AGREED ORDER OF SUPERVISION

WHEREAS, Advantage Health Solutions, Inc. (the “Company”), is an Indiana domestic health maintenance organization (“HMO”) subject to the jurisdiction of the Indiana Department of Insurance (the “Department”);

WHEREAS, the Department is conducting a target examination of the Company in accordance with IC 27-1-3.1 and pursuant to Appointment Number 3844;

WHEREAS, the Company has agreed to waive its right to a hearing on this matter and, for the benefit of its subscribers, enrollees, and creditors and the general public, has agreed to the entry of this Order:

NOW, THEREFORE, pursuant to IC 27-13-26-1, the Commissioner enters the FINDINGS OF FACT, CONCLUSIONS OF LAW, and ORDER as set forth below:

FINDINGS OF FACT

1. The Company is an HMO first authorized to write business in Indiana in 2000.
2. The Company writes business only in Indiana.
3. The Company’s business consists of group health insurance and Medicare Advantage contracts.
4. Pursuant to IC 27-13-29-4, HMOs are subject to the same risk based capital (“RBC”) requirements that apply to insurance companies.
5. The Company's RBC as disclosed in its January 31, 2015, financial statement submitted to the Department on February 23, 2015, was 150.8%, which is a "Company Action Level Event" as defined at IC 27-1-36-29.

6. In response to the Company Action Level event, the Department requested an RBC plan in accordance with IC 27-1-36-30.

7. The Company's RBC was 172.8% in its March 31, 2015, Financial Statement.

8. On April 10, 2015, the Company submitted an RBC plan in accordance with IC 27-1-36-30. In its RBC plan, the Company included net income projection of $762,010 as of December 31, 2015.

9. Despite these projections, the Company's RBC deteriorated to 150.8% in its June 30, 2015, Financial Statement.

10. The Company's RBC further deteriorated to negative 172.1% in its August 31, 2015, Financial Statement, which is a Mandatory Control Level Event in accordance with IC 27-1-36-41.

11. As of August 31, 2015, the Company reported net loss of $46,306,554.

12. The Company's parents have infused Thirty-Three Million Dollars ($33 million) since August 31, 2015; however, the Company's RBC remains at Mandatory Control Level.


14. Pursuant to IC 27-9-2-3, the Company has requested that this Agreed Order of Supervision be made public.
CONCLUSIONS OF LAW

15. There is reasonable cause to believe that the Company is in such condition as to render the continuance of its business, as it is currently being operated, hazardous to its subscribers, enrollees, or creditors, or to the general public.

16. The Company's current condition renders the continuance of certain of the Company's business practices hazardous to the subscribers, enrollees, or creditors of the organization or to the general public.

17. The Company is in violation of the maintenance of minimum net worth requirement of IC 27-13-12-3 due to reported negative Capital and Surplus of $22,463,338 as of August 31, 2015, which is $39,287,155 below the minimum net worth requirement of $16,823,817.

18. In addition, IC 27-1-36-43.1 requires the Commissioner to place the Company under regulatory control within ninety (90) days of when a mandatory control level event occurs.

19. Considering all presently available information, it is necessary that the Company be placed under Supervision, pursuant to IC 27-13-26-1.

ORDER

IT IS THEREFORE ORDERED THAT:

1. The Company is now placed under the supervision of the Commissioner, pursuant to IC 27-13-26-1 and IC 27-9-2-1.

2. The Commissioner hereby appoints Cynthia D. Donovan, Chief Financial Examiner of the Department, to serve as supervisor of the Company (the "Supervisor").

3. The Supervisor is hereby ordered and directed to carry out this Order of Supervision (the "Supervision Order").
4. It is further ordered that Company shall not, without the prior written consent of the Supervisor, do any of the following during the period that this Supervision Order remains in effect:

(a) Dispose of, convey, advance or encumber any of its assets or its business in force, other than in the ordinary course of business;

(b) Withdraw funds from any of its bank accounts or otherwise disburse assets, except that the Company may withdraw funds or disburse assets without the prior written approval of the Supervisor or Commissioner, for the limited purposes set forth below, which payments may be made without prior written approval:

(1) to make payments to members that are not “affiliates” of the Company (as that term is defined in IC 27-1-23-1(b)) and which payments arise under the terms and conditions of the Company’s contracts;

