STATE OF NEW YORK INSURANCE DEPARTMENT

REPORT ON FINANCIAL CONDITION EXAMINATION

OF THE

AMERICAN PROGRESSIVE LIFE AND HEALTH INSURANCE COMPANY

OF NEW YORK

CONDITION: DECEMBER 31, 2009

DATE OF REPORT: JUNE 7, 2011

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EXAMINER: PAUL E. ELLIS, CFE

TABLE OF CONTENTS

ITEM		PAGE NO.
1.	Executive summary	2
2.	Scope of examination	3
3.	Description of Company	5
	A. History	5
	B. Holding company	6
	C. Organizational chart	6
	D. Service agreements	9
	E. Management	10
4.	Territory and plan of operations	12
	A. Statutory and special deposits	12
	B. Direct operations	12
	C. Reinsurance	13
5.	Significant operating results	15
6.	Financial statements	18
	A. Independent accountants	18
	B. Net admitted assets	19
	C. Liabilities, capital and surplus	20
	D. Condensed summary of operations	21
	E. Capital and surplus account	22
	F. Reserves	22
7	Subsequent events	24
8.	Prior report summary and conclusions	25
9.	Summary and conclusions	27

STATE OF NEW YORK
INSURANCE DEPARTMENT
25 BEAVER STREET
NEW YORK, NEW YORK 10004

Andrew M. Cuomo
Governor

James J. Wrynn
Superintendent

May 31, 2011

Honorable James J. Wrynn
Superintendent of Insurance
Albany, New York 12257

Sir:

In accordance with instructions contained in Appointment No. 30538, dated May 27, 2010 and annexed hereto, an examination has been made into the condition and affairs of the American Progressive Life and Health Insurance Company of New York, hereinafter referred to as "the Company," at its home office located at 6 International Drive, Rye Brook, New York 10573.

Wherever "Department" appears in this report, it refers to the State of New York Insurance Department.

1. EXECUTIVE SUMMARY

The material findings contained in this report are summarized below

The Department conducted a review of reserves as of December 31, 2009. During the review, the Department recommended more conservatism in the assumptions and the methodology used for the asset adequacy analysis pursuant to Department Regulation No. 126 and the "sound value" analysis pursuant to Department Regulation No. 56. In response, the Company incorporated various refinements in a manner acceptable to the Department. The changes were then implemented during 2010. These refinements produced additional reserves in the amount of $18.7 million at December 31, 2010. The examiner recommends that the Company monitor the implemented changes to ensure future compliance with Section 4228(h) of the New York Insurance Law. (See Section 6 F of this report)

2. SCOPE OF EXAMINATION

The examination of the Company was a full scope examination as defined in the *NAIC Financial Condition Examiners Handbook, 2010 Edition* (the "Handbook"). The examination covers the 3-year period from January 1, 2007 through December 31, 2009. The examination was conducted observing the guidelines and procedures in the Handbook and, where deemed appropriate by the examiner, transactions occurring subsequent to December 31, 2009 but prior to the date of this report (i.e., the completion date of the examination) were also reviewed.

The examination was conducted on a risk focused basis in accordance with the provisions of the Handbook published by the National Association of Insurance Commissioners ("NAIC"). The Handbook guidance provides for the establishment of an examination plan based on the examiner's assessment of risk in the insurer's operations and utilizing that evaluation in formulating the nature and extent of the examination. The examiner planned and performed the examination to evaluate the current financial condition as well as identify prospective risks that may threaten the future solvency of the insurer. The examiner identified key processes, assessed the risks within those processes and evaluated the internal control systems and procedures used to mitigate those risks. The examination also included assessing the principles used and significant estimates made by management, evaluating the overall financial statement presentation, and determining management's compliance with Department statutes and guidelines, Statutory Accounting Principles as adopted by the Department and annual statement instructions.

The examination was conducted in conjunction with the coordinated examination of the insurance subsidiaries of Universal American Corporation ("Universal American"), the Company's ultimate parent. The coordinated examination was led by the State of Pennsylvania with participation from New York and Texas. Since the lead and participating states are accredited by the NAIC, all states deemed it appropriate to rely on each other's work. The Universal American insurance subsidiaries underwrite common business lines, have common management and maintain common operating systems. The coordinated examination team identified and assessed the risks for key functional activities across all of the insurance subsidiaries. The examination team also assessed the relevant prospective risks as they related to the insurance legal entities.

Information about the Company's organizational structure, business approach and control environment were utilized to develop the examination approach. The Company's risks and management activities were evaluated incorporating the NAIC's nine branded risk categories. These categories are as follows:

- Pricing/Underwriting
- Reserving
- Operational
- Strategic
- Credit
- Market
- Liquidity
- Legal
- Reputational

The Company was audited annually, for the years 2007 through 2009 by the accounting firm of Ernst & Young, LLP ("E&Y"). The Company received an unqualified opinion in all years. Certain audit workpapers of the accounting firm were reviewed and relied upon in conjunction with this examination. The Company has an internal audit department and a separate internal control department which was given the task of assessing the internal control structure and compliance with the Sarbanes-Oxley Act of 2002 ("SOX"). Where applicable, SOX workpapers and reports were reviewed and portions were relied upon for this examination.

