<u>REPORT ON EXAMINATION</u>

<u>OF</u>

<u>MVP HEALTH INSURANCE COMPANY</u>

<u>AS OF</u>

<u>DECEMBER 31, 2007</u>

DATE OF REPORT	**APRIL 29, 2009**
EXAMINER	**JEFFREY L. USHER**

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

David A. Paterson
Governor

Eric R. Dinallo
Superintendent

April 29, 2009

Honorable Eric R. Dinallo
Superintendent of Insurance
Albany, New York 12257

Sir:

Pursuant to the requirements of the New York Insurance Law, and acting in accordance with the instructions contained in Appointment Number 22767, dated May 14, 2009, attached hereto, I have made an examination into the condition and affairs of MVP Health Insurance Company (MVPHIC), a for-profit stock company licensed pursuant to the provisions of Article 42 of the New York Insurance Law. The following report is respectfully submitted.

The examination was conducted at the home office of MVP Health Insurance Company located at 625 State Street, Schenectady, New York.

Whenever the designations "the Company" or "MVPHIC" appear herein, without qualification, they should be understood to indicate MVP Health Insurance Company.

1. SCOPE OF EXAMINATION

The previous examination of the Company was conducted as of December 31, 2003. This examination covers the four-year period from January 1, 2004 through December 31, 2007. Transactions occurring subsequent to December 31, 2007 were reviewed where deemed appropriate by the examiner.

The examination comprised a verification of assets and liabilities as of December 31, 2007, in accordance with statutory accounting principles (SAP), as adopted by the Department, a review of income and disbursements to the extent deemed necessary to accomplish such verification, and utilized, to the extent considered appropriate, work performed by the Company's independent certified public accountants. A review or audit was also made of the following items as called for in the *Examiners Handbook of the National Association of Insurance Commissioners* (NAIC):

History of the Company
Management and controls
Corporate records
Fidelity bonds and other insurance
Reinsurance
Territory and plan of operations
Growth of the Company
Accounts and records
Loss experience
Financial statements

A review was also made to ascertain what actions were taken by the Company with regard to comments and recommendations contained within the prior report on examination

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

2. DESCRIPTION OF COMPANY

MVP Health Insurance Company was incorporated on April 24, 2000, as a for-profit health and accident insurer pursuant to Section 1201 of the New York Insurance Law. The Company was licensed in June 2001, to write accident and health insurance as defined under Section 1113(a)(3) of the New York Insurance Law.

The Company began operations in the State of New York, in July 2001. The Company received approval to operate as an accident and health insurer in the State of Vermont on May 1, 2002.

The Company issued 60,000 shares of $5.00 par value per share capital stock on December 14, 2000 to MVPHIC Holding Corporation, for a sale price of $5.00 per share, resulting in a total consideration of $300,000. In addition, also on December 14, 2000, MVPHIC received a capital/surplus contribution of $3,700,000 from its parent MVPHIC Holding Corporation. In early 2002, the State of Vermont Insurance Department required an additional infusion of capital in order to issue a license to the Company. Therefore, the Company’s paid-in capital increased from $300,000 to $2,000,000 as a result of the sale of an additional 340,000 shares of capital stock at $5.00 par and sale value per share on February

11, 2002, to its parent, and the sole shareholder of the Company's outstanding stock, MVPHIC Holding Corporation.

Prior to January, 2006, the Company was a wholly-owned subsidiary of MVPHIC Holding Corp., which was a wholly owned subsidiary of MVP Health Plan, Inc. (MVPHP), the ultimate parent of the Company.

On January 6, 2006, MVPHP combined with Preferred Care, Inc. (PC). Under the terms of an agreement, MVPHP and PC reorganized their respective enterprises under a holding company structure with MVP Health Care, Inc. established as the ultimate holding company.

A. Management and Controls

Pursuant to its charter and by-laws, management of the Company is vested in a board of directors consisting of nine members. As of December 31, 2007, the board of directors consisted of nine members as set forth below:

Name and Residence	Principal Business Affiliation
Joseph J. Schwerman, MD Queensbury, New York	Family Practitioner, Hudson Headwaters Health Network
Richard D'Ascoli, MD Schenectady, New York	Orthopedic Surgeon, Schenectady Regional Orthopedics
Joseph F. Heavey Poughkeepsie, New York	Administrator, The Children's Medical Group
Karen B. Johnson Schenectady, New York	Director of Development, Proctors Theatre

Name and Residence	Principal Business Affiliation
Herschel R. Lessin, M.D. Poughkeepsie, New York	Pediatrician, Children’s Medical Group, PLLC
Leland C. Tupper Schenectady, New York	Retired, General Electric Company
Jon K. Rich Alplaus, New York	Retired, General Electric Company
Murray Jaros, Esq. Niskayuna, New York	Attorney, New York State Association of Towns
David W. Oliker Charlton, New York	President and Chief Executive, MVP Health Plan, Inc.

The minutes of all meetings of the board of directors and committees thereof held during the examination period were reviewed. Board meetings were generally well attended. with all directors attending at least one-half of the meetings they were eligible to attend.

Shareholders Meetings

Article III, Section 1 of the by-laws of MVP Health Insurance Company states in part:

> "… The annual meeting of the shareholders of the Company shall be held annually for the election of Directors and for the transaction of such business as may properly come before the meeting..."

A review of the board of director’s meeting minutes revealed that the Company failed to hold the annual meeting of the shareholders, as required by Article III, Section 1 of its by-laws.

