Government of the District of Columbia
Department of Insurance, Securities and Banking

Gennet Purcell
Commissioner

BEFORE THE INSURANCE COMMISSIONER OF THE DISTRICT OF COLUMBIA

Re: Report on Examination - **Regional Health Insurance Company, A Risk Retention Group,** as of December 31, 2008

ORDER

An Examination of **Regional Health Insurance Company, A Risk Retention Group** ("Company"), as of December 31, 2008 has been conducted by the District of Columbia Department of Insurance, Securities and Banking ("Department").

It is hereby ordered on this 23rd day of April, 2010, that the attached financial condition examination report be adopted and filed as an official record of this Department.

In addition, it is hereby ordered that the Company comply with the recommendation in the attached financial condition examination report.

Pursuant to Section 31-1404(d)(1) of the D.C. Official Code, this Order is considered a final administrative decision and may be appealed pursuant to Section 31-4332 of the D.C. Official Code.

Pursuant to Section 31-1404(d)(1) of the D.C. Official Code, within 30 days of the issuance of the adopted report, the Company shall file affidavits executed by each of its directors stating under oath that they have received a copy of the adopted report and related order.

Pursuant to Section 31-1404(e)(1) of the D.C. Official Code, the Department will continue to hold the content of the report as private and confidential information for a period of 10 days from the date of this Order.

Gennet Purcell
Commissioner

GOVERNMENT OF THE DISTRICT OF COLUMBIA

DEPARTMENT OF INSURANCE, SECURITIES AND BANKING

DISB

Government of the District of Columbia
Department of Insurance, Securities and Banking

REPORT ON EXAMINATION

Regional Health Insurance Company, A Risk Retention Group

AS OF

DECEMBER 31, 2008

NAIC NUMBER 12010

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Washington, D.C.
December 18, 2009

Honorable Gennet Purcell
Commissioner
Department of Insurance, Securities and Banking
Government of the District of Columbia
810 First Street NE, Suite 701
Washington, D.C. 20002

Dear Madam:

In accordance with Section 31-3931.14 of the District of Columbia Official Code, we have examined the financial condition and activities of

Regional Health Insurance Company, A Risk Retention Group

hereinafter referred to as the “Company” or “Regional.”

SCOPE OF EXAMINATION

This full-scope examination, covering the period from June 25, 2004 through December 31, 2008, including any material transactions and/or events noted occurring subsequent to December 31, 2008, was conducted by the District of Columbia Department of Insurance, Securities and Banking (“the Department”).

Our examination was conducted in accordance with examination procedures established by the Department and procedures recommended by the National Association of Insurance Commissioners (“NAIC”) and, accordingly, included such tests of the accounting records and such other examination procedures as we considered necessary in the circumstances.

Our examination included a review of the Company’s business policies and practices, management and corporate matters, a verification and evaluation of assets and a determination of the existence of liabilities. In addition, our examination included tests to provide reasonable assurance that the Company was in compliance with applicable laws, rules and regulations. In planning and conducting our examination, we gave consideration to the concepts of materiality and risk, and our examination efforts were directed accordingly.

The Company is audited annually by an independent public accounting firm. The firm expressed unqualified opinions on the Company's financial statements for the calendar years 2004 through 2008. We placed substantial reliance on the audited financial statements for calendar years 2004 through 2007, and consequently performed only minimal testing for those periods. We concentrated our examination efforts on the year ended December 31, 2008 and obtained and reviewed the working papers prepared by the independent public accounting firm related to the audit for the year ended December 31, 2008. We placed reliance on the work of the auditor and directed our efforts, to the extent practical, to those areas not covered by the firm's workpapers.

STATUS OF PRIOR EXAMINATION FINDINGS

This is the first examination of the Company.

HISTORY

General:

Regional was incorporated as an association captive on June 25, 2004 and commenced business July 1, 2004 as a risk retention group in the District of Columbia under the District’s captive insurance laws.

