REPORT ON EXAMINATION

OF

MVP HEALTH PLAN, INC.

AS OF

DECEMBER 31, 2010

DATE OF REPORT	**JUNE 18, 2012**
EXAMINERS	**ELSAID ELBIALLY, CFE**
	JEFFREY USHER

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June 18, 2012

Honorable Benjamin M. Lawsky
Superintendent of Financial Services
Albany, New York 12257

Sir:

Pursuant to the requirements of the New York Insurance Law, and acting in accordance with the instructions contained in Appointment Numbers 30731 and 30732, dated September 13, 2011, attached hereto, we have made an examination into the financial 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, 2010. The following report is respectfully submitted thereon.

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.

Wherever the designation the "Department" appears herein, without qualification, it should be understood to indicate the New York State Department of Financial Services.

On October 3, 2011, the New York State Insurance Department merged with the New York State Banking Department to become the New York State Department of Financial Services.

A separate market conduct examination reviewing the manner in which MVPHP conducts its business practices and fulfills its contractual obligations to policyholders and claimants is currently being conducted as of December 31, 2010. A separate report will be submitted thereon.

Concurrent examinations were made of MVP Health Insurance Company ("MVPHIC"), a New York for-profit insurance company licensed pursuant to the provisions of Article 42 of New York Insurance Law, MVP Health Services Corp. ("MVPHSC"), a not-for-profit corporation licensed pursuant to the provisions of Article 43 of New York Insurance Law and Preferred Assurance Company, Inc. ("PAC"), a not-for-profit corporation licensed pursuant to the provisions of Article 43 of New York Insurance Law. These three companies are affiliates within the MVP holding company system as detailed herein. Separate financial reports thereon have been submitted for each of the above entities.

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1. SCOPE OF EXAMINATION

The HMO was previously examined as of December 31, 2007. This examination of the HMO is a financial examination as defined in the National Association of Insurance Commissioners ("NAIC") *Financial Condition Examiners Handbook, 2010 Edition* (the "Handbook") and it covers the three-year period from January 1, 2008 through December 31, 2010. 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, 2010, were also reviewed.

The examination was conducted using a risk-focused approach in accordance with the provisions of the Handbook, which provides guidance for the establishment of an examination plan based on the examiner's assessment of risk in the HMO's operations and utilizes that evaluation in formulating the nature and extent of the examination. The risk-focused examination approach was included in the Handbook for the first time in 2007. The current examination was the first such type of examination of the HMO. The examiner's planned and performed the examination to evaluate MVPHP's current financial condition, as well as identify prospective risks that may threaten the future solvency of MVPHP.

The examiners identified key processes, assessed the risks within those processes and assessed the internal control systems and procedures used to mitigate those risks. The examination also included an assessment of the principles used and significant estimates made by management, an evaluation of the overall financial statement

presentation, and determined management's compliance with the Department's statutes and guidelines, and the Statutory Accounting Principles, as adopted by the Department and NAIC annual statement instructions.

Information concerning MVPHP's organizational structure, business approach and control environment were utilized to develop the examination approach. The examination evaluated MVPHP's risks and management activities in accordance with the NAIC's nine branded risk categories.

These categories are as follows:

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

The HMO was audited annually, for calendar years 2008 through 2010, by the accounting firm of PricewaterhouseCoopers LLP ("PwC"). The HMO received an unqualified opinion in each of those years. Certain audit work papers of PwC were reviewed and relied upon in conjunction with this examination. A review was also made of the ultimate parent's (MVP Health Care, Inc.) corporate governance structure, which included its internal audit function, enterprise risk management program and model audit rule compliance, as they relate to MVPHP.

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

The examiners reviewed the corrective actions taken by the HMO with respect to the recommendations concerning financial issues contained in the prior report on examination. The result of the examiners' review is contained in item 5 of this report.

2. DESCRIPTION OF THE 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 as such term is defined in Article 44 of the New York Public Health Law. MVPHP is a federally qualified HMO. The HMOs' incorporators were the board of directors of the Schenectady County Foundation for Medical Care, Inc., a non-profit physicians association. Simultaneous with the incorporation of the HMO, the incorporators formed Mohawk Valley Medical Associates, Inc., a non-profit independent practice association (IPA), pursuant to Section 402 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 "Independent Practice Association (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 with other independent

practice associations to achieve the same goal. This is detailed further under the "Territory and Plan of Operation" section of this report.

