

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



Thomas E. Hampton  
Commissioner

**BEFORE THE**  
**INSURANCE COMMISSIONER OF**  
**THE DISTRICT OF COLUMBIA**

Re: Report on Examination – Advantage Health Plan Inc. as of December 31, 2007

**ORDER**

Pursuant to Examination Warrant 2009-1, a Financial Condition Examination of **Advantage Healthplan Inc.** as of December 31, 2007 has been conducted by the District of Columbia Department of Insurance, Securities and Banking ("the Department").

It is hereby ordered on this 27<sup>th</sup> day of March, 2009, that the attached financial condition examination report be adopted and filed as an official record of this Department.

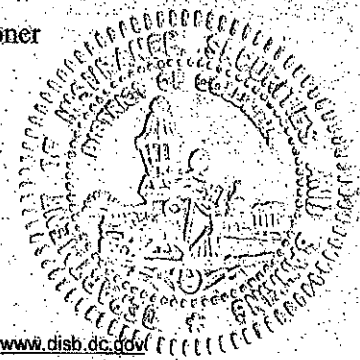
Pursuant to Section 31-1404(d)(1) of the D.C. Official Code, this Order is considered a final administrative decision and may be appealed pursuant to Section 31-4332 of the D.C. Official Code.

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.

A handwritten signature in black ink, appearing to read "Gennet Purcell".

Gennet Purcell  
Deputy Commissioner



**GOVERNMENT OF THE DISTRICT OF COLUMBIA**  
**DEPARTMENT OF INSURANCE, SECURITIES AND**  
**BANKING**



**REPORT ON EXAMINATION**  
**ADVANTAGE HEALTHPLAN INC.**

**As of**

**December 31, 2007**

## TABLE OF CONTENTS

	<u>Page</u>
SALUTATION	1
INTRODUCTION	1
SCOPE OF STATUTORY EXAMINATION	1
STATUS OF PRIOR EXAMINATION FINDINGS	2
SUMMARY OF SIGNIFICANT FINDINGS	2
SUBSEQUENT EVENTS	2
HISTORY	2
General	2
Termination of Health Plan	3
Capital Stock and Surplus	3
Dividends to Stockholders	3
MANAGEMENT	3
Board of Directors	4
Officers	4
CONFLICT OF INTEREST PROCEDURES	5
FIDELITY BOND AND OTHER INSURANCE	5
BENEFIT AND INSURANCE PLANS	5
STATUTORY DEPOSITS	5
TERRITORY AND PLAN OF OPERATION	6
REINSURANCE	6
ACCOUNTS AND RECORDS	6
MARKET CONDUCT	6
ACTUARIAL REVIEW	7
FINANCIAL STATEMENTS	7
Statement of Assets, Liabilities, Capital and Surplus	
Assets	8
Liabilities, Capital and Surplus	9
Statement of Revenue and Expenses	10
Statement of Changes in Capital and Surplus	11
Reconciliation of Statutory Examination Changes	11
NOTES TO FINANCIAL STATEMENTS	12
COMMENTS AND RECOMMENDATIONS	13
CONCLUSION	15

Washington, D.C.  
December 9, 2008

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

Dear Sir:

In accordance with Section 31-1402 of the D.C. Official Code, we have examined the financial condition and activities of

**ADVANTAGE HEALTHPLAN INC.**

(hereinafter called the "Company") at its home office located at 1701 K Street, N.W., Suite 725, Washington, D.C. 20006, and the following Report on Examination is submitted.

**SCOPE OF STATUTORY EXAMINATION**

This examination, covering the five-year period from January 1, 2003 to December 31, 2007, including any material transactions and/or events noted occurring subsequent to December 31, 2007, was conducted under the association plan of the National Association of Insurance Commissioners (NAIC) by examiners of the District of Columbia Department of Insurance, Securities and Banking.

The last examination of the Company was a full scope examination, covering the period from January 1, 2000 to December 31, 2002.

Our examination was conducted in accordance with examination policies and standards established by the District of Columbia Department of Insurance, Securities and Banking and procedures recommended by the NAIC and, accordingly, included such tests of the accounting records and such other 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 firms expressed unqualified opinions on the Company's financial statements for calendar years 2003 through 2007. We placed substantial reliance on the audited financial statements for calendar years 2003 through 2006, and consequently, performed only minimal testing for that period. We concentrated our examination efforts on the year ended December 31, 2007. We reviewed the working papers prepared by the independent

public accounting firm related to the audit for the year ended December 31, 2007, and directed our efforts to the extent practical to those areas not covered by the firm's audit.

