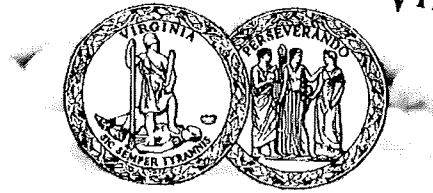


EXAMINATION REPORT
of
COVENTRY HEALTH CARE OF VIRGINIA, INC.
Richmond, Virginia
as of
December 31, 2015

COMMONWEALTH OF VIRGINIA

JACQUELINE K. CUNNINGHAM
COMMISSIONER OF INSURANCE
STATE CORPORATION COMMISSION
BUREAU OF INSURANCE



P.O. BOX 1157
RICHMOND, VIRGINIA 23218
1300 E. MAIN STREET
RICHMOND, VIRGINIA 23219
TELEPHONE: (804) 371-9741
www.scc.virginia.gov/boi

I, Jacqueline K. Cunningham, Commissioner of Insurance of the Commonwealth of Virginia, do hereby certify that the annexed copy of the Examination Report of Coventry Health Care of Virginia, Inc. as of December 31, 2015, is a true copy of the original report on file with this Bureau.

IN WITNESS WHEREOF, I have hereunto set my hand
and affixed to the original the seal of the Bureau at the City
of Richmond, Virginia this 2nd day of June, 2017

Jacqueline K. Cunningham
Commissioner of Insurance

(SEAL)

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Richmond, Virginia
April 7, 2017

Honorable Jacqueline K. Cunningham
Commissioner of Insurance
Richmond, Virginia

Dear Madam:

Pursuant to your instructions and by the authority of Section 38.2-4315 of the Code of Virginia, an examination of the records and affairs of

COVENTRY HEALTH CARE OF VIRGINIA, INC.

Richmond, Virginia

hereinafter referred to as the Corporation, has been completed. The report thereon is submitted for your consideration.

SCOPE OF THE EXAMINATION

The last examination of the Corporation was made by representatives of the State Corporation Commission's Bureau of Insurance (Bureau) as of December 31, 2013. This examination covers the two year period from January 1, 2014 through December 31, 2015.

This examination was conducted in accordance with the NAIC Financial Condition Examiners' Handbook (Handbook). The Handbook requires that the Bureau plan and perform the examination to evaluate the Corporation's financial condition, assess corporate governance, identify current and prospective risks of the Corporation 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.

The coordinated examination of the Aetna Group, of which the Corporation is a member, was led by the Connecticut Insurance Department. The Bureau and sixteen other State Insurance Departments participated in the group examination. (Group exam #1-2015-1)

All accounts and activities of the Corporation 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.

The 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 other regulators and/or the Corporation.

HISTORY

The Corporation became licensed in Virginia as a health maintenance organization (HMO) pursuant to Chapter 43 of Title 38.2 of the Code of Virginia on April 1, 1991.

Effective December 1, 1994, Coventry Corporation became the sole shareholder of Southern Health Management Corporation ("SHMC"), the Corporation's direct parent, pursuant to a merger approved by the Bureau. During 1996, SHMC changed its name to Coventry HealthCare Management Corporation ("CHMC").

On January 27, 1998, Principal Health Care, Inc. merged with Coventry Corporation, forming a new company, Coventry Health Care, Inc. ("Coventry"). CHMC continued to be the immediate parent company of the Corporation and Coventry became the immediate parent company of CHMC.

Effective September 1, 2001, Coventry purchased 100% of the issued and outstanding capital stock of Blue Ridge Health Alliance, Inc. ("BRHA"), including its wholly owned subsidiary QualChoice of Virginia Health Plan, Inc. ("QualChoice"), a Virginia domiciled HMO. Upon acquisition, BRHA, QualChoice and the Corporation merged, with the Corporation remaining as the surviving entity.