The Company was formed to provide medical professional liability insurance coverage to physicians in primarily several Mid-western states who are members of Regional Health Education Association (“RHEA”), a Kentucky not-for-profit association. The policy limits offered are up to $1,000,000 per occurrence and $3,000,000 aggregate per policy. The Company is a stock insurance company which was capitalized with a $1,000,000 capital contribution from RHEA through its wholly owned subsidiary, Regional Health Education Holdings, (“Holdings”). Holdings obtained the capitalization funds for the Company via a $1,000,000 loan from Imagine Insurance Company Limited (“Imagine”). The Company itself has no obligations to Imagine or Holdings under this loan. The Company is wholly-owned by Holdings, which is in turn wholly-owned by RHEA. Through December 31, 2008, the Company had only written business in Illinois and New York. However, in 2008, the Company ceased writing new and renewal business. The last in force policy expired in August 2009 and the Company has gone into voluntary run-off.

Membership:

The Company is authorized to issue 100,000,000, $1.00 par value, shares of common stock. As of December 31, 2008, the Company had 1,000,000 shares of common stock issued and outstanding. All shares of common stock are issued to Holdings. RHEA, as an association, is 100 percent owned by its members.

Dividends and Distributions:

The Company did not declare or pay any dividends or other distributions during the period under examination.

MANAGEMENT

The following persons were serving as the Company's directors as of December 31, 2008:

Name and State of Residence	Principal Occupation
Dr. Carl D. Cucco, Chairman Illinois	Physician Womancare PC
Kevin Heffernan Vermont	Division Vice President Artex Risk Solutions, Inc.
Ellen Lefebvre* Vermont	Accounting Assistant Artex Risk Solutions, Inc.

The following persons were serving as the Company's officers as of December 31, 2008:

Name	Title
Dr. Carl D. Cucco	Chairman/President
Kevin Heffernan	Vice President
Ellen Lefebvre*	Secretary/Treasurer

* The Company did not report Ellen Lefebvre as a director or officer in its 2008 Annual Statement. Company management states that this was due to a timing issue between the execution of a unanimous written consent for the annual meeting of the board of directors and the preparation of the annual statement. The Company also states that Ms. Lefebvre had resigned as a member of board of directors and as an officer in July 2009. The Company's by-laws require a minimum of three directors, and require there be a secretary and treasurer. Company management indicated it is attempting to name a third director and a secretary and treasurer as soon as possible.

Committees:

As of December 31, 2008, the Company's board of directors had not established any committees.

Conflicts of Interest:

The Company has adopted a "Business Conduct Code & Ethics" policy ("the Code"), which includes a conflicts of interest policy. Under the Code, the Company's directors and officers are required to annually sign conflict of interest statements. Our review disclosed there were no conflicts of interest reported that would adversely impact the Company. However, the Company was unable to provide signed conflict of interest statements for 2008. We discussed this situation with the Company during the examination. Management explained that the 2008 annual meeting did not take place until 2009 and so the conflict of interest statements for 2008 were not executed until 2009. However, management considered the statements retroactive. Management also indicated that they recognized the importance of maintaining compliance with the Code, and indicated they would ensure compliance going forward.

Corporate Records:

We reviewed the minutes of the meetings of the board of directors and shareholders for the period under examination. Based on our review, it appears that the minutes documented the board's review and approval of the Company's significant transactions and events.

However, it was noted that the Company's directors did not hold board meetings in 2006, 2007 and 2008. For those years, there were only unanimous written consents in lieu of an annual Board meeting signed by all directors. See the "Comments and Recommendations" section of this report, under the caption "Board of Directors Meetings," for further comments regarding this condition.

CAPTIVE MANAGER

Artex Risk Solutions, Inc. ("Artex") is the Company's captive manager, providing management services, including accounting, regulatory services, and records retention services to the Company. Artex also acts as the program manager and provides management of the Company's day-to-day business operations, including marketing, underwriting, policy administration, claims handling, etc. Artex subcontracts the claims handling functions to a non-affiliated firm, Physicians Adjusting Services, Inc.

AFFILIATED PARTIES AND TRANSACTIONS

The Company and its captive manager and program manager, Artex, are affiliated through common control. Specifically, Artex's division vice president, as well as another employee, are members of Regional's board of directors and are also officers of the Company. Artex is owned by Arthur J. Gallagher Brokerage & Risk Management Services, LLC.

