REPORT ON EXAMINATION

OF

MVP HEALTH PLAN, INC.

AS OF

DECEMBER 31, 2007

DATE OF REPORT	**JUNE 8, 2009**
EXAMINER	**JEFFREY USHER**

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

David A. Paterson
Governor

Eric R. Dinallo
Superintendent

June 8, 2009

Honorable Eric R. Dinallo
Superintendent of Insurance
Albany, New York 12257

Sir:

Pursuant to the requirements of the New York Insurance Law, and acting in compliance with the instructions contained in Appointment Number 22766, dated April 30, 2008, attached hereto, I have made an examination into the condition and affairs of MVP Health Plan, Inc., a not-for-profit health maintenance organization (HMO) licensed pursuant to the provisions of Article 44 of the New York Public Health Law as of December 31, 2007. The following report is respectfully submitted.

The examination was conducted at the home office of MVP Health Plan, Inc., located at 625 State Street, Schenectady, New York.

Wherever the designations "MVPHP" or "HMO" appear herein, without qualification, they should be understood to indicate MVP Health Plan, Inc.

1. SCOPE OF EXAMINATION

The previous examination was conducted as of December 31, 2003. This examination covers the four-year period from January 1, 2004 through December 31, 2007. Transactions occurring subsequent to December 31, 2007 were reviewed where deemed appropriate by the examiner.

The examination comprised a verification of assets and liabilities as of December 31, 2007, in accordance with statutory accounting principles (SAP), as adopted by the Department, a review of income and disbursements deemed necessary to accomplish such verification, and utilized, to the extent considered appropriate, work performed by the HMO's independent certified public accountants. A review or audit was also made of the following items as called for in the *Examiners Handbook of the National Association of Insurance Commissioners* (NAIC):

History of the HMO
Management and controls
Corporate records
Fidelity bonds and other insurance
Reinsurance
Territory and plan of operations
Growth of the HMO
Accounts and records
Loss experience
Financial statements

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

A review was also made to ascertain what actions were taken by the HMO with regard to comments and recommendations contained in the prior report on examination.

2. DESCRIPTION OF HMO

MVP Health Plan, Inc. was incorporated on July 30, 1982, pursuant to Section 402 of the New York Not-For-Profit Corporation Law for the purpose of operating as a health maintenance organization (HMO) as such term is defined in Article 44 of the New York Public Health Law. MVPHP is a federally qualified HMO. The HMO's incorporators were the board of directors of the Schenectady County Foundation for Medical Care, Inc., a non-profit physicians association. Simultaneously with the incorporation of the HMO, the incorporators formed Mohawk Valley Medical Associates, Inc., a non-profit independent practice association (IPA), pursuant to the aforementioned section of the Not-For-Profit Corporation Law.

MVP Health Plan, Inc. is an IPA model HMO. On March 8, 1982, the HMO and Mohawk Valley Medical Associates, Inc. contracted, through an "IPA Service Agreement" to work together to provide for the administration of a comprehensive prepaid program of health care and for the delivery of health services. Subsequently, the HMO made similar arrangements (dates of current agreements are included within Item

3B of this report) with other independent practice associations to further this business model.

A. Management and Controls

Pursuant to the HMO's charter and by-laws, management of the HMO is to be vested in a board of directors consisting of not less than twelve nor more than twenty-five directors. As of December 31, 2007, the board of directors consisted of twenty-three members as set forth below:

Name and Residence	Principal Business Affiliation
Donald A. Bentrovato, M.D. Schenectady, New York	Urologist, Schenectady Urological Associates
Richard D'Ascoli, M.D. Niskayuna, New York	Orthopedic Surgeon, Schenectady Regional Orthopedics
Richard F. Gullott, M.D. Scotia, New York	Internal Medicine, Richard F. Gullott, M.D., P.C.
Michael S. Schneider, M.D. Rochester, New York	Internal Medicine, Rochester Medical Center
Joseph J. Schwerman, M.D. Queensbury, New York	Family Practitioner, Hudson Headwaters Health Network
Gary Bonadonna Webster, New York	Trade Union Manager, Rochester Joint Board, Unite Here
Burt Danovitz Utica, New York	Executive Director, Resource Center for Independent Living
Karen B. Johnson Schenectady, New York	Director of Development, Proctors Theatre

Name and Residence	Principal Business Affiliation
William J. Reddy Rochester, New York	President, Reddy & Son Development, LLC
Leland C. Tupper Schenectady, New York	Treasurer, MVP Health Plan, Inc.
Alan P. Goldberg Albany, New York	President, First Albany Capital
Herschel Lessin, M.D. Poughkeepsie, New York	Pediatrician, Children's Medical Group, PLLC
Ernest Levy, M.D. Cooperstown, New York	Neurosurgeon, Fox Care Center, Oneonta
Joseph F. Heavey Poughkeepsie, New York	Administrator, The Children's Medical Group
Michael Copeland Rochester, New York	Human Resource Manager, Alstom Signaling Inc.
Jon K. Rich Alplaus, New York	Board Member, MVP Health Services Corporation
Arthur J. Roth Loudonville, New York	Accountant, Hodgson Russ, LLP
Joseph DePaolis Rochester, New York	Consultant
Murray M. Jaros, Esq. Niskayuna, New York	Attorney, New York State Association of Towns
Wilfred J. Schrouder Penn Yan, New York	Retired
Gerald E. Van Strydonck Fairport, New York	Retired
Anthony Costanza Webster, New York	Retired, M&T Bank
Norma C. Westcott Niskayuna, New York	Consultant, Westcott Enterprises, Inc.

The minutes of all meetings of the board of directors, and committees thereof held during the examination period were reviewed. Board meetings were generally well attended with all directors attending at least one-half of the meetings they were eligible to attend.

