



STATE OF TENNESSEE
DEPARTMENT OF COMMERCE AND INSURANCE

REPORT ON EXAMINATION
OF
SILVERSCRIPT INSURANCE COMPANY
(NAIC # 12575)
FRANKLIN, TENNESSEE

AS OF
DECEMBER 31, 2020

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Nashville, Tennessee
April 28, 2022

Honorable Carter Lawrence
Commissioner
Tennessee Department of Commerce and Insurance
500 James Robertson Parkway
Nashville, Tennessee 37243

Dear Commissioner:

In accordance with your instructions and pursuant to Tennessee Code Annotated (“Tenn. Code Ann.”) § 56-1-408, a full-scope financial examination and market conduct review, as of December 31, 2020, has been made of the conditions and affairs of:

SILVERSCRIPT INSURANCE COMPANY

NAIC # 12575
1021 Reams Fleming Boulevard
Franklin, TN 37064

hereinafter referred to as the “Company” or “SSIC” and a report thereon is submitted as follows:

INTRODUCTION

This examination was arranged by the Tennessee Department of Commerce and Insurance (TDCI or “Department”). The examination was conducted by duly authorized representatives of the Department. This examination was coordinated with other states pursuant to National Association of Insurance Commissioners (NAIC) guidelines. Further description of the coordination effort between the states is discussed below under the heading “Scope of Examination.”

SCOPE OF EXAMINATION

The last examination of the Company was made as of December 31, 2018. This examination covers the period January 1, 2019, through December 31, 2020, and includes any material transactions and/or events occurring subsequent to the examination date which were noted during the course of examination.

The Company is a member of the CVS Group, NAIC Group Code 0001. CVS Health Corporation (“CVS Health”) acquired Aetna Inc. (“Aetna”) on November 28, 2018. Connecticut is the Lead State of the CVS Group. Arizona, Florida, Georgia, Illinois, Iowa, Kansas, Louisiana, Maine, Michigan, Minnesota, Missouri, Nebraska, North Carolina, New Jersey, New York, Ohio, Oklahoma, Pennsylvania, Tennessee, Texas, Utah, Virginia, Vermont, Washington, and West Virginia served as participating states in the coordinated group examination.

The examination was conducted in accordance with rules and procedures as prescribed by the statutes of the State of Tennessee, and in accordance with practices and procedures promulgated by the NAIC in the *Financial Condition Examiners Handbook* (“Handbook”) as well as the NAIC *Market Regulation Handbook* (“Market Handbook”), as deemed appropriate. The examination was planned and performed to evaluate the financial condition of the Company, as of December 31, 2020. The examination sought to identify prospective risks by obtaining information about the Company, including its corporate governance, by identifying and assessing inherent risks within the Company, and by evaluating system controls and procedures used to mitigate those risks. The examination also included assessing the principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation and management’s compliance with statutory accounting principles and annual statement instructions.

All significant risks were considered when planning which key activities and accounts would be examined. The key activities included: Financial Reporting; Investments; Reinsurance; Premiums/Underwriting; Reserves; Claims; Related Party/Taxes; and Capital and Surplus.

The Company’s 2020 annual statement was compared with or reconciled to the corresponding general ledger account balances.

A separate market conduct review was performed concurrently with the financial examination. See “Market Conduct Activities” section of this report.

The Company’s ultimate parent, CVS Health, maintains an Internal Audit (IA) Department, which is charged with performing the IA function for all companies within the holding company system. IA activities focus on Sarbanes-Oxley (SOX) compliance testing. The scope of SOX testing included the Company’s internal controls over financial reporting. During this examination, the processes tested were reviewed and the workpapers were requested for specific processes which had been identified as significant to the key

activities and sub-activities being examined. The workpapers were provided and were utilized, where appropriate.

Independent information technology specialist services, provided by Risk and Regulatory Consulting, LLC, were utilized in the examination review of the Company's information technology general controls (ITGC).

The actuarial firm of Lewis & Ellis, Inc. was utilized in the examination review of the Company's statutory reserves, as well as the risk assessment and review of controls for reserving and pricing risks.

The Company's Certified Public Accountant (CPA) workpapers were reviewed for the 2020 audit, and copies were incorporated into the examination, as deemed appropriate.

