

REPORT ON ORGANIZATION

OF

HEALTH INSURANCE COMPANY OF AMERICA, INC.

AS OF

SEPTEMBER 30, 2010

DATE OF REPORT

NOVEMBER 4, 2010

EXAMINER

TOMMY KONG

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

David A. Paterson
Governor

James J. Wrynn
Superintendent

November 4, 2010

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

Sir:

Pursuant to the provisions of the New York Insurance Law, and acting in accordance with the instructions contained in Appointment Number 30595, dated October 25, 2010, and attached hereto, I have made an on organization examination of the Health Insurance Company of America, Inc., as of September 30, 2010, and respectfully submit the following report thereon.

The examination was conducted at the home office of Health Insurance Company of America, Inc. located at 2363 James Street, Syracuse, New York.

Wherever the term, the "Company" appears herein, without qualification, it should be understood to refer to Health Insurance Company of America, Inc.

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

1. ORGANIZATION

Health Insurance Company of America, Inc. was incorporated on February 24, 2010. The declaration of intention and charter were approved by the New York State Insurance Department on February 24, 2010, pursuant to Section 1201 of the New York Insurance Law and placed on file with the Department on the same date.

The Company's by-laws state that the number of directors shall consist of not less than seven (7) nor more than fifteen (15) directors. The members of the Company's board of directors as of September 30, 2010 were as follows:

<u>Name and Residence</u>	<u>Principal Business Affiliation</u>
James P. O'Brien IV Clinton, NY	Chairman & President, Health Insurance Company of America, Inc.
Kathleen E. Lamb Jamesville, NY	Secretary & General Counsel, POMCO, Inc.
Terrence C. Dowd Jr. Baldwinsville, NY	Treasurer, POMCO, Inc.
Donald C. Doerr Dewitt, NY	Counsel, POMCO, Inc.
Vanessa S. Flynn Liverpool, NY	Vice President, Client Services, POMCO, Inc.
Robert W. Menikheim Manlius, NY	Chairman & Trustee, Stop Loss Concepts, Inc.
Donald P. Napier Manlius, NY	Senior Vice President & COO, POMCO, Inc.
Donald F. Wisniewski Marcy, NY	Director of Operations & COO, Stop Loss Concepts, Inc.
Loretta A. Zolkowski Chittenango, NY	Vice President, Service Delivery, POMCO, Inc.

The principal officers of the Company as of September 30, 2010 were as follows:

<u>Name</u>	<u>Title</u>
James P. O'Brien IV	Chairman & President
Kathleen E. Lamb	Secretary & General Counsel
Terrence C. Dowd Jr.	Treasurer

2. SCOPE OF EXAMINATION

The examination comprised a verification of the issuance of the Company's capital stock, the receipt of capital and surplus funds, and the determination of assets and liabilities. The records examined included the declaration of intention and charter, by-laws, the corporate minute book, and the stock register. In addition, an affidavit, appended hereto, was obtained from two officers of the Company indicating that the transactions noted in this report were bona fide.

3. CAPITALIZATION AND SUBSCRIPTION

Health Insurance Company of America, Inc. is a wholly-owned subsidiary of Ausman Management Company, LLC ("Ausman"), a privately held limited liability company domiciled in New York. The Company issued 200,000 shares of \$1.00 par value per share capital stock on March 15, 2010 to Ausman for a sale price of \$1.00 per share resulting in a total consideration of \$200,000. Such consideration was received by the Company on April 5, 2010. In addition, Ausman also made a surplus contribution in the amount of \$950,000 to the Company on April 5, 2010.

4. BALANCE SHEET

The following balance sheet sets forth the Company's financial condition as of September 30, 2010 as determined by this examination. This statement is the same as the balance sheet provided by the Company.

<u>Assets</u>	
Cash	\$ 940,025
Investments	<u>210,000</u>
Total assets	<u>\$1,150,025</u>
 <u>Liabilities</u>	
Due to parent	\$ <u>500</u>
Total liabilities	\$ 500
 <u>Capital and Surplus</u>	
Common capital stock	\$ 200,000
Gross paid in and contributed surplus	950,000
Unassigned surplus	<u>(475)</u>
Total capital and surplus	\$1,149,525
Total liabilities and surplus	<u>\$1,150,025</u>

5. AUTHORIZED POWERS AND MINIMUM CAPITAL REQUIRED

The Company is authorized by its declaration of intention and charter to transact the kind of insurance as described in the following numbered paragraph of Section 1113(a) of the New York Insurance Law:

<u>Paragraph</u>	<u>Line of Business</u>
(3)(i)	Accident and health insurance

The minimum financial requirements for this line of business, as set forth in Sections 4204 and 4206 of the New York Insurance Law, are as follows:

Initial capital and surplus	\$300,000
Capital to be maintained	200,000
Deposit	200,000
Capital	200,000
Minimum capital investments	200,000

Pursuant to the provisions of Section 4206 of the New York Insurance Law, the Company has placed a qualifying security with a par value of \$210,000 in an account in the name of the Superintendent of Insurance at M&T Investment Group, Buffalo, New York. As of September 30, 2010, the qualifying security had a market value of \$209,845 and was in compliance as of such date, with the provisions of Section 1318 of the New York Insurance Law.