Effective September 30, 2002, the Corporation merged with and into CHMC with the Corporation remaining as the surviving entity. As a result of the merger, all outstanding shares of the Corporation were transferred to Coventry.

On August 19, 2012, Aetna Inc. ("Aetna"), Coventry, and Jaguar Merger Subsidiary, Inc. (the "Merger Sub"), a wholly owned subsidiary of Aetna, entered into an Agreement and Plan of Merger pursuant to which Merger Sub would be merged with and into Coventry, with Coventry surviving as a wholly owned subsidiary of Aetna. The Bureau approved the application for Aetna to acquire control of the Corporation on December 19, 2012.

On January 1, 2014, Coventry merged into Aetna Health Holdings, LLC ("AHH"), a wholly-owned subsidiary of Aetna, and as a result, Coventry was eliminated as a legal entity and AHH directly owns 100% of the outstanding common stock of Corporation.

CAPITAL AND SURPLUS

At December 31, 2015, the Corporation's capital and surplus was \$60,743,464. According to the amended and restated Articles of Incorporation, the Corporation has the authority to issue 1,000 shares of common capital stock with a par value of \$.01 per share. As of December 31, 2015, 1,000 shares were issued and outstanding, with gross paid in and contributed surplus of \$126,211,202 and unassigned funds of (\$73,947,748).

NET WORTH REQUIREMENT

Section 38.2-4302 B of the Code of Virginia states that an HMO licensed in Virginia shall maintain a minimum net worth in an amount at least equal to the sum of uncovered expenses, but not less than \$600,000, up to a maximum of \$4,000,000. 14 VAC 5-211-30 A requires that an HMO report the sum of its uncovered expenses for each three-month period ending December 31, March 31, June 30 or September 30. Because the sum of the Corporation's uncovered expenses for the three-month period ending December 31, 2015 was \$17,310,561, the Corporation's minimum net worth requirement at December 31, 2015 was \$4,000,000.

MANAGEMENT AND CONTROL

The bylaws of the Corporation provide that the business and affairs of the Corporation shall be managed by the Board of Directors (the "Board"). The minimum number of Directors shall be three with the actual number fixed by the affirmative vote of a majority of the entire Board. Each director shall be elected for one year or until the next annual meeting of the Corporation's shareholders. A majority of the directors elected to hold office shall constitute a quorum for the transaction of business.

The officers of the Corporation shall consist of a President, a Treasurer and a Secretary. Additional officers, including a Chairman of the Board and assistant officers, may be elected or appointed by the Board. Any two or more offices may be held by the same person.

At December 31, 2015, the Board and Officers were as follows:

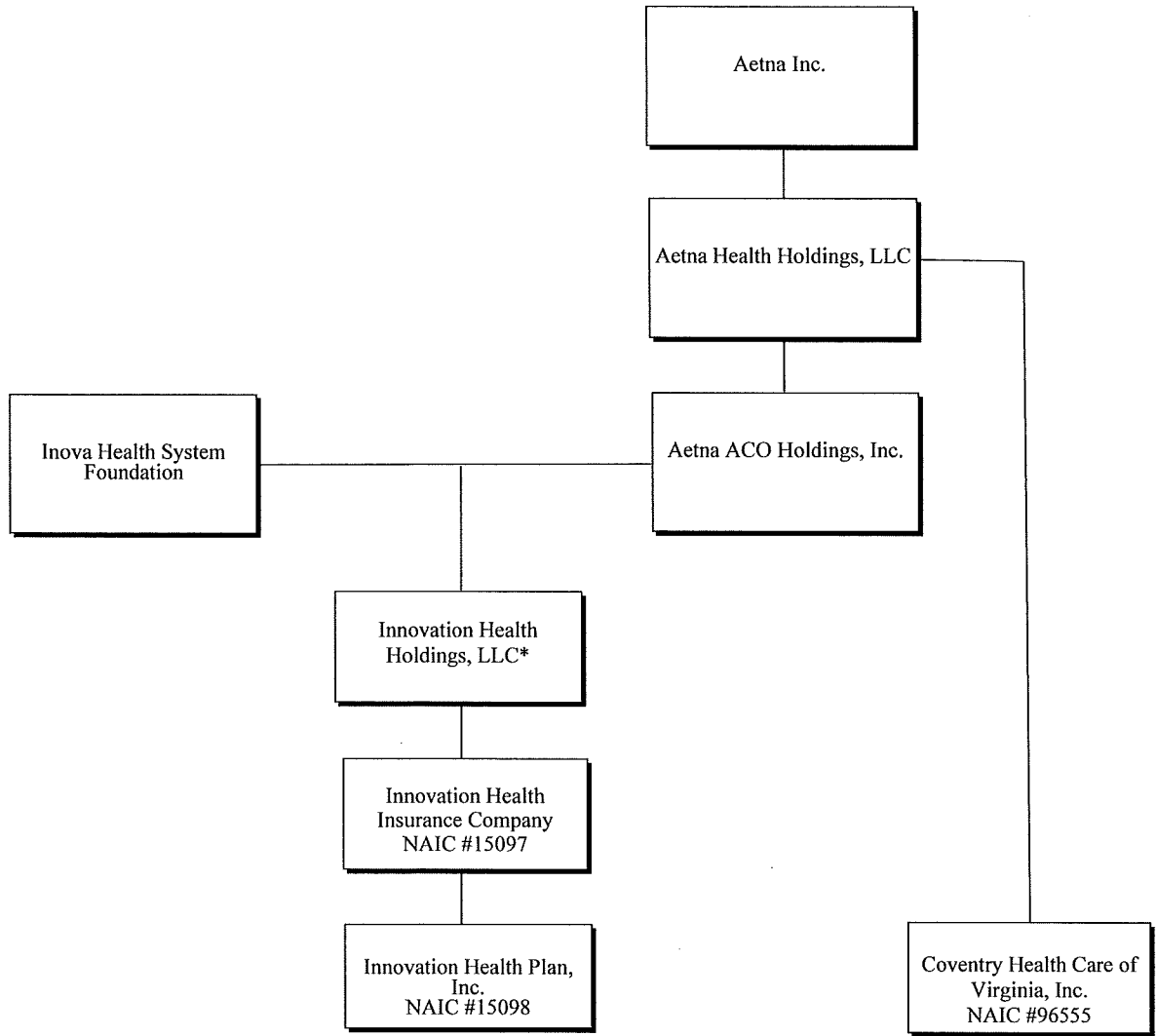
<u>Directors</u>	<u>Principal Occupation</u>
Michael J. Bucci	Capital Market Executive Director Aetna, Inc. Linthicum, Maryland
Brian J. Keefe	Capital Market Chief Financial Officer Aetna, Inc. Bethesda, Maryland
Mark R. LaBorde	Senior Vice President Aetna, Inc. Bethesda, Maryland

Officers

Michael J. Bucci	President and Chief Executive Officer
Brian J. Keefe	Chief Financial Officer
Elaine R. Cofrancesco	Treasurer and Vice President
Edward C. Lee	Secretary and Vice President

AFFILIATED COMPANIES

The Corporation is a wholly owned subsidiary of AHH. The ultimate controlling entity is Aetna. By virtue of this ownership, the Corporation is a member of an insurance holding company system as defined in Section 38.2-1322 of the Code of Virginia. The following chart summarizes the Corporation's relationship within the holding company system:



*Innovation Health Holdings, LLC is 50% owned by Aetna ACO Holdings, Inc. and 50% owned by Inova Health System Foundation

TRANSACTIONS WITH AFFILIATES

Administrative Services Agreement

Effective January 1, 2014, the Corporation entered into an Administrative Services Agreement with Aetna Health Management, LLC ("AHM"). According to the agreement, AHM shall provide administrative services including, but not limited to, finance, human resources, procurement, legal, patient/case management, customer service, provider network and credentialing, marketing, insurance and risk management, data processing, pharmacy benefit management, agent fees and commissions, cash and investment management, and premium and claim processing. As compensation, the Corporation pays AHM a percentage of its earned commercial, Medicaid and Medicare revenue. The Corporation incurred \$52,095,040 in fees pertaining to this agreement in 2015.