The examiner reviewed the corrective actions taken by the Company with respect to the financial condition violations, recommendations and comment contained in the prior report on examination. The results of the examiner's review are contained in item 8 of this report.

This report on examination is confined to financial statements and comments on those matters which involve departure from laws, regulations or rules, or which require explanation or description.

3. DESCRIPTION OF COMPANY

A. History

The Company was incorporated as a stock health insurance company under the laws of the State of New York on September 22, 1945 under the name American Progressive Health Insurance Company of New York. It was licensed and commenced business on March 26, 1946. On January 25, 1979, its charter was amended to include the writing of life insurance and annuities. The Company's present name was adopted at that time.

Initial resources of $151,800, consisting of common capital stock of $101,200 and paid in and contributed surplus of $50,600, were provided through the sale of 1,012 shares of common stock (with a par value of $100 each) for $150 per share. As of December 31, 2009, authorized capital was $2,500,050, consisting of 16,667 shares of common stock with a par value of $150 per share. In 2007, the Company received a surplus contribution of $44,000,000 from its parent, American Exchange Life Insurance Company ("American Exchange"). At December 31, 2009 capital and surplus was $129,460,874.

On December 31, 1998 Universal American Financial Corporation (Universal American) executed a Share Purchase Agreement with Capital Z Financial Services Fund II (Capital Z) whereby Capital Z invested approximately $81 million and acquired approximately a 59.7% controlling interest in American Exchange. Subsequently on July 30, 1999, American Exchange completed an acquisition of various subsidiaries of the former PennCorp Financial Group, Inc., an insurance holding company by utilizing the proceeds from the Capital Z transaction. The following six insurers, collectively referred to as "PennUnion", were acquired: Pennsylvania Life Insurance Company ("PLIC"), Constitution Life Insurance Company, Union Bankers Insurance Company, Marquette National Life Insurance Company, PennCorp Life Insurance Company (Canada), and Peninsular Life Insurance Company. As of December 31, 2006, Capital Z's interest in UAFC was 34.2%; the remainder was owned by individual shareholders.

In 2007, UAFC acquired MemberHealth, LLC ("MemberHealth") a privately held pharmacy benefit manager and sponsor of Community Care Rx, a national Medicare Part D plan with more than 1.1 million members. MemberHealth offers Medicare prescription drug plans in 50 states, the District of Columbia, Puerto Rico, and the U.S. Virgin Islands. At the time of acquisition MemberHealth was operating its Medicare Part D business under a waiver from the

Centers for Medicare and Medicaid Services ("CMS") and, as a result, was not licensed in any state. In connection with the acquisition, MemberHealth transferred its New York business to the Company, and business in all other states transferred to PLIC, a subsidiary who also provides Medicare Part D. The Department approved the MemberHealth's transfer of New York business to the Company in September, 2007.

On December 3, 2007 Universal American Financial Corporation changed its name to Universal American Corporation.

B. Holding Company

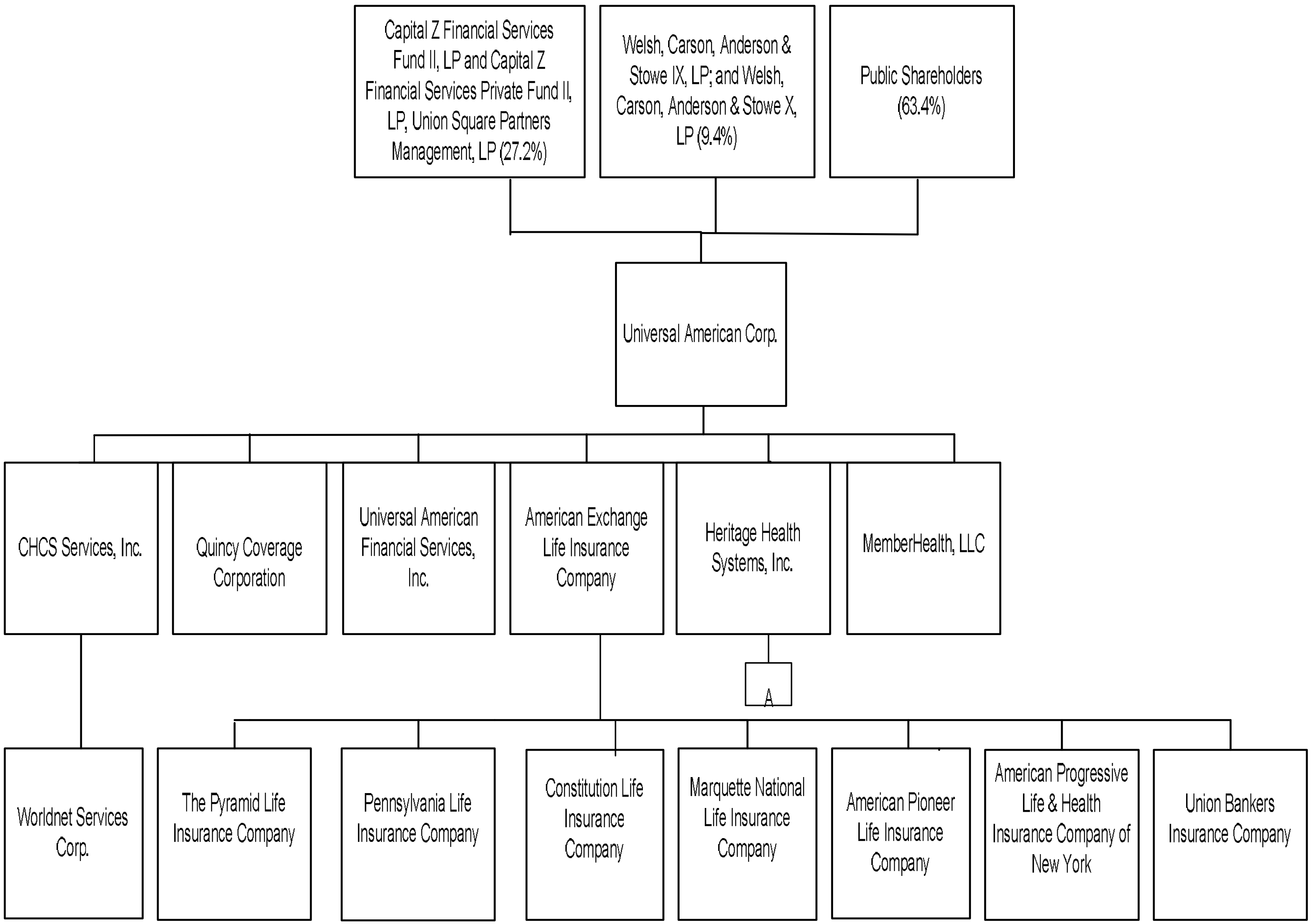
The Company is a wholly owned subsidiary of American Exchange, a Texas domiciled life and accident and health insurance company. American Exchange in turn is wholly owned by Universal American which is traded on the New York Stock Exchange under the ticker symbol "UAM". Prior to December 3, 2007, the shares traded on the NASDAQ exchange under the ticker symbol "UHCO".