COMPLIANCE WITH PREVIOUS EXAMINATION FINDINGS

There was one (1) comment and no recommendations noted in the prior examination report as of December 31, 2018. The comment along with the Company's compliance is described below.

The Company's Custodian Agreement was not in compliance with the criteria outlined in Tenn. Comp. R. & Regs. 0780-01-46 during the period of examination. Subsequent to the examination date, but during the examination, the Company amended and authorized the Custodian Agreement to bring it in compliance with the Tennessee regulation.

COMPANY HISTORY

The Company is an accident and health insurer incorporated on May 11, 2005. On January 1, 2006, the Company commenced business under a Certificate of Authority issued by the TDCI. The Company's principal line of business is providing Medicare Part D prescription drug plan coverage. The Company is a wholly-owned subsidiary of Part D Holding Company, L.L.C. and a wholly-owned indirect subsidiary of CVS Health.

The Company was formed exclusively to provide benefits as a prescription drug plan (PDP) under the federal government's Medicare Part D program, which is administered by the Centers for Medicare and Medicaid Services (CMS). The Company offers Medicare Part D plans to eligible participants in all authorized jurisdictions. The Company is licensed to write insurance in all fifty (50) states, the District of Columbia, Puerto Rico, Guam, U.S. Virgin Islands, and the Northern Mariana Islands.

In 2007, the parent changed names from SilverScript, Inc. to SilverScript, L.L.C. In 2009, the Company's parent changed names from SilverScript, L.L.C. to CVS Caremark Part D Services, L.L.C. SSIC and its affiliate, Accendo Insurance Company, are subsidiaries of CVS Caremark Part D Services, L.L.C. Accendo Insurance Company wrote Medicare Part D insurance, but CMS requirements allow that a holding company may only have one provider of Medicare Part D. Therefore, Accendo Insurance Company ceased providing Medicare Part D plans and is currently in run-off status with the extent to Medicare Part D plans. With SSIC and Accendo Insurance Company being affiliates, they became subsidiaries of Accendo Holding Company. They are no longer subsidiaries of CVS Caremark Part D Services, L.L.C. In 2010, during a holding company structure change, the parent Company changed from Accendo Holding Company to Part D Holding Company, L.L.C.

On March 22, 2007, CVS Corporation acquired Caremark, Inc. The acquisition changed the Company's ultimate controlling parent from Caremark Rx, Inc. to CVS Caremark Corporation. Subsequently, on September 3, 2014, the ultimate parent changed its name from CVS Caremark Corporation to CVS Health Corporation.

MANAGEMENT AND CONTROL

MANAGEMENT

Directors

The Company is managed by a Board of Directors ("Board") who shall be elected at the annual meeting of the shareholders. The number of directors shall consist of not less than three (3) and not more than fifteen (15) directors.

The Company has five (5) directors, as of December 31, 2020. A majority of directors constitutes a quorum. Directors serve until a successor has been elected and qualified, or until resignation.

The following persons were duly elected by the shareholders and serving as members of the Board, as of December 31, 2020:

<u>Name</u>	<u>Principal Occupation</u>
Peter Andrew Charles	Executive Director, Chief Financial Officer, Medicare Part D, CVS Health
Robert Sean Healy	Vice President, Insurance Capital Management, CVS Health
Tracy Louise Smith	Vice President of Treasury and Assistant Treasurer, CVS Health; Vice President and Treasurer, SilverScript
Terri Ann Swanson	Vice President, Medicare Advantage & Part D, CVS Health; President, SilverScript Insurance Company
Daniel Lee Zablocki	Director, PBM Accounting, CVS Health*

*Daniel Lee Zablocki was removed as Director effective January 4, 2021.

Officers

The Company has six (6) officer positions. The officers are elected during the annual Board meeting, and serve thereafter, until replaced.

The following officers were duly elected by the Board and were serving as officers of the Company, as of December 31, 2020:

<u>Name</u>	<u>Title</u>
Terri Ann Swanson	President
Daniel Lee Zablocki*	Controller
Edward Chung-I Lee	Vice President and Secretary
Kevin James Casey	Senior Investment Officer
Jeffrey James Drzazgowski	Actuary
Tracy Louise Smith	Vice President and Treasurer

*Daniel Lee Zablocki was removed and replaced by Xiaoqi Glenn Wang effective January 4, 2021.