Effective July 1, 2004 the Company entered into a Management Agreement with Artex. The original term of the agreement was July 1, 2004 through June 30, 2007, to be extended automatically for successive one-year periods until cancelled by either party. Under the terms of the agreement, Artex is authorized to act as captive manager and "do all things necessary or incidental to the conduct of the business" of the Company, including maintaining books and records, liaising with other service providers, investing funds under the direction of the board of directors, preparing financial statements, and providing regulatory and tax filings. The annual service fee paid to Artex under this agreement is the greater of $40,000 or 1 percent of the Company's annual net gross written premium.

Also effective July 1, 2004, the Company entered into a Program Management Services Agreement with Artex. The original term of the agreement was July 1, 2004 through June 30, 2007, to be extended automatically for successive one-year periods until cancelled by either party. Under the terms of the agreement, Artex is responsible for marketing and underwriting the Company's products, preparation and issuance of policies, billing and premium collection, and claims handling functions. Base commissions to Artex shall range from 5 percent to 7.5 percent of policy premiums from new or renewal business no matter whether the business is written directly by the Company or through a brokerage. In addition, Artex is eligible for a profit commission based on the loss experience of the business written. The program management services provided by Artex are performed in its Itasca, Illinois, offices.

FIDELITY BOND AND OTHER INSURANCE

Regional maintains insurance company professional liability coverage, as well as directors and officers liability coverage, with a $1,000,000 maximum aggregate limit for both policies combined. This provides adequate coverage based on NAIC guidelines and contractual requirements.

PENSION AND INSURANCE PLANS

The Company has no employees and therefore has no employee pension or insurance plans.

STATUTORY DEPOSITS

As of December 31, 2008, the Company did not have any statutory deposits in the District of Columbia and was not required to maintain any such deposits. In addition, the Company was not required to maintain statutory deposits with any other jurisdictions.

TERRITORY AND PLAN OF OPERATION

As of December 31, 2008, the Company was licensed in the District of Columbia and was registered as a risk retention group in Illinois, Iowa, Missouri, New York, North Carolina, Ohio, Oklahoma, Oregon and Utah. Although the Company's original business plan called for writing in numerous states, the Company has only written business in Illinois and New York. $672,353 (65 percent) of the Company's 2008 written premium, which totaled $1,040,292, was in New York and $367,939 (35 percent) in Illinois.

The Company provides claims made medical professional liability coverage to physicians and surgeons who are members of RHEA. Limits are offered up to $1,000,000 per occurrence and $3,000,000 aggregate per policy. Policies generally have a $15,000 deductible, except for one of the Company's policies which has a higher deductible. In addition, some policies issued to "nonsurgical" policyholders have a $5,000 deductible. To manage its risks under these policies, the Company participates in a quota share reinsurance agreement with Imagine

International Reinsurance Limited, which is discussed under the "Reinsurance" section of this report.

The Company has no employees and its daily business operations are managed by service providers. During the examination period and as of the date of this report, the Company's captive and program manager, Artex, managed the Company's regulatory filings from its offices in Burlington, Vermont. Artex subcontracts the claims handling functions to Physicians Adjusting Services, Inc. which is located in Louisville, Kentucky.

In a letter to the Department dated May 1, 2009, the Company confirmed that it has ceased writing new business and is in voluntary run-off. The Company's reinsurer, Imagine, is also in run-off. Management plans to attempt to commute the business reinsured by Imagine and secure replacement reinsurance for this business. As of the date of this Report, management is uncertain whether the Company will resume writing new business in the future, or will continue in voluntary run-off and eventually close.

INSURANCE PRODUCTS AND RELATED PRACTICES

This examination was a financial examination, and generally did not include market conduct procedures. An examination of the market conduct affairs of the Company has never been conducted. A market conduct examination would include detailed reviews of the Company's sales and advertising, agent licensing, timeliness of claims processing, and complaint handling practices and procedures.