It is recommended that an annual shareholders' meeting be held as required by Article III, Section 1 of the Company's by-laws.

The principal officers of the Company as of December 31, 2007 were as follows:

Name	Title
David Oliker	President and Chief Executive Officer
Alfred Gatti	Executive Vice-President of Planning
Thomas Combs	Treasurer, Executive Vice-President and Chief Financial Officer
Denise V. Gonick, Esq.	Secretary, Executive Vice-President and Chief Legal Officer

B. Territory and Plan of Operation

As of December 31, 2007, the Company was authorized to write accident and health insurance business in the states of New York and Vermont.

Based on the lines of business for which the Company is licensed, the Company is required to have initial surplus of $450,000 and maintain a minimum surplus of $300,000 pursuant to the requirements of Article 42 of the New York Insurance Law. In addition, the Company entered into a commitment with the New York State Insurance Department upon licensing, to maintain a ratio of not more than 4:1 of net premiums to capital and surplus. During this examination period the ratio was as follows:

Year	Ratio
2004	6:1
2005	4:1
2006	3:1
2007	2:1

As noted in the above table, the Company exceeded the net premiums to capital and surplus ratio of 4:1 in 2004. However, as indicated in the above table, the Company has taken steps to bring such ratio within aforementioned limitation agreement with the Department.

In March of 2004, with the approval of the Superintendent of Insurance, the Company received $18,000,000 of additional surplus in the form of a loan from its ultimate parent at the time, MVP Health Plan, Inc., pursuant to Section 1307 of the New York Insurance Law. This loan eliminated the Company's insolvent position and minimum surplus impairment as of March 31, 2004. The repayment of the Section 1307 Loan and the accumulated accrued interest thereon, shall only be paid out of future free and divisible surplus of the Company, subject to the prior approval of the Superintendent. The total accumulated accrued interest during this examination at December 31, 2007 was $6,997,408.

The Company offers a variety of insurance products, such as a preferred provider option (PPO), an exclusive provider option (EPO), a point-of-service option (POS) and a traditional indemnity insurance product.

The Company provides health insurance coverage to private and public sector employer groups. The Company's enrollment for each year under examination, by product type, was as follows:

	2004	2005	2006	2007
PPO	26,653	16,656	10,516	11,190
POS	32,531	33,059	27,276	26,878
Indemnity only	2,093	2,084	1,879	2,105
Total	61,277	51,799	39,671	40,173

The Company's decrease in membership during the latter two years was attributed to a lack of competitive rating within New York. It was noted that the Company experienced an increase in membership in the latter portion of the examination period in Vermont as it gained market share in this new market region.

The Company's direct written premium for each year under examination was as follows:

	2004	2005	2006	2007
New York	$90,508,216	$68,182,245	$43,780,640	$35,779,551
Vermont	$3,119,100	$5,479,777	$5,777,787	$12,122,077
Total	$93,627,316	$73,662,022	$49,558,427	$47,901,628

During the examination period, the Company solicited business as a direct writer through the use of the Company's in-house licensed agents. The Company also contracted with licensed brokers for the production of business.

C. Reinsurance

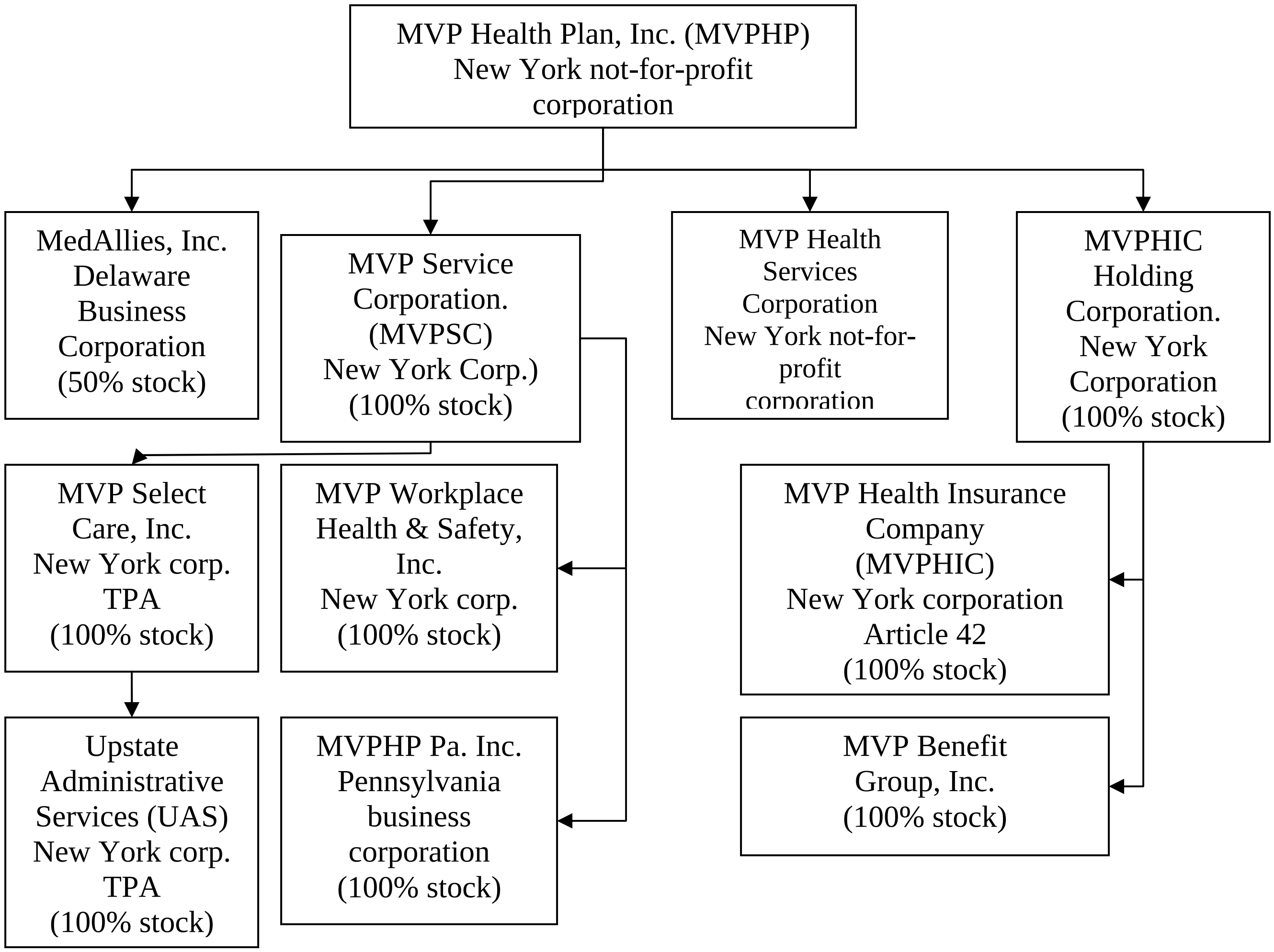
For the period January 1, 2003 through December 31, 2007, MVPHIC had a reinsurance agreement in place with Zurich American Insurance Company, an authorized reinsurer. The covered services ceded under the agreement were medical services for individual and group accident and health policies. The reinsurance agreement contained all the required standard clauses, including the insolvency clause required by Section 1308 of the New York Insurance Law. The reinsurance limits of liability are 80% of $2,000,000 of net loss, for each member, for each contract year.

