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 - **Aegis Healthcare Risk Retention Group, Inc.**, as of December 31, 2008

ORDER

An Examination of **Aegis Healthcare Risk Retention Group, Inc.** ("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 14th day of June, 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 recommendations 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

REPORT ON EXAMINATION

AEGIS Healthcare Risk Retention Group, Inc.

AS OF

DECEMBER 31, 2008

NAIC NUMBER 12252

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Washington, D.C.
January 29, 2010

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

AEGIS Healthcare Risk Retention Group, Inc.

hereinafter referred to as the "Company" or "AEGIS."

SCOPE OF EXAMINATION

This full-scope examination, covering the period from August 5, 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 was 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. We 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 practical extent, to those areas not covered by the firm's work papers.

STATUS OF PRIOR EXAMINATION FINDINGS

This is the first examination of the Company.

HISTORY

General:

AEGIS was incorporated on August 5, 2004 and commenced business October 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 insurance coverage to long-term care facilities that are members of Mid-Atlantic LifeSpan, a trade association for long-term care facilities.

Membership:

The Company was initially capitalized with $475,000 in letters of credit and $25,000 in cash through the issuance of common stock shares to its members.

The Company is authorized to issue five million two thousand (5,002,000)* shares of common stock to its policyholders/members consisting of:

a) 1,000 shares of class A common stock, par value $1.00 per share;
b) 5,000,000 shares of class B common stock, par value $0.40 per share;
c) 100 shares of class C common stock, par value $1.00 per share.

(* It is noted that the sum of the three categories of common stock shares does not equal five million two thousand as stated in the Company's Articles of Incorporation. During the examination, we discussed this discrepancy with the Company and Management indicated they would resolve the inconsistency by amending the Articles of Incorporation.)

According to the Company's Stock Subscription Agreement, each policyholder/member must purchase one share of class A common stock. In addition, each policyholder/member must purchase class B common stock shares equal to one-third of the initial annual policy premium. Payment for class A and class B shares shall be made in the form of letters of credit issued by a bank acceptable to the Company for the benefit of the Commissioner of the Department. The outstanding share of class C common stock (as indicated in the table below) is solely owned by AEGIS Healthcare Business Solutions, Inc. ("AEGIS Solutions"), a 100 percent owned subsidiary of Mid-Atlantic LifeSpan. During the examination, we noted that while the Company issued the class C common stock certificate to AEGIS Solutions, that entity does not have a policy with the Company. In addition, we noted the Company has issued a general liability policy to Mid-Atlantic LifeSpan, which owns no stock in the Company. Under the Federal Liability Risk Retention Act, owners must be insureds and insureds must be owners. See the "Comments and Recommendations" section of this Report, under the caption "Membership Records and Policyholders," for further comments regarding this condition.

The holders of class A common stock have the right to appoint five of the Company's six directors. The holders of class B common stock do not have the right to appoint any of the Company's directors, but do have dividend participation rights. AEGIS Solutions, as holder of the only outstanding share of class C common stock, has the right to elect the remaining one director. Additionally, all holders of class A and class C common stock are entitled to vote on all matters submitted to a vote at a meeting of shareholders. Class B shareholders do not have any voting rights.

Every three years, the outstanding shares of class B stock are reallocated among the class B shareholders based on the ratio of each shareholder's premium to the total Company premium. The shareholders' letters of credit are then revised to correspond with the new number of shares outstanding.

Subject to approval of the Department and the Company's board of directors, all classes of common stock shareholders may redeem their shares upon termination of their insurance coverage with the Company. However, class A and B shareholders forfeit their capital contributions if the termination occurs within four years of obtaining insurance coverage with the Company.

The following table presents the Company's common stock shares issued and outstanding as of December 31, 2008:

Class A Common Stock Shares	Class A Common Stock Capital	Class B Common Stock Shares	Class B Common Stock Capital	Class C Common Stock Shares	Class C Common Stock Capital	Paid In and Contributed Surplus	Total Common Capital Stock and Contributed Surplus
12	$12	384,547	$153,819	1	$1	$632,168	$786,000

The sum of common stock capital and contributed surplus of $786,000 is composed of $785,000 in the form of letters of credit and $1,000 in cash.

