio
2060 East Ninth Street
Cleveland, OH 44115

Dear Mr. Chiricosta;

The Ohio Department of Insurance ("Department") has completed the financial examination of Medical Mutual of Ohio and its wholly-owned subsidiaries, Medical Health Insuring Corporation of Ohio and Consumers Life Insurance Company, and prepared the enclosed final Reports of Examination ("Reports"), as of December 31, 2014.

Pursuant to Section 3901.07 of the Ohio Revised Code, any written objections to the Reports may be filed with the Department within thirty days after the postmark on the envelope in which the Reports were mailed. Objections shall be attached to and made a part of the Reports, which then shall be placed in the files of the Department as public records.

If you have any questions, please feel free to call me at 614-728-1377 or e-mail me at timothy.biler@insurance.ohio.gov.

Very truly yours,

Timothy Biler
Chief Financial Analyst / Examiner
Office of Risk Assessment
Ohio Department of Insurance

Enclosures

Report of Examination of

Medical Health Insuring Corporation of Ohio
Cleveland, Ohio

As of December 31, 2014

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Columbus, Ohio
May 6, 2016

Honorable Mary Taylor
Lt. Governor/Director
State of Ohio
Department of Insurance
50 West Town Street
3rd Floor – Suite 300
Columbus, Ohio 43215

Dear Lt. Governor/Director:

In accordance with Section 3901.07 of the Ohio Revised Code (“ORC”), the Ohio Department of Insurance (“Department”) conducted an examination of

Medical Health Insuring Corporation of Ohio

an Ohio domiciled, stock casualty company hereinafter referred to as the “Company.”

Scope of Examination

The Department last examined the Company as of December 31, 2009. The Department’s current examination covers the period from and including January 1, 2010 through December 31, 2014.

The examination was conducted in accordance with the NAIC *Financial Condition Examiners Handbook* (“Handbook”). The Handbook requires that the Department plan and perform the examination to evaluate the Company’s financial condition, assess corporate governance, identify current and prospective risks of the Company and evaluate system controls and procedures used to mitigate those risks. An examination also includes identifying and evaluating significant risks that could cause an insurer’s surplus to be materially misstated both currently and prospectively.

All accounts and activities of the Company were considered in accordance with the risk-focused examination process. This may include assessing significant estimates made by management and evaluating management’s compliance with Statutory Accounting Principles. The examination does not attest to the fair presentation of the financial statements included herein. If, during the course of the examination an adjustment is identified, the impact of such adjustment will be documented separately following the Company’s financial statements.

This examination report includes significant findings of fact, as mentioned in Section 3901.07 of the ORC 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.

For all years under examination, the Certified Public Accounting firm of Ernst & Young, LLP provided an unqualified opinion on the Statutory-Basis Financial Statements of the Company based on Statutory Accounting Principles. Representatives of the Department reviewed the independent auditors' report and supporting work papers during the examination.

Management and Control

Board of Directors

Management of the Company is vested in its Board of Directors, which was comprised of the following members as of the examination date:

Name	Principal Occupation
James Cellura	Vice President Corporate Treasury and Investments, Medical Mutual of Ohio
Jared Chaney	Executive Vice President, Chief Communications and Marketing Officer, Medical Mutual of Ohio
Richard Chiricosta	Chairman, President and Chief Executive Officer, Medical Mutual of Ohio
Steffany Larkins	Secretary, Chief of Staff and Chief Diversity Officer, Medical Mutual of Ohio
Raymond Mueller	Executive Vice President, Chief Financial Officer and Treasurer, Medical Mutual of Ohio

Officers

As of the examination date, the following executive and senior officers were serving in the designated position:

Name	Title
Richard Chiricosta	Chief Executive Officer
Raymond Mueller	Treasurer
Steffany Larkins	Secretary

Insurance Holding Company System

The Company is a member of an insurance holding company system as defined in Section 3901.32 of the ORC. Medical Mutual of Ohio (“MMO”) is the ultimate controlling entity within the holding company system and the following schedule lists MMO’s wholly-owned subsidiaries as of December 31, 2014.

Medical Mutual of Ohio
Medical Health Insuring Corporation of Ohio
MMO Agency Management, LLC
Talus Brokerage Services, LLC
Consumers Life Insurance Company
Medical Mutual Services, LLC

Territory and Plan of Operations

The Company operates exclusively in Ohio and provides accident and health insurance and health care management services. Beginning in 2014, the Company offers Affordable Care Act (“ACA”) compliant health insurance products available for purchase by individuals in Ohio on the Federal health public exchange (the “Exchange”).