The principal officers of the HMO as of December 31, 2007 were as follows:

Name	Title
David W. Oliker	President and Chief Executive Officer
Thomas Combs	Treasurer, Executive Vice- President, and Chief Financial Officer
Denise Gonick, Esq.	Secretary, Executive Vice-President and Chief Legal Officer

B. Territory and Plan of Operation

The HMO's service area, as stated in its certificate of authority, as of December 31, 2007, included the following thirty six counties in New York:

Albany	Essex	Montgomery	Saratoga
Broome	Franklin	Oneida	Schenectady
Cayuga	Fulton	Onondaga	Schoharie
Chenango	Greene	Orange	St. Lawrence
Clinton	Hamilton	Oswego	Sullivan
Columbia	Herkimer	Otsego	Tioga
Cortland	Jefferson	Putnam	Ulster
Delaware	Lewis	Rensselaer	Warren
Dutchess	Madison	Rockland	Washington

The HMO contracted with the following independent practice associations (IPAs) during the examination period, to provide a comprehensive prepaid program of health care and for the delivery of health services.

Name of IPA	Date of Contract	Type of Contract
Mohawk Valley Medical Associates, Inc. (MVMA),a not-for-profit corporation	January 1, 2004	Risk Sharing
Central New York Independent Practice Association, Inc. (CNYIPA), a not-for-profit corporation	July 1, 2004	Fee for service
Taconic I. P. A. , Inc. (TIPA), a for-profit corporation	June 1, 2005	Fee for service
Midstate Individual Practice Association, Inc. (Midstate), a not-for-profit corporation	December 31, 2002	Fee for service
South Central New York individual Practice Association (SCNYIPA), a not-for-profit corporation	March 1, 2004	Fee for service
Two Rivers Individual Practice Association (Two Rivers), a not-for-profit corporation	December 31, 2002	Fee for service
Cayuga Area Plan, Inc.	December 1, 2005	Fee for service
Twin Tier Area Plan Independent Practice Association, Inc.	July 1, 2007	Fee for service
Medco Health Solutions New York Independent Practice Association, LLC.	January 1, 2007	Fee for service
Eight Counties Physician Organization IPA, Inc. (ECPO)	October 1, 2002	Fee for service
United Laboratory Network IPA, Inc.	January 1, 2002	Risk Sharing
Landmark Healthcare IPA New York, Inc.	January 1, 2006	Risk Sharing
Healthplex Independent Practice Association, Inc.	July 22, 2003	Risk Sharing
Davis Vision IPA, Inc.	September 9, 2003	Risk Sharing

According to the IPA agreements, the HMO provides all administrative, marketing, enrollment, financial, accounting, claims processing, management information and other functions necessary, convenient or appropriate for the administration of a comprehensive prepaid health program. The IPA is responsible for establishing contractual relationships with physicians, health care professionals and other providers of health care and for arranging for and facilitating the availability and delivery of health services to members of the HMO. These IPA agreements require that such providers look solely to the IPA for compensation for covered services and at no time seek compensation from members except for co-payments required under the subscribers' health service contracts.

As of December 31, 2007, the HMO's service area within the State of New York, as authorized by the New York State Department of Health, covered six regions, which are served by the following IPAs. The exception is Jefferson County, where MVPHP directly contracted with medical and hospital providers:

The Eastern region, served by MVMA, includes the counties of Albany, Fulton, Hamilton, Montgomery, Rensselaer, Saratoga, Schenectady, Schoharie, Warren and Washington.

The Central region, served by CNYIPA, Cayuga Area Plan, Inc, Twin Tier Area Plan IPA and ECPO; includes the counties of Herkimer, Lewis, Madison, Cortland, Tompkins, Schuyler, Steuben, Chemung and Oneida.

The Mid-Hudson region, served by TIPA, includes the counties of Dutchess, Orange, Putnam, and Rockland, Ulster, Westchester and the southern portion of Greene and Columbia.

The South Central region, served by SCIPA, includes the counties of Chenango, Delaware and Otsego.

The Southern Tier region, served by Two Rivers, includes the counties of Broome, Tioga, and portions of Chenango, and Delaware counties.

The Southern Tier region, served by Midstate IPA, includes the counties of Onondaga, Oswego, and Cayuga.

On March 20, 1993, the HMO was issued a certificate of authority to transact the business of a health maintenance organization in the State of Vermont. The HMO entered into risk-sharing arrangements/capitation agreements with Vermont Managed Care, United Health Alliance, and Central Vermont PHO to provide health care services to its members throughout the State of Vermont.

The HMO's total enrollment decreased by 28% during the examination period. The enrollment declined during the exam period primarily because of a movement of membership from HMO products to exclusive provider option (EPO) / preferred provider option (PPO) products which were sold through MVP Health Insurance Company, an affiliated accident and health insurer, licensed pursuant to Article 42 of the New York Insurance Law. Enrollment as of December 31st for the years under examination was as follows:

	2003	2004	2005	2006	2007
New York	310,759	297,545	279,471	236,563	227,524
Vermont	34,972	32,860	28,536	24,822	20,934
Total members	345,731	330,405	308,007	261,385	248,458

The HMO started offering Medicare (MCR) coverage in 2007. Medicaid (MCD), Family Health Plus (FHP) and Child Health Plus (CHP) coverage commenced in 2004, and Healthy New York (HNY) coverage commenced in 2001.

The following is a breakdown of MVPHP's enrollment, by line of business for the period covered by this examination:

Year	HMO	POS	HNY	MCR	MCD	CHP	FHP	Total
2004	283,059	32,531	10,736	-0-	2,953	405	721	330,405
2005	254,966	33,059	13,398	-0-	3,853	1,307	1,424	308,007
2006	215,721	27,549	11,858	-0-	3,347	1,545	1,365	261,385
2007	200,863	27,060	11,111	1,715	4,735	1,555	1,419	248,458

During the examination period, MVPHP solicited business as a direct writer, utilizing in-house licensed agents. The HMO also contracted with licensed brokers for the production of business.

C. Reinsurance

At December 31, 2007, the HMO had a reinsurance agreement with Zurich American Insurance Company, an authorized reinsurer. The agreement requires the reinsurer to pay specified percentages of all eligible hospital and medical service claims paid by the HMO during the contract year, in excess of a $300,000 deductible of eligible expenses, per member, in each agreement year for Medicare Advantage coverage, and

$400,000 of eligible expenses per member, in each agreement year, for all other coverages.