<u>Dividends and Distributions</u>:

The Company did not declare or pay any dividends during the period under examination. However, in 2008, the Company made one return of contributed capital, totaling $50,000, to a common stockholder.

MANAGEMENT

Directors:

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

Name and State of Residence	Principal Occupation
Keith W. Gibb, Chair Maryland	President Brooke Grove Foundation, Inc.
Isabella M. Firth Maryland	President Mid-Atlantic LifeSpan, Inc.
Patricia A. Supik Maryland	Chief Financial Officer Keswick Multi-care Center, Inc.
William Holman, Jr. Maryland	President Charles County Nursing and Rehabilitation Center, Inc.
Frances X. Burns, Jr. Maryland	Vice President, Finance Roland Park Place, Inc.
John H. Horine* Maryland	President College Manor, Inc.

* John Horine had been elected as a member of the board at December 31, 2008. However, his name is not listed as a director in the Company's 2008 Annual Statement filed with the Department due to an oversight.

Officers:

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

Name	Title
Keith W. Gibb	Chairman
Isabella M. Firth	President
Patricia A. Supik	Treasurer
William Holman, Jr.	Secretary

Committees:

As of December 31, 2008, the Company's board of directors has established the following committees:

Finance Committee:
Patricia Supik - Chair
Paul Miller
Barbara Labuskes

Marketing Committee:
Glenn Scherer - Chair
Jim Mauser
Paul Miller
Isabella Firth

Underwriting Committee:
L. E. "Bud" Zimmerman – Chair
William Holman
Dana Cary
Linda Jones
Isabella Firth
Paul Miller
Keith Gibb

Conflicts of Interest:

The Company has adopted a "Business Conduct Code & Ethics" policy ("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 able to provide conflict of interest statements only for 2004 and 2009. We discussed this situation with the Company during the examination. Management indicated that they recognized the importance of maintaining compliance with the Company's Code, and indicated they would ensure compliance going forward. See the "Comments and Recommendations" section of this report, under the caption "Conflicts of Interest", for further comments regarding this condition.

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 document the board's review and approval of the Company's significant transactions and events.

CAPTIVE MANAGER

Riggs, Counselman, Michaels & Downes ("RCM&D") has been the Company's captive manager since incorporation and provides services that include records retention, financial reporting, regulatory compliance and other management services.

FIDELITY BOND AND OTHER INSURANCE

The Company maintains insurance coverage for fiduciary liability and directors and officers' liability, including outside directorship liability, with $1,000,000 per loss and aggregate limits. 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 Maryland. One hundred percent of the Company's 2008 premium ($756,646) was written in Maryland.

The Company provides claims-made coverage to members via assessable policies, with the exception of AEGIS Solutions for which the policies are non-assessable. Limits are offered up to $1,000,000 per occurrence and $3,000,000 aggregate per policy. In addition, the Company offers optional excess loss coverage up to $5 million in excess of $1 million per claim. To manage its risks under its policies, the Company participates in an excess of loss reinsurance treaty under which it retains $250,000 ultimate net loss for each and every claim. See the "Reinsurance" section of this report for further comments regarding the Company's reinsurance.

The Company has no employees and its daily business operations are managed by various third party service providers. During the examination period and as of the date of this report, the Company's captive manager, RCM&D, provided the Company with regulatory filings services, program management and business consulting services at its offices in Baltimore, Maryland. Claims handling functions are provided to the Company by Self-Insurance Service Company ("SISCO"), in Baltimore, Maryland, under an agreement effective September 1, 2004. Neither RCM&D nor SISCO are affiliates of the Company.

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.

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

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

REINSURANCE

Excess of Loss Treaty Effective October 1, 2004 to January 1, 2008:

From October 1, 2004 through January 1, 2008 the Company maintained an excess of loss treaty with various Lloyd's syndicates and international insurers ("Lloyd's and partners") under which it retained the first $250,000 of each claim and reinsured $750,000 in excess of $250,000.

