

STATE OF INDIANA
COUNTY OF MARION

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BEFORE THE INDIANA
COMMISSIONER OF INSURANCE

IN THE MATTER OF:

NHP of Indiana, LLC
101 SE Third Street
Evansville, Indiana 47708

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Examination of NHP of Indiana, LLC

NOTICE OF ENTRY OF ORDER

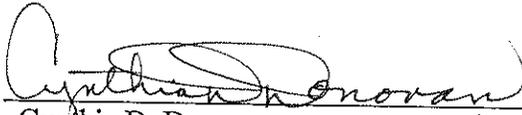
Enclosed is the Final Order entered by Stephen W. Robertson, Commissioner of the Indiana Department of Insurance, after fully considering and reviewing the Verified Report of Examination of NHP of Indiana, LLC, any relevant examination work papers, and any written submissions or rebuttals. The Verified Report of Examination, as sent to you on November 6, 2013, has been adopted by the Commissioner.

Pursuant to Ind. Code § 27-1-3.1-12(b), within thirty (30) days of receipt of the Final Order, each director of NHP of Indiana, LLC shall file an affidavit with the Indiana Department of Insurance stating that he/she has received a copy of the Verified Report of Examination and the Final Order.

The Final Order is a final administrative decision that may be appealed pursuant to Ind. Code § 4-21.5-5.

Date

February 20, 2014



Cynthia D. Donovan
Chief Financial Examiner

CERTIFIED MAIL NUMBER: 9214 8901 0661 5400 0027 9832 38

1. Pursuant to Ind. Code § 27-1-3.1-11(a)(1), the Verified Report of Examination is adopted and shall be filed. Hereafter the Verified Report of Examination, may constitute prima facie evidence of the facts contained therein in any action or proceeding taken by the Indiana Department of Insurance against the Company, its officers, directors, or agents.
2. The Company shall comply with the Examiner's Recommendations enumerated in summary form and throughout the text of the Verified Report of Examination. A written response to these recommendations should be provided to the Department within 30 days of receipt of this order.
3. Compliance with the Examiner's recommendations shall be completed on or before the filing of the subsequent annual statement. In the event it is not feasible to comply with a recommendation before the filing of the subsequent annual statement, the Company shall submit a written explanation as to why it was not feasible with the filing of the annual statement.

Signed and Sealed this 20 day of
February, 2014.


Stephen W. Robertson
Insurance Commissioner
Indiana Department of Insurance

ABOUT AFFIRMATIONS

The following pages for affirmations need to be signed by each Board Member and returned to the Indiana Department of Insurance within thirty (30) days in accordance with I.C. §27-1-3.1-12(b).

If your affirmations list individuals that are no longer on your Board of Directors, you may simply retype the form on plain white paper with the correct names and a line to the right for signature. If the names are misspelled, you may do the same, simply re-type the corrected form with a line to the right for signature.

Should you have any questions or difficulties with these forms or you require additional time past the thirty (30) day requirement, please do not hesitate to contact this department at (317) 232-2390.

Robert A. [unclear]

STATE OF INDIANA
Department of Insurance
REPORT OF EXAMINATION
OF

NHP OF INDIANA, LLC
NAIC Co. CODE 12540
NAIC GROUP CODE 4032

As of
December 31, 2012



TABLE OF CONTENTS

SALUTATION.....	1
SCOPE OF EXAMINATION.....	2
HISTORY.....	2
CAPITAL AND SURPLUS.....	2
TERRITORY AND PLAN OF OPERATION.....	2
GROWTH OF THE COMPANY.....	3
MANAGEMENT AND CONTROL.....	3
Board of Managers.....	3
Officers.....	4
CORPORATE RECORDS.....	4
Articles of Organization.....	4
Bylaws.....	4
Minutes.....	4
AFFILIATED COMPANIES.....	4
Organizational Structure.....	4
Affiliated Agreements:.....	5
FIDELITY BOND AND OTHER INSURANCE.....	5
PENSION, STOCK OWNERSHIP AND INSURANCE PLANS.....	5
STATUTORY DEPOSITS.....	6
REINSURANCE.....	6
ACCOUNTS AND RECORDS.....	6
FINANCIAL STATEMENTS.....	7
Assets.....	7
Liabilities, Capital and Surplus.....	8
Statement of Revenue and Expenses.....	9
Reconciliation of Capital and Surplus.....	10
COMMENTS ON THE FINANCIAL STATEMENTS.....	11
OTHER SIGNIFICANT ISSUES.....	11
SUBSEQUENT EVENTS.....	11
AFFIDAVIT.....	3