Excess Risk Insurance Agreement

Effective April 1, 2014, the Corporation entered into an amended Excess Risk Insurance Agreement with Coventry Health and Life Insurance Company ("CHLIC"). Pursuant to the agreement, the deductible is \$225,000 per Medicaid member per year and, once the deductible has been reached, CHLIC will reimburse the Corporation 80% of eligible charges for each Medicaid Member. The maximum insurance payable under this agreement for any one member is \$1,000,000. In 2015, the Corporation incurred \$1,823,222 in premiums and recovered \$2,294,422 in claims pursuant to the agreement.

Tax Sharing Agreement

Effective with the tax year ending December 31, 2013, the Corporation entered into a Tax Sharing Agreement with and among Aetna and its subsidiaries. Pursuant to the agreement, Aetna and the subsidiaries are members of an affiliated group which expects to file a consolidated federal tax return for each taxable year during which the subsidiaries are includible corporations qualified to so file. The Corporation will pay to Aetna an amount equal to the regular federal tax liability that such subsidiary would pay on its own taxable income if it were filing a separate unconsolidated return. Tax computations shall reflect the positions, elections and accounting methods used by Aetna in preparing the consolidated federal tax return for Aetna and its subsidiaries. Aetna will pay to each subsidiary an amount equal to the tax benefit of the subsidiary's tax assets (i.e. losses or credits) to the extent such tax assets are utilized. Each subsidiary shall pay to Aetna, or receive from Aetna payments within ninety days of the consolidated federal tax return filing date.

Guarantor Agreement

Effective June 7, 2001, the Corporation entered into a Guarantor Agreement with Coventry, which was assumed by AHH as part of the merger. According to the agreement, AHH will pay all expenses and claims incurred by the Corporation pursuant to its agreements with groups and subscribers in the event of the Corporation's inability to pay or its insolvency. Such expenses and claims shall include, but not be limited to, all hospital charges and any other fee-for-service charge for services or benefits for which the Corporation is liable, capitation payments to health care providers who have contracted with the Corporation and payments to health care providers not under contract with the Corporation for covered services rendered to a member.

Sale and Purchase Agreement

On April 30, 2015, the Corporation entered into a Sale and Purchase Agreement with Aetna Health, Inc. ("AHI") whereby, effective June 1, 2015, the Corporation assigned, sold and transferred all assets and liabilities arising out of or relating to the Corporation's operation of Medicare Advantage plans. The \$101,780 purchase price was the difference between the value of the assets and sum of the liabilities as of April 30, 2015 and was paid to the Corporation on June 29, 2015.

Dividend and Capital Contribution

The Corporation received a capital contribution of \$20,000,000 from AHH during 2014. In 2015, the Corporation paid an extraordinary cash dividend of \$15,000,000 to AHH, which was approved by the Bureau on November 24, 2015.