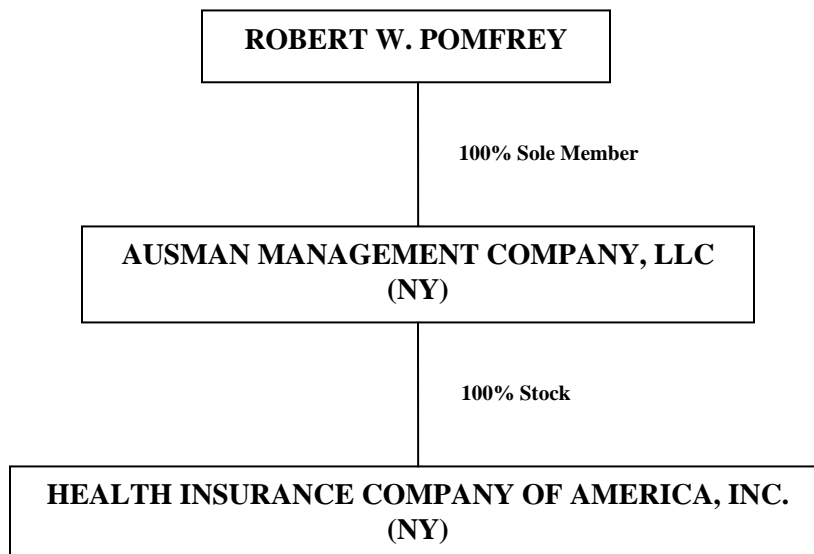
6. HOLDING COMPANY SYSTEM

The Company is a wholly-owned subsidiary of Ausman Management Company, LLC, a privately held limited liability company, which in turn, is owned by Robert W. Pomfrey, a resident of New York State.

As of September 30, 2010, the Company had in-force the following agreement, approved by the Department, with its parent:

1. Tax allocation agreement – effective July 14, 2010 between the Company and Ausman Management Company, LLC, whereby both parties intend to participate in a consolidated filing of federal income tax returns.

The following chart depicts the Company in relation to its parent and ultimate parent as of September 30, 2010:



7. THIRD PARTY AGREEMENTS

As of September 30, 2010, the Company had in-force the following approved agreements by the Department with POMCO, Inc.:

1. Claim Adjudication Services Agreement – effective July 1, 2010, between the Company and POMCO, Inc., whereby POMCO, Inc. acts as the Company's agent for the payment of medical benefit plans and to furnish administrative services related to such benefit plans.
2. Managing General Underwriter Agreement – effective July 1, 2010, between the Company and POMCO, Inc., whereby POMCO, Inc. performs underwriting and servicing of the Company's group accident and health insurance business in regard to recommending and training brokers and agents, ensuring that brokers and agents are in compliance with applicable laws, advertisements, policies distribution, premium receipts, and additional services.
3. Management Service Agreement – effective July 1, 2010, between the Company and POMCO, Inc., whereby POMCO, Inc. provides access and use of general office equipment, access and use of designated personnel to handle general administrative and secretarial tasks, and access and use of office space, including rent, utilities, security, and maintenance/cleaning.

8. CONCLUSION

Based upon the foregoing examination, it is concluded that on March 15, 2010 the Company sold 200,000 shares of \$1.00 par value per share capital stock for a sale price of \$1.00 per share, resulting in a total consideration of \$200,000, which was received by the Company on April 5, 2010. Furthermore, the Company also received a surplus contribution of \$950,000 from Ausman Management Company, LLC on April 5, 2010.

Appointment No. 30595

**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:

Tommy Kong

as a proper person to examine into the affairs of the

Health Insurance Company of America, Inc.

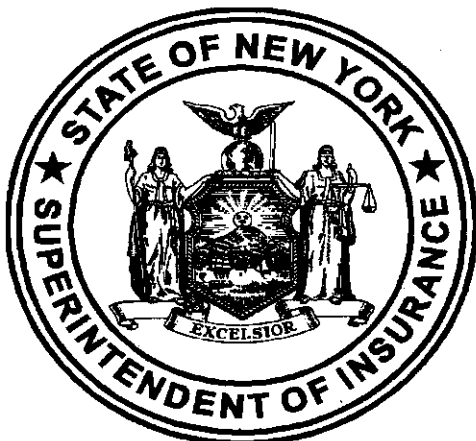
and to make a report to me in writing of the condition of the said

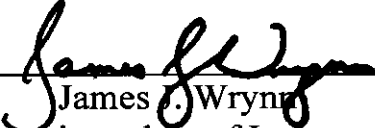
Company

with such other information as he shall deem requisite.

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

this 25nd day of October, 2010




James J. Wrynn
Superintendent of Insurance