The Company is subject to a retention that includes a deductible of $200,000 per member, per contract year, a coinsurance of 20% of net loss in excess of the deductible, and any amounts in excess of the reinsurance limits of liability. Zurich American Insurance Company will pay to MVPHIC, 80% of the amount of net loss in excess of the deductible, subject to the reinsurance limits of liability.

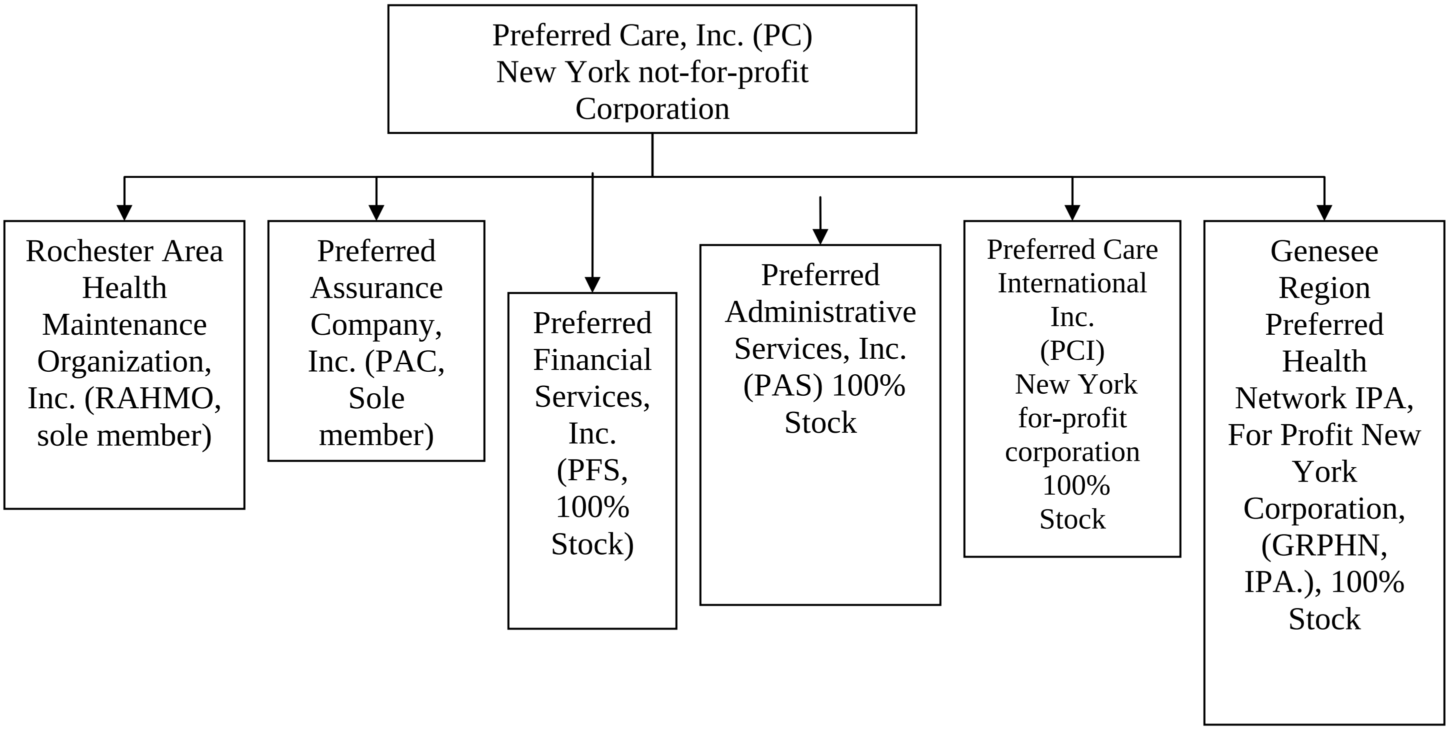
D. Holding Company System

MVP Health Care, Inc. (Ultimate Parent) and its wholly-owned subsidiaries comprise an integrated health benefits insurance and health benefit management holding company system. On January 6, 2006, MVP Health Plan, Inc. (HMO), a tax exempt New York State not-for-profit corporation licensed as a health maintenance organization to deliver health care services in New York and Vermont, combined with Preferred Care, Inc. (PC), a tax-exempt New York State not-for-profit corporation. Under terms of their Agreement and Plan of Reorganization by and between Preferred Care, Inc. and MVP Health Plan, Inc., the HMO and PC reorganized their respective enterprises under a holding company structure, with the ultimate holding company changed to MVP Health Care, Inc. This latter entity now serves as the direct (or indirect) parent company of all of the subsidiaries of the former PC, the HMO, and all of its subsidiaries.