### **STATUS OF PRIOR EXAMINATION FINDINGS**

Our examination included a review to determine the current status of the eighteen exception conditions commented upon in our preceding Report on Examination, dated October 29, 2003, which covered the three year period from January 1, 2000 to December 31, 2002. We determined that the Company had either satisfactorily addressed fifteen of those items or they were no longer applicable as a result of the Company's 'run-off' status. The three remaining exceptions regarding number of Board of Directors, classification of short-term investments, and amortization of bond premiums and discounts are repeated in the "Comments and Recommendations" section of this Report.

### **SUMMARY OF SIGNIFICANT FINDINGS**

DISB defines a material adverse finding as follows:

"A material adverse finding is defined as a finding, typically made by a financial examiner or financial analyst, with respect to an event, trend, transaction or series of transactions, fluctuation, agreement, arrangement, operating results or violation of law, which either has, or reasonably could have, a significant negative impact on a company's financial position."

No material adverse findings were noted during the examination. In addition, no material changes were made to the financial statements. All non-compliance findings are noted under "Comments and Recommendations" section of this report.

### **SUBSEQUENT EVENTS**

The Department was advised by the Company that its Medical Director and Vice President, Barrington B. Barnes, M.D. passed away on September 29, 2008. Dr. Barnes was also a director who owned 10% of the outstanding shares of the Company. Dr. Barnes' stock in the Company will inure to his heirs. The Department was advised by the Company that its Director and Secretary, Saralyn V. Wolff, passed away on December 3, 2008. Based on our review of financial and corporate records related to the period subsequent to our examination period, as well as through discussions with management, we were not made aware of any other significant matters occurring subsequent to the examination period, which would have a material impact on our examination.

### **HISTORY**

#### **General**

The Company was incorporated as D.C. Health Cooperative Inc. on July 31, 1992. The Company changed its name to Advantage Healthplan Inc. by amendment of the Articles of Incorporation filed on September 29, 1997 with the Government of the District of Columbia. The purpose of the Company, as stipulated by the Amended Articles of Incorporation, is "to engage in any lawful act or activity for which corporations may be organized under the District of Columbia Business Corporation Act,

including, without limitation, conducting managed health care operations and providing health care services in the District of Columbia, and conducting related research, as a health maintenance organization, a preferred provider organization, any other managed health care organization and/or otherwise.”

The Company was granted a Certificate of Authority during 1998 to conduct health maintenance organization operations in the District of Columbia by the Department of Insurance, Securities and Banking.

The Company offered healthcare services to District of Columbia Medicaid recipients under the District of Columbia Managed Care Program and offered health maintenance organization coverage to individuals, families, self-employed and small group employers in the District of Columbia. The Company is licensed to transact business only in the District of Columbia.

### **Termination of Health Plan**

Since the completion of the last examination, the District of Columbia Government transferred all of the Company's Medicaid enrollees to other District of Columbia Medicaid HMOs on August 31, 2004. The Medicaid contract represented approximately 99% of the Company's enrollment and premium revenue. Consequently, the Company promptly chose to discontinue all HMO operations including discontinuance of commercial business and cessation of coverage of commercial enrollees on December 31, 2004, and the subsequent winding up of administrative and other HMO activities. Those actions were reported and approved by the District of Columbia Department of Insurance, Securities and Banking.

### **Capital Stock and Surplus**

As of December 31, 2007, the Company had authorized 2,000,000 shares of \$0.10 par value common stock with 1,302,500 shares issued and outstanding. Elliot R. Wolff, Chairman of the Board, President and CEO, owns 1,170,000 shares or approximately 90% of the total shares issued and outstanding. The remaining 132,500 shares outstanding were owned by Barrington B. Barnes, M.D., the Company's Medical Director, Vice President, and a member of its Board of Directors.

As of December 31, 2007, the Company's surplus as stated in the Annual Statement and per the examination was \$1,951,751, consisting of gross paid in and contributed surplus in the amount of \$339,780 and unassigned funds in the amount of \$1,611,971.