Significant Operating Results

The Company reported the following net underwriting results, reported in thousands, during the examination period.

	2014	2013	2012	2011	2010
Total revenue	<u>\$ 159,832</u>	<u>\$ 12,262</u>	<u>\$ 23,964</u>	<u>\$ 32,304</u>	<u>\$36,649</u>
Hospital and medical expense	154,279	11,250	20,581	29,410	31,910
Claims adjustment expense	5,931	418	637	828	1,047
Administrative expenses	<u>19,494</u>	<u>735</u>	<u>1,144</u>	<u>1,444</u>	<u>1,768</u>
Underwriting deductions	<u>179,704</u>	<u>12,403</u>	<u>22,362</u>	<u>31,682</u>	<u>34,725</u>
Underwriting gain (loss)	<u>\$ (19,872)</u>	<u>\$ (141)</u>	<u>\$ 1,602</u>	<u>\$ 622</u>	<u>\$ 1,924</u>

In conjunction with offering products on the Exchange, the Company received premium subsidies and cost sharing subsidies from the U.S. Department of Health and Human Services for qualifying plans. The premium subsidy accounted for approximately 53% of the net premiums earned in 2014 and the cost sharing subsidy covered \$12.8 million of claims expense incurred in 2014.

Reinsurance and Premium Stabilization Programs

The Company participates in three Premium Stabilization Programs that went into effect on January 1, 2014 as authorized by the ACA. They include the Transitional Reinsurance Program, Temporary Risk Corridors Program, and Permanent Risk Adjustment Program. The Company accounts for the Premium Stabilization Programs in accordance with Statement of Statutory Accounting Principles (“SSAP”) No. 107, Accounting for the Risk Sharing Provisions of the ACA.

SSAP No. 107 requires that estimates of amounts owed or due for the Permanent Risk Adjustment Program be reflected as an adjustment to earned premium if sufficient data is available to make an estimate. Since sufficient data was not available as of December 31, 2014, no amounts were recognized in the accompanying financial statements related to the Permanent Risk Adjustment Program.

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, 2014. The Department made no adjustments to the Company’s surplus as a result of the examination.

Statement of Assets, Liabilities, Capital and Surplus
December 31, 2014

Assets

Bonds	\$ 68,464,847
Cash, and short-term investments	<u>13,193,681</u>
Subtotal, cash and invested assets	81,658,528
Investment income due and accrued	600,938
Uncollected premiums in course of collection	1,586,265
Amounts recoverable from reinsurers	30,371,468
Health care and other amounts receivable	4,403,180
Aggregate write-ins for other than invested assets	
Other receivables	<u>26,080</u>
Total Admitted Assets	<u>\$ 118,646,459</u>

Liabilities, Capital and Surplus

Claims unpaid	\$ 26,073,100
Accrued medical incentive pool and bonus amounts	39,900
Unpaid claims adjustment expenses	721,272
Premiums received in advance	6,361,064
General expenses due or accrued	3,423,902
Current federal income taxes incurred	1,751,500
Amounts due to parent, subsidiaries and affiliates	<u>10,819,698</u>
Total Liabilities	<u>49,190,436</u>
Aggregate write-ins for special surplus funds:	
Estimated 2015 health insurer fee	3,302,000
Common capital stock	4,000,000
Gross paid in and contributed capital	79,066,417
Unassigned funds (surplus)	<u>(16,912,394)</u>
Total Capital and Surplus	<u>69,456,023</u>
Total Liabilities, Capital and Surplus	<u>\$ 118,646,459</u>

**Statement of Revenue and Expenses
For the Year Ended December 31, 2014**

Net premium income	\$ 159,756,026
Change in unearned premium reserves and reserves for rate credits	<u>76,000</u>
Total revenues	<u>159,832,026</u>
Hospital and medical benefits	130,178,906
Other professional services	9,277,721
Outside referrals	1,052,569
Emergency room and out-of-area	17,179,358
Prescription drugs	31,332,693
Incentive pool, withhold adjustments and bonus amounts	48,308
Net reinsurance recoverables	<u>(34,790,868)</u>
Total hospital and medical	154,278,687
Claims adjustment expenses	5,931,405
General administrative expense	<u>19,494,474</u>
Total underwriting deductions	<u>179,704,566</u>
Net underwriting gain (loss)	(19,872,540)
Net investment gain	2,165,490
Net realized capital gain	68,147
Other income (expense)	<u>(1,158,851)</u>
Net income (loss) after capital gains tax; before federal income taxes	<u>(18,797,754)</u>
Federal income taxes incurred	<u>(1,503,310)</u>
Net Income (Loss)	<u>\$ (20,301,064)</u>