TERRITORY AND PLAN OF OPERATION

At December 31, 2015, the Corporation's service area, as reported in its 2015 Annual Statement, included the Virginia cities of Alexandria, Bedford, Bristol, Buena Vista, Charlottesville, Chesapeake, Clifton Forge, Colonial Heights, Covington, Danville, Emporia, Fairfax, Falls Church, Franklin, Fredericksburg, Galax, Hampton, Harrisonburg, Hopewell, Lexington, Lynchburg, Manassas, Manassas Park, Martinsville, Newport News, Norfolk, Norton, Petersburg, Portsmouth, Poquoson, Radford, Richmond, Roanoke, Salem, Staunton, Suffolk, Virginia Beach, Waynesboro, Williamsburg and Winchester. In addition, the service area included the Virginia counties of Accomack, Albemarle, Alleghany, Amelia, Amherst, Appomattox, Arlington, Augusta, Bath, Bedford, Bland, Botetourt, Brunswick, Buchanan, Buckingham, Campbell, Caroline, Carroll, Charles City, Charlotte, Chesterfield, Clarke, Craig, Culpeper, Cumberland, Dickenson, Dinwiddie, Essex, Fairfax, Fauquier, Floyd, Fluvanna, Franklin, Frederick, Giles, Gloucester, Goochland, Grayson, Greene,

Greensville, Halifax, Hanover, Henrico, Henry, Highland, Isle of Wight, James City, King and Queen, King George, King William, Lancaster, Lee, Loudoun, Louisa, Lunenburg, Madison, Mathews, Mecklenburg, Middlesex, Montgomery, Nelson, New Kent, Northampton, Northumberland, Nottoway, Orange, Page, Patrick, Pittsylvania, Powhatan, Prince Edward, Prince George, Prince William, Pulaski, Rappahannock, Richmond, Roanoke, Rockbridge, Rockingham, Russell, Scott, Shenandoah, Smyth, Southampton, Spotsylvania, Stafford, Surry, Sussex, Tazewell, Warren, Washington, Westmoreland, Wise, Wythe and York. The Corporation's service area also includes the West Virginia counties of Greenbrier, Hardy, Monroe, Pendleton and Pocahontas.

Medical services are provided by physicians in independent practice within the Corporation's service area. The Corporation markets an HMO plan, an In-Network Point-of-Service (POS) plan, an Out-of-Network POS plan and an Individual Health Care Exchange Plan. Each member selects a primary care physician ("PCP") from a directory of the Corporation's primary providers. Members can go to a specialist physician without a referral, with the exception of the Exchange plan. Under the HMO and In-Network POS plans, the specialist physician must be a participating provider in order for services to be covered. Under the Exchange plan, the member must have an authorization from their tier 1 PCP for any service being performed by a provider other than the members' PCP. Members must receive prior authorization for inpatient hospital admissions and selected outpatient procedures.

During 2015, the Corporation contracted with the Virginia Department of Medical Assistance Services to administer coverage to Medicaid members, which comprised 37.5% of its total premium revenue.

PROVIDER AGREEMENTS

Medical Services

The Corporation has entered into agreements with numerous PCPs and specialist physicians to render, provide or arrange for the provision of covered health care services to members. The Corporation compensates participating physicians either on a capitated basis or a fee-for-service arrangement. The fee-for-service arrangement is the lesser of billed charges or established fee schedules minus any applicable copayments.

Hospital Care

The Corporation has entered into agreements with a number of hospitals in its service area to provide covered hospital services to members. The Corporation compensates participating hospitals on either a fee-for-service, a fixed per-diem, or a per case basis. The amounts paid to each hospital are based on terms disclosed in each individual agreement.

Other Health Care Services

The Corporation has entered into various ancillary service agreements. These agreements provide mental health services, pharmacy services, laboratory services, home health care, physical therapy, durable medical equipment and other related covered health care services. Compensation is based on arrangements set forth in each contract.

CONTRACT FORMS

Group Contracts

The group contract agreement generally covers the following services provided by PCPs, participating specialists and other participating providers:

1. Physician Services
2. Inpatient Hospital Care
3. Preventive Care
4. Maternity Services
5. Skilled Nursing Facility Confinement
6. Home Health Care Services
7. Ambulance Services
8. Emergency Benefits
9. Durable Medical Equipment
10. Short-Term Rehabilitative Therapy

Exclusions generally include any service or supply that is not medically necessary or any service or supply that is not a covered service; private duty nursing; cosmetic surgery; prescription drugs unless covered by a prescription drug rider; and experimental medical, surgical or other health care procedures, services or supplies. Other exclusions include routine eye exams and visual augmentation devices; contraceptive devices; routine footcare and foot orthotics; and programs for weight reduction or smoking cessation.