Committees

Prior to 2019, the entire Board of the Company acted as the Company's Audit Committee and was the only committee of the Company. Beginning in 2019, the Audit Committee of Part D Holding Company, L.L.C. became the Audit Committee of the Company.

CONTROL

The Company is a member of Part D Holding Company, L.L.C., an insurance holding company system as defined by Tenn. Code Ann. § 56-11-101(7), and as such, is subject to the Insurance Holding Company System Act of 1986, set forth in Tenn. Code Ann. §§ 56-11-101, *et seq.* SSIC files a holding company registration statement annually, as required by Tenn. Code Ann. § 56-11-105. The Company is a wholly-owned subsidiary of Part D Holding Company, L.L.C. and a wholly-owned indirect subsidiary of CVS Health Corporation.

ABBREVIATED ORGANIZATIONAL CHART

The following abbreviated organizational chart shows the insurance companies and their respective domiciliary states within CVS Health Corporation:

	<u>NAIC</u> <u>Co. Code</u>	<u>Domiciliary</u> <u>State</u>
CVS Health Corporation		DE
CVS Pharmacy, Inc.		RI
Caremark Rx, LLC		DE
Part D Holding Company, LLC		DE
SilverScript Insurance Company	12575	TN
Accendo Insurance Company	63444	UT
Aetna Inc.		PA
Aetna Health Holdings, LLC		DE
Aetna Financial Holdings, LLC		DE
Aetna Life Insurance Company	60054	CT
Aetna Health and Life Insurance Company	78700	CT
Aetna Health Insurance Company	72502	PA
Aetna Health Insurance Company of New York	84450	NY
Health Re, Inc.	13980	VT
Healthagen LLC		CT
Phoenix Data Solutions LLC		DE
Active Health Management, Inc.		DE
Health Data & Management Solutions, Inc.		DE
Aetna Integrated Informatics, Inc.		PA
ASI Wings, LLC		DE
AUSHC Holdings, Inc.		CT
PHPSNE Parent Corporation		DE
Continental Life Insurance Company of	68500	TN
Brentwood, Tennessee		
American Continental Insurance	12321	TN
Company		
Aetna International Inc.		CT

Dividends

The Company paid an extra ordinary dividend of \$200,000,000 on October 30, 2020, to Part D Holding Company. TDCI approved the dividend on August 18, 2020. There were no dividends declared and paid by the Company during the year ending December 31, 2019.

CORPORATE RECORDS

The minutes of meetings of the Company's shareholders, Board, and committees were reviewed for the period under examination. They were complete as to necessary detail and appear to adequately reflect the acts of the respective bodies. The review of the minutes indicates that all investment transactions were approved by the Board pursuant to Tenn. Code Ann. § 56-3-408(b)(1).

The original Charter of the Company was filed with the Tennessee Secretary of State on May 11, 2005. TDCI approved the Articles of Amendment to update the statutory address on August 28, 2009. TDCI approved the Articles of Amendment to update the Principal Street Address on August 31, 2020.

AGREEMENTS WITH PARENT AND AFFILIATES

The Company had the following significant agreements with its parent and affiliated companies in effect, as of December 31, 2020:

Administrative Services Agreement

Effective January 1, 2020, the Company entered into an Administrative Services Agreement with Aetna Health Management (AHM). Under the terms of the agreement, AHM provides certain administrative services to the Company in accordance with the terms set forth in the agreement. The Company paid AHM \$11,370,088 for services provided under the agreement for the year ending December 31, 2020.

Healthcare Operation Services Agreement

Effective May 1, 2020, the Company entered into a Healthcare Operation Services agreement with Carefree Insurance Services, Inc. ("Carefree"). Under this agreement, Carefree provides certain health care operation services to the Company in accordance with the terms set forth in the agreement. For 2020, the Company did not pay any fees pursuant to the agreement.

Management Services Agreement

Effective January 1, 2013, the Company entered into a Prescription Benefit Services Agreement for Medicare Part D with CVS Caremark Part D Services, L.L.C. and its

affiliates to provide prescription benefit management services to the Company in support of the Company's participation with CMS as a Part D Plan sponsor. The agreement has been amended from time to time and was recently amended on January 1, 2020, and January 1, 2021. The total management fee paid by the Company under this agreement was \$431,194,877 and \$388,261,563 for the years ended December 31, 2019, and December 31, 2020, respectively.