On May 1, 2009, MVPHP merged with Rochester Area Health Maintenance Organization, Inc. ("RAHMO"), a related party not-for-profit corporation operating as a federally qualified HMO. MVPHP, the surviving corporation, became the sole subsidiary of MVPHP Holding Company, Inc., which is a wholly-owned subsidiary of MVP Health Care, Inc. (the ultimate parent). The merger was approved by the Department on May 1, 2009.

A. Management and Controls

Pursuant to the HMO's Certificate of Incorporation 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, 2010, the board of directors consisted of twenty members, as set forth below.

Name and Residence	Principal Business Affiliation
Provider Representatives	
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, University of Rochester

Name and Residence	Principal Business Affiliation
Joseph J. Schwerman, M.D. Queensbury, New York	Family Practitioner, Hudson Headwaters Health Network
Subscriber Representatives	
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
Alan P. Goldberg Albany, New York	Retired
Karen B. Johnson Schenectady, New York	Director of Development, Proctors Theatre
Herschel Lessin, M.D. Poughkeepsie, New York	Pediatrician, Children's Medical Group, PLLC
Ernest Levy, M.D. Cooperstown, New York	Physician, Self-Employed
William J. Reddy Rochester, New York	Retired
Community Representatives	
Wallace Altes Troy, New York	Retired
Michael Copeland Rochester, New York	Human Resource Manager, Alstom Signaling Inc.
Anthony Costanza Webster, New York	Retired
Joseph DePaolis Rochester, New York	President, Consultation Services
Jon K. Rich Alplaus, New York	Retired

Name and Residence	Principal Business Affiliation
Arthur J. Roth Loudonville, New York	Special Tax Consultant, Hodgson Russ, LLP
Wilfred J. Schrouder Penn Yan, New York	Retired
Norma C. Westcott Niskayuna, New York	President, JCW Consulting

The composition of the board meets the requirements of the Department of Health Regulation No. 98 (10 NYCRR 98-1.11 g).

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, 2010 were as follows:

Name	Title
David W. Oliker	President and Chief Executive Officer
Mark A. Fish	Treasurer, Executive Vice-President and Chief Financial Officer
Denise V. Gonick, Esq.	Secretary, Executive Vice-President and Chief Legal Officer

B. Corporate Governance

Corporate governance, enterprise risk management ("ERM"), internal audit department ("IAD"), and model audit rule ("MAR") processes for the HMO are provided by MVP Health Care, Inc. ("MVP"), the ultimate parent of MVPHP.

Exhibit M of the Handbook (Understanding the Corporate Governance Structure) was utilized by the examiners as guidance for assessing the HMO's corporate governance. Overall, it was determined that the HMO's Corporate Governance structure is adequate, sets an appropriate "tone at the top", supports a proactive approach to operational risk management, and contributes to an effective system of internal controls. It was found that the corporate Board of Directors and key executives encourage integrity and ethical behavior throughout the organization and that senior management promotes a corporate culture that acknowledges, understands and maintains an effective control environment.

Enterprise Risk Management

The HMO has not formally adopted an ERM framework to proactively address and mitigate risks, including prospective business risks. It is prudent for the HMO to consider utilizing the services of an independent risk management specialist or officially appoint a Chief Risk Officer ("CRO") and establish a Risk Committee ("RC") to further its ERM initiatives.

It is recommended that the HMO officially appoint a Chief Risk Officer and establish a Risk Committee accountable for the overall ERM function. The RC would report directly to the Board of Directors.

The examiners identified prospective risks to MVPHP, relative to the effects of the Patient Protection and Affordable Care Act and the overall regulatory environment, particularly the HMO Medicare Advantage business that represented 50% of total premiums written in 2010. However, MVP identified these risks and established a government affairs department, to address emerging policy issues within the health insurance industry and those facing MVP and all of its affiliates including MVPHP. As issues are identified, MVP establishes leadership teams to gain an understanding of the impact to MVP. These leadership teams are developed to provide recommendations to the members of the executive team which have the responsibility for MVP's strategy on emerging issues. The leadership teams also work with internal stakeholders to inform them of emerging issues, and the necessary actions needed to support MVP's strategy.

Internal Audit Department

MVP, the ultimate parent, established an Internal Audit Department to serve all the subsidiaries within its holding company system, including MVPHP. The Audit Committee of the Board of Directors (the "AC"), is comprised entirely of members independent of MVP and MVPHP.

