



Janet T. Mills  
Governor

STATE OF MAINE  
DEPARTMENT OF PROFESSIONAL  
AND FINANCIAL REGULATION  
BUREAU OF INSURANCE  
34 STATE HOUSE STATION  
AUGUSTA, MAINE  
04333-0034

Eric A. Cioppa  
Superintendent

June 15, 2020

Eric A. Cioppa, Superintendent  
Maine Bureau of Insurance  
34 State House Station  
Augusta, ME 04333-0034

Dear Superintendent:

Pursuant to the provisions of 24-A M.R.S. §4215 (1), and in conformity with your instructions, a financial examination has been made of the

**Martin's Point Generations Advantage, Inc.**

at its home office in Portland, Maine. The following report is respectfully submitted.



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**REPORT OF EXAMINATION**  
**MARTIN'S POINT GENERATIONS ADVANTAGE, INC.**  
**AS OF**  
**DECEMBER 31, 2018**

**ACCEPTANCE OF REPORT OF EXAMINATION**

WHEREAS a verified Report of Examination of Martin's Point Generations Advantage, Inc. dated June 15, 2020, was delivered to that insurer on June 24, 2020; and

WHEREAS no hearing with respect to the Report of Examination has been requested by Martin's Point Generations Advantage, Inc.;

NOW THEREFORE, I accept the Report of Examination and hereby order it placed on file in the Bureau of Insurance as provided for by 24-A M.R.S. §226 (3).

Dated: June 30, 2020

Eric A. Cioppa  
Eric A. Cioppa, Superintendent

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## **SCOPE OF EXAMINATION**

This is the first examination of Martin's Point Generations Advantage, Inc. (MPGA or "the Company"). This full-scope financial examination covered the period from December 7, 2015, to December 31, 2018. The Company was formed for the sole purpose of continuing the operations of Martin's Point Generations, LLC (MPG). Effective January 1, 2016, the Company assumed the responsibility of business previously written by MPG. There were no significant changes in operations as a result of this transaction. MPG was last examined as of December 31, 2014. In certain sections of this report, references will be made to the "prior examination". Such references are to the examination of MPG as of December 31, 2014. Refer to the "History" section on page two of this report for additional information on this transaction.

This examination was performed pursuant to the risk-focused approach promulgated by the National Association of Insurance Commissioners (NAIC), in conformity with statutory accounting practices, NAIC guidelines, the 2019 Financial Condition Examiners Handbook and the laws, rules, and regulations prescribed or permitted by the State of Maine. The examination consisted of a review of the Company's operations, controls, and corporate governance, valuation of assets, and determination of liabilities at December 31, 2018. The examination also included the identification and evaluation of significant risks that could cause the Company's surplus to be materially misstated both currently and prospectively. Baker Newman & Noyes LLC (BNN) performed the 2018 external audit of the Company. BNN work papers were utilized for this examination to the extent deemed appropriate in order to enhance the effectiveness and efficiency of this examination.

All accounts and activities of the Company were considered in accordance with the risk-focused examination process. The examination does not attest to the fair presentation of the financial statements included herein. Comments on various balance sheet items, for purposes of this report, may be limited to matters involving clarification, departures from laws, rules and regulations, and/or significant changes in amounts. To the extent deemed necessary, transactions occurring subsequent to the examination date were reviewed.

This examination report includes significant findings of fact, pursuant to 24-A M.R.S. §225 (1), and general information about the Company and its financial condition. There may be other items identified during the examination that, due to their nature, are not included herein, and are instead separately reported to other regulators and/or the Company.

## **SUMMARY OF SIGNIFICANT FINDINGS**

### **PRIOR EXAMINATION**

#### **Comment 1:**

As of December 31, 2014, the reported aggregate health policy reserve of \$0 was determined to be understated by \$25,828,323 based on a review of 2015 operating results. The understatement was due to no premium deficiency reserves (PDR) being held at year-end. The Company did not have an adequate process for determining PDR at December 31, 2014. Additionally, due to the

timing of the examination, examiners reviewed the process for determining PDR at December 31, 2015, and found that the process continued to be inadequate.

**Status:**

The Company has adequately responded to this comment.