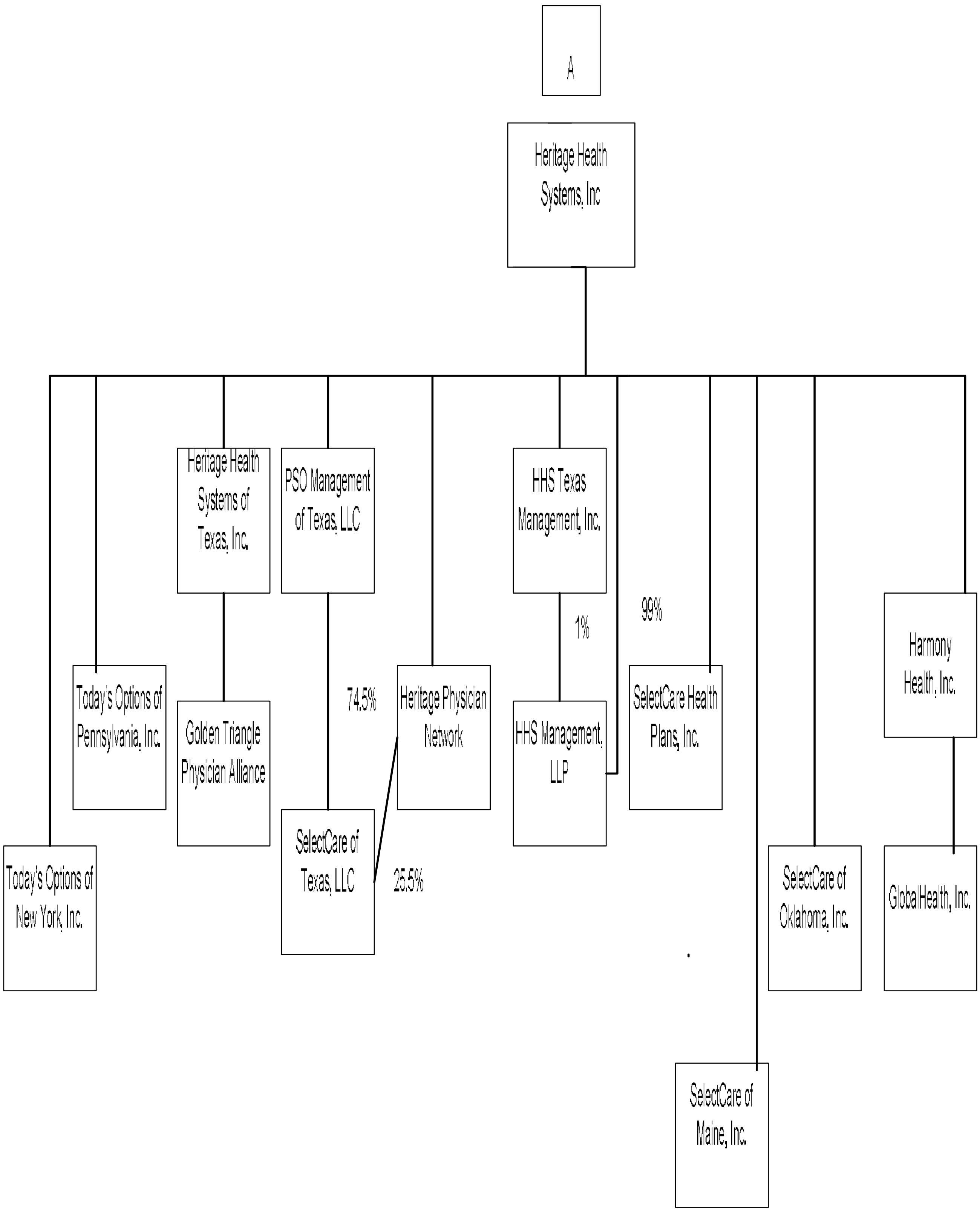
As of December 31, 2009, Capital Z, a Bermuda limited partnership based in New York, held a 34.7% interest in Universal American; the remaining 65.3% was owned by individual shareholders. Capital Z is managed by Capital Z Partners, LP, a New York-based global alternative asset management firm.