The IAD assists all levels of management by reviewing and testing financial and operational controls and processes established by management to ensure compliance with

laws, regulations and policies. The scope of the IAD program is coordinated with PwC, MVP's independent certified public accountant, to ensure optimal audit coverage and efficiency.

The examiners interview of MVP's Audit Committee chairman as well as the review of the 2008-2010 evaluations of the IAD director revealed that the annual evaluation of the IAD director is prepared and signed by the Chief Financial Officer ("CFO"). Also, the IAD director's compensation is determined by the CFO.

Preferred corporate governance protocols call for the responsibilities and performance of the internal audit department director to be measured by the Audit Committee, to ensure independence from senior management.

This position is supported throughout the audit industry, including specific guidance from organizations such as the American Institute of Certified Public Accountants ("AICPA") and the Institute of Internal Auditors ("IIA").

Per the IIA:

> "The internal auditor occupies a unique position, he or she is employed by management but is also expected to review the conduct of management which can create significant tension since the internal auditor's independence from management is necessary for the auditor to objectively assess management's action, but the internal auditor's dependence on management for employment is very clear; and to maintain objectivity, internal auditors should have no personal or professional involvement with or allegiance to the area being audited; and should maintain an un-biased and impartial mindset in regard to all engagements."

In order to enhance the independence of the internal audit function, it is recommended that MVP revise the Internal Audit and Audit Committee charters to clearly indicate that the Audit Committee has primary responsibility for the performance evaluation and compensation of the IAD director.

It is also recommended that MVP Audit Committee maintains documentation to support the Audit Committee's review of the IAD director's performance. Details for the IAD director's compensation should also be included.

Model Audit Rule

The HMO's parent, MVPHP Holding Company, Inc., as well as its ultimate parent MVP Health Care, Inc. "MVP" are both non-publicly traded companies and therefore not subject to the Sarbanes-Oxley Act of 2002. However, the ultimate parent and its subsidiaries are subject to the provisions of the Model Audit Rule and therefore are subject to its requirements. The Department's Regulation No. 118 (NYCRR 98) – Audited Financial Statements, represents MAR requirements for the New York regulated entities, including MVPHP. Regulation No. 118 was promulgated on an emergency basis in December 2009 and was effective January 1, 2010.

MVP's management of general controls is applied to all its subsidiaries, which include the HMO. As part of its MAR analysis, the risks from various operations were identified and segregated by operational cycles and entity level controls. In coordination with the HMO's management, risks identified were labeled and, cataloged using specific control codes. The IAD performed its own control testing and accumulated its findings.

The examiners' review of control testing showed that general controls appear to be working at a satisfactory level. The examiner relied upon work performed by the IAD, as prescribed by the NAIC Handbook.

C. Territory and Plan of Operation

The HMO's service area, as stated in its certificate of authority as of December 31, 2010, included the following forty-nine counties in New York State:

Albany	Genesee	Ontario	St. Lawrence
Broome	Greene	Orange	Sullivan
Cayuga	Hamilton	Orleans	Tioga
Chenango	Herkimer	Oswego	Tompkins
Clinton	Jefferson	Otsego	Ulster
Columbia	Lewis	Putnam	Warren
Cortland	Livingston	Rensselaer	Washington
Delaware	Madison	Rockland	Wayne
Dutchess	Monroe	Saratoga	Wyoming
Erie	Montgomery	Schenectady	Yates
Essex	Niagara	Schoharie	
Franklin	Oneida	Seneca	
Fulton	Onondaga	Steuben	

The HMO contracted with fifteen Independent Practice Associations ("IPAs") to provide a comprehensive prepaid program of health care and the delivery of health services. Each contract is entitled, "IPA Service Agreement" (hereinafter referred to as "the IPA agreements"). 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. Each IPA is responsible for establishing contractual relationships with physicians, health care professionals and other

providers of health care and for arranging and facilitating the availability and delivery of health services to members of the HMO. The IPA agreements can be categorized as follows:

1. Fee for service agreements

   Eight of the IPA agreements are fee-for-service arrangement under which the IPA provides a network of health care providers to the HMO members, and in return the HMO compensates the providers for their services on a fee-for-service basis.