The above are abbreviated descriptions of the coverages and exclusions and each individual contract may vary.

GROWTH OF THE CORPORATION

The following data is representative of the growth of the Corporation for the ten-year period ending December 31, 2015. The data is compiled from the Corporation's filed Annual Statements, previous examination reports and the current examination report.

<u>Year</u>	Total Admitted <u>Assets</u>	Total <u>Liabilities</u>	Total Capital & <u>Surplus</u>
2006	\$102,839,842	\$41,487,041	\$61,352,801
2007	106,789,201	49,564,358	57,224,843
2008	102,867,409	42,264,452	60,602,957
2009	98,074,324	37,542,166	60,532,158
2010	95,730,259	35,682,247	60,048,012
2011	77,910,931	34,298,625	43,612,306
2012	76,001,748	37,475,576	38,526,172
2013	74,478,184	38,602,019	35,876,165
2014	125,715,368	66,274,725	59,440,643
2015	125,967,264	65,223,800	60,743,464

<u>Year</u>	Total <u>Revenue</u>	Net Investment <u>Gain</u>	Medical & Hospital <u>Expenses</u>	Administrative <u>Expenses</u>	Pre-Tax <u>Income</u>
2006	362,886,208	3,682,867	291,610,867	29,978,418	44,979,790
2007	387,993,182	4,779,452	319,778,352	33,911,764	39,082,518
2008	337,833,926	3,712,223	291,310,348	26,226,435	24,009,366
2009	276,042,474	2,622,121	245,886,919	27,311,198	5,466,478
2010	242,733,601	2,411,026	199,742,561	25,945,012	19,457,054
2011	222,011,858	2,649,764	187,964,164	18,560,006	18,137,452
2012	258,721,557	2,333,606	216,566,212	20,454,682	24,034,269
2013	315,385,489	1,729,402	267,035,470	29,862,613	20,216,808
2014	414,215,821	1,178,379	360,233,305	48,992,163	6,168,732
2015	463,011,779	1,553,066	379,710,287	63,869,616	20,984,942

The Corporation's enrollment data at year-end is illustrated as follows:

<u>Year</u>	<u>Number of Members</u>
2006	106,368
2007	117,565
2008	92,166
2009	70,998
2010	57,769
2011	59,692
2012	71,228
2013	82,225
2014	120,554
2015	91,347

EXCESS RISK INSURANCE

At December 31, 2015, the Corporation has an Excess Risk Insurance Agreement with CHLIC. The specific terms of the contract are discussed in the Transactions with Affiliates section of the examination report.

SPECIAL RESERVES AND DEPOSITS

At December 31, 2015, the Bureau required the Corporation to maintain a minimum deposit of \$3,380,000 with the Treasurer of Virginia.

FINANCIAL STATEMENTS

The following financial statements present the financial condition of the Corporation for the period ending December 31, 2015. No examination adjustments were made to the statutory financial statements filed by the Corporation with the Bureau for the period ending December 31, 2015.

ASSETS

	<u>Assets</u>	Nonadmitted <u>Assets</u>	Net Admitted <u>Assets</u>
Bonds	\$89,322,571		\$89,322,571
Properties occupied by the company	1,898,390		1,898,390
Cash and short-term investments	<u>(4,196,563)</u>		<u>(4,196,563)</u>
Subtotals, cash and invested assets	\$87,024,398	\$0	\$87,024,398
Investment income due and accrued	828,369		828,369
Uncollected premiums and agents' balances in the course of collection	21,151,853	545,401	20,606,452
Accrued retrospective premiums and contracts subject to redetermination	300,102		300,102
Amounts recoverable from reinsurers	12,463,732		12,463,732
Amounts receivable relating to uninsured plans	198,750		198,750
Current federal income tax recoverable and interest thereon	1,001,108		1,001,108
Net deferred tax asset	3,487,359	950,784	2,536,575
Furniture and equipment	192	192	0
Receivables from parent, subsidiaries and affiliates	304	304	0
Health care and other amounts receivable	367,091		367,091
Aggregate write-in for other than invested assets	<u>640,687</u>		<u>640,687</u>
Total assets	<u><u>\$127,463,945</u></u>	<u><u>\$1,496,681</u></u>	<u><u>\$125,967,264</u></u>