The following chart depicts the MVP Health Plan, Inc. holding company system prior to January 2006:


MVP Health Plan, Inc. (MVPHP) New York not-for-profit corporation
MedAllies, Inc. Delaware Business Corporation (50% stock)
MVP Service Corporation. (MVPSC) New York Corp.) (100% stock)
MVP Health Services Corporation New York not-for-profit corporation
MVPHIC Holding Corporation. New York Corporation (100% stock)
MVP Select Care, Inc. New York corp. TPA (100% stock)
MVP Workplace Health & Safety, Inc. New York corp. (100% stock)
MVP Health Insurance Company (MVPHIC) New York corporation Article 42 (100% stock)
Upstate Administrative Services (UAS) New York corp. TPA (100% stock)
MVPHP Pa. Inc. Pennsylvania business corporation (100% stock)
MVP Benefit Group, Inc. (100% stock)

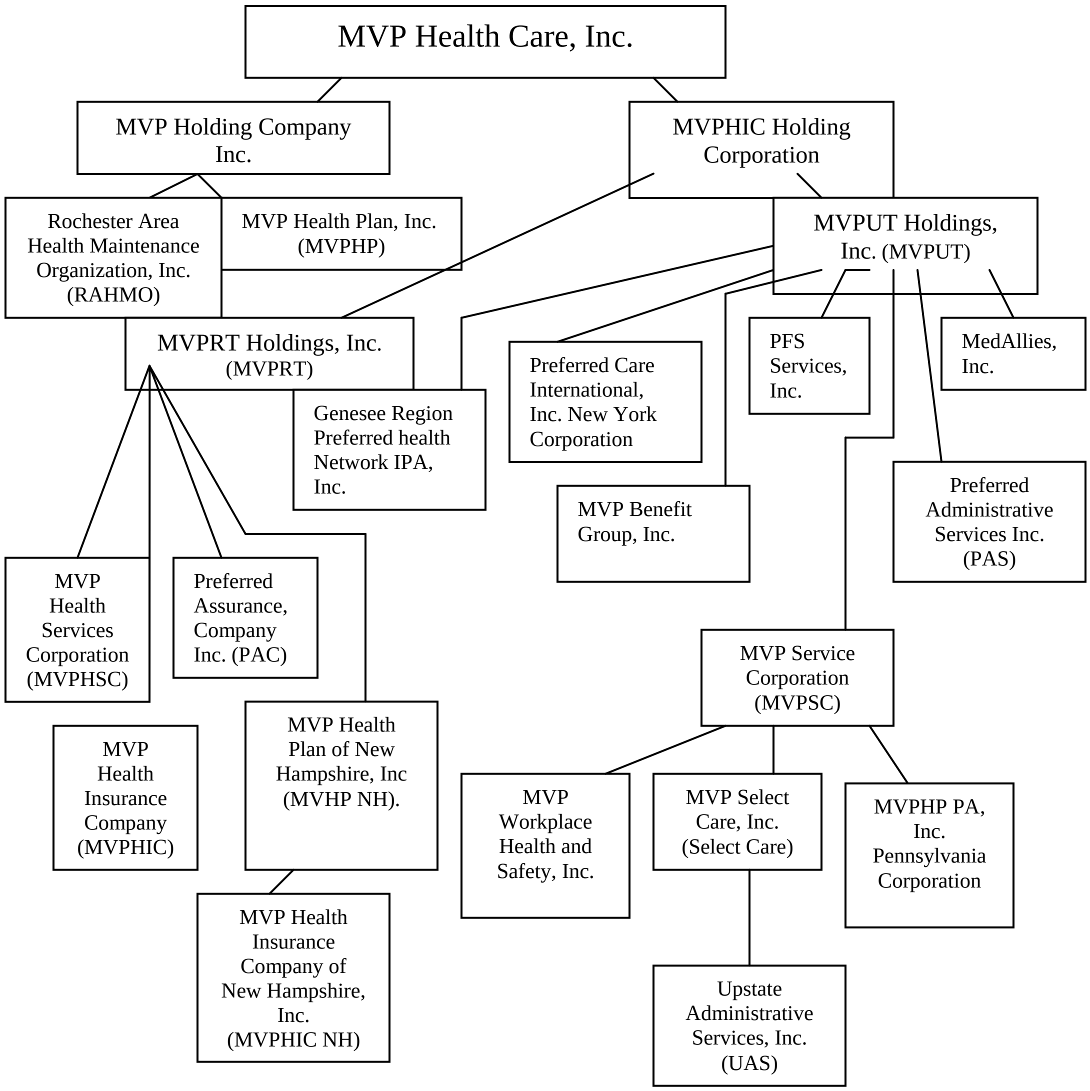
The following chart depicts the Preferred Care, Inc. holding company system prior to January 2006:



As a result of the reorganization of the corporate structure, Rochester Area Health Maintenance Organization, Inc. (RAHMO) and MVPHP are now wholly-owned subsidiaries of MVPHP Holding Company, Inc., which in turn is a wholly-owned subsidiary of the ultimate parent, MVP Health Care, Inc.