Excess of Loss Coverages:

90% of the eligible expenses in excess of the annual deductible for each member in the agreement year.

60% of the eligible expenses in excess of the annual deductible for each member in the agreement year for non-reinsurer approved organ and tissue transplants.

Reimbursement Maximum:

$2,000,000 per member, per agreement year.

Eligible Expenses:

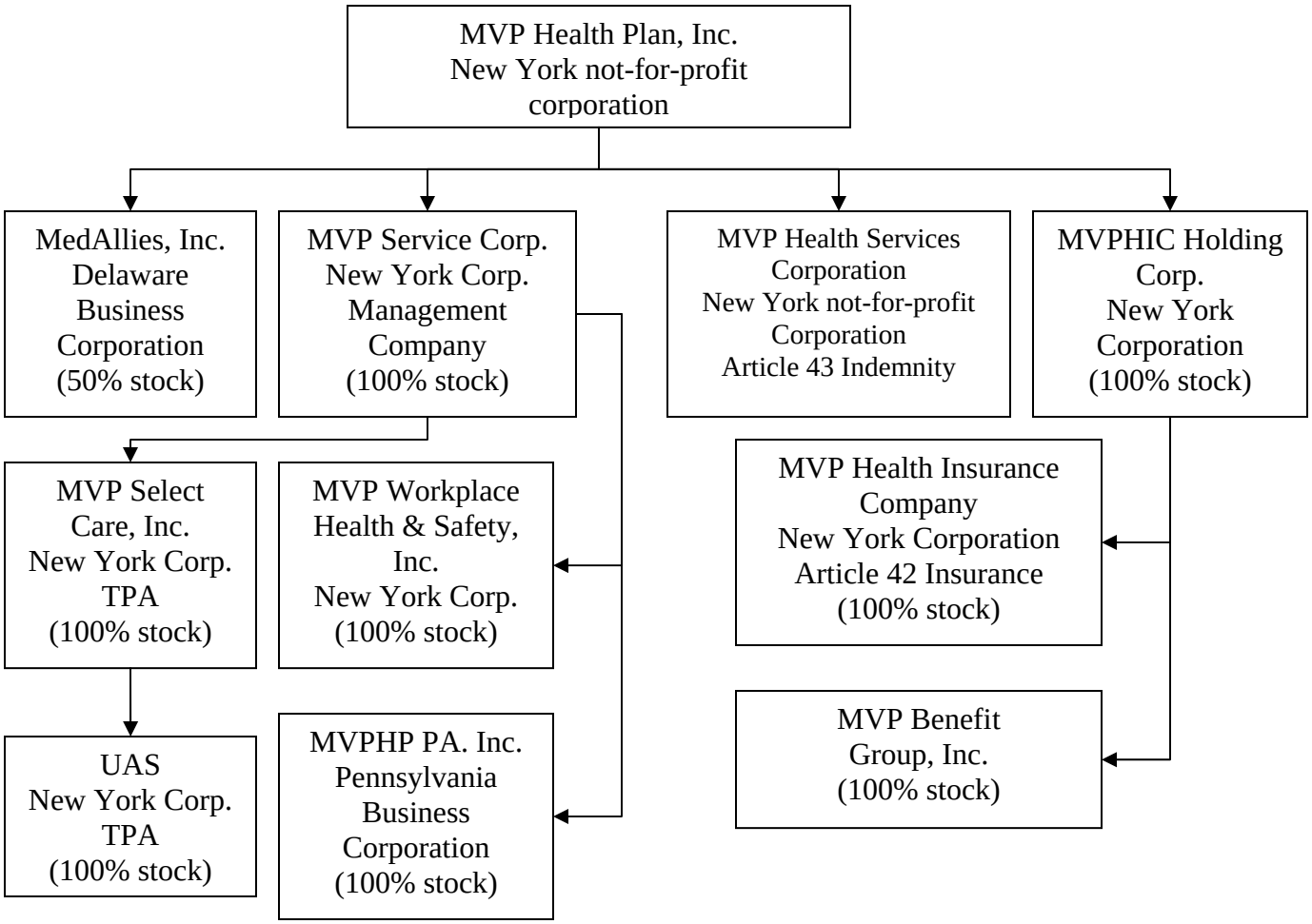
Inpatient hospital;
Outpatient services;
Inpatient rehabilitation facility;
Extended care facility;
Home health care;
Durable medical equipment;
Prescription pharmaceuticals (not retail);
Reinsurer approved transplant network access fees;
Physician professional care in connection with reinsurer approved organ and tissue transplants paid on a case rate basis;
Travel expenses in connection with reinsurer approved organ and tissue transplants;
Organ acquisition expenses in connection with reinsurer approved organ and tissue transplants.

The reinsurance agreement contained all the required standard clauses, including the insolvency clause required by Section 1308 of the New York Insurance Law.