### **Dividends to Stockholders**

The Company paid a dividend in 2006 to stockholders in the amount of \$171,630. The dividend paid in 2006 is considered an ordinary dividend. The Company paid no other dividends during the period under examination.

## **MANAGEMENT**

The Bylaws specify that meetings of stockholders of the Company for the purpose of electing directors and for the transaction of such other proper business may be held at such time and place as the Board shall determine by resolution. In addition, any action, including election of directors, may be taken without a meeting if written consent is obtained for such action by holders of at least sixty percent (60%) of the outstanding shares.

## **Board of Directors**

The Bylaws specify that the business and affairs of the Company are managed by a Board of Directors consisting of five members. Directors are elected by the stockholders of the Company, either during the Annual Stockholders Meetings or through written consent of a majority of the holders of the outstanding shares of its stock. Each of the Directors of the Company shall hold office until such director's successor shall have been duly elected and shall qualify or until, such director shall resign, shall have been removed or shall become disqualified as provided in the Company's Bylaws.

According to the Bylaws, at any meeting of the Board of Directors, a majority of the Directors then in office shall constitute a quorum for the transaction of business. The minutes indicated that a quorum was obtained at all meetings of the Board of Directors during the period under statutory examination.

According to the minutes of the meetings of the Board of Directors and the 2007 Annual Statement, a list of Directors duly elected and serving at December 31, 2007 follows. Addresses and business affiliations were provided by the Company.

<u>Director/Location</u>	<u>Title</u>	<u>Affiliation</u>
Elliot R. Wolff Washington, D.C.	Chairman, President and CEO	Advantage Healthplan Inc.
Barrington B. Barnes, M.D. Washington, D.C.	Medical Director and Vice President	Advantage Healthplan Inc.
Saralyn V. Wolff Washington, D.C.	Director and Secretary	Advantage Healthplan Inc.

1. See the "Comments and Recommendations" section captioned "Number of Board of Directors" of this report for further details.

## **Officers**

According to the 2007 Annual Statement, the duly elected Officers were as follows:

<u>Officer</u>	<u>Title</u>
Elliot R. Wolff	Chairman, President, and CEO
Saralyn V. Wolff	Secretary
Clinton E. Jones.	Chief Financial Officer and Assistant Secretary
Barrington B. Barnes, M.D.	Medical Director and Vice President

### **CONFLICT OF INTEREST PROCEDURES**

Effective March, 2001, the Company implemented a Policy Regarding Conflict of Interest & Other Corporate Responsibility Matters. The policy requires all directors, officers and other management employees to complete and file with the Company's Chief Executive Officer a questionnaire to determine the existence of any circumstances that may involve a conflict of interest or creates the appearance of such a conflict of interest or other corporate responsibility matter. Upon review of the conflict of interest questionnaires completed by the Company directors, officers, and other management employees during our examination period, we noted no direct or apparent conflicts.

### **FIDELITY BOND AND OTHER INSURANCE**

As of December 31, 2007, the Company had fidelity coverage in the amount of \$250,000 pursuant to District of Columbia Coe Section 31-3405(b) which requires that the Company maintain minimum fidelity coverage of \$250,000. The Company carries fidelity bond coverage to protect itself from employee theft of corporate assets.

The Company is also a named insured on a policy in force at December 31, 2007 that provides professional liability coverage with limits of \$1 million per claim and in the aggregate

### **BENEFIT AND INSURANCE PLANS**

The Company offers a 401(K) defined contribution plan. The Company matches employee contributions up to a stated percentage and may make profit-sharing contributions. The Company did not make any profit-sharing contributions during 2007.

The Company provides certain health and life insurance benefits to eligible employees of the Company.

### **STATUTORY DEPOSITS**

The statutory deposits of the Company at December 31, 2007 were confirmed with the custodian and are as follows:

Beneficiary	Custodian	Type of Security	Par Value	Market Value
District of Columbia, Department of Insurance, Securities and Banking	PNC Institutional Investments	Cash Equivalents	\$ 2,597	\$ 2,597
District of Columbia, Department of Insurance, Securities and Banking	PNC Institutional Investments	U.S. Government Bond	145,000	145,883
District of Columbia Department of Insurance, Securities and Banking	PNC Institutional Investments	Municipal Bond	<u>150,000</u>	<u>151,500</u>
Totals			<u>\$ 297,597</u>	<u>\$ 299,980</u>



As of December 31, 2007, the Company's statutory deposits had a market value of \$299,980. In accordance with the District of Columbia Code, Section 31-3412 (b), the Company is required to have a total deposit of \$300,000 for the protection of all enrollees and creditors. At December 31, 2007, the Company was not in compliance with this requirement.