Marketing Services Agreement

Effective October 15, 2018, the Company entered into a Marketing Services Agreement with Carefree. Under this agreement, Carefree markets the products that the Company writes in accordance with the terms set forth in the agreement. Effective November 28, 2018, CVS Health completed the acquisition of Aetna, and Carefree and the Company became affiliated. The Company paid Carefree \$32,000 and \$19,329 for services provided under this agreement for the years ending December 31, 2019, and December 31, 2020, respectively.

Income Tax Sharing Agreement

Effective May 21, 2008, the Company entered into an Income Tax Sharing Agreement with its ultimate parent, CVS Caremark Corporation, now known as CVS Health Corporation. The ultimate parent changed its name from CVS Caremark Corporation to CVS Health Corporation on September 3, 2019.

The Income Tax Sharing Agreement states the Company has elected, through the provisions of the Internal Revenue Code, to be included in its parent's consolidated tax return. The Agreement applies to the taxable year ending December 31, 2008, and all subsequent periods for which the Company is includible on the consolidated federal income tax return of the parent. Under the agreement, CVS Health Corporation and the Company shall settle payments prior to the close of the calendar year in which the tax return is filed. If any adjustments are made by the Internal Revenue Service (IRS), the Company shall pay to parent or the parent shall pay to Company the amount of deficiency or overpayment, plus any interest and penalties demanded or refunded by the IRS.

Sale and Purchase Agreement

Effective December 27, 2019, the Company entered into a Sale and Purchase Agreement with Aetna Health and Life Insurance Company (AHLIC), whereby the Company purchased an invested asset from its affiliate, AHLIC. The Company paid cash in the amount of \$652,219 for the fair market value of the invested asset. This transaction did not exceed 3% of admitted assets of the Company or AHLIC; therefore, the Sale and Purchase Agreement did not require the approval of the TDCI and the Connecticut Insurance Department.

TERRITORY AND PLAN OF OPERATION

TERRITORY

The Company is licensed and offers Medicare Part D plans to eligible participants in all fifty (50) states, the District of Columbia, and the territories of Puerto Rico, Guam, U.S. Virgin Islands, and the Northern Mariana Islands. The Company also received approvals from Tennessee and Michigan to underwrite Medicare Supplement plans in 2020. The amount of premiums written for Medicare Supplement business during 2020 were negligible. The Company's products are marketed through various channels that include SilverScript's website, Medicare.gov, licensed insurance brokers and agents, consultants, and agencies.

PLAN OF OPERATION

The Company was incorporated on May 11, 2005, and commenced business on January 1, 2006, under the laws of Tennessee, to operate as a life, accident, and health insurance company. The Company was formed for the exclusive purpose of providing benefits as a "stand alone" PDP under the federal government Medicare Part D program. The Medicare Part D program is administered through private insurance plans approved by the federal government. The premiums for the plans are established by the Company in accordance with Medicare Part D rules and approved by the federal government as part of the bid process.

GROWTH OF COMPANY

The following exhibit depicts certain aspects of the growth and financial history of the Company for the period subject to this examination, according to its annual statements as filed with the TDCI:

<u>Year</u>	<u>Admitted Assets</u>	<u>Liabilities</u>	<u>Capital and Surplus</u>	<u>Premiums Earned</u>	<u>Net Income (Loss)</u>
2020	\$2,862,292,203	\$1,855,572,700	\$1,006,719,503	\$2,128,084,717	\$74,731,516
2019	\$2,875,304,609	\$1,747,075,061	\$1,128,229,548	\$2,592,475,361	\$109,297,977

CLAIMS EXPERIENCE

As developed from applicable amounts included in the Company's annual statements, the ratios of claims and claims adjustment expenses (CAE) incurred to net earned premiums, for the period subject to this examination were as follows:

<u>Year</u>	<u>Claims and CAE</u>	<u>Net Earned Premiums</u>	<u>Loss Ratio</u>
2020	\$1,765,274,398	\$2,183,334,759	80.85%
2019	\$2,145,736,456	\$2,577,979,487	83.23%

REINSURANCE AGREEMENTS

The Company routinely cedes premiums to other insurance companies. All material reinsurance agreements were reviewed and contained all of the standard clauses. There were no treaties with any unusual provisions, and all treaties provided for transfer of risk. The following is a summary of the current reinsurance agreements, as of December 31, 2020:

CMS Catastrophic Reinsurance

The Company has a catastrophic reinsurance subsidy agreement with CMS for the Medicare Part D program for drug costs.