Excess of Loss Treaties Effective January 1, 2008 to January 1, 2011:

Effective January 1, 2008 the Company entered into two excess of loss treaties with Lloyd's and partners for a 36-month period beginning January 1, 2008 and extending over three contract periods, expiring on January 1, 2011. The reinsurance treaties can be cancelled by either party giving notice in writing to the other party 90 days prior to the treaties' anniversary dates.

Under the first excess of loss treaty, the Company cedes $750,000 in excess of $250,000 each and every loss each insured for its primary insurance policies. The Company pays the reinsurers a quarterly deposit premium which is the greater of 25 percent of primary direct written premiums or a minimum premium that varies by contract period. The ceded minimum premium is the greater of 20 percent of direct written premium or $250,000, and ceded premiums can be increased to a maximum 45 percent of direct written premiums based on actual reinsured losses. However, as a special exception, the reinsurance carrier agreed to modify the minimum premium for the contract period ending December 31, 2008 which reduced the reinsurance premium to $231,112. At December 31, 2008, no claims were estimated to exceed $250,000 and therefore the cost of reinsurance is recorded at the minimum premium.

Under the second excess of loss treaty, the Company cedes the risk from $1 million up to $5 million in excess of $1 million each and every loss each insured for its excess insurance policies. The Company cedes 100 percent of the risk of its excess policies to the reinsurers; however, the maximum recoverable by the Company under the treaty is capped at $8 million. The cost of this excess reinsurance is 100 percent of the direct excess premiums less commissions and premium taxes. Payments are made to the reinsurers quarterly after the end of each quarter. At December 31, 2008, there was no reinsurance recoverable under the excess treaty, and currently, the Company holds no collateral from reinsurers.

In 2008 the Company's reinsurance premium totaled $412,096. As of December 31, 2008, the Company did not report any amounts recoverable from reinsurers related to losses paid or loss reserves, but did report "Prepaid reinsurance" totaling $128,276 and "Other amounts receivable under reinsurance contracts" totaling $127,648 (both amounts representing estimated premiums due back from the reinsurers as a result of anticipated favorable loss experience under the reinsurance agreements). If the reinsurers were not able to meet their obligations under the treaties, the Company would be liable for any defaulted amounts.

Our review of the Company's reinsurance treaties disclosed no unusual terms. All of the Company's reinsurers to these treaties are rated "A" or better by A.M. Best.

ACCOUNTS AND RECORDS

The primary location of the Company's books and records is at the offices of its captive manager, RCM&D, in Baltimore, Maryland.

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

FINANCIAL STATEMENTS

The following financial statements, prepared in accordance with accounting practices generally accepted in the United States ("GAAP"), except for the condition described in **NOTE 1,** 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
Common stocks	$ 1,124,599
Cash ($285,351), cash equivalents ($0) and short-term investments ($0)	285,351
Subtotal, cash and invested assets	$ 1,409,950
Other amounts receivable under reinsurance contracts	$ 127,648
Current federal income tax recoverable	$ 5,061
Net deferred tax asset	$ 65,398
Aggregate write-ins for other than invested assets:	
Prepaid expenses	$ 5,417
Letters of credit **(NOTE 1)**	785,000
Prepaid reinsurance	128,276
Other accounts receivable	8,607
Total aggregate write-ins for other than invested assets	$ 927,300
Total	$ 2,535,357

LIABILITIES, SURPLUS AND OTHER FUNDS

	December 31, 2008
Losses (**NOTE 2)**	$ 1,282,917
Loss adjustment expenses (**NOTE 2**)	90,130
Commissions payable	42,449
Other expenses (excluding taxes, licenses and fees)	41,185
Taxes, licenses and fees (excluding federal and foreign income taxes)	23,545
Advance premiums	31,030
Total Liabilities	$ 1,511,256
Common capital stock	$ 153,832
Gross paid in and contributed surplus	632,168
Unassigned funds (surplus)	238,101
Surplus as regards policyholders	$ 1,024,101
Total	$ 2,535,357