**CURRENT EXAMINATION**

**Comment 1:**

The Company's Anti-Fraud Plan does not outline specific procedures to prevent, detect and investigate all forms of insurance fraud in accordance with 24-A M.R.S. §2186 (5).

**THE COMPANY**

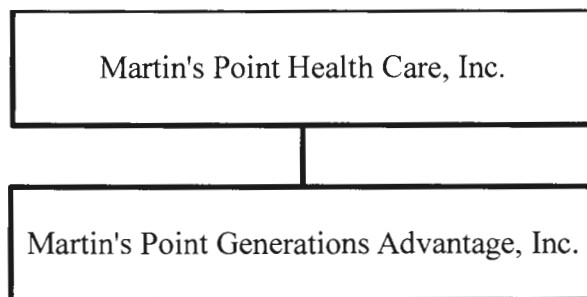
**HISTORY**

The Company is a wholly-owned subsidiary of Martin's Point Health Care, Inc. (MPHC), a Maine 501(c)(3) non-profit organization. The Company was organized as a non-profit corporation under section 501(c)(4) on July 31, 2015 for the purpose of continuing the operations of Martin's Point Generations, LLC, a for-profit company that operated as an HMO since 2006.

On December 7, 2015, the Company was granted a limited health maintenance organization (HMO) certificate of authority ("license") to write Medicare Advantage (MA) plans. The Company is also licensed to write MA business in New Hampshire. Effective January 1, 2016, pursuant to the Asset and Liability Transfer Agreement executed by and between MPG and the Company, MPG transferred all of its assets and liabilities to the Company. Also, effective January 1, 2016, the Company assumed the responsibility of MPG's MA business. Subsequent to this transaction, MPG's license was terminated and MPG was later dissolved.

**CORPORATE OWNERSHIP**

The Company is a wholly-owned subsidiary of MPHC. A corporate ownership diagram follows:



**CORPORATE RECORDS**

The Company's articles of incorporation, by-laws, and minutes of the board of directors ("Board") meetings held during the period under examination were reviewed.

## **CORPORATE GOVERNANCE**

The Company is governed and overseen by its board of directors and its management team.

As of December 31, 2018, the Company's Board consisted of the following members:

| <b><u>Name</u></b>                | <b><u>Title</u></b> |
|-----------------------------------|---------------------|
| Paul Francis Kasuba, M.D.         | Chair               |
| Barbara Elizabeth Tretheway, J.D. | Vice Chair          |
| Edward Stewart McKersie           | Treasurer           |
| David Hermon Howes, M.D.          | President           |
| Michael Eric Thomas*              | Director            |
| Robert Adair Moore                | Director            |
| Daniel Kent Onion, M.D.*          | Director            |
| James Alexander Hester, Jr., PhD* | Director            |
| Ronald Fitzjohn Dixon, M.D.       | Director            |
| Cathleen Elizabeth Morrow, M.D.   | Director            |

As of December 31, 2018, the officers of the Company consisted of the following individuals:

| <b><u>Name</u></b>       | <b><u>Title</u></b>                                       |
|--------------------------|---|
| David Hermon Howes, M.D. | President   |
| Edward Stewart McKersie  | Treasurer   |
| David Emery Currier      | Secretary   |
| Daniel Bruce Chojnowski* | Chief Financial Officer                                   |
| Sandra Lynn Monfiletto*  | Chief Operating Officer – Delivery System/Shared Services |
| Heather Lyn Mullen       | Chief Operating Officer – Health Plans                    |

\*Subsequent to the examination period, in 2019, Board members Michael Eric Thomas, Daniel Kent Onion and James Alexander Hester resigned from the Board. Kathryn Jean Rand, Bradford Adams Hunter and George John Isham were subsequently elected as Directors. In addition, subsequent to the examination period, Daniel Bruce Chojnowski and Sandra Lynn Monfiletto resigned from their positions as officers of the Company.

## **TRANSACTIONS WITH AFFILIATES**

The Company operates under a management services agreement whereby MPHC provides certain marketing, administrative and management services to the Company.

The Company is party to a physician agreement with MPHC. Pursuant to the agreement, the Company pays MPHC for covered services. The agreement contains an incentive and risk sharing arrangement with respect to members who receive primary care from providers employed by MPHC.