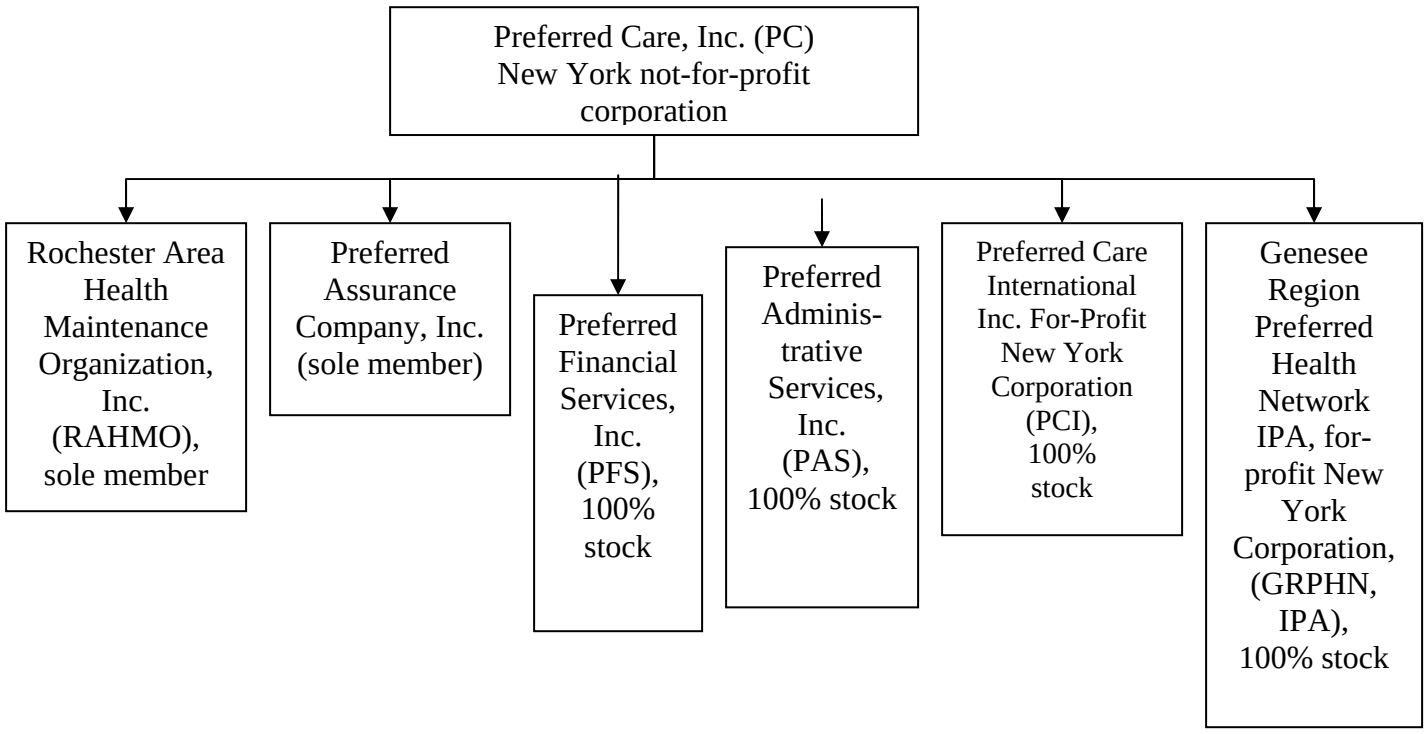
D. Holding Company System

MVP Health Care, Inc. (Ultimate Parent) and its wholly-owned subsidiaries comprise an integrated health benefits insurance and health benefit management holding company system. On January 6, 2006, MVP Health Plan, Inc., a tax exempt New York State not-for-profit corporation, licensed as a health maintenance organization to deliver health care services in New York and Vermont, became affiliated with Preferred Care, Inc. (PC), a tax-exempt New York State not-for-profit corporation. Under the terms of their agreement and Plan of Reorganization by and between Preferred Care, Inc. and MVP Health Plan, Inc., the HMO and PC reorganized their respective enterprises under a holding company structure, with the ultimate holding company changed to MVP Health Care, Inc. This latter entity now serves as the direct (or indirect) parent company of all of the former subsidiaries of PC, and the HMO and all of its subsidiaries.

The following chart depicts the MVP Health Plan, Inc. holding company system prior to January 2006:



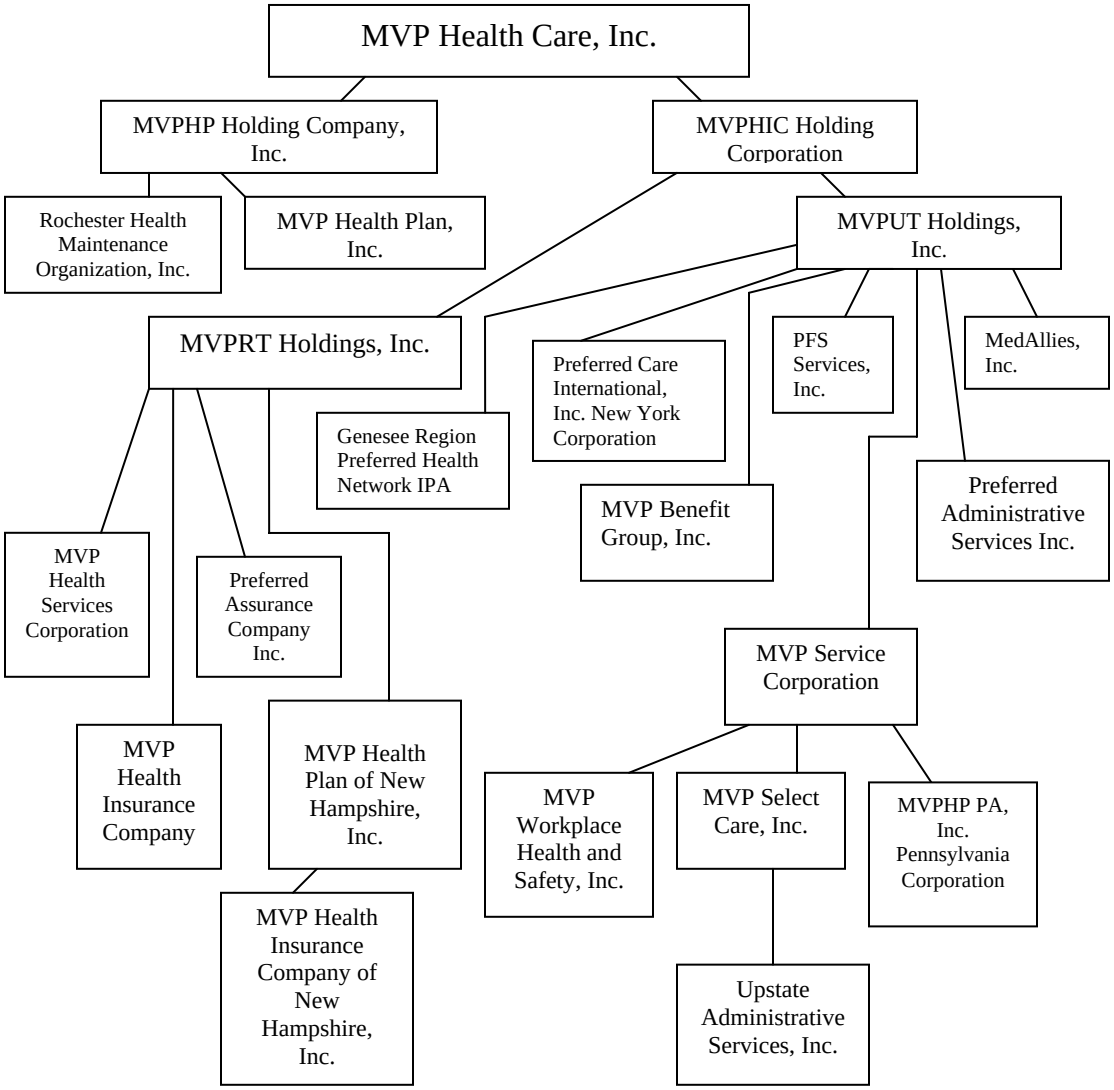
The following chart depicts the Preferred Care, Inc. holding company system prior to January 2006:



As a result of the reorganization of the corporate structure, Rochester Area Health Maintenance Organization, Inc. (RAHMO) and MVPHP became wholly-owned subsidiaries of MVPHP Holding Company, Inc., which in turn is a wholly-owned subsidiary of the ultimate parent, MVP Health Care, Inc.

MVP Health Service Corporation, Preferred Assurance Company, Inc., and MVP Health Insurance Company are wholly-owned subsidiaries of MVPRT Holdings, Inc., which, in turn, is a wholly-owned subsidiary of MVPHIC Holding Corporation. MVPHIC Holding Corporation is a wholly-owned subsidiary of the ultimate parent, MVP Health Care, Inc.

The following is the organization chart of MVP Health Care, Inc. (Ultimate Parent) and its subsidiaries subsequent to January 2006 (and as of December 31, 2007):



MVP Health Plan, Inc. (MVPHP)

At December 31, 2007, MVPHP maintained an administrative services agreement with its affiliate, MVP Service Corporation (MVPSC), wherein various services are provided to MVPHP by MVPSC; including but not limited to: financial, legal, internal operations, management information systems, marketing, consulting, utilization review services, claims administration, developing, revising, and refining new health care service products, systems, policies and overall administration.

Prior to its affiliation with PC, the HMO and its wholly-owned subsidiaries constituted an integrated health care management holding company. MVPHP's wholly-owned subsidiaries were: MVP Service Corporation which provided management services, MVP Health Services Corporation which provided dental insurance products to New York employer groups, and MVPHIC Holding Corporation.

MVPHP Holding Company, Inc.

MVPHP Holding Company, Inc. was formed on January 6, 2006, as a not-for-profit corporation; its ultimate parent being MVP Health Care, Inc. As a result of the restructuring which took place in 2006, MVPHP Holding Company, Inc. became the immediate parent of RAHMO and MVP Health Plan, Inc. As of December 31, 2007, the net worth of RAHMO and MVP Health Plan, Inc. were $183,334,542 and $138,719,155, respectively. MVPHP Holding Company, Inc., as of December 31, 2007, had a

consolidated net value of $322,053,697, which is the combined net worth of RAHMO and MVP Health Plan, Inc.

MVPHIC Holding Corporation

MVPHIC Holding Corporation was incorporated on November 22, 2000, pursuant to Section 402 of New York Business Corporation Law. It was specifically formed to hold the stock of MVP Health Insurance Company (MVPHIC). MVPHIC is a for-profit accident and health insurance company licensed pursuant to Article 42 of the New York Insurance Law. MVPHIC Holding Corporation holds and controls 100% ownership of MVPRT Holdings, Inc. and MVPUT Holdings, Inc. MVP Health Care, Inc., in turn, owns and controls 100% of the stock of MVPHIC Holding Corporation.

MVPHIC Holding Corporation controls five subsidiaries of MVPRT Holdings, Inc. Three of the five subsidiaries are regulated by the New York Insurance Department. Such New York Insurance Department regulated entities are as follows: MVP Health Services Corporation., Preferred Assurance Company, Inc., and MVP Health Insurance Company. The aforementioned entities are defined in subsequent subsections of this section of the report on examination. As of December 31, 2007, MVPRT Holdings, Inc. and MVPUT Holdings, Inc had a net value of $6,852,493 and $36,076,674, respectively. MVPHIC Holding Corporation valued its investments in MVPRT Holdings, Inc. and MVPUT Holdings, Inc. at $42,929,167, which is the combined value of MVPRT Holdings, Inc. and MVPUT Holdings Inc.

The structure under the reorganization included the addition of two holding company entities, MVPRT Holdings, Inc. (MVPRT) and MVPUT Holdings, Inc. (MVPUT). MVPRT contains subsidiaries which are regulated by various Insurance and Health Departments (New York State Insurance and Health Departments, Vermont Department of Banking, Insurance, Securities & Health Care Administration and the New Hampshire Insurance Department). MVPUT controls subsidiaries which are not regulated. MVPRT Holdings, Inc. maintains 100% ownership of MVP Health Insurance Company (MVPHIC) and MVP Health Plan of New Hampshire Inc., and is the parent company of MVP Health Services Corporation (MVPHSC) and Preferred Assurance Corporation (PAC). MVPRT Holdings, Inc. is a wholly-owned subsidiary of MVPHIC Holding Corporation.

Rochester Area Health Maintenance Organization, Inc. (RAHMO)

RAHMO is a not-for-profit corporation operating as a federally qualified health maintenance organization under the provisions of Article 44 of the New York Public Health Law, and operating under the provisions of Section 501(c)(4) of the Internal Revenue Code. RAHMO is exempt from federal income taxes on related income pursuant to Section 501(a) of the Internal Revenue Code. At December 31, 2007, RAHMO was controlled by its sole member, MVPHP Holding Company, Inc., which is a wholly-owned subsidiary of MVP Health Care, Inc, the Ultimate Parent. Preferred Care, Inc. was the sole member of RAHMO, prior to its affiliation with MVP Health Plan, Inc.