(2) to make routine payroll and benefit payments at the currently established compensation levels for those employees who are neither Executive Officers and/or Directors of the Company (for the avoidance of doubt, it is specifically noted that the Supervisor’s prior written approval is expressly required before any compensation is paid to or for the benefit of any Executive Officer and/or Director of the Company; and

(3) to make payments that qualify as “normal operating expenses,” as that term is defined in paragraph 5 below:

(c) Lend any of its funds;

(d) Make any new investments or reinvestments of any of its funds, except in investments rated Category I by the NAIC Securities Valuation Office or in certificates of deposits or securities guaranteed by the full faith and credit of the United States Government;

(e) Enter into any new affiliated transactions or affiliated investments, amend or modify the terms of any existing contract or agreement with any affiliate, increase an existing investment in any affiliate, enter into any transaction that would result in or increase an existing intercompany receivable, enter into any transaction that would result in a new affiliated relationship, advance funds to any affiliate, pay any management fees to an affiliate;

(f) Declare or pay any dividend;
(g) Transfer any of its property;

(h) Incur any debt, obligation or liability, except “normal operating expenses” as defined in paragraph 5 below;

(i) Merge or consolidate with another company; and/or

(j) Enter into any new reinsurance contract or agreement or terminate, amend or modify any existing reinsurance contract or agreement.

5. For purposes of this Supervision Order, normal operating expenses are expenses that:

(a) Arise in the normal, ordinary and usual course of business;

(b) Are payable to parties who are not officers, directors or affiliates of the Company (using the definition of “affiliates” as set forth in IC 27-1-23-1(b)); and

(c) Do not exceed fifty thousand dollars ($50,000).

6. In addition to the restrictions and prohibitions set forth above as part of the supervision of the Company, the Company is further ordered to adhere to and comply with the following requirements to correct its business practices:

(a) The Company shall submit to the Supervisor and the Department via email financial and operational updates weekly (by 4:00 pm EST Fridays) and on a bi-weekly basis either via conference call or in person beginning November 13, 2015.

(b) On or before the 20th day of each month, the Company shall deliver to the Supervisor and the Department a financial statement, including balance sheet, income statement, cash-flow statement, minimum net worth statement, analysis of operations by line of business statement, statement disclosing the Company’s number of lives under contract and risk-based capital ratio (e.g., total adjusted capital dividend by the authorized control level risk based capital) for the preceding month.

(c) When requested by the Department or the Supervisor, representatives of the Company shall meet in-person with the Commissioner, Supervisor, or representatives designated by either to discuss the financial condition and business plan of the Company.

(d) The Company shall seek the approval of any proposed changes of officer, director or senior management official of the Company prior to an offer of
employment or announcement of change. The request shall include a completed NAIC biographical affidavit on any proposed officer, director or senior management official.

(e) The Company and all its officers, managers, directors, trustees, owners, employees, representatives, agents and any other persons with authority over or in charge of any segment of the Company’s affairs shall, consistent with IC 27-9-1-5(a), cooperate with the Commissioner relative to this Order, which cooperation, shall include but not be limited to:

(1) replying promptly in writing to any inquiry; and
(2) making available all books, accounts, documents, or other records, information or property of or pertaining to the Company.

7. This Order may be terminated at any time in writing by the Commissioner.

8. During the period of this Supervision Order, if the Company wants the Commissioner to review any action taken or proposed to be taken by the Supervisor, the Company shall, consistent with IC 27-9-2-1(f), file a written request with the Commissioner specifying the reason the action complained of is believed not to be in the best interests of the Company.

9. In the event the Company fails to comply with this Order or should the Commissioner learn of further adverse developments and information as to the Company’s financial condition and/or business operations, the Commissioner reserves the right to take all further regulatory action then deemed necessary and appropriate, including, but not limited to, all regulatory action as authorized under IC 27-9.

All of which is ORDERED this 6th day of November 2015.

[Signature]

Stephen W. Robertson, Commissioner
Indiana Department of Insurance
Agreed by:

ADVANTAGE HEALTH SOLUTIONS, INC.

[Signature]

By: L. MICHAEL HANE

Its: ACTING CEO