2. Fee for service agreements with a risk sharing component

   Two agreements are fee-for-service arrangement under which the IPA provides a network of health care providers to the HMO members, and in return, the HMO compensates the providers for their services on a fee-for-service basis. In addition, MVPHP and the IPA agree on a medical expense target, which represents the total PMPM medical expenses anticipated for each subsequent calendar year for all members who selected the IPA primary care physician. The deficit or gain is shared between the IPA and the HMO.

3. Risk sharing capitation agreements

   Four agreements are transfer of risk capitation agreements in accordance with Regulation No 164. These agreements were approved by the Department.

In addition, the HMO entered into a transfer of risk capitation agreement with Genesee Region Preferred Health Network IPA, Inc. on January 1, 2001. This agreement was not submitted to the Department for an approval under Regulation No 164.

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 (VMC), United Health Alliance, and Central Vermont PHO to provide health care services to its members throughout the State of Vermont. The examiners were advised by MVPHP that Central Vermont PHO was dissolved as of January 1, 2012. A majority

of those providers joined VMC and a couple of groups chose direct contracts with MVPHP.

The HMO's enrollment in New York State increased by 100% in 2009 due to MVPHP's merger with RAHMO and by adding other new business. The HMO's New York enrollment declined by 19% in 2010, primarily because of membership migration from HMO products to Exclusive Provider Organization/Preferred Provider Organization products, which were sold through an affiliate, MVPHIC, an 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 were as follows:

	2008	2009	2010
New York	188,803	377,298	304,083
Vermont	20,769	11,835	5,662
Total members	209,572	389,133	309,745

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

Year	HMO	Point Of Service	Healthy New York	Medicare	Medicaid	Child Health Plus	Family Health Plus	Total
2008	163,261	21,347	10,345	4,822	6,511	1,774	1,512	209,572
2009	215,214	28,461	10,784	98,974	31,004	2,005	2,691	389,133
2010	142,610	18,966	12,425	98,815	31,400	2,365	3,164	309,745

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.

D. Reinsurance

At December 31, 2010, the HMO had a reinsurance agreement with Zurich American Insurance HMO, 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 an annual deductible of $350,000, of eligible expenses per member, in each agreement year.

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.

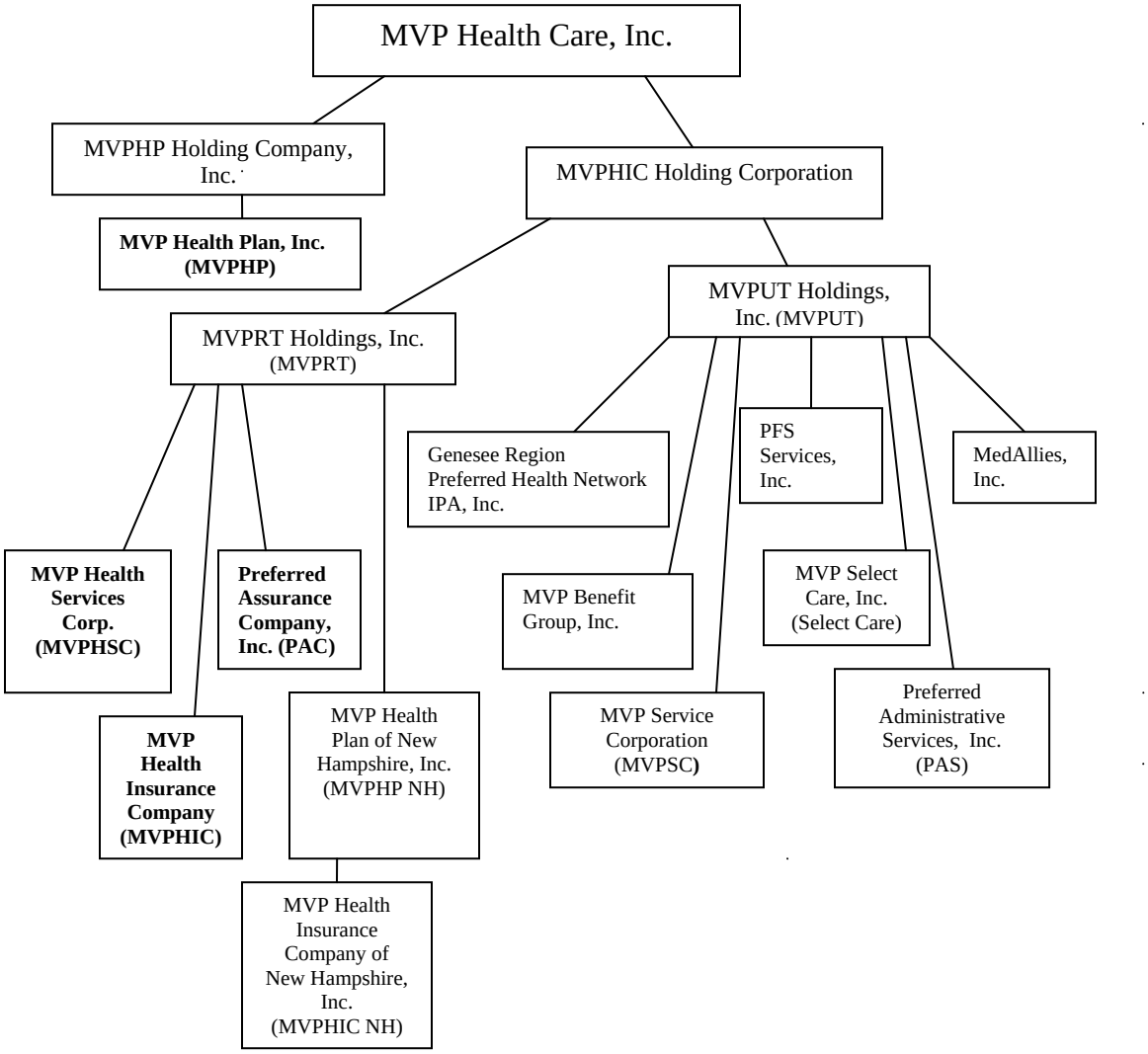
The reinsurance agreement contained all the required standard clauses, including the insolvency clause required by Section 1308 of the New York Insurance Law.