Quota Share Reinsurance – CVS Caremark Indemnity

The Company entered into a twenty percent (20%) quota share reinsurance agreement effective January 1, 2011, and continuously in force thereafter until terminated, with CVS Caremark Indemnity, Ltd., a Bermuda domiciled insurer and wholly-owned subsidiary of CVS Caremark Corporation. The Company cedes a percentage of its share of the risk associated with individual and group premiums, claims, and administrative expenses pursuant to the Medicare Modernization Act of 2003. Effective January 1, 2018, the Company executed an amendment reducing the quota share percentage from twenty percent (20%) to fifteen percent (15%).

Quota Share Reinsurance – Accendo Insurance Company

The Company entered into a five percent (5%) quota share reinsurance agreement effective January 1, 2018, and continuously in force thereafter until terminated, with Accendo Insurance Company, an affiliate and Utah domiciled insurer. The Company cedes its share of the risk associated with individual and group premiums, claims and administrative expenses pursuant to the Medicare Modernization Act of 2003.

Other Considerations

All of the Company's significant reinsurance agreements were found to contain such language as recommended by the NAIC and as required for reinsurance credit pursuant to Tenn. Code Ann. § 56-2-207(a)(2). All agreements also appear to effectuate proper transfer of risk in accordance with Statement of Statutory Accounting Principles (SSAP) No. 61R and NAIC guidelines.

ACCOUNTS AND RECORDS

During the examination, certain balances were tested, and amounts were traced from the Company's trial balance to the annual statement. All the Company's investment securities were confirmed with the custodian of such securities as of the date of this examination. All annual statements for the period under examination were reviewed for completeness and adequacy of disclosure. The Company's risk-based capital filings were reviewed. These test checks and reviews revealed no material discrepancies.

MARKET CONDUCT ACTIVITIES

Because the Company exclusively writes Medicare PDP coverage, which is a federal program regulated by CMS, many CMS standards supersede any State law or regulation. As a result, the Company was not examined for compliance with State requirements in the following areas:

- Operations and Management Standards
- Marketing and Sales Standards
- Policyholder Service Standards
- Underwriting and Rating Standards
- Claims Handling Standards

A market conduct review was made of the Company, as of December 31, 2020, in conjunction with this examination. The following items were addressed:

Complaint Handling Standards

The Company maintains a complaint register, as required by various state Unfair Trade Practices Acts. The Company's complaint procedures and complaint register were examined to determine accordance with requirements of Tenn. Code Ann. § 56-8-104(11) and the NAIC *Market Regulation Handbook* ("Market Handbook"). No exceptions were noted.

Producer Licensing Standards

New Business

A review of the Company's new business records was conducted to determine compliance with the requirement that producers are properly licensed and appointed at the time of insurance policy application.

The following exception was noted:

- During the review, it was noted that the producer was not properly appointed at the

time of the application date.

This is in violation of Tenn. Code Ann. § 56-6-115, which sets forth the standards for appointment of producers. See the “Comments and Recommendations” section in this report.

SUBSEQUENT EVENTS

An eighteenth amendment to the Prescription Benefit Services Agreement for Medicare Part D effective January 1, 2022, between SSIC and CVS Caremark Part D Services, LLC and its affiliates providing services, was approved by the TDCI on December 21, 2021. Based on this agreement, SSIC selects Caremark Part D Services Preferred Performance Network. This is a network of participating pharmacies, providers, or preferred mail service pharmacies (collectively, “Performance Providers”) who pay a network performance rebate. Caremark Part D Services shall invoice Performance Providers according to its contractual agreements with such Performance Providers. The target performance rebate due will vary based on the network (participating pharmacies), brand drug, and generic drug. Starting with the calendar year 2021 and annually thereafter, prior to the end of each calendar year, Caremark Part D Services shall estimate the amount of performance rebates due to SSIC for the calendar year and remit the performance rebates according to the pricing charts included in this agreement. SSIC will receive the performance rebates via SSIC’s monthly administrative fee invoice. Caremark Part D Services will calculate the actual performance rebates upon receipt of performance rebate from the Performance Provider within 30 days. If such sum exceeds the performance rebates payment made to SSIC, Caremark Part D Services will pay the difference to SSIC not later than 30 days after such calculation is performed. If such sum is less than the performance rebates payment made to SSIC, SSIC will pay the difference to Caremark Part D Services not later than 30 days after such calculation is performed.