During the examination period, MPHC made capital contributions totaling \$21,000,000 to the Company.

## **TERRITORY & PLAN OF OPERATION**

The Company is licensed in the States of Maine and New Hampshire to write MA business.

**REINSURANCE**

The Company maintains no reinsurance agreements as of December 31, 2018.

**FINANCIAL STATEMENTS**

The Statement of Admitted Assets, Liabilities and Surplus, the Statement of Operations, and the Statement of Capital and Surplus are as presented by management and audited by the Company's external auditors. It should be noted that these financial statements have not been audited by the Maine Bureau of Insurance and thus the Maine Bureau of Insurance does not express an opinion on the financial statements as a whole.



**STATEMENT OF ADMITTED ASSETS, LIABILITIES, CAPITAL AND SURPLUS  
AS OF DECEMBER 31, 2018**

|  |                       |
|--|-----------------------|
| <u>Assets</u>                                      |                       |
| Bonds  | \$ 36,760,567         |
| Common stocks                                      | 15,565,297            |
| Cash, cash equivalents and short-term investments  | 35,750,333            |
| Investment income due and accrued                  | 229,803               |
| Uncollected premiums in the course of collection   | 851,023               |
| Accrued retrospective premiums                     | 31,454,585            |
| Amounts receivable relating to uninsured plans     | 126,123               |
| Total assets                                       | <u>\$ 120,737,731</u> |
| <br><u>Liabilities</u>                             |                       |
| Claims unpaid                                      | \$ 33,058,156         |
| Accrued medical incentive pool and bonus amounts   | 4,074,622             |
| Unpaid claims adjustment expenses                  | 898,139               |
| Aggregate health policy reserves                   | 3,449,272             |
| Premiums received in advance                       | 453,851               |
| General expenses due or accrued                    | 481                   |
| Amounts due to parent, subsidiaries and affiliates | 6,543,392             |
| Liability for amounts held under uninsured plans   | 5,571,645             |
| Total liabilities                                  | <u>\$54,049,558</u>   |
| <br><u>Capital and Surplus</u>                     |                       |
| Gross paid in and contributed surplus              | \$150,100,000         |
| Unassigned surplus                                 | (83,411,827)          |
| Surplus as regards policyholders                   | <u>66,688,173</u>     |
| Total liabilities, capital and surplus             | <u>\$120,737,731</u>  |

**STATEMENT OF REVENUE AND EXPENSES**  
**YEAR ENDED DECEMBER 31, 2018**

|   |                |
|---|----------------|
| Member Months   | 533,477        |
| Net premium income  | \$ 400,639,765 |
| Aggregate write-ins for other health care related revenue | 616,631        |
| Total revenues  | 401,256,396    |
| Hospital and Medical:                                     |                |
| Hospital/medical benefits                                 | 307,259,706    |
| Prescription drugs  | 34,509,413     |
| Incentive pool, withhold adjustments and bonus amounts    | 4,854,332      |
| Subtotal  | 346,623,451    |
| Less:   |                |
| Total hospital and medical                                | 346,623,451    |
| Claims adjustment expenses                                | 12,245,917     |
| General administrative expenses                           | 28,009,118     |
| Total underwriting deductions                             | 386,878,486    |
| Net underwriting gain                                     | 14,377,910     |
| Net investment income earned                              | 1,380,539      |
| Net realized capital losses                               | (67,578)       |
| Net investment gains                                      | 1,312,961      |
| Net income  | \$ 15,690,871  |

**STATEMENT OF CAPITAL AND SURPLUS  
YEAR ENDED DECEMBER 31, 2018**

|   |                             |
|---|-----------------------------|
| Capital and surplus, December 31, 2017                                    | \$ 56,920,228               |
| Net income  | 15,690,871                  |
| Change in net unrealized capital gains (losses), net of capital gains tax | (1,923,041)                 |
| Change in nonadmitted assets  | <u>(3,999,884)</u>          |
| Net change in capital and surplus   | <u>9,767,946</u>            |
| Capital and surplus, December 31, 2018                                    | <u><u>\$ 66,688,174</u></u> |

## COMMENTS ON THE FINANCIAL STATEMENTS

### NOTE 1 – RESERVES

Lewis & Ellis, Inc. (“consulting actuary”) was engaged to provide actuarial assistance in connection with the financial examination of the Company as of December 31, 2018. The consulting actuary’s review included: participation in interviews and discussions with key personnel to gain an understanding of the corporate structure, products, services, and reserving and pricing processes, and to determine where the majority of risks lie; review of controls to mitigate certain reserving and pricing risks; review of the 2018 Statement of Actuarial Opinion and Actuarial Memorandum prepared by the Appointed Actuary; and review of the external auditor’s conclusions regarding the carried reserves. The reserves as reported by the Company were determined to be reasonable based on the review performed by the consulting actuary.