E. Holding Company System

The HMO is a wholly-owned subsidiary of MVPHP Holding Company Inc., which is a wholly-owned subsidiary of MVP Health Care, Inc. MVP Health Care, Inc. is the ultimate parent. MVP and its 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, combined 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., PC and the HMO reorganized their respective enterprises under a holding company structure, with the ultimate holding company changed to MVP Health Care, Inc., which now serves as the direct or indirect parent company of all of the former PC affiliates and of the HMO and all of its affiliates.

The following is the organizational chart of MVP Health Care, Inc. and its subsidiaries as of December 31, 2010:



MVPHP Holding Company, Inc. ("MVPHPHC")

MVPHP Holding Company, Inc. was formed on January 6, 2006 as a not-for-profit corporation, which is controlled by MVP Health Care, Inc., the ultimate parent. With the restructuring that took place in 2006, MVPHPHC became the immediate parent of RAHMO and MVP Health Plan, Inc. Subsequently in 2009 the two HMOs merged.

MVP Health Services Corp. ("MVPHSC")

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. ("PAC")

PAC is licensed to do business within New York State as a non-profit health service 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 MVPHP's point-of-service product in the Rochester metropolitan area. PAC markets Preferred Provider Organization (PPO) and Exclusive Provider Organization (EPO) products. PAC is a subsidiary of MVPRT Holdings, Inc.

MVP Health Insurance Company ("MVPHIC")

MVPHIC is a for-profit New York corporation, wholly-owned by MVPRT Holdings Inc., which is a wholly-owned subsidiary of MVPHIC Holding Corporation. MVP Health Care, Inc. is the ultimate parent. MVPHIC was incorporated on April 24, 2000. MVPHIC is licensed in the State of New York as an accident and health insurance company pursuant to Article 42 of the New York Insurance Law. MVPHIC underwrites EPO, 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. MVPSC is wholly-controlled by MVPUT Holdings, Inc. MVP Service Corporation's employees perform all the day-to-day operations of the HMO, and charges the HMO for its share of costs based on a contractual cost allocation methodology pursuant to an agreement approved by the Department.

Tax Allocation Agreement

MVPHIC Holding Corporation entered into a tax allocation agreement with its affiliates, including the three New York State regulated entities, MVPHIC, MVPHSC and PAC, dated January 6, 2006, as amended on December 22, 2009. The amended agreement complied with the Department's requirements and was approved on January 8, 2010.