LIABILITIES, CAPITAL AND SURPLUS

	<u>Covered</u>	<u>Uncovered</u>	<u>Total</u>
Claims unpaid	\$34,005,193	\$2,057,223	\$36,062,416
Unpaid claims adjustment expenses	769,060		769,060
Aggregate health policy reserves	17,920,749		17,920,749
Aggregate health claim reserves	324,458		324,458
Premiums received in advance	4,385,419		4,385,419
General expenses due or accrued	2,196,885		2,196,885
Amounts withheld or retained for the account of others	83,524		83,524
Remittance and items not allocated	533,433		533,433
Amounts due to parent, subsidiaries and affiliates	1,501,975		1,501,975
Liability for amounts held under uninsured plans	700,876		700,876
Aggregate write-ins for other liabilities	<u>745,005</u>		<u>745,005</u>
Total liabilities	<u>\$63,166,577</u>	<u>\$2,057,223</u>	<u>\$65,223,800</u>
Aggregate write-ins for special surplus funds			\$8,480,000
Common capital stock			10
Gross paid in and contributed surplus			126,211,202
Unassigned funds (surplus)			<u>(73,947,748)</u>
Total capital and surplus			<u>\$60,743,464</u>
Total liabilities, capital and surplus			<u><u>\$125,967,264</u></u>

STATEMENT OF REVENUE AND EXPENSES

	<u>Uncovered</u>	<u>Total</u>
Net premium income	XXX	\$463,011,779
Total revenues	XXX	\$463,011,779
Hospital and Medical		
Hospital/medical benefits	\$5,980,442	\$257,659,783
Other professional services	301,474	12,988,632
Outside referrals	11,260,691	11,260,691
Emergency room and out-of-area	1,002,062	43,172,565
Prescription drugs		73,053,524
Subtotal	\$18,544,669	\$398,135,195
Less:		
Net reinsurance recoveries		18,424,908
Total hospital and medical	\$18,544,669	\$379,710,287
Claims adjustment expenses		9,246,305
General administrative expenses		54,623,311
Total underwriting deductions	\$18,544,669	\$443,579,903
Net underwriting gain	XXX	\$19,431,876
Net investment income earned		\$1,616,690
Net realized capital gains (loss)		(63,624)
Net investment gains		\$1,553,066
Net income before federal income taxes	XXX	\$20,984,942
Federal income taxes incurred	XXX	6,124,208
Net income	XXX	\$14,860,734

RECONCILIATION OF CAPITAL AND SURPLUS

	<u>2014</u>	<u>2015</u>
Capital and surplus prior reporting year	<u>\$35,876,165</u>	<u>\$59,440,643</u>
GAINS AND LOSSES TO CAPITAL AND SURPLUS		
Net income	\$2,590,841	\$14,860,734
Change in net unrealized capital losses		(21,638)
Change in net deferred income tax	1,621,423	(601,534)
Change in nonadmitted assets	(647,786)	293,972
Paid in surplus	20,000,000	
Dividends to stockholders		(15,000,000)
Aggregate write-ins for gains in surplus		<u>1,771,287</u>
Net change in capital and surplus	<u>\$23,564,478</u>	<u>\$1,302,821</u>
Capital and surplus end of reporting year	<u><u>\$59,440,643</u></u>	<u><u>\$60,743,464</u></u>