Statement of Changes in the Capital and Surplus Account
(Reported in thousands)

	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>
Capital and surplus, prior year-end	<u>\$88,645</u>	<u>\$86,663</u>	<u>\$83,776</u>	<u>\$79,822</u>	<u>\$74,886</u>
Net income (loss)	(20,301)	1,952	3,786	3,074	5,001
Change in net deferred income tax	-	(9)	(1,598)	(5,436)	(1,686)
Change in non-admitted assets	(142)	39	749	6,316	1,621
Cumulative effect of changes in accounting principles	-	-	(50)	-	-
Surplus paid in	775	-	-	-	-
Aggregate write-ins:					
Correction of error – paid-in surplus	1,534	-	-	-	-
Correction of error – unassigned funds	<u>(1,055)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in capital and surplus	<u>(19,189)</u>	<u>1,982</u>	<u>2,887</u>	<u>3,954</u>	<u>4,936</u>
Capital and surplus, current year-end	<u>\$69,456</u>	<u>\$88,645</u>	<u>\$86,663</u>	<u>\$83,776</u>	<u>\$79,822</u>

Notes to Financial Statements

Investments

The Company's investments were in compliance with ORC Section 3925.08 and valued in accordance with the relevant Statements of Statutory Accounting Principles and the NAIC Securities Valuation Office.

Claims Unpaid

The Company's Board of Directors appointed Michael J. Cellini, FCA, ASA, MAAA, Senior Manager and Consulting Actuary with the firm Ernst & Young, LLP, to render the Company's Statement of Actuarial Opinion ("Opinion"). The Opinion for year end 2014 was unqualified.

The Department's actuary, Thomas Botsko, ACAS, MAAA, performed an independent calculation of the Company's 2014 claims unpaid and reviewed the Company's reserve calculation methodology. Based on the results of the analysis, Mr. Botsko concluded the Company's claims unpaid fall within a reasonable range of estimates at December 31, 2014.

Conclusion

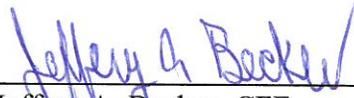
The balance sheet contained in this Report of Examination reflects the financial condition of the Company as of December 31, 2014, and is summarized as follows:

Total Admitted Assets	<u>\$ 118,646,459</u>
Liabilities	49,190,436
Capital and Surplus	<u>69,456,023</u>
Total Liabilities, Capital and Surplus	<u>\$ 118,646,459</u>

Acknowledgement

In addition to the aforementioned and undersigned, Kim Somogyi, AFE, CPA; Bryan Radecky, CFE, CPA; Methuselah Nyangoro, AES, CFE, CPA, of the Department, participated in this examination.

Respectfully,



Jeffery A. Becker, CFE
Examiner-in-Charge
Office of Risk Assessment
Ohio Department of Insurance



Jeffrey K. Ebert, CFE
Assistant Chief Examiner
Office of Risk Assessment
Ohio Department of Insurance

Verification

As required by Section 3901.07 of the Ohio Revised Code, the undersigned hereby attest to the best of their knowledge and belief that the attached is a true Report of Examination as of December 31, 2014.

Jeffery A. Becker 5/12/16
Examiner-in-Charge Date

State of Ohio
County of Franklin

Personally appeared before me the above named, Jeffery A. Becker, personally known to me, who executed the above instrument and that the statements and answers contained therein are true and correct to the best of his knowledge and belief.

Subscribed and sworn to before me this 12th day of May, 2016.

Darcy A. Moulin
(Notary Public)

No expiration
My Commission Expires



Darcy A. Moulin
Attorney At Law
Notary Public, State of Ohio
My commission has no expiration date
Sec. 147.03 R.C.

Jeffrey K. Ebert 5/12/2016
Assistant Chief Examiner Date

State of Ohio
County of Franklin

Personally appeared before me the above named, Jeffrey K. Ebert, personally known to me, who executed the above instrument and that the statements and answers contained therein are true and correct to the best of his knowledge and belief.

Subscribed and sworn to before me this 12th day of May, 2016.

Darcy A. Moulin
(Notary Public)

No expiration
My Commission Expires



Darcy A. Moulin
Attorney At Law
Notary Public, State of Ohio
My commission has no expiration date
Sec. 147.03 R.C.