FINANCIAL STATEMENTS

There follows a statement of assets, liabilities, and a statement of revenue and expenses, as of December 31, 2020, together with a reconciliation of capital and surplus for the period under review, as reported by the Company in its 2020 Annual Statement.

	<u>ASSETS</u>		
	<u>Assets</u>	Non- Admitted <u>Assets</u>	Net Admitted <u>Assets</u>
Bonds	\$4,128,827		\$4,128,827
Cash and cash equivalents	216,364,578		216,364,578
Investment income due or accrued	30,844		30,844
Premiums and considerations: Uncollected premiums and agents' balances in the course of collection	69,908,170	\$47,418,951	22,489,219
Accrued retrospective premiums and contracts subject to redetermination	25,945,538		25,945,538
Funds held by or deposited with reinsured companies	147,239,147		147,239,147
Amounts receivable relating to uninsured plans	1,607,921,788	84,896	1,607,836,892
Net deferred tax asset	95,367,291	2,001,134	93,366,157
Receivables from parent, subsidiaries, and affiliates	197,058,746	266,111	196,792,635
Health care and other amounts receivable	557,821,249	9,722,883	548,098,366
Aggregate write-ins for other than invested assets	<u>7,451,244</u>	<u>7,451,244</u>	<u>0</u>
Totals	<u>\$2,929,237,422</u>	<u>\$66,945,219</u>	<u>\$2,862,292,203</u>

LIABILITIES, CAPITAL, AND SURPLUS

Claims Unpaid		\$22
Aggregate health policy reserves		50,820,365
Premiums received in advance		25,113,643
General expenses due or accrued		8,046,898
Current federal and foreign income tax payable		62,558,646
Ceded reinsurance premiums payable		45,302,841
Liability for amounts held under uninsured plans		<u>1,663,730,285</u>
Total Liabilities		<u>\$1,855,572,700</u>
Common capital stock	\$2,750,000	
Gross paid in and contributed surplus	124,750,000	
Unassigned funds (surplus)	<u>879,219,503</u>	
Total Capital and Surplus		<u>1,006,719,503</u>
Totals		<u>\$2,862,292,203</u>

STATEMENT OF REVENUE AND EXPENSES

Member Months		<u>50,816,547</u>
Net premium income		\$2,128,084,717
Change in unearned premium reserves		31,117,775
Aggregate write-ins for other health care revenues		<u>24,132,267</u>
Total Revenues		<u>2,183,334,759</u>
Hospital and Medical		
Hospital/medical benefits		6,720
Prescription drugs		2,098,845,437
Incentive pool, withhold adjustments and bonus amounts		846,331
Less: Net reinsurance recoveries	<u>\$410,908,916</u>	<u>0</u>
Total Hospital and Medical		<u>1,688,789,572</u>
Claims adjustment expenses, including cost containment	76,484,826	
General administrative expenses	<u>280,641,765</u>	
Total Underwriting Deductions		<u>357,126,591</u>
Net Underwriting Gain		137,418,596
Investment Income		
Net investment income earned	2,328,069	
Net realized capital gains or (losses)	<u>199,412</u>	
Net investment gain/(loss)		2,527,481
Other Income		
Net gain/(loss) from agent's balances charged off		<u>(2,655,932)</u>
Net income or (loss) after capital gains tax and before federal income taxes		137,290,145
Federal and foreign income taxes incurred		<u>62,558,629</u>
Net Income		<u>\$74,731,516</u>

ANALYSIS OF CHANGES IN FINANCIAL STATEMENTS

Total Capital and Surplus

\$1,006,719,503

Total capital and surplus, as established by this examination, is the same as reported by the Company in its 2020 Annual Statement. There were no changes made to any asset or liability items as a result of our examination performed as of December 31, 2020.

COMMENTS AND RECOMMENDATIONS

The following list presents a summary of comments and recommendations noted in this report:

Comments

There were no comments noted during the completion of this examination.

Recommendations

1. As noted in the “Producer Licensing Standards – New Business” section of this report, in two (2) instances the producer was not properly appointed at the time of the application date.