The scope of our examination did not include market conduct procedures, including, but not limited to, market conduct procedures in the following areas:

- Policy Rates and Forms
- Fair Underwriting Practices
- Advertising and Sales Materials
- Treatment of Policyholders:
    - Claims Processing (Timeliness)
    - Complaints

REINSURANCE

Effective July 1, 2004, the Company entered into a five year, 90 percent quota-share reinsurance agreement with Imagine International Reinsurance Limited ("Imagine") which was rated A- by A.M. Best at that time. Imagine reinsures all business not reinsured by Artex Insurance Company Limited, a Bermuda based captive (see discussion below). The agreement with Imagine limits the Company's net retention to no more than 10 percent per occurrence, or a maximum of $100,000 on a $1,000,000 limit policy. Under terms of the agreement, once the Company's capital and surplus reached $2,000,000, Imagine's participation would change to an 80 percent quota-share, and the Company's net retention would increase to 20 percent, retroactive to the inception of this agreement. However, the Company's surplus never reached $2,000,000, and the terms of the agreement remained 90 percent Imagine and 10 percent for the Company. The agreement provides for a maximum recoverable by the Company of 125 percent of premiums less commissions over the contract period.

During 2008, Imagine ceased underwriting new insurance and reinsurance business, and its operations consist solely of the run-off of existing coverage. According to management of the Company, upon Imagine's change in status, an attempt was made to obtain security from Imagine for the reinsurance credits due from Imagine. However, management was unable to do so and as of December 31, 2008, and through the date of this report, the amounts recoverable from Imagine are not secured. Management does not believe that any adjustment to the carrying value of the reinsurance recoverable on unpaid losses as reported in these financial statements is required at this time. As discussed previously, the Company is pursuing a commutation of the losses reinsured by Imagine and the possible transfer of the loss portfolio to a new insurer.

Effective December 1, 2004, the Company entered into a facultative 85 percent quota-share reinsurance agreement with Artex Insurance Company Limited ("Artex Insurance"), which reinsurers one certain policy issued by Regional. This policy had limits of $250,000 per claim and $1 million in the aggregate, including defense costs. Effective December 1, 2007, the respective policy was not renewed. Artex Insurance provides collateral for losses under this agreement in the form of a letter of credit issued in favor of Regional. The amount of this letter of credit was $850,000 at December 31, 2008, but was reduced to $205,000 effective February 18, 2009. This reduction appears reasonable given the amount of estimated recoverables from Artex Insurance as of December 31, 2008, which totaled approximately $191,000.

In 2008 the Company's ceded reinsurance premium totaled $919,098. As of December 31, 2008, the Company reported "Amounts recoverable from reinsurers" totaling $296,814 (representing amounts recoverable on paid losses), an asset for "Ceded unearned premiums" totaling $71,376 (representing prepaid reinsurance premiums), and "Other amounts receivable under reinsurance contracts" totaling $2,560,212 (representing estimated amounts recoverable on unpaid losses). If the reinsurers were not able to meet their obligations under the treaties, the Company would be liable for any defaulted amounts, to the extent not covered by security posted by the reinsurers.

Artex Insurance and the Company's captive manager, Artex Risk Solutions, Inc. (Artex), are part of the Arthur J. Gallagher & Co. holding company system, but are owned by separate entities. Artex Insurance is a subsidiary of Arthur J. Gallagher & Co. (Bermuda) Limited, and as noted previously in this report, Artex is owned by Arthur J. Gallagher Brokerage & Risk Management Services, LLC. Thus, Artex Insurance and Artex are not directly affiliated.

ACCOUNTS AND RECORDS

The primary location of the Company's books and records is at the offices of its captive manager, Artex, in Burlington, Vermont.

The Company’s general accounting records consist of an automated general ledger and various subsidiary ledgers. Our examination did not disclose any significant issues with these records.

FINANCIAL STATEMENTS

The following financial statements, prepared in accordance with accounting practices generally accepted in the United States ("GAAP"), reflect the financial condition of the Company as of December 31, 2008, as determined by this examination:

The accompanying Notes to Financial Statements are an integral part of these Financial Statements.

BALANCE SHEET

ASSETS

	December 31, 2008
Cash ($780,779), cash equivalents ($0) and short-term investments ($0)	$ 780,779
Subtotals, cash and invested assets	$ 780,779
Uncollected premiums and agents' balances in course of collection	$ 97,798
Amounts recoverable from reinsurers	296,814
Other amounts receivable under reinsurance contracts	2,560,212
Aggregate write-ins for other than invested assets:	
Deferred acquisition costs	$ 929
Prepayments	8,755
Ceded unearned premiums	71,376
Policyholder deductible	4,500
Loss escrow: Physicians Adjusting Services	25,000
Total Aggregate write-ins for other than invested assets	$ 110,560
Total	$ 3,846,163