C. Organizational Chart

An organization chart reflecting the relationship between the Company and significant entities in its holding company system as of December 31, 2009 follows:

(Ownership is 100% except as noted)




A
Heritage Health Systems, Inc
Heritage Health Systems of Texas, Inc.
PSO Management of Texas, LLC
HHS Texas Management, Inc.
1%
99%
Harmony Health, Inc.
Today's Options of Pennsylvania, Inc.
74.5%
Heritage Physician Network
SelectCare Health Plans, Inc.
Golden Triangle Physician Alliance
HHS Management, LLP
SelectCare of Texas, LLC
25.5%
Today's Options of New York, Inc.
SelectCare of Oklahoma, Inc.
GlobalHealth, Inc.
SelectCare of Maine, Inc.

D. Service Agreements

The Company had 4 service agreements in effect with affiliates during the examination period.

Type of Agreement and Department File Number	Effective Date	Provider(s) of Service(s)	Recipient(s) of Service(s)	Specific Service(s) Covered	Income/ (Expense)* For Each Year of the Examination
Services Agreement File # 29980	08/20/2002	Universal American Financial Services, Inc.	The Company	Expense reimbursement and cost sharing	2009 $ 0 2008 $ 0 2007 $(31,663,554)
Services Agreement File #34771	12/31/2005	HHS Texas Management, L.P.	The Company	Management and administrative services related to Medicare Part D	2009 $ 0 2008 $ 0 2007 $ 0
Services Agreement File #32032 Amendment File # 34001 Amendment File #36078	08/01/2004 09/12/2005 12/07/2006	CHCS Services, Inc.	The Company	Management and administrative services related to Medicare Advantage and Medicare Part D	2009 $(2,866,191) 2008 $(7,609,583) 2007 $(3,273,619)
Pharmacy Benefit Management Agreement File #40018 Amendment File # 40019	04/01/2008 06/04/2008	MemberHealth, LLC	The Company	Prescription and administrative management relating to Medicare Part D	2009 $(6,342,421) 2008 $ (497,021)

* Amount of Income or (Expense) Incurred by the Company

The service agreement with HHS Texas Management, L.P. was recommended for cancellation by the Department in the prior examination report due to inactivity. The Company responded that it did not terminate this contract because it anticipates using this agreement starting in year 2011.

The Company participates in a tax allocation agreement with American Exchange and certain affiliates that are included in consolidated income tax returns. The Company does incur (or is entitled to recover) federal income taxes as if the Company files its own federal income tax return. The purpose of this agreement is to consolidate the federal and certain state income tax returns.

In March, 2007 and December, 2007, American Exchange made investments in the Company through cash contributions in the amounts of $32,000,000 and $12,000,000 respectively. The Company did comply with the requirements of Sections 1505(c) and (d) of the New York Insurance Law regarding contributions.

E. Management

The Company's by-laws provide that the board of directors shall be comprised of not less than 9 and not more than 21 directors. Directors are elected for a period of one year at the annual meeting of the stockholders held in March of each year. As of December 31, 2009, the board of directors consisted of 9 members. Meetings of the board are held twice each year.

The 9 board members and their principal business affiliation, as of December 31, 2009, were as follows:

Name and Residence	Principal Business Affiliation	Year First Elected
Richard Barasch New York, NY	President and Chief Executive Officer American Progressive Life & Health Insurance Company of New York	1991
David Bolger * Ridgewood, NJ	President Bolger and Company	1999
Walter Harris * New York, NY	President Tanenbaum-Harber Company	1991
Jason Israel Lake Mary, FL	Senior Vice President American Progressive Life & Health Insurance Company of New York	2009
Thomas Kilian Lake Mary, FL	Senior Vice President – Traditional Insurance American Progressive Life & Health Insurance Company of New York	2009

Name and Residence	Principal Business Affiliation	Year First Elected
Jeffrey Laikind * New York, NY	Managing Director Shikiar Asset Management	1995
Linda Lamel * New York, NY	Law Professor Brooklyn Law School	2005
John Squarok Sanford, FL	Executive Vice President American Progressive Life & Health Insurance Company of New York	2007
Robert Waegelein Pawling, NY	Executive Vice President American Progressive Life & Health Insurance Company of New York	1991

* Not affiliated with the Company or any other company in the holding company system.