2. See the "Comments and Recommendations" section captioned "Market Value of Statutory Deposit" of this report for further details.

### **Territory and Plan of Operation**

The Company is licensed to transact business as a health maintenance organization in the District of Columbia under a Certificate of Authority issued by the District of Columbia. As of December 31, 2004, the Company chose to discontinue all HMO operations including discontinuance of commercial business and cessation of coverage of commercial enrollees, and the subsequent winding up of administrative and other HMO activities. Final dissolution is not planned until all legal matters are resolved, which the Company does not expect to be resolved for three or more years.

## **REINSURANCE**

### **Ceded**

During the examination period, the Company had ceded reinsurance coverage which renewed annually from November 1, 2002 to October 31, 2003 and November 1, 2003 to October 1, 2004. The agreement was amended in 2004 to terminate on September 30, 2004 for Medicaid members and December 31, 2004 for commercial members.

### **Assumed**

The Company did not assume reinsurance during the examination period.

## **ACCOUNTS AND RECORDS**

The Company maintains all of its customary corporate documents, including its Articles of Incorporation and amendments, Certificate of Authority, quality assurance program, Bylaws and amendments, and minutes of Board of Directors' meetings at its home office in the District of Columbia. The Company's accounting and record keeping processes are extensively automated. The books and records of the Company are audited annually by an independent certified public accounting firm. Unqualified opinions were issued for all years under examination.

## **MARKET CONDUCT**

The Department of Insurance, Securities, and Banking's Market Conduct Branch is currently conducting an initial Market Conduct Examination of the Company. Therefore, we have not conducted market conduct related procedures during our examination. As of the date of this report, the Market Conduct report is pending completion.

## **ACTUARIAL REVIEW**

No actuarial review was deemed necessary because the Company has not written any insurance business since 2004, with no liabilities for unpaid claims and unpaid claims adjustment expenses since 2005.

## **FINANCIAL STATEMENTS**

The Financial Statements section includes the following:

Statement of Assets, Liabilities, Capital and Surplus, December 31, 2007  
Statement of Revenue and Expenses for the year ended December 31, 2007  
Statement of Changes in Capital and Surplus for the year ended December 31, 2007  
Reconciliation of Statutory Examination Changes, December 31, 2007

**ADVANTAGE HEALTHPLAN INC.**

**STATEMENT OF ASSETS, LIABILITIES, CAPITAL AND SURPLUS**

DECEMBER 31, 2007

**ASSETS**

	<u>Net Admitted Assets</u>	<u>Notes</u>
Bonds	\$ 1,497,777	
Preferred Stocks	25,325	
Common Stocks	460,172	
Cash and short-term investments	<u>62,197</u>	
Subtotal, cash and invested assets	2,045,471	
Investment income due and accrued	<u>32,374</u>	
Total Assets	<u>\$ 2,077,845</u>	

**ADVANTAGE HEALTHPLAN INC.**

**STATEMENT OF ASSETS, LIABILITIES, CAPITAL AND SURPLUS**

DECEMBER 31, 2007

**LIABILITIES, CAPITAL AND SURPLUS**

	<u>Total</u>	<u>Notes</u>
General expenses due or accrued	\$ (4,156)	
Total liabilities	<u>(4,156)</u>	
Common capital stock	130,250	
Gross paid in and contributed surplus	339,780	
Unassigned funds	<u>1,611,971</u>	
Total capital and surplus	<u>2,082,001</u>	
Total liabilities, capital and surplus	<u>\$ 2,077,845</u>	

**ADVANTAGE HEALTHPLAN INC.**

**STATEMENT OF REVENUE AND EXPENSES**

DECEMBER 31, 2007

Revenues:

Aggregate write-ins for other health care related revenues	\$ 352,752
Net investment income earned	<u>91,948</u>

Total revenues	<u>444,700</u>
----------------	----------------

Expenses

General administrative expenses	<u>272,841</u>
---------------------------------	----------------