MVP Health Services Corporation

MVP Health Services Corporation (MVPHSC) is a not-for-profit corporation licensed under Article 43 of the New York Insurance Law. Prior to January 2002, MVPHSC offered point-of-service (POS) health insurance products. Currently, MVPHSC issues only indemnity dental insurance products. MVPHSC is a subsidiary of MVPRT Holdings, Inc., which is a wholly-owned subsidiary of MVPHIC Holding Corporation. MVPHIC Holding Corporation is a wholly-owned subsidiary of MVP Health Care, Inc.

Preferred Assurance Company, Inc.

Preferred Assurance Company, Inc. (PAC) is licensed to do business within New York State as a non-profit health corporation pursuant to the provisions of Article 43 of the New York Insurance Law. PAC provides coverage for hospital, medical and other health services for the out-of-network component of RAHMO's point-of-service product in the Rochester metropolitan area. In 2008, PAC marketed PPO and EPO products. PAC is a subsidiary of MVPRT Holdings, Inc., which is a wholly-owned subsidiary of MVPHIC Holding Corporation. MVPHIC Holding Corporation is a wholly-owned subsidiary of MVP Health Care, Inc.

MVP Health Insurance Company

MVP Health Insurance Company, (MVPHIC) is a for-profit New York corporation, wholly-owned by MVPHIC Holding Corporation, which is a wholly-owned subsidiary of MVP Health Care, Inc. MVPHIC was incorporated on April 24, 2000. MVPHIC received its license as an accident and health insurance company pursuant to Article 42 of the New York Insurance Law in June 2001. MVPHIC underwrites PPO, point-of-service (out-of-network) and indemnity only products for large and small groups.

MVP Service Corporation (MVPSC)

The HMO has a management services and consulting agreement with MVP Service Corporation, a company owned by MVPUT Holdings, Inc. MVP Service Corporation's employees perform all of the day-to-day operations of the HMO and charges the HMO for its share of costs based on a contractual cost allocation methodology. Such agreement has been approved by the New York Insurance Department.

MVP Health Plan of New Hampshire, Inc.

MVP Health Plan of New Hampshire, Inc. (MVPHP NH) is a wholly-owned subsidiary of MVPRT Holdings, Inc., which is a wholly-owned subsidiary of MVPHIC

Holdings Corp. MVPHP NH is the immediate parent of MVP Health Insurance Company of New Hampshire, Inc. These entities are domestic business corporations incorporated under the New Hampshire revised statutes annotated (RSA) 293-A. MVPHP NH is licensed to operate a health maintenance organization in the state of New Hampshire.

MVP Select Care, Inc.

MVP Select Care, Inc. (Select Care) is a for-profit New York corporation, wholly-owned by MVP Service Corporation. Select Care was incorporated in 1987 to provide administrative services to employer groups that self-insure health care benefits.

MVP Select Care, Inc. owns 100% of Upstate Administrative Services (UAS), a New York corporation licensed as a TPA. UAS' business was fully integrated into Select Care to achieve administrative service efficiencies.

On November 16, 1992, Select Care entered into an administrative service agreement with MVPSC, whereby MVPSC's employees provide for all the day-to-day operations of Select Care.

After the execution of the Agreement and Plan of Reorganization by and between Preferred Care, Inc. and MVP Health Plan, Inc., the ultimate parent funded the Greater Rochester Health Foundation (Foundation) pursuant to the New York Not-for-Profit

Corporation Law, for the purpose of promoting, and improving the delivery, efficiency and quality of health services in the Rochester, New York region.

MVP Health Care, Inc. was funded from the proceeds of an $80,000,000 bank term loan (discussed below) and by cash transfers from Rochester Area Health Maintenance Organization, Inc. in the amount of $107,000,000, from MVPHP in the amount of $30,000,000 and from Select Care in the amount of $13,500,000. MVP Health Care, Inc. subsequently funded the Foundation with a $200,000,000 cash payment. In addition, MVP Health Care, Inc. is required to contribute an additional amount to the Foundation in the amount of $26,639,000, which is payable on January 6, 2012 and bears interest at 3.5%. The additional contribution, plus interest, is expected to be funded by subsidiaries of MVP Health Care, Inc., including MVPHP.

MVP Health Care, Inc. obtained a five-year $80,000,000 bank term loan for which some of the affiliated companies are guaranteeing repayment.. The term loan includes restrictive covenants including a fixed charge coverage ratio of 2.00 to 1.00 through December 31, 2007 and 2.25 to 1.00 thereafter; a leverage ratio not to exceed 1.75 to 1.00 for the combined company and a minimum total reserves ratio of not less than 1.50 to 1.00 for New York Public Health Law Article 44 subsidiaries (i.e., MVPHP and RAHMO). The subsidiaries of MVP Health Care, Inc., including the HMO, fund the debt service of the term loan. MVP Health Care, Inc. paid back the $80,000,000 term loan in full on November 2, 2007, without penalties.

E. Significant Operating Ratios

The underwriting ratios presented below are on an earned-incurred basis and encompass the four-year period covered by this examination:

	Amounts	Ratios
Claims	$3,412,333,225	87.6%
Claim adjustment expenses	132,380,270	3.4%
General administrative expenses	301,368,327	7.7%
Net underwriting gain	52,328,727	1.3%
Premium earned	$3,898,410,549	100.0%

F. Allocation of Expenses

The following observations were noted relative to the allocation of expenses:

(1) As of December 31, 2007, the HMO had entered into a cost sharing agreement with several affiliated companies. The HMO's portion of shared costs was determined using a cost allocation worksheet which used various drivers to calculate the percentage of cost that is allocated to the participating companies. Examples of such drivers included number of groups (statistical driver) and corporate projects (judgmental driver). Most of the drivers, except the judgmental drivers, were calculated based on statistical data. The examiner selected three samples of judgmental drivers to check for

proper supporting documentation. The HMO could not provide support for the allocation percentages used in the calculation of two out of the three selected samples.

The HMO failed to maintain its expense allocation records in compliance with NAIC Statement of Statutory Accounting Principles No. 70 (SSAP 70) and Part 106.6 of New York Insurance Department Regulation No. 30 (11 NYCRR 106.6).