STATE OF INDIANA

MICHAEL R. PENCE, Governor

IDOI

INDIANA DEPARTMENT OF INSURANCE
311 W. WASHINGTON STREET, SUITE 300
INDIANAPOLIS, INDIANA 46204-2787
TELEPHONE: (317) 232-2385
FAX: (317) 232-5251

Stephen W. Robertson, Commissioner

October 18, 2013

Honorable Stephen W. Robertson, Commissioner
Indiana Department of Insurance
311 West Washington Street, Suite 300
Indianapolis, Indiana 46204-2787

Dear Commissioner:

Pursuant to the authority vested in Appointment Number 3752, an examination has been made of the affairs and financial condition of:

NHP of Indiana, LLC
101 S.E. Third Street
Evansville, IN 47708

hereinafter referred to as "NHPP", or "the Company", an Indiana health maintenance organization "HMO". The examination was conducted at the Company's home office located at the above address.

The Report of Examination, reflecting the status of the Company as of December 31, 2012, is hereby respectfully submitted.

ACCREDITED BY THE NATIONAL ASSOCIATION OF INSURANCE COMMISSIONERS

SCOPE OF EXAMINATION

The Company was last examined by Noble Consulting Services, Inc., (Noble) on behalf of the Indiana Department of Insurance (INDOI) as of the period ending December 31, 2009. The present risk-focused examination was conducted by Noble and covered the period from January 1, 2010 through December 31, 2012.

Noble conducted the risk-focused examination pursuant to and in accordance with the NAIC *Financial Condition Examiners Handbook* (Handbook). The Handbook requires that we plan and perform the examination to evaluate the financial condition and identify prospective risks of NHPI by obtaining information about the Company including corporate governance, identifying and assessing inherent risks within the Company, and evaluating system controls and procedures used to mitigate those risks. An examination also includes assessing the principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation, management's compliance with Statutory Accounting Principles, and Annual Statement instructions, when applicable to domestic state regulations.

All accounts and activities of the Company were considered in accordance with the risk-focused examination process.

HISTORY

The Company was organized on October, 26, 2005, as an Indiana limited liability company for the purpose of operating an HMO and commenced business on June 1, 2006.

NHPI is 100% owned by NHP Holdings, LLC, (NHP Holdings) a Delaware limited liability company. The ultimate controlling parent is MediSys Health Network, Inc. The Company operates under the trade name "Welborn Health Plans". NHPI entered into a licensing agreement with Welborn Clinic for the use of the Welborn Health Plans trade name. In December, 2005, NHPI entered into an agreement with U.S. Healthcare Holdings (USHH), a limited liability company providing management and administrative services to NHPI upon NHPI's acquisition of Welborn Clinic assets. NHPI acquired the HMO assets of Welborn Clinic on June 1, 2006. On December 18, 2008, NHPI's management company, previously owned by USHH was purchased by Meritain Health, who continues to manage NHPI's business operations.

CAPITAL AND SURPLUS

As of December 31, 2012, the Company had no shares of stock outstanding. The Company issued a \$3,633,000 dividend in May, 2010 and no dividends in 2011 or 2012.

TERRITORY AND PLAN OF OPERATION

In June, 2012, the Company announced its withdrawal from the commercial and Medicare Advantage markets effective January 1, 2013. There is no membership as of January 1, 2013, and the Company is in run-off mode.

The Company entered into a Member Transition Agreement (endorsement agreement) with Anthem Blue Cross and Blue Shield, which guaranteed coverage for all members through December 31, 2012. Previously NHPI provided comprehensive prepaid health care coverage for employees and their families with an emphasis on preventive care. Under the prepaid health care plan, employers were billed monthly premiums regardless of the level of services provided. Customers included both individuals and corporations in Indiana and Kentucky.

GROWTH OF THE COMPANY

The following exhibit summarizes the financial results of the Company during the examination period:

<u>Year</u>	<u>Admitted Assets</u>	<u>Liabilities</u>	<u>Capital and Surplus</u>	<u>Total Revenues</u>	<u>Net Income</u>
2012	\$ 34,534,409	\$ 12,070,072	\$ 22,464,337	\$ 146,063,703	\$ 2,403,989
2011	44,646,629	26,885,025	17,761,604	213,831,172	(7,578,085)
2010	48,178,476	26,604,406	21,574,070	193,163,039	2,752,400

The 2011 decrease in assets, net income, and capital and surplus are primarily due to operating losses while the 2012 decrease in assets, liabilities, and revenues are due to the decision to withdraw from the commercial and Medicare Advantage markets. Net income and capital and surplus increased in 2012 as a result of fees paid by Anthem Blue Cross for the endorsement agreement.