The examiner's review of the minutes of the meetings of the board of directors and its committees indicated that meetings were well attended and that each director attended a majority of meetings.

The following is a listing of the principal officers of the Company as of December 31, 2009:

Name	Title
Richard Barasch	President and Chief Executive Officer
Robert Waegelein	Executive Vice President
John Squarok	Executive Vice President
Theodore Carpenter, Jr.	Executive Vice President
Jason Israel	Senior Vice President
Neil Lund	Senior Vice President, Chief Actuary-Medicare Part D
Thomas Kilian	Senior Vice President, Traditional Insurance
John Wardle	Senior Vice President, CEO-Medicare Part D
David Azzolina	Senior Vice President, CFO-Medicare Part D
Richard Cannone	Vice President & CFO
Judy Borrell *	Vice President, Administration

* Designated consumer services officer per Section 216.4(c) of Department Regulation No. 64

On May 20, 2010, Scott G. Ellsworth replaced Richard Barasch as President.

4. TERRITORY AND PLAN OF OPERATIONS

The Company is authorized to write life insurance, annuities and accident and health insurance as defined in paragraphs 1, 2 and 3 of Section 1113(a) of the New York Insurance Law.

The Company is licensed to transact business in 23 states and the District of Columbia. In 2009, 68.7% of life premiums, 85.3% of annuity considerations and 68.3% of accident and health premiums were received from New York and 16.1% of life premiums and 16.8% of accident and health premiums were received from Pennsylvania.

A. Statutory and Special Deposits

As of December 31, 2009, the Company had $1,500,000 (par value) of United States Treasury Notes on deposit with the State of New York, its domiciliary state, for the benefit of all policyholders, claimants and creditors of the Company. As verified with confirmations received as reported in Schedule E of the 2009 filed annual statement, an additional $1,405,000 (par value) was being held by the states of Arkansas, Florida, Massachusetts, New Hampshire, New Mexico and Virginia.

B. Direct Operations

The Company's principal lines of business during the examination period were Medicare Advantage and Medicare Part D (reported as other accident and health business), and individual life. Medicare Advantage and Medicare Part D (89.3%), Medicare Supplement (4.5%) and individual life (1.9%) represented 95.7% of net premium received in 2009. Policies are written on a non participating basis.

The Company's Medicare Advantage products are marketed under Health Maintenance Organization ("HMO") plans, Preferred Provider Organization ("PPO") plans and Private Fee For Service ("PFFS") plans. The PPO plans are under contract with CMS and provide basic Medicare covered benefits with reduced member cost sharing as well as additional supplemental benefits, including defined prescription drug benefits. The HMO and PPO plans are built around contracted networks of providers. The PFFS plans are also offered under contract with CMS and provide enhanced health care benefits, compared to traditional Medicare, subject to cost sharing and other limitations. The PFFS plans have limited provider network restrictions which allow the members to have more flexibility in the delivery of their health care services than other Medicare Advantage plans with limited provider network restrictions. As a result of the passage of the 2008 Medicare Improvements for Patients and Providers Act, effective January 1, 2011, the Company will continue to offer PFFS products only in areas that have either met approved CMS network access requirements or are in certain designated rural areas. The Company also markets small benefit Medicare supplement insurance plans.

The Company markets small benefit life and Medicare Supplement insurance products to the senior market segment. The life insurance product is simplified issue whole life low face value life insurance. The Company coinsured 100% of the net in-force life and annuity business with First Allmerica Financial Life Insurance Company ("FAFLIC") in April 2009.

The Company distributes Medicare Advantage and Medicare Part D products through a career agency system, independent agents, direct sales and telemarketing. The Medicare Supplement and life insurance products are distributed through career agents and independent agents. The Company compensates agents using a percentage of premium method for sales of traditional insurance products and on a per application fee basis for sales of its Medicare Advantage plans.

C. Reinsurance

As of December 31, 2009, the Company had ceded reinsurance treaties in effect with 16 companies, of which 13 were authorized or accredited. The Company's life, accident and health business is reinsured on a coinsurance, stop loss and yearly renewable term basis. Reinsurance is provided on an automatic and facultative basis.

The maximum retention limit for individual life contracts is $50,000. The total face amount of life insurance ceded as of December 31, 2009, was $371,532,894 which represents 87.4% of the total face amount of life insurance in force. Effective April 1, 2009 the Company ceded the majority of its life and annuity business to FAFLIC. This 100% coinsurance treaty transferred approximately $107.8 million of cash, $1.9 million of policy loans and $115.9 million of aggregate reserves to the reinsurer.

For the accident and health line, the Company ceded premiums primarily to General Re Life Corp and Fresenius Medical Care Reinsurance Company, the latter being an unauthorized reinsurer.

At year end 2009, credit taken for accident and health business ceded to unauthorized companies totaling $4,584,121, was supported by letters of credit and funds withheld.

As of December 31, 2009, the Company assumed life business from one insurer, Wilton Reassurance Company of New York. The assumed business is reinsured on a coinsurance and modified-coinsurance basis. The total face amount of life insurance assumed as of December 31, 2009 was $9,811,660.