### NOTE 2 – CAPITAL AND SURPLUS

The following table describes the capital and surplus changes for the years under examination:

|  |                      |
|--|----------------------|
| Capital and surplus, January 1, 2016*  | \$ 36,864,809        |
| Net income   | 13,989,054           |
| Change in net unrealized capital gains or (losses), net of capital gains tax | 2,036,947            |
| Change in nonadmitted assets   | (7,302,636)          |
| Capital changes: Paid in   | 21,000,000           |
| Capital and surplus, December 31, 2018                                       | <u>\$ 66,688,174</u> |

\*Effective January 1, 2016, the Company accepted the transfer of all of MPG assets and liabilities. As such, no 2015 financial statements were filed by the Company. The capital and surplus of MPGA as of January 1, 2016 equals the reported capital and surplus of MPG as of December 31, 2015.

## SUBSEQUENT EVENTS

On March 11, 2020, the World Health Organization declared the spreading coronavirus (COVID-19) outbreak a pandemic. On March 13, 2020, U.S. President Donald J. Trump declared the coronavirus pandemic a national emergency in the United States (U.S.). The epidemiological threat posed by COVID-19 is having disruptive effects on the economy, including disruption of the global supply of goods, reduction in the demand for labor, and reduction in the demand for U.S. products and services, resulting in a sharp increase in unemployment. The economic disruptions caused by COVID-19 and the increased uncertainty about the magnitude of the economic slowdown has also caused extreme volatility in the financial markets.

The full effect of COVID-19 on the U.S. and global insurance and reinsurance industry is still unknown at the time of releasing this report. The MBOI is expecting the COVID-19 outbreak to impact a wide range of insurance products and other areas of operations of insurers. The MBOI and all insurance regulators, with the assistance of the NAIC, are monitoring the situation through a coordinated effort and will continue to assess the impacts of the pandemic on U.S. insurers. The MBOI has been in communication with the Company regarding the impact of COVID-19 on its business operations and financial position and will continue to monitor the situation.

## **SUMMARY OF RECOMMENDATIONS**

It is recommended the Company implement an Anti-fraud Plan that complies with 24-A M.R.S. §2186 (5).

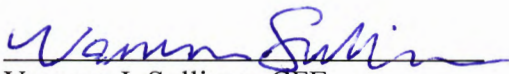
**STATE OF MAINE  
COUNTY OF KENNEBEC, SS**

Vanessa J. Sullivan, being duly sworn according to law deposes and says that, in accordance with authority vested in her by Eric A. Cioppa, Superintendent of Insurance, pursuant to the Insurance Laws of the State of Maine, she has made an examination of the condition and affairs of the

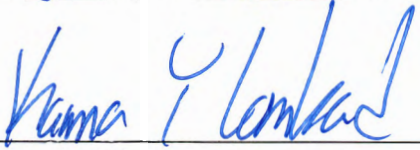
**MARTIN'S POINT GENERATIONS ADVANTAGE, INC.**

located in Portland, Maine as of December 31, 2018, and that the foregoing report of examination subscribed to by her is true to the best of her knowledge and belief. INS Regulatory Insurance Services, Inc., under contract with the Maine Bureau of Insurance, performed the examination. The following examiners from the Bureau of Insurance assisted:

Arias Wan, CPA, CFE  
Erin L. Gaddis

  
Vanessa J. Sullivan, CFE

Subscribed and sworn to before me  
This 30 day of June, 2020

  
\_\_\_\_\_  
Notary Public  
My Commission Expires: June 12, 2023

**KARMA LOMBARD  
Notary Public, Maine  
My Commission Expires June 12, 2023**