NAIC Statement of Statutory Accounting Principles No. 70.6 states in part:

> "…Where specific identification is not feasible, allocation of expenses should be based upon pertinent factors or ratios such as studies of employee activities, salary ratios or similar analyses."

Part 106.6 of New York Insurance Department Regulation 30 states the following:

> "(a) The methods followed in allocating joint expenses shall be described, kept and supported as set forth under "detail of allocation bases."
>
> "(b) The effects of the application, to each operating expense classification of all bases of allocation shall be shown on records kept in clear and legible form. Such records shall be readily available for examination."

It is recommended that the HMO comply with the requirements of NAIC SSAP 70.6 and Part 106.6 of New York Insurance Department Regulation No. 30 by maintaining proper records to support the allocation percentages used.

(2) The expenses reported by MVPHP, in its 2007 annual statement**,** "Underwriting and Investment Exhibit, Part 3 – Analysis of Expenses" were found to be

overstated. These expenses included portions that were reallocated to other affiliates and for which MVPHP received credits. Although the expenses of the affiliates were reported correctly on their annual statements, MVPHP reported on its annual statement the gross amount of these expenses rather than the net amount. Although the total expenses were accurate the subtotal reported for each of the line expenses was illustrated incorrectly.

Part 105.25(b) of New York Insurance Department Regulation No. 30 (11 NYCRR 105.25(b)) states the following:

> "(b) *Expenses for account of another:* Whenever expenses are paid by one company for account of another, the payments shall not appear among the expenses reported by former, and shall be included by the latter in the same expense classifications if originally paid by it."

It is recommended that MVPHP apply the guidelines of NAIC SSAP 70 and Part 105.25(b) of New York Insurance Department Regulation 30 by reporting in its annual statement, only the expenses applicable to it.

(3) The examination review revealed that the HMO's costs, such as operations and initial claims review costs, are charged to various cost centers, including claims adjustment expenses and general administration expenses. A review of the definitions and functions of the cost centers revealed that some of the cost centers have more than one function and the costs should be allocated to more than one expense grouping (cost containment, claim adjustment, general administrative and/or investment expenses as

shown on Underwriting and Investment Exhibit, Part 3 – Analysis of Expenses). The HMO elected to choose what it considered to be the most appropriate expense group and did not separate these costs among the expense groupings in the aforementioned exhibit.

It is recommended that the HMO apply the guidelines of NAIC SSAP 70 and Department Regulation 30 by revising and updating its expense allocation methodology in order to reflect an appropriate allocation among the proper annual statement expense groupings within the underwriting and investment exhibit of the HMO's annual statement.

G. Abandoned Property Law

The HMO filed its abandoned property reports for each year within the examination period with the State of New York Comptroller's Office in accordance with the requirements of the New York Abandoned Property Law. However, the HMO failed to publish the names and addresses of persons appearing as the owners of the unclaimed property as required by Section 1316(3) of the New York Abandoned Property Law.

Section 1316(3) of the New York Abandoned Property Law states the following:

> "Within thirty days following the filing of the report of abandoned property with the comptroller pursuant to subdivision two of this section, the insurer shall cause to be published a list of such abandoned property in the same manner as that prescribed for life insurance companies by section seven hundred two of this chapter."

It is recommended that the HMO comply with the publishing requirements of Section 1316(3) of the New York Abandoned Property Law.

3. FINANCIAL STATEMENTS

A. Balance Sheet

The following shows the assets, liabilities and capital and surplus as determined by this examination and as reported by the HMO as of December 31, 2007:

Assets	Examination	HMO
Bonds	$ 72,196,698	$ 72,196,698
Common stocks	23,166,686	23,166,686
Cash and short-term investments	81,097,067	81,097,067
Section 1307 Loan*	18,000,000	18,000,000
Investment income due and accrued	1,816,190	1,816,190
Uncollected premiums	34,709,739	34,709,739
Amounts recoverable from reinsurers	10,936,868	10,936,868
Electronics data processing equipment and software	5,596,343	5,596,343
Furniture and equipment	0	0
Receivable from subsidiaries/affiliates	33,075,493	33,075,493
Health care receivable	3,830,656	3,830,656
Aggregate write-ins for other than invested assets	1,080,415	1,080,415
Total assets	$285,506,155	$285,506,155

Liabilities	Examination	HMO
Claims unpaid	$108,512,849	$108,512,849
Accrued medical incentive pool	1,314,103	1,314,103
Unpaid claim adjustment expenses	2,133,000	2,133,000
Aggregate health policy reserves		
Premiums received in advance	1,085,654	1,085,654
General expenses due and accrued	30,335,613	30,335,613
Net deferred tax liability	966,937	966,937
Amounts due to affiliates	2,438,843	2,438,843
Total liabilities	$146,786,999	$146,786,999
Capital and Surplus		
New York contingency reserves	$68,430,886	$68,430,886
Vermont statutory reserves	2,713,054	2,713,054
Unassigned funds (surplus)	67,575,215	67,575,215
Total capital and surplus	$138,719,155	$138,719,155
Total liabilities, capital and surplus	$285,506,154	$285,506,154

*Note 1: In March, 2004, with the approval of the Superintendent of Insurance, the HMO made a loan in the amount of $18,000,000 to MVP Health Insurance Company pursuant to Section 1307 of the New York Insurance Law. The repayment of the Section 1307 loan and the accumulated accrued interest thereon, shall only be made with the approval of the Superintendent of Insurance. The principal of the Section 1307 loan in the amount of $18,000,000 and accrued interest thereon in the amount of $6,997,408 remained unpaid as of December 31, 2007.

Note 2: The Internal Revenue Service has not conducted any audits of the income tax returns filed on behalf of the HMO during the period under this examination. The examiner is unaware of any potential exposure of the HMO to any further tax assessment and no liability has been established herein relative to such contingency.