F. Significant Operating Ratios

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

	Amounts	Percentage
Claims (net of reins rec.)	$5,866,297,304	87.4%
Claims adjustment expenses	135,693,229	2.0%
General administrative expenses	469,446,918	7.0%
Net underwriting gain	239,868,803	3.6%
Net premiums earned	$6,711,306,254	100.0%

G. Premium Refunds

MVPHP reported a loss ratio on its direct pay contracts of 79.0%, in 2010. In each case where the loss ratio for a contract form fails to comply with the eighty-two percent minimum loss ratio, prescribed by New York Insurance Law, a company must issue dividends or credits against future premiums to its direct pay subscribers.

Section 4308(h) (2) of the New York Insurance Law, states in part;

> "(2) In each case where the loss ratio for a contract fails to comply with the eighty-two percent minimum loss ratio requirement for direct payment contracts… the corporation shall issue a dividend or credit against future premiums for contract holders with that contract form…"
>
> … All dividends and credits must be distributed by September thirtieth of the year following the calendar year in which the loss ratio requirements were not satisfied..."

It was noted that MVPHP did not provide refunds to its direct pay contract holders until October 6, 2011, including interest, which was after the date (September 30th) specified in Section 4308(h)(2) of the New York Insurance Law.

It is recommended that the HMO issue premium dividends or credits in the timeframe required by Section 4308(h) (2) of the New York Insurance Law.

H. Capitation Agreements

The examiner reviewed a medical service agreement between Rochester Area Health Maintenance Organization, Inc. ("RAHMO") and Genesee Region Preferred Health Network IPA, Inc. ("PHN"), effective January 2001. On May 1, 2009, MVPHP merged with RAHMO; resulting in MVPHP being the surviving corporation. In accordance with the medical service agreement, Article X. Miscellaneous, Section 10.1. "Assignment", this agreement is binding upon the parties successors and assigns.

The HMO's implementation of this agreement includes the following:

- On the last day of the month, MVPHP books a monthly capitation fee per member/per month to PHN. The capitation fee is booked through an inter-company account on the general ledger as "Due to PHN".
- During the month, the HMO only transfers to PHN's bank account, the amount of claim checks presented to PHN bank for payment
- The HMO did not report a claims unpaid liability on its annual statement for claims associated with this agreement.

Part 101.3 of Department Regulation No. 164 (11 NYCRR 101.3(a)), states in part:

> "(a) The term "capitation" or "capitation arrangement" shall mean contractually based prepayments (any payments made prior to the last day of the month shall be deemed a prepayment of the entire month's capitation) made to a health care provider."

Also, Part 101.4 of Department Regulation No. 164 (11 NYCRR 101.4(b)), states in part:

> "(b) Notwithstanding any agreement to the contrary, the insurer retains full financial risk on a prospective basis for the provision of health care services…. All insurers retain ultimate liability under these circumstances."

In addition, Part 101.3 of Department Regulation No. 164 (11 NYCRR 101.3(c)), states in part:

> "(c) An insurer who uses a capitation arrangement to transfer all or part of its financial risk to a health care provider must do so by means of a contract approved by the superintendent…"

MVPHP did not comply with the prepayment requirements and the agreement was not filed and approved by the Department. The examiner determined that the capitation agreement between MVPHP and PHN does not qualify as a "transfer of risk" under Department Regulation No. 164.

No change was made to the financial statements contained herein, due to the immateriality of the amounts.

If MVPHP elects to use such agreement to "transfer risk", it is recommended that MVPHP submit the agreement to the Department for review with a letter specifically requesting the Department's approval of the agreement, as required by Department Regulation No. 164.

3. FINANCIAL STATEMENTS

A. Balance Sheet

The following shows the assets and liabilities as determined by this examination. This statement is the same as the balance sheet filed by the HMO as of December 31, 2010.

Assets	Examination	HMO
Bonds	$186,799,334	$186,799,334
Common stocks	43,521,306	43,521,306
Cash and short-term investments	69,325,059	69,325,059
Receivables for securities	147,130	147,130
Aggregate write-ins for invested assets (Section 1307 loan to MVPHIC)	47,000,000	47,000,000
Investment income due and accrued	1,955,225	1,955,225
Uncollected premiums	65,926,471	65,926,471
Amounts recoverable from reinsurers	14,660,775	14,660,775
Electronic data processing equipment and software	9,757,255	9,757,255
Furniture and equipment	0	0
Receivable from parent and affiliates	53,551,503	53,551,503
Health care receivable	34,750,984	34,750,984
Aggregate write-ins for other than invested assets	1,376,963	1,376,963
Total assets	$528,772,005	$528,772,005