MANAGEMENT AND CONTROL

Board of Managers

The Company has an Operating Agreement with NHP Holdings which regulates the conduct of the Company's affairs. According to the Operating Agreement, the Company is managed by a Board of Managers (Board). The maximum size of the Board is five (5) members. The Board members are not independent, but are actively involved in the oversight of the Company. None of the Board members reside in the state of Indiana as specified by Indiana Code (IC) 27-13-2-10. See the "Other Significant Issues" section of this report.

The following is a listing of persons serving on the Board of Managers at December 31, 2012, and their principal occupations as of that date:

<u>Name and Address</u>	<u>Principal Occupation</u>
Bruce Flanz New City, New York	President and Chief Executive Officer Medisys Health Network, Inc.
Mounir F. Doss Garden City, New York	Executive Vice President and Chief Financial Officer MediSys Health Network, Inc.

Officers

The Operating Agreement states that the Board shall have the right to appoint officers to oversee the daily operations of the Company. The officers of the Company shall include a President, Chief Financial Officer, Treasurer, and Secretary.

The following is a listing of the officers and their respective titles as of December 31, 2012:

<u>Name</u>	<u>Office</u>
Steven J. Bory	President
Ronald R. Arfin	Secretary, Chief Financial Officer, and Treasurer

CORPORATE RECORDS

Articles of Organization

The Company has Articles of Organization on file with the state of Indiana permitting participation as a Limited Liability Company in the state of Indiana. There were no amendments to the Articles of Organization during the examination period.

Bylaws

The Company's Operating Agreement with NHP Holdings functions as the Company's Bylaws. There were no amendments to the Operating Agreement during the examination period.

Minutes

The Board meeting minutes were reviewed for the period under examination through the fieldwork date and significant actions taken during each meeting were noted. The meetings were held in accordance with the Company's Operating Agreement with NHP Holdings.

AFFILIATED COMPANIES

Organizational Structure

An organizational chart depicting the Company's relationship with other members of the holding company, as of December 31, 2012, is presented below:

	<u>NAIC Co.</u>	<u>Domiciliary</u>
	<u>Code</u>	<u>State</u>
Medisys Health Network, Inc.		NY
NHP Holdings, LLC		DE
NHP of Indiana, LLC	12540	IN

Affiliated Agreements:

The following affiliated agreements and transactions were disclosed as part of the Form B -- Holding Company Registration Statement and were filed with the INDOI as required, in accordance with IC 27-1-23-4.

Facilities and Resources Sharing Agreement

The Company is party to a Facilities and Resources Sharing Agreement with Royal Health Care of Long Island, LLC dba Royal Health Care, LLC (Royal). This agreement allows the Company to use the facilities and resources of Royal. The agreement states that officers and employees of Royal devote the portion of their time that is necessary in connection with the executive management of the Company. In exchange for the use of Royal's offices, facilities, and resources of its officers and employees, the Company pays a fixed monthly fee to Royal. The Company paid Royal \$540,000 for the year ended December 31, 2012.

Tax Sharing Agreement

The Company has a Tax Sharing Agreement with NHP Holdings providing for the filing of a consolidated federal income tax return. The Company shall pay NHP Holdings, at the time specified, the amounts of the consolidated tax liability attributable to NHPI as though it were a stand-alone entity.

During 2011, the Company became aware that it had not been filing the proper federal and state income tax returns. They are required to file as a C-Corp and pay income taxes directly rather than file as a pass-through entity as described in the Tax Sharing Agreement with NHP Holdings. Since that time, management has paid or accrued all assessed penalties and taxes payable to the IRS and certain states. In 2013, NHP Holdings returned to NHPI the amounts previously paid as required by the Tax Sharing Agreement.

FIDELITY BOND AND OTHER INSURANCE

The Company protects itself against loss from fraudulent or dishonest acts by its employees through two (2) fidelity bonds. Each bond has blanket coverage of \$500,000. The bonds are issued by Federal Insurance Company and by Travelers Casualty and Surety Company of America. The combined total of the bonds meets the prescribed minimum coverage specified by the NAIC.

The Company has additional types of coverage in-force at December 31, 2012, including, but not limited to, cyber liability, directors and officer employment practices liability, fiduciary liability, and managed care errors and omissions.

PENSION, STOCK OWNERSHIP AND INSURANCE PLANS

Per the Management and Administrative Services Agreement, Meritain Health provides substantially all services necessary to conduct the business of NHPI. As a result, NHPI does not directly have any employees to which pension, stock ownership, and insurance plans would be applicable.

STATUTORY DEPOSITS

The Company reported a statutory deposit for the state of Indiana for all policyholders with a book value and a fair value of \$1,805,700 at December 31, 2012.