LIABILITIES, SURPLUS AND OTHER FUNDS

	December 31, 2008
Losses (**NOTE 1**)	$ 2,063,674
Loss adjustment expenses (**NOTE 1**)	914,222
Commissions payable, contingent commissions and other similar charges	9,939
Other expenses (excluding taxes, licenses and fees)	103,285
Taxes, licenses and fees (excluding federal and foreign income taxes)	15,000
Unearned premiums	82,933
Payable to parent, subsidiaries and affiliates (**NOTE 2**)	(55,072)
Claims payable	(5,111)
Total Liabilities	$ 3,128,870
Common capital stock	$ 1,000,000
Unassigned funds (surplus)	(282,707)
Surplus as regards policyholders	$ 717,293
Total	$ 3,846,163

STATEMENT OF INCOME

		2008
UNDERWRITING INCOME		
Premiums earned	$	176,176
DEDUCTIONS		
Losses incurred	$	2,532
Loss expenses incurred		88,837
Other underwriting expenses incurred		308,948
Total underwriting deductions	$	400,317
Net underwriting loss	$	(224,141)
INVESTMENT INCOME		
Net investment income earned	$	5,718
Net investment gain	$	5,718
OTHER INCOME		
Bad debt expense (**NOTE 2**)	$	(91,048)
Net loss after dividends to policyholders, after capital gains and before all other federal and foreign income taxes	$	(309,471)
Federal and foreign income taxes incurred		-
Net loss	$	(309,471)

CAPITAL AND SURPLUS ACCOUNT

Net loss, 2004	$	(92,201)
Capital changes: Paid in		1,000,000
Net change in surplus as regards policyholders, 2004		907,799
Surplus as regards policyholders, December 31, 2004	$	907,799
Net income, 2005	$	61,468
Net change in surplus as regards policyholders, 2005		61,468
Surplus as regards policyholders, December 31, 2005	$	969,267
Net loss, 2006	$	(38,148)
Net change in surplus as regards policyholders, 2006		(38,148)
Surplus as regards policyholders, December 31, 2006	$	931,119
Net income, 2007	$	95,645
Net change in surplus as regards policyholders, 2007		95,645
Surplus as regards policyholders, December 31, 2007	$	1,026,764
Net loss, 2008	$	(309,471)
Net change in surplus as regards policyholders, 2008		(309,471)
Surplus as regards policyholders, December 31, 2008	$	717,293

ANALYSIS OF EXAMINATION CHANGES TO SURPLUS

The following change to the Company’s surplus has been recorded as a result of our examination:

Surplus as regards policyholders, December 31, 2008 per Annual Statement	$	808,341
Write down of uncollectible receivable **(NOTE 2)**	$	91,048
Net decrease in surplus as regards policyholders	$	91,048
Surplus as regards policyholders, December 31, 2008 per examination	$	717,293

COMPARATIVE FINANCIAL POSITION OF THE COMPANY

The comparative financial position of the Company for the periods since inception is as follows:

	2008	2007	2006	2005	2004
Assets	$ 3,846,163	$ 4,469,301	$ 5,606,662	$ 5,127,986	$ 1,868,605
Liabilities	3,128,870	3,442,537	4,675,543	4,158,719	960,806
Capital and surplus	717,293	1,026,764	931,119	969,267	907,799
Gross written premium	1,040,292	1,306,787	2,717,727	3,000,037	776,332
Net earned premium	176,176	323,453	488,523	289,766	9,021
Net investment income	5,718	34,892	24,000	20,158	5,482
Net income (loss)	$ (309,471)	$ 95,645	$ (38,148)	$ 61,468	$ (92,201)

Note:

Amounts in the preceding financial statements for the years ended December 31, 2004 through December 31, 2007 were taken from the Company's Annual Statements as filed with the Department. Amounts for the year ended December 31, 2008 are amounts per examination.