5. SIGNIFICANT OPERATING RESULTS

Indicated below is significant information concerning the operations of the Company during the period under examination as extracted from its filed annual statements. Failure of items to add to the totals shown in any table in this report is due to rounding. The following table indicates the Company's financial growth (decline) during the period under review:

	December 31, 2006	December 31, 2009	Increase (Decrease)
Admitted assets	$259,057,364	$244,822,775	$ (14,234,589)
Liabilities	$224,549,646	$115,361,901	$(109,187,745)
Common capital stock	$ 2,500,050	$ 2,500,050	$ 0
Gross paid in and contributed surplus	50,466,498	94,466,497	43,999,999
Aggregate write-ins for special surplus funds	0	3,386,547	3,386,547
Unassigned funds (surplus)	(18,458,830)	29,107,780	47,566,610
Total capital and surplus	$ 34,507,718	$129,460,874	$ 94,953,156
Total liabilities, capital and surplus	$259,057,364	$244,822,775	$ (14,234,589)

The Company's invested assets as of December 31, 2009 were mainly comprised of bonds (76%) and cash and short-term investments (24%). The majority (98%) of the Company's bond portfolio, as of December 31, 2009, was comprised of investment grade obligations.

On April 24, 2009, the Company completed a 100% coinsurance transaction with FAFLIC which ceded substantially all of the Company's life insurance and annuity business. As a result of this transaction, the Company transferred approximately $107.8 million of cash, $1.9 million of policy loans and $115.9 million of aggregate reserves to FAFLIC.

The following has been extracted from the Exhibits of Annuities in the filed annual statements for each of the years under review:

	Ordinary Annuities		
	2007	2008	2009
Outstanding, end of previous year	2,780	2,488	2,153
Net changes during the year	(292)	(335)	(2,153)
Outstanding, end of current year	2,488	2,153	0

The decrease to zero at year end 2009 is the result of the 100% coinsurance agreement with FAFLIC, effective April 1, 2009.

The following is the net gain (loss) from operations by line of business after federal income taxes but before realized capital gains (losses) reported for each of the years under examination in the Company's filed annual statements:

	2007	2008	2009
Ordinary:			
Life insurance	$ 1,279,047	$ 75,966	$ 6,924
Individual annuities	1,977,931	340,865	129,923
Total ordinary	$ 3,256,978	$ 416,831	$ 136,847
Accident and health:			
Group	$ 257,472	$ (66,545)	$ 385,943
Other	10,899,827	14,757,926	31,780,687
Total accident and health	$11,157,299	$14,691,381	$32,166,630
Total	$14,414,277	$15,108,212	$32,303,477

The following ratios, applicable to the accident and health business of the Company, have been extracted from Schedule H for each of the indicated years:

	2007	2008	2009
Premiums earned	100.0%	100.0%	100.0%
Incurred losses	83.1%	90.1%	83.4%
Commissions	4.1	2.5	2.5
Expenses	10.1	8.1	7.8
	97.3%	100.7%	93.7%
Underwriting results	2.7%	(0.8)%	6.3%

6. FINANCIAL STATEMENTS

The following statements show the assets, liabilities, capital and surplus as of December 31, 2009, as contained in the Company's 2009 filed annual statement, a condensed summary of operations and a reconciliation of the capital and surplus account for each of the years under review. The examiner's review of a sample of transactions did not reveal any differences which materially affected the Company's financial condition as presented in its financial statements contained in the December 31, 2009 filed annual statement.

A. Independent Accountants

The firm E&Y was retained by the Company to audit the Company's combined statutory basis statements of financial position of the Company as of December 31st of each year in the examination period, and the related statutory-basis statements of operations, capital and surplus, and cash flows for the year then ended.

E&Y concluded that the statutory financial statements presented fairly, in all material respects, the financial position of the Company at the respective audit dates. Balances reported in these audited financial statements were reconciled to the corresponding years' annual statements with no discrepancies noted.

B. Net Admitted Assets

Bonds	$145,769,484
Common stocks	9,298
Cash, cash equivalents and short term investments	45,994,169
Contract loans	8,961
Receivable for securities	53,004
Investment income due and accrued	1,318,372
Premiums and considerations:	
Uncollected premiums and agents' balances in the course of collection	9,688,359
Deferred premiums, agents' balances and installments booked but deferred and not yet due	737,708
Amounts recoverable from reinsurers	308,286
Other amounts receivable under reinsurance contracts	1,420,912
Amounts receivable relating to uninsured plans	4,508,295
Current federal and foreign income tax recoverable and interest thereon	5,997,326
Net deferred tax asset	5,644,608
Guaranty funds receivable or on deposit	2,163
Receivables from parent, subsidiaries and affiliates	2,506,722
Health care and other amounts receivable	20,855,108
Total admitted assets	$244,822,775