B. Underwriting and Investment Exhibit:

Capital and surplus increased by $44,327,292 during the four-period under examination, January 1, 2004 through December 31, 2007, detailed as follows:

Revenue		
Net premium income	$ 3,898,410,549	
Net investment income	25,548,717	
Net realized capital gain	3,559,855	
Other income	4,630,134	
Total revenue		$ 3,932,149,255
Expenses		
Hospital/medical benefits	$ 2,451,494,634	
Emergency room and out of area	228,476,747	
Prescription drugs	558,344,803	
Professional services	74,125,394	
Other hospital and medical	125,859,144	
Incentive pool, withhold adjustments and bonus amount	12,559,174	
Reinsurance recoveries	(38,526,671)	
Claim adjustment expenses	132,380,270	
General administrative expenses	301,368,327	
Total expenses		3,846,081,822
Net income before federal income taxes		$ 86,067,433
Federal income taxes incurred		839,828
Net income		$ 85,227,605

Capital and Surplus Account

Capital and surplus per report on examination as of December 31, 2003			$94,391,863
	Gains in Surplus	Losses in Surplus	
Net income	$85,227,605	$	
Change in non-admitted assets	1,949,922		
Aggregate write-ins for losses in surplus		42,850,235	
Net increase in capital and surplus			44,327,292
Capital and surplus per report on examination as of December 31, 2007			$138,719,155

4. CLAIMS UNPAID

The examination liability of $108,512,849 is the same as the amount reported by the HMO in its 2007 filed annual statement.

The examination analysis of the claims unpaid reserve was conducted in accordance with generally accepted actuarial principles and practices and was based on statistical information contained in the HMO's internal records and its filed annual statements as verified during the examination. The examination reserve was based upon actual payments made through a point in time, plus an estimate for claims remaining unpaid at that date. Such estimate was calculated based on actuarial principles, which utilized the HMO's past experience in projecting the ultimate cost of claims incurred on or prior to December 31, 2007.

5. COMPLIANCE WITH PRIOR REPORT ON EXAMINATION

The prior report on examination as of December 31, 2003, contained thirteen (13) comments and recommendations. The comments and recommendations of the financial condition examination and the information systems review are detailed as follows (page numbers refer to the prior reports):

ITEM NO.		PAGE NO.
	Reinsurance	
1.	It is recommended that the HMO comply with Section 98.1.8n(b) of the New York State Department of Health, Rules and Regulations (10 NYCRR 98) and submit its reinsurance agreement in effect with Employers Reinsurance Corporation to the New York State Departments of Health and Insurance for approval.	15
	The HMO has complied with this recommendation.	
	Allocation of Expenses	
2.	It is recommended that the HMO apply the guidelines in New York Insurance Department Regulations No. 30 (11 NYCRR 20) and No. 33 (11 NYCRR 91) to revise and update its expense allocation methodology in order to reflect an appropriate allocation among the three expense grouping (i.e. claim adjustment expense, general and administrative expense and investment expense) on U & I, Part 3 of the HMO's annual statement.	23
	The HMO has complied with this recommendation.	
3.	It is recommended that the HMO apply the guidelines in New York State Insurance Department, Regulations No. 30 and No. 33, by crediting reimbursement to all appropriate expense classifications.	23
	The HMO has complied with this recommendation.	

ITEM NO.		PAGE NO.
4.	It is recommended that the HMO comply with Part 91.4(f) (vii) (5) of New York Insurance Department Regulation No. 33 (11 NYCRR 91) relative to reimbursement from MVPHIC for its share of joint administrative expenses as required by their administrative service agreement. The HMO has complied with this recommendation.	24
	Cash	
5.	It is recommended that the HMO establish a follow-up procedure applicable to all checks which remain outstanding for six months from the date of issue. The HMO has complied with this recommendation.	25
6.	It is recommended that the HMO change its policy and open/reconcile one bank account instead of two associated with each general ledger account. Furthermore, it is recommended that the HMO investigate any un-reconciled differences on bank reconciliations and correct them in a timely manner. The HMO has complied with this recommendation.	25
	Uncollected Premiums	
7.	It is recommended that the HMO comply with the requirement of SSAP No. 6 paragraph 10 and charge bad debt to income. The HMO has complied with this recommendation.	26
8.	It is recommended that the HMO comply with the annual statement instructions and appropriately report its gross premium receivables and non-admitted asset premium receivable on the annual statement. The HMO has complied with this recommendation.	26
9.	It is recommended that the HMO report the proper aging of its premium receivable on its annual statement Exhibit 3-Accident and Health Premiums Due and Unpaid. The HMO has complied with this recommendation.	27

ITEM NO.		PAGE NO.
10.	It is recommended that the HMO request the New York State group's enrollment information from the State Department of Civil Service or through the New York Benefits and Eligibility Accounting System so that the HMO can reconcile the membership data at various cut-off dates throughout the year and reduce future write-offs to a minimal amount. The HMO has complied with this recommendation.	28
	Abandoned Property Law	
11.	It is recommended that the HMO report to New York State Comptroller's Office all checks that remained unclaimed for three years, including abandoned property amounts for checks issued prior to 2001 (approximately $200,000) as required by Section 1316 of the Abandoned Property Law. The HMO has complied with this recommendation.	29

INFORMATION SYSTEMS REVIEW

ITEM NO.		PAGE NO.
1.	It is recommended that the HMO establish written procedures to ensure that the efforts of the IT department staff are clearly documented and archived. The HMO has complied with this recommendation.	58
2.	It is also recommended that the IT department develop standard policy and procedures and implement a uniform monitoring and auditing policy that is followed by all throughout the department. The HMO has complied with this recommendation.	58

6. SUMMARY OF COMMENTS AND RECOMMENDATIONS

Appointment No. 22766

STATE OF NEW YORK
INSURANCE DEPARTMENT

I, **Eric R. Dinallo** , Superintendent of Insurance of the State of New York, pursuant to the provisions of the Insurance Law, do hereby appoint:

Jeffrey Usher

as a proper person to examine into the affairs of the

MVP Health Plan, Inc.

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

Plan

with such information as he shall deem requisite.

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

this 14th day of May, 2009

Eric R. Dinallo
Superintendent of Insurance