NOTES TO FINANCIAL STATEMENTS

NOTE 1 – Loss and Loss Adjustment Expenses Reserves:

The Company reported “Losses” and “Loss adjustment expenses” reserves totaling \$2,063,674 and \$914,222, respectively. These reserves represent management’s best estimate of the amounts necessary to pay all claims and related expenses that have been incurred but are still unpaid as of December 31, 2008. Of the Company’s total reserve of \$2,977,896 for losses and loss adjustment expenses, \$2,560,212 has been ceded to reinsurers. This amount is recorded as an asset on the Company’s balance sheet under “Other amounts receivable under reinsurance contracts”. If the reinsurers are unable to meet their obligations under the reinsurance treaty, the Company would be liable for any defaulted amounts. The Company’s net reserves are \$417,684. The Company does not discount its reserves.

The methodologies utilized by the Company to compute reserves, and the adequacy of the loss and loss adjustment expenses reserves as of December 31, 2008, were reviewed as part of our examination. As part of our review, we relied on the Company’s independent actuary who concluded that the Company’s reserves appeared to be sufficient. In addition, as part of our review of the Company’s reserves, we engaged an independent actuary (examination actuary) to review the methods employed, assumptions relied upon, and conclusions reached by the Company’s independent actuary. The examination actuary utilized in our examination concluded that the amount of the reserves as of December 31, 2008 were reasonable and adequate.

NOTE 2 – Payable to Parent, Subsidiaries and Affiliates:

The Company reported a liability “Payable to parent, subsidiaries and affiliates” totaling negative \$146,120. This amount represented a receivable from RHEA that was deemed uncollectible by the Company and written off in 2009. However, subsequent to writing off this amount, the Company collected \$55,072 of the balance previously due. Therefore, for purposes of our examination, an adjustment has been made to write-down the amount due of \$146,120 to \$55,072 as of December 31, 2008. This adjustment resulted in an increase in the Company’s liabilities of \$91,048 and a corresponding decrease in surplus of \$91,048. Net income has been reduced by this same amount as bad debt expense.

COMMENTS AND RECOMMENDATIONS

Board of Directors Meetings:

Section 31-3931.11(d) of the D.C. Official Code requires the board of directors of a captive insurer to meet at least one time each year in the District. However, as noted in the "Corporate Records" section of this Report, the Company's directors did not hold board meetings in 2006, 2007 and 2008, and therefore did not meet at least one time each year in the District as required by the above-mentioned section of the D.C. Official Code. **We recommend that the Company comply with the aforementioned provision of the D.C. Official Code and physically meet, with at least a quorum of directors present, at least one time each year in the District.**

CONCLUSION

Our examination disclosed that as of December 31, 2008 the Company had:

Admitted Assets	$ 3,846,163
Liabilities and Reserves	3,128,870
Common Capital Stock	1,000,000
Unassigned Funds (Surplus)	(282,707)
Surplus as Regards Policyholders	717,293
Total Liabilities, Capital and Surplus	$ 3,846,163

Based on our examination, the accompanying balance sheet properly presents the financial position of the Company at December 31, 2008, and the accompanying statement of income properly presents the results of operations for the period then ended.

Chapter 39 ("CAPTIVE INSURANCE COMPANIES") of Title 31 ("Insurance and Securities") of the D.C. Official Code specifies the level of capital and surplus required for the Company. We concluded that the Company's capital and surplus funds exceeded the minimum requirements during the period under examination.

SIGNATURES

In addition to the undersigned, the following examiners representing the District of Columbia Department of Insurance, Securities and Banking participated in certain phases of this examination:

Amy L. Carter, Regulatory Consultants, Inc.

The actuarial portion of this examination was completed by Steven P. Lattanzio, FCAS, MAAA, FCA, and Kristine M. Fitzgerald, ACAS, MAAA, FCA, Actuarial & Technical Solutions, Inc.

Respectfully submitted,

Juli-Kay Baumann

Juli-Kay Baumann, CFE
Examiner-In-Charge
Regulatory Consultants, Inc.

Under the Supervision of:

Xiangchun Li

Xiangchun (Jessie) Li, CFE
Supervising Examiner
District of Columbia Department of Insurance, Securities and Banking

Government of the District of Columbia
Department of Insurance, Securities and Banking

Gennet Purcell
Commissioner

April 8, 2010

Dr. Carl D. Cucco
Chairman and President
Regional Health Insurance Company, A Risk Retention Group
C/o Artex Risk Solutions, Inc.
110 Kimball Avenue, Suite 110
Burlington, Vermont 05403

Dear Dr. Cucco:

Pursuant to the provisions of Section 31-1404 of the D.C. Official Code, enclosed is a draft copy of the Report on Examination ("Report") of the affairs and financial condition of **Regional Health Insurance Company, A Risk Retention Group,** as of December 31, 2008.