REINSURANCE

The need for reinsurance is limited to serve the statutory requirements of IC 27-13-16, which requires an HMO to have a plan for receivership that allows for the continuation of benefits after the date of receivership. NHPI's reinsurance agreement with HCC Life Insurance Corporation fulfills the statutory requirement as of December 31, 2012.

ACCOUNTS AND RECORDS

NHPI's accounting procedures, practices, account records, and supporting data were reviewed and tested to the extent deemed necessary. The trial balances prepared from the Company's general ledger for the years ended December 31, 2011 and December 31, 2012, were agreed to the respective Annual Statements with no material exceptions noted.

NHP OF INDIANA, LLC

FINANCIAL STATEMENTS

Assets

	As of December 31, 2012			
	<u>Per Annual Statement</u>	<u>Examination Adjustments</u>	<u>Per Examination</u>	<u>December 31, Prior Year</u>
Assets:				
Bonds	\$ 1,513,844	-	\$ 1,513,844	\$ 12,561,751
Stocks				
Common Stocks	4,812,309	-	4,812,309	6,885,312
Cash, cash equivalents and short-term investments	<u>17,908,700</u>	-	<u>17,908,700</u>	<u>16,975,603</u>
Subtotals, cash and invested assets	24,234,853	-	24,234,853	36,422,666
Investment income due and accrued	21,191	-	21,191	91,637
Premiums and considerations:				
Uncollected premiums and agents' balances in the course of collection	431,310	-	431,310	280,462
Reinsurance:				
Amounts recoverable from reinsurers	-	-	-	3,241
Receivables from parent, subsidiaries, and affiliates	1,966,479	-	1,966,479	-
Health care and other amounts receivable	5,474,570	-	5,474,570	6,235,190
Aggregate write-ins for other than invested assets	<u>2,406,006</u>	-	<u>2,406,006</u>	<u>1,613,433</u>
Total assets	\$ <u>34,534,409</u>	\$ -	\$ <u>34,534,409</u>	\$ <u>44,646,629</u>

NHP OF INDIANA, LLC

FINANCIAL STATEMENTS

Liabilities, Capital and Surplus

	As of December 31, 2012			
	<u>Per Annual Statement</u>	<u>Examination Adjustments</u>	<u>Per Examination</u>	<u>December 31, Prior Year</u>
Liabilities:				
Claims unpaid	\$ 7,785,737	\$ -	\$ 7,785,737	\$ 23,348,054
Accrued medical incentive pool and bonus amounts	-	-	-	32,977
Unpaid claims adjustment expenses	250,000	-	250,000	250,000
Aggregate health policy reserves	-	-	-	117,697
Premiums received in advance	-	-	-	1,530,598
General expenses due or accrued	2,304,912	-	2,304,912	1,405,222
Current federal and foreign income tax payable and interest thereon	664,086	-	664,086	-
Net deferred tax liability	941,348	-	941,348	-
Amounts due to parent, subsidiaries and affiliates	-	-	-	168
Aggregate write-ins for other liabilities	123,989	-	123,989	200,309
Total liabilities	<u>12,070,072</u>	<u>-</u>	<u>12,070,072</u>	<u>26,885,025</u>
Gross paid in and contributed surplus	13,416,479	-	13,416,479	11,450,000
Unassigned funds (surplus)	9,047,858	-	9,047,858	6,311,604
Total capital and surplus	<u>22,464,337</u>	<u>-</u>	<u>22,464,337</u>	<u>17,761,604</u>
Total liabilities, capital and surplus	<u>\$ 34,534,409</u>	<u>\$ -</u>	<u>\$ 34,534,409</u>	<u>\$ 44,646,629</u>