Liabilities	Examination	HMO
Claims unpaid	$126,535,583	$126,535,583
Accrued medical incentive pool	6,149,746	6,149,746
Unpaid claim adjustment expenses	3,325,000	3,325,000
Aggregate health policy reserves	159,390	159,390
Premiums received in advance	4,093,579	4,093,579
General expenses due and accrued	17,100,949	17,100,949
Current federal tax payable and interest thereon on realized capital gains	2,474,976	2,474,976
Amounts due to affiliates	39,127,369	39,127,369
Payable for securities	10,849	10,849
Total liabilities	$198,977,441	$198,977,441
Capital and surplus		
New York contingency reserves	$217,835,151	$217,835,151
Vermont statutory reserves	1,299,195	1,299,195
Unassigned funds (surplus)	110,660,218	110,660,218
Total capital and surplus	$329,794,564	$329,794,564
Total liabilities, capital and surplus	$528,772,005	$528,772,005

Note: 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. Statement of Revenue and Expenses and Change in Capital and Surplus

Capital and surplus increased by $7,740,867 during the three-year examination period, January 1, 2008 through December 31, 2010, detailed as follows:

Revenue		
Net premium income	$6,711,306,254	
Net investment income	42,387,635	
Net realized capital gain	3,942,836	
Other income (loss)	(3,736,288)	
Total revenue		$6,753,900,437
Expenses		
Hospital/medical benefits	4,666,501,799	
Other professional services	109,526,446	
Emergency room and out of area	231,331,930	
Prescription drugs	808,536,484	
Aggregate write-ins for other hospital and medical	84,325,573	
Incentive pool, withhold adjustments and bonus amount	7,133,390	
Reinsurance recoveries	(41,058,318)	
Claim adjustment expenses	135,693,229	
General administrative expenses	469,446,918	
Total expenses		6,471,437,451
Net income before federal income taxes		282,462,986
Federal income taxes incurred		110,041
Net income		$282,352,945

Change in Capital and Surplus Account

	Gains in Surplus	Losses in Surplus	
Capital and surplus, per report on examination, as of December 31, 2007			$322,053,697
Net income	$282,352,945		
Change in net unrealized capital gains	1,552,574		
Change in net unrealized foreign exchange capital gain	850,663		
Change in non-admitted assets		$2,293,505	
Dividend to MVPHP Holding Company, Inc.		10,700,000	
Dividend to MVP Health Care, Inc.		212,875,000	
Cash Transfer to MVP Health Care, Inc.		30,000,000	
Aggregate write-ins		1,797,330	
Section 1307 MVPHIC loan forgiveness		18,000,000	
Tax adjustment		1,349,480	
Total gains and losses	$284,756,182	$277,015,315	
Net increase in capital and surplus			7,740,867
Capital and surplus, per report on examination, as of December 31, 2010			$329,794,564

4. CLAIMS UNPAID

The examination liability of $126,535,583 is the same as the amount reported by the HMO in its 2010 filed annual statement. The examination analysis 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 by the examiner.

The examination reserve was based upon actual claims 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 experience in projecting the ultimate cost of claims incurred on or prior to December 31, 2010.

5. COMPLIANCE WITH PRIOR REPORT ON EXAMINATION

The prior report on examination included four (4) recommendations detailed as follows (page number refers to the prior report on examination):

ITEM NO.		PAGE NO.
A.	Allocation of Expenses	
i	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 percentage used. The HMO has complied with this recommendation.	24
ii.	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. The HMO has complied with this recommendation.	25
iii.	It is recommended that the HMO apply the 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. The HMO has complied with this recommendation.	26
B.	Abandoned Property	
	It is recommended that the HMO comply with the publishing of requirements of Section 1316 (3) of the New York Abandoned Property Law. The HMO has complied with this recommendation.	27

6. SUMMARY OF COMMENTS AND RECOMMENDATIONS

Appointment No. **30731**

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:

Elsaid Elbially

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

HMO

with such other 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 13th day of September, 2011

James J. Wrynn
Superintendent of Insurance

STATE OF NEW YORK ★ SUPERINTENDENT OF INSURANCE ★ EXCELSIOR

Appointment No. **30732**

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:

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

HMO

with such other 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 13th day of September, 2011

James J. Wrynn
Superintendent of Insurance

STATE OF NEW YORK ★ SUPERINTENDENT OF INSURANCE ★ EXCELSIOR