Please submit, to my attention, a written response calling attention to any errors or omissions in the draft Report. In addition, the Company's response shall include responses to each of the recommendations included in the "Comments and Recommendations" section of this Report. These responses should indicate the Company's agreement or disagreement with each recommendation, as well as a summary of the corrective measures which will be taken by the Company for each recommendation. If the Company disagrees with any of these recommendations, the response shall indicate the reason(s) for the disagreement, as well as an explanation of alternative measures to be taken by the Company to address the condition which lead to the recommendation.

The response must be in writing and shall be furnished to this Department by April 29, 2010**.** In addition to a hard-copy response, please also furnish the response electronically via e-mail to me, in a Microsoft "Word" format, to sean.odonnell@dc.gov.

Sincerely,

Sean O'Donnell

Sean O'Donnell
Director of Financial Examination,
Risk Finance Bureau

Enclosure

REGIONAL HEALTH INSURANCE COMPANY,
A RISK RETENTION GROUP

April 22, 2010
Via Email

Mr. Sean O'Donnell
Director of Financial Examination
Risk Finance Bureau
Government of the District of Columbia
Department of Insurance, Securities and Banking
810 First Street, NE, Suite 701
Washington, DC 20002

Re: Report on Examination of Regional Health Insurance Company, a Risk Retention Group, As of December 31, 2008

Dear Sean:

This letter is in response to the examination of Regional Health Insurance Company, a Risk Retention Group (RHIC) which was performed by Regulatory Consultants, Inc. as directed by the District of Columbia Department of Insurance, Securities and Banking.

The Board has received the draft report and reviewed the contents thoroughly.

The sole examination comment referenced Section 31-3931.11 (d) of the D.C. Official Code which requires the board of directors of a captive insurer to meet at least one time each year in the District. RHIC has not held its meetings in the District for three years preceding the examination date. The Board acknowledges the recommendation to comply with the D.C. Official Code and has since held its April 14, 2010, meeting in the District.

The Company will continue to maintain proper accounting records and comply with regulatory requirements set forth by the Department.

Sincerely,

Kevin Heffernan, CPA, ARM
Vice President

REGIONAL HEALTH INSURANCE COMPANY,
A RISK RETENTION GROUP
110 Kimball Avenue, Suite 110
South Burlington, VT 05403
Tel: 802-861-6800 Fax: 802-861-6803

Government of the District of Columbia
Department of Insurance, Securities and Banking

Gennet Purcell
Commissioner

April 23, 2010

Dr. Carl D. Cucco
Chairman and President
Regional Health Insurance Company, A Risk Retention Group
C/o Artex Risk Solutions, Inc.
110 Kimball Avenue, Suite 110
Burlington, Vermont 05403

Dear Dr. Cucco:

We are in receipt of a response dated April 22, 2010, from Kevin Heffernan, Vice President of **Regional Health Insurance Company, A Risk Retention Group** ("Company"), regarding the Report on Examination of the Company as of December 31, 2008. The response is deemed adequate.

The adopted Report (which includes a copy of this letter), and the Order evidencing such adoption are enclosed. Pursuant to Section 31-1404(e)(1) of the D.C. Official Code, the adopted Report will be held private and confidential for a period of 10 days from the date of the Order evidencing such adoption. After this 10 day period has passed, the Report will be publicly available. The Department of Insurance, Securities and Banking will forward the adopted Report electronically to each Commissioner whose name is set forth on Page 1 of the Report, as well as to the National Association of Insurance Commissioners.

Pursuant to Section 31-1404(d)(1) of the D.C. Official Code, within 30 days of the date of the above-mentioned Order, affidavits executed by each Company director stating under oath that he or she has received a copy of the adopted examination Report and related Order shall be filed with this Department. Please send these affidavits to my attention at the Department.

Please contact me at 202-535-1169 if you have any questions.

Sincerely,

Sean O'Donnell

Sean O'Donnell
Director of Financial Examination
Risk Finance Bureau

Enclosures