CASH FLOW**Cash from Operations**

Premiums collected net of reinsurance	\$476,343,158
Net investment income	1,822,097
Total	<u>\$478,165,255</u>
Benefit and loss related payments	\$388,629,161
Commissions, expenses paid and aggregate write-ins for deductions	63,365,344
Federal income taxes paid	15,518,422
Total	<u>\$467,512,927</u>
Net cash from operations	<u>\$10,652,328</u>

Cash from Investments

Proceeds from investments sold, matured or repaid:	
Bonds	\$18,496,088
Net losses on cash, cash equivalents and short-term investments	(33)
Miscellaneous proceeds	193,156
Total investment proceeds	<u>\$18,689,211</u>
Cost of investments acquired (long-term only):	
Bonds	\$59,343,596
Real estate	154,661
Miscellaneous applications	120,118
Total investments acquired	<u>\$59,618,375</u>
Net cash from investments	<u>(\$40,929,164)</u>

Cash from Financing and Miscellaneous Sources

Cash provided (applied):	
Dividends to stockholders	(\$15,000,000)
Other cash provided	7,047,813
Net cash from financing and miscellaneous sources	<u>(\$7,952,187)</u>

RECONCILIATION OF CASH, CASH EQUIVALENTS AND SHORT-TERM INVESTMENTS

Net change in cash, cash equivalents and short-term investments	(\$38,229,023)
Cash, cash equivalents and short-term investments:	
Beginning of the year	<u>34,032,460</u>
End of the year	<u>(\$4,196,563)</u>

SUBSEQUENT EVENTS

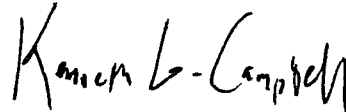
1. Effective January 1, 2016, the Excess Risk Insurance Agreement with CHLIC was terminated.
2. The Corporation is subject to an annual fee under Section 9010 of the Affordable Care Act ("ACA"). The annual fee is allocated to individual health insurers based on the ratio of the amount of the entity's net premium written during the preceding calendar year to the amount of health insurance for any U.S. health risk that is written during the preceding calendar year. SSAP No. 106 does not require an accrual for this known liability until January 1 of the payment year. At year-end 2015, the Corporation estimated the amount of the ACA fee payable on September 30, 2016 to be \$8,480,000. Therefore, total capital and surplus at December 31, 2015, as reported in the examination report, was decreased from \$60,743,464 to \$52,263,464 on January 1, 2016. The Corporation's authorized control risk-based capital ratio decreased from 418.3% at December 31, 2015 to 359.9% at January 1, 2016. A review of the Corporation's records indicated that it paid \$8,395,862 for its portion of the ACA fee during 2016.
3. On December 5, 2016, the Bureau approved the Corporation's request to pay a \$15,000,000 extraordinary cash dividend to AHH.

ACKNOWLEDGEMENT

The courteous cooperation extended by the Corporation's officers and employees during the course of the examination is gratefully acknowledged.

In addition to the undersigned, John Bunce, CFE, Chris Collins, CFE, Jack Dreaan, CFE, and Kevin Knight, CFE, participated in the work of the examination.

Respectfully submitted,



Kenneth G. Campbell, CFE
Assistant Chief Examiner



May 22, 2017

Mr. David H. Smith, CFE, CPA, CPCU
Chief Examiner
State Corporation Commission
Bureau of Insurance
Financial Regulation Division
PO Box 1157
Richmond, VA 23218

**RE: Coventry Health Care of Virginia, Inc.
Examination Report as of December 31, 2015**

Dear Mr. Smith:

This letter is to acknowledge receipt of the Coventry Health Care of Virginia, Inc. examination report as of December 31, 2015. As noted, the examination report contains no recommendations for corrective action.

Sincerely,

A handwritten signature in black ink that reads "Michael Bucci". The signature is written in a cursive style.

Michael J. Bucci
VP Executive Director, Capitol Market