Total expenses	<u>272,841</u>
----------------	----------------

Net realized capital gains	<u>14,870</u>
----------------------------	---------------

Net income or (loss)	<u>\$ 186,729</u>
----------------------	-------------------

**ADVANTAGE HEALTHPLAN INC.**

**STATEMENT OF CHANGES IN CAPITAL AND SURPLUS**

**DECEMBER 31, 2007**

Capital and surplus prior year		\$ 1,907,055
Net income or (loss)	186,729	
Net unrealized capital gains and losses	( 25,351 )	
Change in nonadmitted assets	<u>13,569</u>	
Net change in capital and surplus		<u>174,947</u>
Capital and surplus end of reporting year		<u>\$ 2,082,002</u>

**RECONCILIATION OF STATUTORY EXAMINATION CHANGES**

**DECEMBER 31, 2007**

Capital and surplus per Annual Statement, December 31, 2007	<u>\$ 2,082,002</u>
The Examination did not result in any adjustments.	
Capital and surplus per Examination, December 31, 2007	<u>\$ 2,082,002</u>

## **NOTES TO FINANCIAL STATEMENTS**

The Company had the following pending litigation at December 31, 2007:

### Matter # 1

During 1997, the Company filed an administrative litigation (CAB No. D-1097) before the District of Columbia Contract Appeals Boards seeking to recover contract damages of at least \$4,636,233 under a Medicaid Managed Care Contract (Contract) with the District of Columbia. Causes of action set forth by the Company include recovery of payments due for newborns under the Medicaid program, payments due under the Contract based on the District's failure to calculate an actuarially sound capitation rate and denial of the voluntary enrollment and default assignment of members from 1997 to 1998. On September 10, 1999, the District of Columbia filed a counterclaim which was further amended on July 26, 2002, seeking damages of at least \$2,681,910 for failure of the Company to provide certain services under the Contract, including immunization services to the plan's beneficiaries. Motions filed by the Company to dismiss the District's counterclaim in its entirety are currently pending with the Contract Appeals Board. The District has filed a jurisdictional motion seeking dismissal of all pending claims by both parties. The Company has contested the District's counterclaim and motion to dismiss, and these and procedural motions are pending decision by the Contract Appeals Board. If the District's motion to dismiss these claims for lack of jurisdiction is granted, the same claims will be addressed in a parallel action pending for that purpose in the District of Columbia Superior Court. The Company believes that it will prevail in the pending motions discussed above; however, it has not recorded a contingent gain in its financial statements as of December 31, 2007, nor as of the date of this report.

### Matter #2

On October 14, 2003, a hospital filed suit against the Company seeking payment for services provided to five individuals who are alleged to have been enrolled in the Company's HMO. The amount of the claim was approximately \$189,700 and the hospital also seeks attorneys' fees in the amount of \$62,236. The Company's motion to dismiss this litigation is pending in the United States District Court for the District of Columbia. The Company believes that it will prevail in the pending motion discussed above; consequently, it has not recorded a liability in its financial statements as of December 31, 2007, nor as of the date of this report.

### Matter #3

The Company also has litigation pending against the District of Columbia in the Contract Appeals Board for damages as a result of the District's termination of the Medicaid Contract in August, 2004 and for claims that arose under the Medicaid Contract. A partial settlement of this particular suit was reached in December, 2007 in the amount of \$215,000, and the settlement was recognized in the 2007 financial statements. All other aspects of the suit are on going.

At December 31, 2007, the Company appears to have properly recorded no gain or loss contingency, pursuant to SSAP No. 5, regarding pending litigation.

## COMMENTS AND RECOMMENDATIONS

### 1. Number of Board of Directors

The Company's Bylaws state that the Company shall be managed by a board of directors consisting of not less than five persons. However, our examination determined that as of December 31, 2007, the Company's board was comprised of only three persons. It should be noted that this comment also occurred in the prior examination report. **We again recommend that the Company ensure that either the required number of board members are appointed to serve on the board of directors at all times in accordance with the aforementioned provision of the Company's Bylaws or the Company should amend its Bylaws.**