C. Liabilities, Capital and Surplus

Aggregate reserve for life policies and contracts	$ 1,291,161
Aggregate reserve for accident and health contracts	28,704,757
Contract claims:	
Life	154,444
Accident and health	56,441,866
Premiums and annuity considerations for life and accident and health Contracts received in advance	2,181,519
Contract liabilities not included elsewhere:	
Provision for experience rating refunds	4,417,224
Other amounts payable on reinsurance	317,742
General expenses due or accrued	1,042,366
Taxes, licenses and fees due or accrued, excluding federal income taxes	329,709
Amounts withheld or retained by company as agent or trustee	1,567
Amounts held for agents' account	491,223
Remittances and items not allocated	1,518,234
Liability for benefits for employees and agents if not included above	55,169
Miscellaneous liabilities:	
Asset valuation reserve	1,338
Funds held under reinsurance treaties with unauthorized reinsurers	6,226,649
Payable to parent, subsidiaries and affiliates	5,435,646
Liability for amounts held under uninsured accident and health plans	6,644,258
Funds held under coinsurance	16,421
Unclaimed Property Liability	90,607
Total liabilities	$115,361,901
Common capital stock	$ 2,500,050
Gross paid in and contributed surplus	94,466,497
SSAP 10R additional admitted DTA	3,386,547
Unassigned funds (surplus)	29,107,780
Surplus	$126,960,824
Total capital and surplus	$129,460,874
Total liabilities, capital and surplus	$244,822,775

D. Condensed Summary of Operations

	2007	2008	2009
Premiums and considerations	$451,419,530	$606,801,026	$557,297,538
Investment income	15,949,535	13,316,456	8,569,142
Commissions and reserve adjustments on reinsurance ceded	9,679,321	11,181,503	8,428,320
Miscellaneous income	181,191	131,353	351,793
Total income	$477,229,577	$631,430,338	$574,646,794
Benefit payments	$385,912,325	$530,880,212	$557,818,743
Increase in reserves	(6,773,438)	(6,665,878)	(116,101,029)
Commissions	28,633,707	25,928,111	22,409,918
General expenses and taxes	47,891,828	56,437,622	60,869,280
Increase in loading on deferred and uncollected premium	(1,075,986)	347,178	289,694
Miscellaneous deductions	0	23,627	0
Total deductions	$454,588,436	$606,950,872	$525,286,605
Net gain (loss)	$ 22,641,141	$ 24,479,466	$ 49,360,189
Dividends	0	0	0
Federal and foreign income taxes incurred	8,226,864	9,371,253	17,056,711
Net gain (loss) from operations before net realized capital gains	$ 14,414,277	$ 15,108,213	$ 32,303,478
Net realized capital gains (losses)	0	(3,873,405)	(7,239,275)
Net income	$ 14,414,277	$ 11,234,808	$ 25,064,203

E. Capital and Surplus Account

	2007	2008	2009
Capital and surplus, December 31, prior year	$34,507,718	$ 93,146,002	$105,456,296
Net income	$14,414,277	$ 11,234,808	$ 25,064,203
Change in net unrealized capital gains (losses)	0	(94,996)	(1,884,407)
Change in net deferred income tax	609,045	586,641	1,329,401
Change in non-admitted assets and related items	(239,599)	(130,477)	(7,914,266)
Change in reserve valuation basis	0	0	0
Change in asset valuation reserve	(145,439)	714,318	(130)
Surplus adjustments:			
Paid in	44,000,000	0	0
Change in deferred ceding allowance	0	0	4,023,231
SSAP 10R additional admitted DTA	0	0	3,386,547
Net change in capital and surplus for the year	$58,638,284	$ 12,310,294	$ 24,004,578
Capital and surplus, December 31, current year	$93,146,002	$105,456,296	$129,460,874

F. Reserves

The Department conducted a review of reserves as of December 31, 2009. During the review, the Department recommended more conservatism in the assumptions and the methodology used for the asset adequacy analysis pursuant to Department Regulation No. 126 and the "sound value" analysis pursuant to Department Regulation No. 56. In response, the Company incorporated various refinements in a manner acceptable to the Department. The changes were then implemented during 2010. These refinements produced additional reserves in the amount of $18.7 million at December 31, 2010.

The examiner recommends that the Company continue to compute reserves using the assumptions and methodology as agreed upon with the Department.

_Section 4228(h) of the New York Insurance Law states, in part:

> "No company shall offer for sale any life insurance policy form or annuity contract form covered by this section or any debit life insurance policy form which shall not appear to be self-supporting on reasonable assumptions as to interest, mortality, persistency, taxes, agents' and brokers' survival and expenses resulting from the sale of the policy or contract form. For all such forms offered for sale in this state, and for all forms filed for use outside this state by domestic life insurance companies, a statement that the requirements of this subsection have been met, signed by an actuary who is a member in good standing of the American Academy of Actuaries and meets the requirements prescribed by the superintendent by regulation shall be submitted with each such life insurance policy or annuity contract form filed pursuant to paragraph one or six of subsection (b) of section three thousand two hundred one of this chapter. A demonstration supporting each such statement, signed by an actuary meeting such qualifications, shall be retained in the company's home office, while such form is being offered in this state and for a period of six years thereafter and be available for inspection. . . . "

The examiner conducted a review of the pricing adequacy for various products subject to Section 4228(h) of the New York Insurance Law. This review included an examination of the required actuarial statements of self support and the supporting demonstrations. The examiner requested statements of self-support and corresponding demonstrations for selected policy forms. Upon request, the Company was able to provide evidence that such analyses had been performed prior to the date of the corresponding statement of self support. However, the Company was unable to provide a signed demonstration of self-support in violation of Section 4228(h).