STATEMENT OF INCOME

		2008
UNDERWRITING INCOME		
Premiums earned	$	1,062,697
DEDUCTIONS		
Losses incurred	$	556,242
Loss adjustment expenses incurred		60,000
Other underwriting expenses incurred		400,310
Total underwriting deductions	$	1,016,552
Net underwriting gain	$	46,145
INVESTMENT INCOME		
Net investment income earned	$	61,090
Net realized capital gains		13,191
Net investment gain	$	74,282
Net income after dividends to policyholders, after capital gains and before all other federal and foreign income taxes	$	120,427
Federal and foreign income taxes incurred	$	15,252
Net income	$	105,175

CAPITAL AND SURPLUS ACCOUNT

Net loss, 2004	$	(17,068)
Initial capital and surplus		500,000
Net change in surplus as regards policyholders, 2004		482,932
Surplus as regards policyholders, December 31, 2004	$	482,932
Net income, 2005	$	71,811
Surplus adjustments: Paid in		211,520
Capital changes: Paid in		54,480
Net change in surplus as regards policyholders, 2005		337,811
Surplus as regards policyholders, December 31, 2005	$	820,743
Net income, 2006	$	2,564
Change in net unrealized capital gains or (losses)		194
Surplus adjustments: Paid in		44,000
Capital changes: Paid in		26,000
Net change in surplus as regards policyholders, 2006		72,758
Surplus as regards policyholders, December 31, 2006	$	893,501
Net income, 2007	$	75,621
Change in net unrealized capital gains or (losses)		12,314
Net change in surplus as regards policyholders, 2007		87,935
Surplus as regards policyholders, December 31, 2007	$	981,436
Net income, 2008	$	105,175
Change in net unrealized capital gains or (losses)		(12,510)
Surplus adjustments: Paid in		(47,727)
Capital changes: Paid in		(2,273)
Net change in surplus as regards policyholders, 2008		42,665
Surplus as regards policyholders, December 31, 2008	$	1,024,101

ANALYSIS OF EXAMINATION CHANGES TO SURPLUS

There were no changes to the Company’s surplus as a result of our examination.

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 **(NOTE 3)**	$ 2,535,357	$ 3,472,262	$ 3,393,852	$ 2,089,789	$ 1,310,439
Liabilities **(NOTE 3)**	1,511,256	2,490,826	2,500,351	1,269,046	827,507
Capital and surplus	1,024,101	981,436	893,501	820,743	482,932
Gross written premium	756,646	1,759,628	1,893,656	1,477,889	854,287
Net earned premium	1,062,697	990,733	804,429	672,839	97,421
Net investment income	74,282	63,739	30,673	5.929	0
Net income (loss)	$ 105,175	$ 75,621	$ 2,564	$ 71,811	$ (17,068)

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 – Letters of Credit:

At December 31, 2008, the Company's assets included $785,000 in letters of credit in the possession of the District of Columbia Insurance Commissioner. Under the Captive Laws of the District of Columbia, letters of credit approved by the Department are allowed as admitted assets. Inclusion of the letters of credit as assets is not in accordance with GAAP.

NOTE 2 – Loss and Loss Adjustment Expense Reserves:

The Company reported "Losses" and "Loss adjustment expenses" reserves totaling $1,282,917 and $90,130, 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. As of December 31, 2008, the Company did not report any amounts recoverable from reinsurers related to its loss reserves. 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 independent actuary utilized in our examination concluded that the methodologies and assumptions utilized by the Company's independent actuary to compute these reserves, and the amount of the reserves as of December 31, 2008, were reasonable and adequate.

NOTE 3 – Fluctuation of Assets and Liabilities:

The "Comparative Financial Position of the Company" table shows that total assets and liabilities decreased by approximately $1 million from 2007 to 2008. At the beginning of 2008, the Company converted all of its existing policies to annual policies with effective dates of January 1st. This conversion reduced the unearned premium liability from $1.04 million as of December 31, 2007 to zero as of December 31, 2008; and reduced total assets as of December 31, 2008 as a result of policy premiums for the upcoming policy year having not yet been collected. The policy conversion did not have any impact on the Company's surplus.