MVP Health Service Corp., Preferred Assurance Co. Inc., and MVP Health Insurance Company are wholly-owned subsidiaries of MVPRT Holdings, Inc., which in turn, is a wholly-owned subsidiary of MVPHIC Holding Corporation. MVPHIC Holding Corporation is a wholly-owned subsidiary of the ultimate parent, MVP Health Care Inc.

The following is the current organizational chart of MVP Health Care, Inc. (Ultimate Parent) and its subsidiaries subsequent to January 2006 and as of December 31, 2007:



MVP Health Insurance Company (MVPHIC)

MVPHIC is a for-profit New York corporation, wholly-owned by MVPHIC Holding Corp which is a wholly-owned subsidiary of MVP Health Care, Inc. MVPHIC was incorporated on April 24, 2000. MVPHIC received its license as an accident and health insurance company under Article 42 of the New York Insurance Law in June of 2001. MVPHIC underwrites PPO, point of service (out-of-network) and indemnity only products for large and small groups.

MVP Health Plan, Inc. (MVPHP)

MVPHP was incorporated on July 30, 1982, pursuant to Section 402 of the New York Not-For-Profit Corporation Law for the purpose of operating as a health maintenance organization as such term is defined in Article 44 of the New York Public Health Law. MVPHP, which operates as an IPA model HMO, is also a federally qualified HMO.

Prior to the reorganization of the HMO and PC, MVPHP and its wholly-owned subsidiaries were an integrated health care management company. MVPHP's wholly-owned subsidiaries were: MVP Service Corporation, providing management services, MVP Health Services Corp., providing dental insurance products to New York employer groups, and MVPHIC Holding Corp.

MVP Holding Company, Inc.

MVP Holding Company, Inc. was formed on January 6, 2006 as a not-for-profit corporation, the sole member of which is MVP Health Care, Inc. As a result of the restructuring which took place in 2006, MVP Holding Company, Inc. became the immediate parent of RAHMO and MVP Health Plan, Inc. As of December 31, 2007, the net worth of RAHMO and MVP Health Plan, Inc. were $183,334,542 and $138,719,155, respectively. MVP Holding Company, Inc. had a consolidated net value of $322,053,697 which is the combined net worth of RAHMO and MVP Health Plan, Inc.

MVPHIC Holding Corporation

MVPHIC Holding Corporation was incorporated on November 22, 2000, pursuant to Section 402 of New York Business Corporation Law. It was specifically formed to hold the stock of MVP Health Insurance Company (MVPHIC). MVPHIC is an Article 42 for-profit accident and health insurance company licensed in the state of New York. MVPHIC Holding Corp holds and controls 100% ownership of MVPRT Holdings, Inc. and MVPUT Holdings, Inc. MVP Health Care, Inc., in turn, owns and controls 100% of the stock of MVPHIC Holding Corp.

MVPHIC Holding Corporation controls five subsidiaries of MVPRT Holdings, Inc. Three of the five subsidiaries, MVP Health Services Corporation., Preferred Assurance Company, Inc., and MVP Health Insurance Company, are regulated by the New York Insurance Department. As of December 31, 2007, MVPRT Holdings, Inc. and MVPUT

Holdings, Inc. had a net value of $6,852,493 and $36,076,674, respectively. MVPHIC Holding Corp valued its investments in MVPRT Holdings, Inc. and MVPUT Holdings, Inc. in the amount of $42,929,167, which is the combined value of MVPRT Holdings, Inc. and MVPUT Holdings Inc.

The structure under reorganization included the addition of two holding company entities, MVPRT Holdings, Inc. (MVPRT) and MVPUT Holdings, Inc. (MVPUT). Both of these companies are New York corporations. MVPRT contains subsidiaries which are regulated by various Insurance and Health Departments (New York State Insurance and Health Departments, Vermont Department of Banking, Insurance, Securities & Health Care Administration and the New Hampshire Insurance Department). MVPUT controls subsidiaries which are not regulated. MVPRT Holdings, Inc. maintains 100% ownership of MVP Health Insurance Company (MVPHIC) and MVP Health Plan of New Hampshire, Inc., and is the sole member of MVP Health Services Corporation (MVPHSC) and Preferred Assurance Corporation (PAC). MVPRT Holdings, Inc. is a wholly-owned subsidiary of MVPHIC Holding Corp.

Rochester Area Health Maintenance Organization, Inc. (RAHMO)

RAHMO is a not-for-profit corporation operating as a federally qualified health maintenance organization under the provisions of Article 44 of the New York Public Health Law, and operating under Section 501(c)(4) of the Internal Revenue Code. RAHMO is exempt from federal income taxes on related income pursuant to Section 501(a) of the Internal

Revenue Code. At December 31, 2007, RAHMO was controlled by its sole member, MVPHP Holding Company, Inc., which is a wholly owned subsidiary of MVP Health Care, Inc, the ultimate parent.