In response to the Department's concerns, the Company reviewed the requirements of Section 4228(h) and updated their procedures to ensure compliance with such requirements.

The examiner recommends that the Company monitor the implemented changes to ensure future compliance with Section 4228(h) of the New York Insurance Law.

7. SUBSEQUENT EVENTS

Effective February 26, 2010, ownership of the Company was transferred to UAC Holdings, Inc. an affiliate, and American Exchange was dissolved per approval of the Texas Department of Insurance. Note that the organization chart does not reflect this transaction since UAC Holdings, Inc. was not capitalized and American Exchange was not dissolved until after December 31, 2009.

During the second quarter 2010, the Company paid, to its parent UAC Holdings, Inc., a $12 million ordinary dividend. During the second quarter 2011, the Company paid, to its parent, a $13.3 million ordinary dividend.

On December 31, 2010, it was announced that Universal American, and CVS Caremark Corporation had entered into a definitive agreement under which CVS Caremark will acquire 100% of the outstanding stock of Universal American and the Medicare Prescription Drug business ("Medicare Part D") of Universal American and concurrently distribute to Universal American shareholders 100% of the shares of a newly formed public company which will own all other operations of Universal American, including its Medicare Advantage and traditional insurance business. This transaction was expected to close by the end of the second quarter of 2011 and is subject to customary closing conditions, including approval of Universal American shareholders and necessary regulatory approvals.

On March 2, 2011, it was announced that the U.S. Federal Trade Commission granted antitrust approval for the sale of the Medicare Part D prescription drug business of Universal American Corp to CVS Caremark for approximately $1.25 billion.

On April 29, 2011, this transaction was executed and closed.

8. PRIOR REPORT SUMMARY AND CONCLUSIONS

Following are the violations and, recommendation contained in the prior report on examination and the subsequent actions taken by the Company in response to each citation:

Item	Description
A	The examiner recommended that the Company formally withdraw the service agreement with HHS Texas Management, Inc. since the Company has no intention of using services provided by HHS as agreed upon. The Company indicated that this service agreement with HHS Texas Management, Inc. may be utilized in 2011 with contemplated new Medicare Advantage products.
B	The Company violated Section 1505(c) of the New York Insurance Law by failing to obtain the superintendent's approval to receive a cash contribution from its parent in 2006 involving five percent or more of the insurer's admitted assets at the last year-end. During the examination period the Company complied with Section 1505(c) of the New York Insurance Law.
C	The Company violated Section 1505(d) of the New York Insurance Law by failing to notify the superintendent in writing prior to receiving two cash contributions from its parent in 2005 involving more than one-half of one percent but less than five percent of the insurer's admitted assets at the last year-end. During the examination period the Company complied with Section 1505(c) of the New York Insurance Law.

Item	Description
D	The Company was unable to produce a listing of in-force files for the Medicare Advantage and Part D plans for year-end 2006 that reconciled precisely to the Exhibit of Accident and Health Insurance. The Company established procedures to reconcile in-force listings of the Medicare products to the Exhibit of Accident and Health Insurance. For the current exam period, the Company reconciled the in-force listings to the Exhibit of Accident and Health Insurance.
E	The examiner recommended that the Company implement a procedure to maintain a periodic snapshot of its enrollment data and that any retroactive changes to such enrollment are tracked so that an accurate in-force count, reconcilable to the Annual Statement, is available for the examiner's review. The Company implemented procedures during the current examination period to provide snapshot data of enrollments through the periodic accumulation of data from multiple sources.
F	The examiner recommended that the Company void and escheat any unclaimed funds in its possession to the State, as required by the New York Abandoned Property Law. The Company established procedures to ensure compliance with the New York Abandoned Property Law and, during the current exam period, complied with escheatment of unclaimed funds.

9. SUMMARY AND CONCLUSIONS

Following are the recommendations contained in this report:

Item	Description	Page No(s).
A	The examiner recommends that the Company continue to compute reserves using the assumptions and methodology as agreed upon with the Department.	22
B	The examiner recommends that the Company monitor the implemented changes to their self-support analysis procedures to ensure future compliance with Section 4228(h) of the New York Insurance Law.	23

APPOINTMENT NO. 30538

STATE OF NEW YORK

INSURANCE DEPARTMENT

I, JAMES J. WRYNN, Superintendent of Insurance of the State of New York,

pursuant to the provisions of the Insurance Law, do hereby appoint:

PAUL ELLIS

as a proper person to examine into the affairs of the

AMERICAN PROGRESSIVE LIFE & HEALTH INSURANCE COMPANY OF NEW YORK

and to make a report to me in writing of the condition of the said

COMPANY

with such other information as he shall deem requisite.

In Witness Whereof, I have hereunto subscribed by name and affixed the official Seal of the Department at the City of New York

this 27th day of May, 2010

STATE OF NEW YORK ★ SUPERINTENDENT OF INSURANCE ★ EXCELSIOR

JAMES J. WRYNN
Superintendent of Insurance

Superintendent