It is recommended the Company take appropriate action to ensure all producers are properly appointed within fifteen (15) days of (1) entering into a contract or (2) the first insurance application is submitted and that all requirements of Tenn. Code Ann. § 56-6-115 have been met.

CONCLUSION

Rules and procedures as prescribed by the statutes of the State of Tennessee along with guidance from the NAIC *Financial Condition Examiners Handbook* as well as the NAIC *Market Regulation Handbook*, as deemed appropriate, have been followed in connection with the verification and valuation of assets and the determination of liabilities of SilverScript Insurance Company.

In such manner, it was found that as of December 31, 2020, the Company had admitted assets of \$2,862,292,203 and liabilities, exclusive of capital and surplus, of \$1,855,572,700. Thus, there existed for the additional protection of the policyholders, the amount of \$1,006,719,503 in the form of common capital stock, gross paid in and contributed surplus, and unassigned funds. Tenn. Code Ann. §§ 56-2-114 and 56-2-115 require an insurer of this Company's type to maintain a minimum capital of \$1,000,000 and minimum surplus of \$1,000,000, respectively. For this examination, as of December 31, 2020, the Company maintains capital and surplus sufficient to satisfy those requirements.

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

In addition to the undersigned, Jim Hattaway, CFE, CIE, Examination Supervisor, Julie Smith, CFE, and Joseph DeVries, CPA, CFE, Insurance Examiners, Linda Armstrong, and Shelby Lambert, CFE, AIE, MCM, Market Conduct Examiners, of Noble Consulting Services, Inc.; and Rhonda Bowling-Black, CFE, ARe, MCM, of the Tennessee Department of Commerce and Insurance, participated in the work of this examination. An actuarial review was performed by Karen Elsom, FSA, MAAA, of the actuarial firm Lewis & Ellis of Overland Park, Kansas. A review of the Company's information systems was performed by Risk & Regulatory Consulting under the direction of Ken Roulier, Connecticut IT Specialist.

Respectfully submitted,



Scott Williams, CFE, CPA
Examiner-in-Charge
Noble Consulting Services, Inc.
Representing the State of Tennessee



A. Jay Uselton, CFE
Department Designee
Tennessee Department of Commerce
and Insurance

AFFIDAVIT

The undersigned deposes and says that he has duly executed the attached examination report of SilverScript Insurance Company located in Franklin, Tennessee, dated April 28, 2022, and made as of December 31, 2020, on behalf of the Tennessee Department of Commerce and Insurance. Deponent further says he is familiar with such instrument and the contents thereof, and the facts therein set forth are true to the best of his knowledge, information, and belief.




Scott Williams, CFE, CPA
Examiner-in-Charge
Noble Consulting Services, Inc.
Representing the State of Tennessee

State Indiana

County Delaware

Subscribed to and sworn before me

this 17th day of June, 2022


(NOTARY)

Kendra Gilmore, Notary Public
Delaware County, State of Indiana
My Commission Expires
December 21, 2025

My Commission Expires: December 21, 2025

AFFIDAVIT

The undersigned deposes and says that he has duly executed the attached examination report of SilverScript Insurance Company located in Franklin, Tennessee, dated April 28, 2022, and made as of December 31, 2020, on behalf of the Tennessee Department of Commerce and Insurance. Deponent further says he is familiar with such instrument and the contents thereof, and the facts therein set forth are true to the best of his knowledge, information, and belief.

A. Jay Uselton, CFE
Department Designee
State of Tennessee

State Tennessee

County Sumner

Subscribed to and sworn before me

this 17th day of June, 2022

(NOTARY)



My Commission Expires: 8/19/25

EXHIBIT B



June 21, 2022

E. Joy Little
Director of Financial Examinations/Chief Examiner
Tennessee Department of Commerce and Insurance
500 James Robertson Parkway
Nashville, TN 37243-1135

RE: Report of Examination – SilverScript Insurance Company

Dear Ms. Little:

We hereby acknowledge receipt of the final Report of Examination for SilverScript Insurance Company, made as of December 31, 2020, as received via email and your transmittal letter dated June 17, 2022.

By signing below, we indicate acceptance of the report, as transmitted, and without rebuttal.

Sincerely,

Terri Swanson

Digitally signed by Terri
Swanson
Date: 2022.06.21 09:52:59
-04'00'

Terri Ann Swanson
President
SilverScript Insurance Company