COMMENTS AND RECOMMENDATIONS

Membership Records and Policyholders:

As indicated in the "Membership" section of this report, the Company's outstanding share of class C common stock is owned by AEGIS Healthcare Business Solutions, Inc. ("AEGIS Solutions"). However, AEGIS Solutions does not have a policy with the Company. In addition, we noted the Company has issued a general liability policy to Mid-Atlantic LifeSpan, which owns no stock in the Company. Under the Federal Liability Risk Retention Act (LRRA), owners must be insureds and insureds must be owners. Accordingly, **we recommend that the Company maintain full compliance with the Federal LRRA at all times.** (The Department was notified by the Company that subsequent to the date of this report, the outstanding share of class C stock was transferred from AEGIS Solutions to Mid-Atlantic LifeSpan).

Conflicts of Interest:

As indicated in the "Conflicts of Interest" section of this report, the Company's "Business Conduct Code & Ethics" policy ("Code") requires the Company's directors and officers to sign conflict of interest statements annually. In addition, the D.C. Municipal Regulations, section 26-3712, require that such statements from officers, directors and key employees be filed annually with the board of directors. However, the Company was able to provide completed conflict of interest statements only for 2004 and 2009. **We recommend that the Company ensure its officers and directors complete conflict of interest statements and file such statements with the board of directors on an annual basis in compliance with its own Code, as well as with the abovementioned section of the D.C. Municipal Regulations.**

CONCLUSION

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

Admitted Assets	$	2,535,357
Liabilities and Reserves		1,511,256
Common Capital Stock		153,832
Gross Paid In and Contributed Surplus		632,168
Unassigned Funds (Surplus)		238,101
Total Surplus		1,024,101
Total Liabilities, Capital and Surplus	$	2,535,357

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

May 17, 2010

Isabella M. Firth
President
Aegis Healthcare Risk Retention Group, Inc.
C/o Michael R. Feldman, Riggs, Counselman, Michaels & Downes, Inc.
555 Fairmount Ave.
Baltimore, MD 21286-5497

Dear Ms. Firth:

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 **Aegis Healthcare Risk Retention Group, Inc.**, 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 conditions which lead to the recommendations.

The response must be in writing and shall be furnished to this Department by June 7, 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

RCM&D

RIGGS, COUNSELMAN, MICHAELS & DOWNES, INC.
555 Fairmount Avenue
Baltimore, MD 21286
www.rcmd.com

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DEPARTMENT OF INSURANCE
SECURITIES AND BANKING

June 4, 2010

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

Re: Aegis Healthcare Risk Retention Group
DISB Report

Dear Mr. O'Connell:

This is in response to your letter of May 17 regarding the DISB Report on the examination of Aegis Healthcare RRG as of December 31, 2008.

On behalf of Aegis Healthcare RRG I can confirm that we have reviewed the report and there are no errors or omissions in the draft.

With respect to the Comments and Recommendations section, we have the follow responses:

<u>Membership Records and Policy Holders</u>
We have transferred the Class C Common Stock Share Certificate to Mid-Atlantic Lifespan. This will make the shareholder and insurance policy holder consistent. I have attached a copy of the new Share Certificate which was executed on April 1, 2010.

<u>Conflicts of Interest</u>
At the May 17, 2010 Board meeting, Aegis Healthcare RRG adopted and approved a Code of Ethics Policy. A copy of this policy is attached.

Please let me know if you have any question or comments. Thank you.

Sincerely,

Michael R. Feldman

Michael R. Feldman
Senior Vice President

MRF/m
enclosure

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

Gennet Purcell
Commissioner

June 14, 2010

Isabella M. Firth
President
Aegis Healthcare Risk Retention Group, Inc.
C/o Michael R. Feldman, Riggs, Counselman, Michaels & Downes, Inc.
555 Fairmount Ave.
Baltimore, MD 21286-5497

Dear Ms. Firth:

We are in receipt of a response, dated June 4, 2010, from Michael R. Feldman, Senior Vice President, Riggs, Counselman, Michaels & Downes, Inc., regarding the Report on Examination of **Aegis Healthcare Risk Retention Group, Inc.** ("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