Preferred Care, Inc., was the sole member of RAHMO prior to its affiliation with MVP Health Plan, Inc. in 2007.

MVP Health Services Corporation (MVPHSC)

MVPHSC is a not-for-profit corporation, licensed under Article 43 of the New York Insurance Law. Prior to January 2002, MVPHSC offered point-of-service (POS) health insurance products. Currently MVPHSC issues only indemnity dental insurance products. MVPHSC is a subsidiary of MVPRT Holdings, Inc., which is a wholly owned subsidiary of MVPHIC Holding Corp. MVPHIC Holding Corp is a wholly owned subsidiary of MVP Health Care, Inc.

Preferred Assurance Company, Inc. (PAC)

PAC is licensed to do business within New York State as a non-profit health corporation pursuant to the provisions of Article 43 of the New York Insurance Law. PAC provides coverage for hospital, medical and other health services for the out-of-network component of RAHMO's point-of-service product in the Rochester metropolitan area. In 2008, PAC marketed PPO and EPO products. PAC is a subsidiary of MVPRT Holdings, Inc., which is a wholly-owned subsidiary of MVPHIC Holding Corporation. MVPHIC Holding Corporation is a wholly owned subsidiary of MVP Health Care, Inc.

MVP Service Corporation (MVPSC)

The HMO has a management services and consulting agreement with MVP Service Corporation, a company owned by MVPUT Holdings, Inc. MVP Service Corporation's employees perform all day-to-day operations of the Company and charges the Company for its share of costs based on a contractual cost allocation methodology.

MVP Health Plan of New Hampshire, Inc. (MVPHP NH).

MVPHP NH is a wholly owned subsidiary of MVPRT Holdings, Inc., which is a wholly owned subsidiary of MVPHIC Holdings Corp. MVPHP NH is the immediate parent of MVP Health Insurance Company of New Hampshire, Inc. These entities are domestic business corporation incorporated under the New Hampshire revised statutes annotated (RSA) 293-A. MVPHP NH is licensed to operate a health maintenance organization in the state of New Hampshire.

MVP Select Care, Inc. (Select Care)

Select Care is a for-profit New York corporation, wholly-owned by MVP Service Corporation. Select Care was incorporated in 1987 to provide administrative services to companies that self-insure health care benefits.

MVP Select Care, Inc. owns 100% of Upstate Administrative Services (UAS), a New York corporation licensed as a TPA. UAS business was fully integrated into Select Care to achieve administrative service efficiencies.

On November 16, 1992, Select Care entered into an administrative service agreement with MVPSC, whereby MVPSC's employees provide for all the day-to-day operations of Select Care.

After the execution of the Agreement and Plan of Reorganization by and between Preferred Care, Inc. and MVP Health Plan, Inc., the Ultimate Parent. funded the Greater Rochester Health Foundation (Foundation) pursuant to the New York Not-for-Profit Corporation Law for the purpose of promoting, and improving the delivery, efficiency and quality of health services in the Rochester, New York region.

MVP Health Care, Inc. was funded from the proceeds of an $80,000,000 bank term loan (discussed below) and by cash transfers from Rochester Area Health Maintenance Organization, Inc. in the amount of $107,000,000, from MVPHP in the amount of $30,000,000 and from Select Care in the amount of $13,500,000. MVP Health Care, Inc. subsequently funded the Foundation with a $200,000,000 cash payment. In addition, MVP Health Care, Inc. is required to contribute an additional amount to the Foundation in the amount of $26,639,000 which is payable on January 6, 2012 and bears interest at 3.5%. The additional contribution plus interest is expected to be funded by subsidiaries of MVP Health Care, Inc., including MVPHP.

MVP Health Care, Inc. obtained a five-year $80,000,000 bank term loan for which some of the affiliated companies are guaranteeing repayment of the term loan. The term loan includes restrictive covenants including fixed charge coverage ratio of 2.00 to 1.00 through December31, 2006 and December 31, 2007 and 2.25 to 1.00 thereafter, the leverage ratio not to exceed 1.75 to 1.00 for the combined company and the minimum total reserves ratio of not less than 1.50 to 1.00 for New York Public Health Law Article 44 subsidiaries (i.e., MVPHP and RAHMO). The subsidiaries of MVP Health Care, Inc., including the HMO, fund the debt service of the term loan. MVP Health Care, Inc. paid back the $80,000,000 term loan in full on November 2, 2007 without penalties.

Consolidated Tax Agreement

It was noted that subsequent to the reorganization of MVP Health Care Inc., MVP HIC Holding Corp, and all of its subsidiaries including the Company filed a 2007 consolidated federal corporate income tax filings. However, the Company did not have a consolidated tax agreement in effect with MVPHIC Holding Corporation as required by Section 1505(d) of the New York Insurance Law.

It is recommended that the Company enter into a written consolidated tax agreement with MVPHIC Holding Corporation as required by Section 1505(d) of the New York Insurance Law. It is further recommended that said consolidated tax agreement be constructed in conformity with Department Circular Letter No. 33 (1979) and that the Company file such agreement with the New York Insurance Department.

E. Significant Operating Ratios

The following ratios have been computed as of December 31, 2007 based upon the results of this examination:

Net premiums written (2007) to surplus	2.1 to 1
Uncollected premiums to surplus	6.78 to 1
Cash and invested assets to unpaid claims	35.3%
Surplus to unpaid claims	478%

The above ratios fall within the NAIC benchmarks.