NHP OF INDIANA, LLC

FINANCIAL STATEMENTS

Statement of Revenue and Expenses

	As of December 31, 2012			December 31, Prior Year
	Per Annual Statement	Examination Adjustments	Per Examination	
Member Months	293,809	-	293,809	492,356
Net premium income	143,036,519	-	143,036,519	208,956,174
Aggregate write-ins for other health care related revenues	\$ 3,027,184	\$ -	\$ 3,027,184	\$ 4,874,998
Total revenues	146,063,703	-	146,063,703	213,831,172
Hospital and Medical:				
Hospital/medical benefits	58,640,864	-	58,640,864	96,082,047
Other professional services	4,129,585	-	4,129,585	7,671,132
Outside referrals	18,796,601	-	18,796,601	29,842,830
Emergency room and out-of-area	25,623,144	-	25,623,144	31,627,876
Prescription drugs	24,235,184	-	24,235,184	34,438,829
Aggregate write-ins for other hospital and medical	936,287	-	936,287	2,866,638
Incentive pool, withhold adjustments and bonus amounts	10,828	-	10,828	17,992
Subtotal	132,372,493	-	132,372,493	202,547,344
Net reinsurance recoveries	1,185,843	-	1,185,843	691,994
Total hospital and medical	131,186,650	-	131,186,650	201,855,350
Claims adjustment expenses	3,751,428	-	3,751,428	4,005,484
General administrative expenses	15,170,535	-	15,170,535	16,021,935
Total underwriting deductions	150,108,613	-	150,108,613	221,882,769
Net underwriting gain or (loss)	(4,044,910)	-	(4,044,910)	(8,051,597)
Net investment income earned	482,246	-	482,246	465,537
Net realized capital gains (losses)	270,812	-	270,812	7,975
Net investment gains (losses)	753,058	-	753,058	473,512
Aggregate write-ins for other income or expenses	5,387,600	-	5,387,600	-
Net income or (loss) after capital gains tax and befor all other federal income taxes	2,095,748	-	2,095,748	(7,578,085)
Federal and foreign income taxes incurred	(308,241)	-	(308,241)	-
Net income (loss)	\$ 2,403,989	\$ -	\$ 2,403,989	\$ (7,578,085)

NHP OF INDIANA, LLC

FINANCIAL STATEMENTS

Reconciliation of Capital and Surplus

	<u>2012</u>	<u>2011</u>	<u>2010</u>
Capital and Surplus Account:			
Capital and surplus prior reporting year	\$ 17,761,604	\$ 21,574,070	\$ 21,177,721
Net income or (loss)	2,403,989	(7,578,085)	2,752,400
Change in net unrealized capital gains (losses)	(19,993)	62,588	-
Change in net deferred income tax	(957,418)	-	-
Change in nonadmitted assets	2,766,923	935,765	1,276,949
Surplus adjustments:			
Paid in	1,966,479	2,750,000	-
Dividends to stockholders	-	-	(3,633,000)
Aggregate write-ins for gains or (losses) in surplus	(1,457,247)	17,266	-
Net change in capital and surplus	<u>4,702,733</u>	<u>(3,812,466)</u>	<u>396,349</u>
Capital and surplus end of reporting year	<u>\$ 22,464,337</u>	<u>\$ 17,761,604</u>	<u>\$ 21,574,070</u>

COMMENTS ON THE FINANCIAL STATEMENTS

There were no recommended adjustments to surplus as of December 31, 2012, based on the results of this examination.

OTHER SIGNIFICANT ISSUES

The Company does not have a director that resides in the state of Indiana as specified by IC 27-13-2-10 and IC 27-1-7-11. Compliance with IC 27-13-2-10 and IC 27-1-7-11 is required and the Company should notify the INDOI once this requirement is fulfilled.

SUBSEQUENT EVENTS

Effective January 31, 2013, Steven Bory resigned his position as President and Chief Executive Officer of NHPI and the Board appointed Bruce Flanz to that position. Also effective January 31, 2013, Ronald Arfin resigned his positions as Secretary, Treasurer and Chief Financial Officer of NHPI and the Board appointed Mounir Doss to those positions. There were no other events subsequent to the examination date and prior to the completion of fieldwork that were considered material events requiring disclosure in the Report of Examination.

AFFIDAVIT

This is to certify that the undersigned is a duly qualified Examiner-in-Charge appointed by the Indiana Department of Insurance and that he, in coordination with staff assistance from Noble Consulting Services, Inc., performed an examination of **NHP of Indiana, LLC** as of December 31, 2012.

The Indiana Department of Insurance is accredited under the National Association of Insurance Commissioners Financial Regulation Accreditation Standards.

This examination was performed in accordance with those procedures required by the NAIC Financial Condition Examiner's Handbook and other procedures tailored for this examination. Such procedures performed on this examination do not constitute an audit made in accordance with generally accepted auditing standards and no audit opinion is expressed on the financial statements contained in this report.

The attached report of examination is a true and complete report of the conditions of **NHP of Indiana, LLC** as of December 31, 2012, as determined by the undersigned.



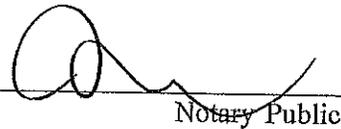
Roy D. Eft, CPA, CFE, MCM
Noble Consulting Services, Inc.

State of:
County of:

On this 12 day of Oct, 2013, before me personally appeared, Roy D. Eft, to sign this document.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed my notarial seal in said County and State, the day and year last above written.

My commis



Notary Public