### 2. Market Value of Statutory Deposit Below \$300,000

The Company's statutory deposit as of December 31, 2007 had a market value of \$299,980, which is below the statutorily required minimum value of \$300,000. Per District of Columbia Code Section 31-3412(b), each health maintenance organization shall have a deposit with the Commissioner for the protection of enrollees with a value of not less than \$300,000. **We recommend that the Company take steps to ensure that the statutory deposit maintains a market value of not less than \$300,000 at all times.**

### 3. Classification of Short Term Investments

The Company classified a money market fund as a bond that does not meet the NAIC's Securities Valuation Office (SVO) criteria for classification as a bond and thus, should have been reported with short term investments in the Company's Annual Statement. According to the Purposes and Procedures Manual of the SVO, money market funds that meet certain requirements, including being classified by the SVO as either exempt or Class One money market funds, may be reported as short term investments in Schedule DA. Based on our review of the security, the money market fund account should be classified as short term investments. Because the amount was not material, a reclassification was not made for purposes of this report. However, it should be noted that a similar recommendation existed in the prior examination report. **We again recommend that the Company comply with the Purposes and Procedures Manual of the NAIC Securities Valuation Office by reporting invested assets in their appropriate annual statement classification.**

### 4. Amortization of Bond Premiums and Discounts

The Company's Annual Statement Schedule D - Verification and Schedule D - Part 1 were not completed correctly with respect to the book/carrying value of bonds. The bonds, which are all highest quality and high quality (NAIC designations 1 and 2, respectively), should have been valued at amortized cost using the scientific (constant yield) interest method over the life of the bonds. In most instances, the Company reported the bonds' carrying values at fair value. The Company did however make the appropriate adjusting entry to arrive at the correct value for bonds on the Annual Statement's Assets page. It should be noted that a similar comment was made in the previous examination report. **We again recommend that the Company take steps to ensure that the amortized cost of bonds reported in Annual Statement's Schedule D is recorded in accordance with SSAP No. 26, as if the amortization had begun upon the purchase of each security.**

### 5. Company Records

The Company reported a number of checks as outstanding in its December 31, 2007 bank reconciliation that had actually been previously voided. An inspection of a sample of these checks supports the Company's assertions that the checks are not outstanding but have been voided with a check reissued to replace the original check, but the original check was not removed from the outstanding check list



because of internal bookkeeping errors resulting from inexperienced and improperly supervised staff. **The Company should develop bank reconciliation procedures that produce account balances that are based on correct amounts. The Company should remove the voided checks from the list of outstanding checks and write a journal entry to debit Cash and credit the accounts that were debited when the checks were originally recorded. This entry restores the cash account balance to its correct value and eliminates the debits entered at the time the check were recorded. Additionally, monthly bank reconciliations should be reviewed and approved by management.**

## CONCLUSION

Our examination disclosed that as of December 31, 2007 the Company had:

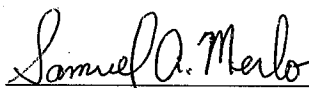
Admitted Assets	<u>\$ 2,077,845</u>
Liabilities and Reserves	<u>(4,156)</u>
Common Capital Stock	130,250
Gross Paid In and Contributed Surplus	339,780
Unassigned Funds (Surplus)	<u>1,611,971</u>
Total Surplus	<u>2,082,001</u>
Total Liabilities, Capital and Surplus	<u>\$ 2,077,845</u>

Based on our examination, except as noted, the accompanying balance sheet properly presents the statutory financial position of the Company at December 31, 2007, and the accompanying statement of income properly presents the statutory results of operations for the period then ended. The supporting financial statements properly present the information prescribed by the District of Columbia Official Code and the National Association of Insurance Commissioners.

Chapters 20 ("RISK-BASED CAPITAL") and 34 ("HEALTH MAINTENANCE ORGANIZATIONS") of Title 31 ("Insurance and Securities") of the District of Columbia Official Code specify 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.

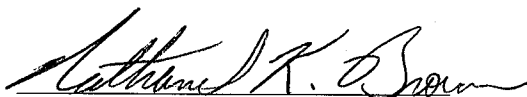
Respectfully submitted

Prepared and submitted by:



Samuel A. Merlo, CPA  
Examiner-In-Charge  
Department of Insurance,  
Securities and Banking

Supervised by:



Nathaniel Kevin Brown, CFE, CPA  
Chief Financial Examiner  
Department of Insurance,  
Securities and Banking