The underwriting ratios presented below are on an earned-incurred basis and encompass the examination period.

	Amounts	Ratios
Claims	$215,576,040	82.2%
Claims adjustment expenses	5,545,722	2.1%
General administrative expenses	35,999,064	13.7%
Net underwriting gain	5,090,272	2.0%
Premiums earned	$262,211,098	100.0%

F. Allocation of Expenses

The Company, as of December 31, 2007, entered into a cost sharing agreement with several affiliated companies. The Company’s portion of shared costs was determined using a cost allocation worksheet which uses various drivers to calculate the percentage of cost that gets allocated to the participating companies.

The following observations were noted relative to the allocation of expenses:

The examination revealed that the Company's costs such as operations and initial claims review costs as examples are charged to various cost centers including claims adjustment expenses and general administration expenses. A review of the definitions and functions of the cost centers revealed that some of the cost centers have more than one function and that the costs should have been allocated to more than one expense grouping (i.e. cost containment, claim adjustment, general administrative and/or investment expenses as shown on the underwriting and investment exhibit – "Part 3, Analysis of Expenses" included within the Company's December 31, 2007 annual statement). The Company elected to choose what it considered to be the most appropriate expense group, but did not allocate such costs among the aforementioned expense groupings in compliance with Department Regulation 33 (11 NYCRR 91).

It is recommended that the Company comply with Department Regulation No. 33 by revising and updating its expense allocation methodology in order to reflect an appropriate allocation among the proper annual statement three expense groupings within the underwriting and investment exhibit of the Company's annual statement.

G. Abandoned Property Law

The Company filed its abandoned property reports for each year of the examination period with the New York State Comptroller's Office in accordance with the various requirements of the New York Abandoned Property Law. However, the Company failed to publish the names and addresses of persons appearing as the owners of the unclaimed property as required by Section 1316(3).1 of the New York Abandoned Property Law.

Section 1316(3) of the New York Abandoned Property Law states, in part, the following:

> "Within thirty days following the filing of the report of abandoned property with the comptroller pursuant to subdivision two of this section, the insurer shall cause to be published a list of such abandoned property in the same manner as that prescribed for life insurance companies by section seven hundred two of this chapter."

It is recommended that the Company comply with the publishing requirements of Section 1316(3) of the New York Abandoned Property Law.

3. FINANCIAL STATEMENTS

A. Balance Sheet

The following shows the assets, liabilities and capital and surplus as determined by this examination as of December 31, 2007. This statement is the same as the balance sheet filed by the Company.

	Examination Admitted Assets	Company Admitted Assets
Assets		
Bonds	$12,257,933	$12,257,933
Cash and short term investment	13,152,569	13,152,569
Investment income due and accrued	226,596	226,596
Uncollected premium	1,536,083	1,536,083
Reinsurance recoverable	322,477	322,477
Federal income tax recoverable	23,458	23,458
Net deferred tax asset		
Receivable from parent, subsidiaries and affiliates	1,247,429	1,247,429
Health care and other amount receivable	159,442	159,442
NYS income tax receivable	182,316	182,316
Prepaid expenses	0	0
Total assets	$29,108,303	$29,108,303

	Examination	Company
Liabilities, Capital and Surplus		
Claims unpaid	$4,731,964	$4,731,964
Unpaid claims adjustment expenses	121,000	121,000
General expenses due and accrued	1,589,038	1,589,038
Amount due to parent, subsidiaries and affiliates	34,451	34,451
Total liabilities	$6,476,453	$6,476,453
Capital and surplus		
Common capital stock	$2,000,000	$2,000,000
Gross paid in and contributed surplus	3,540,410	3,540,410
Surplus notes	18,000,000	18,000,000
New York State statutory deposit	200,000	200,000
Unassigned funds (surplus)	(1,108,560)	(1,108,560)
Total capital and surplus	$22,631,850	$22,631,850
Total liabilities, capital and surplus	$29,108,303	$29,108,303

Note: The Internal Revenue Service has not conducted any audits of the income tax returns filed on behalf of the Company during the period under this examination. The examiner is unaware of any potential exposure of the Company to any further tax assessment, and no liability has been established relative to such contingency..

B. Underwriting and Investment Exhibit

Capital and surplus increased $26,368,787 during the four-year examination period, January 1, 2004 through December 31, 2007, detailed as follows:

Revenue

Net premium income

Net premium income	$262,211,099	
Net investment income earned	2,860,716	
Net realized capital loss	(7,856)	
Total revenue		$ 265,063,959
Expenses		
Hospital/medical benefits	$171,946,308	
Other professional services	1,327,311	
Emergency room and out of area	7,704,428	
Prescription drugs	34,760,881	
Incentive pool	(19,071)	
Net reinsurance recoveries	(2,543,818)	
Claim adjustment expenses	5,346,673	
General administrative expenses	35,999,064	
Total expenses		(254,521,776)
Net income before federal income taxes		10,542,183
Federal income taxes incurred		2,139,617
		$10,542,183
		(2,139,617)
Net income		$ 8,402,566

Capital and Surplus Account

	Gains in Surplus	Losses in Surplus	
Capital and surplus per report on examination as of December 31, 2003			($3,736,937)
Net Income	$8,402,566		
Change in surplus notes	18,000,000		
Change in non-admitted assets	2,678,463		
Aggregate write-ins for losses in surplus	0	$2,712,242	
Net increase in capital and surplus			$26,368,787
Capital and surplus per report on examination as of December 31, 2007			$22,631,850

4. CLAIMS UNPAID

The examination liability of $4,731,964 for the above captioned account is the same as the amount reported by MVPHIC in its 2007 filed annual statement.

The examination analysis of the claims unpaid reserve was conducted in accordance with generally accepted actuarial principles and practices and was based on statistical information contained in the Company’s internal records and its filed annual statements as verified during the examination. The examination reserve was based upon actual payments made through a point in time, plus an estimate for claims remaining unpaid at that date. Such estimate was calculated based on actuarial principles, which utilized the Company’s past experience in projecting the ultimate cost of claims incurred on or prior to December 31, 2007

5. COMPLIANCE WITH PRIOR REPORT ON EXAMINATION

ITEM NO.		PAGE NO.
	Minimum surplus	
1.	As a result of this examination, the Company was insolvent in the amount of $3,736,937, as of December 31, 2003 and its minimum surplus was impaired in the amount of $4,036,937. Subsequent to the examination date, in March, 2004, with the approval of the Superintendent of Insurance, the Company received a Section 1307 of the New York Insurance Law loan in the amount of $18,000,000 from its ultimate parent, MVP Health Plan, Inc., which eliminated the aforementioned insolvency and impairment. The Company has complied with this recommendation.	1, 7, 25, 26
	Corporate Matters	
2.	It is recommended that the board of directors be-pro-active and meet at least once a year in order to exercise control and manage the affairs of the Company. The Company has complied with this recommendation.	6
3.	It is recommended that the Company shareholders hold annual meetings as required by Article III Section 1 of its by-laws. The Company did not comply with this recommendation. A similar recommendation is included within this report on examination.	6
	Holding Company System	
4.	It is recommended that the Company revise its administrative service agreement to reflect the current premium billing arrangement between MVP Health Plan, Inc. (MVPHP), and the Company. Furthermore, the Company should submit its revised agreement to the New York Insurance Department pursuant to Sections 1504(a) and 1505(d) .of the New York State Insurance Law. The Company has complied with this recommendation	11

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	Allocation of Expenses	
5.	It is recommended that the Company apply the guidelines in New York Insurance Department Regulations No. 30 (11NYCRR 20) and No. 33 (11NYCRR 91) to revise and update its expense allocation methodology in order to reflect an appropriate allocation among the three expense groupings (i.e. Claim adjustment expense, general and administrative expense and investment expense) on the Underwriting and Investment Exhibit, "Part 3-Analysis of Expense" schedule of the Company's annual statement.	17
	The Company has complied with this recommendation.	
6.	It is recommended that the Company follow Regulation 33 (11 NYCRR 90), by not debiting its payment to MVPHP for all types of allocated expenses solely to salaries. It is recommended that such payments be allocated to all appropriate expense classifications.	17
	The Company has complied with this recommendation.	
7.	It is recommended that the Company comply with Part 91.4(f)(vii)(5) of New York Insurance Department Regulation No. 33 (11 NYCRR 91) relative to reimbursement of its share of joint administrative expenses to MVPHSC as required by their administrative service agreement.	18
	The Company has complied with this recommendation	
	Cash	
8.	It is recommended that the Company establish a follow-up procedure applicable to all checks which remain outstanding for six months from the date of issue.	19
	The Company has complied with this recommendation.	
9.	It is recommended that the Company change its policy and open/reconcile one bank account instead of two associated with each general ledger account. Furthermore, it is recommended that the Company investigate any un-reconciled differences on bank reconciliations and correct them in a timely manner.	19
	The Company has complied with this recommendation.	

ITEM NO.		PAGE NO.
	Uncollected Premiums	
10.	It is recommended that Company comply with the requirement of SSAP No. 6 Paragraph 10 and charge bad debt to income. The Company has complied with this recommendation.	20
11.	It is recommended that, in the future, the Company comply with the annual statement instructions and appropriately report its gross premium receivables and non-admitted asset premium receivable on the annual statement. The Company has complied with this recommendation.	20

6. SUMMARY OF COMMENTS AND RECOMMENDATIONS

ITEM		PAGE NO.
A.	Shareholders' Meetings	
	It is recommended that the annual shareholders' meeting be held as required by Article III, Section 1 of the Company's by-laws.	6
	A similar recommendation was made in the previous Report on Examination.	
B.	Holding Company System	
	It is recommended that the Company enter into a written consolidated tax agreement with MVPHIC Holding Corporation as required by Section 1505(d) of the New York Insurance Department Law. It is further recommended that said consolidated tax agreement be constructed in conformity with Department Circular Letter No. 33 (1979) and that the Company file such agreement with the New York Insurance Department.	20
C.	Allocation of Expenses	
	It is recommended that the Company comply with Department Regulation No. 33 by revising and updating its expense allocation methodology in order to reflect an appropriate allocation among the three expense groupings within the underwriting and investment exhibit of the Company's annual statement.	22
D.	Abandoned Property	
.	It is recommended that the Company comply with the publishing requirements of Section 1316(3) of the New York Abandoned Property Law.	23

Appointment No. 22767

STATE OF NEW YORK
INSURANCE DEPARTMENT

I, **Eric R. Dinallo** , Superintendent of Insurance of the State of New York, pursuant to the provisions of the Insurance Law, do hereby appoint:

Jeffrey Usher

as a proper person to examine into the affairs of the

MVP Health Insurance Company.

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

Company

with such information as he shall deem requisite.

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

this 14th day of May, 2009

Eric R. Dinallo
Superintendent of Insurance