Audited Financial Report

THP Insurance Company

Financial Statements – Statutory Basis
and Supplemental Financial Information

Years Ended December 31, 2011 and 2010

Contents

Audited Financial Report

Report of Independent Auditors

The Board of Directors of THP Insurance Company
St. Clairsville, Ohio

We have audited the accompanying statutory-basis balance sheets of THP Insurance Company (the Company) as of December 31, 2011 and 2010, and the related statutory-basis statements of revenues, expenses and changes in surplus, and statements of cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. We were not engaged to perform an audit of the Company's internal control over financial reporting. Our audits included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

As described in Note 2 to the financial statements, the Company presents its financial statements in conformity with accounting practices prescribed or permitted by the State of West Virginia Insurance Commission, which practices differ from U.S. generally accepted accounting principles. The variances between such practices and U.S. generally accepted accounting principles and the effects on the accompanying financial statements are described in Note 2.

Also, in our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Company at December 31, 2011 and 2010, and the results of its operations and its cash flows for the years then ended, in conformity with accounting practices prescribed or permitted by the State of West Virginia Insurance Commission.

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Our audits were conducted for the purpose of forming an opinion on the statutory-basis financial statements as a whole. The accompanying supplemental investment disclosures are presented to comply with the National Association of Insurance Commissioners' Annual Statement Instructions and the National Association of Insurance Commissioners' *Accounting Practices and Procedures Manual* and for purposes of additional analysis and are not a required part of the statutory-basis financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in our audits of the statutory-basis financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States. In our opinion, the information is fairly stated in all material respects in relation to the statutory-basis financial statements as a whole.

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May 30, 2012

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Balance Sheets – Statutory Basis		
	December 31	
	2011	2010
Admitted assets		
Cash and invested assets:		
Bonds	**$ 2,645,230**	$ 2,629,003
Common stock	**3,612,777**	3,691,473
Cash, cash equivalents, and short-term investments	**24,136,902**	18,913,230
Total cash and invested assets	**30,394,909**	25,233,706
Accrued interest receivable	**20,024**	19,943
Premiums receivable	**500,794**	503,857
Total admitted assets	**$ 30,915,727**	$ 25,757,506
	December 31	
	2011	2010
Liabilities and surplus		
Liabilities:		
Medical costs payable	**$ 6,254,981**	$ 5,778,681
Unpaid claims adjustment expense	**197,198**	194,230
Premium deficiency reserve	**675,058**	283,321
Unearned premium revenue	**1,210,379**	1,324,842
Accounts payable and accrued expenses	**465,512**	643,570
Amounts due to affiliates	**1,058,450**	647,887

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Total liabilities	**9,861,578**	8,872,531
Surplus:		
Common stock, $100 par value, 15,000 shares		
authorized; 10,000 shares outstanding	**2,500,000**	2,500,000
Additional paid-in capital	**51,820,000**	36,820,000
Unrealized gain on equity investments	**13,755**	434,741
Contingency reserves	**200,000**	200,000
Unassigned deficit	**(33,479,606)**	(23,069,766)
Total surplus	**21,054,149**	16,884,975
Total liabilities and surplus	**$ 30,915,727**	$ 25,757,506
See accompanying notes.		

THP Insurance Company

Statements of Revenues, Expenses, and Changes in Surplus –
Statutory Basis

	Year Ended December 31	
	2011	**2010**
Net premium revenue	**$ 41,058,459**	$ 44,950,108
Hospital and medical benefits	**45,246,659**	41,812,269
Net reinsurance recoveries	**(145,175)**	(902)
Administrative expenses	**6,795,024**	7,160,019
Total underwriting deductions	**51,896,508**	48,971,386
Net underwriting loss	**(10,838,049)**	(4,021,278)
Net investment income earned	**239,549**	134,982
Net realized capital gain	**203,992**	34,703
Net investment gain	**443,541**	169,685
Other income	**201**	845
Net loss	**(10,394,307)**	(3,850,748)

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Other changes in surplus:		
Change in nonadmitted assets, net	**(16,832)**	107
Unrealized (loss) gain on investments	**(419,687)**	210,645
Additional paid-in surplus	**15,000,000**	10,000,000
Increase in surplus	**4,169,174**	6,360,004
Surplus at beginning of year	**16,884,975**	10,524,971
Surplus at end of year	**$ 21,054,149**	$ 16,884,975
See accompanying notes.		

THP Insurance Company

Statements of Cash Flows – Statutory Basis

	Year Ended December 31	
	2011	**2010**
Operating activities		
Premiums and revenues received, net of reinsurance paid	**$ 41,338,796**	$ 44,654,761
Insurance benefits paid, net of reinsurance recoveries received	**(44,625,184)**	(41,924,179)
Administrative expenses paid	**(6,969,913)**	(7,108,599)
Net investment income received	**244,762**	141,419
Net cash used in operating activities	**(10,011,539)**	(4,236,598)
Investment activities		
Proceeds from sales, maturities, or repayments		
of investments:		
Bonds	**388,769**	1,958,464
Stocks	**2,577,370**	2,819,848
Net gains on cash, cash equivalents, and		
short-term investments	**3**	636
Total investment proceeds	**2,966,142**	4,778,948
Cost of investments acquired:		

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Bonds	**(409,600)**	(2,961,411)
Stocks	**(2,716,367)**	(1,925,276)
Total investments acquired	**(3,125,967)**	(4,886,687)
Net cash used in investment activities	**(159,825)**	(107,739)
Financing activities		
Additional paid-in surplus	**15,000,000**	10,000,000
Other applications, net	**395,036**	74,209
Net cash provided by financing activities	**15,395,036**	10,074,209
Net increase in cash, cash equivalents, and		
short-term investments	**5,223,672**	5,729,872
Cash, cash equivalents, and short-term investments:		
Beginning of year	**18,913,230**	13,183,358
End of year	**$ 24,136,902**	$ 18,913,230
See accompanying notes.		

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1. Organization and Operations

THP Insurance Company (THP or Company) is a for-profit, wholly owned subsidiary of The Health Plan of the Upper Ohio Valley, Inc. (HPUOV). The Company is domiciled in West Virginia to provide the business of writing accident and sickness insurance and such other lines of insurance (including without limitation, life insurance), and including ceding or assuming reinsurance of any type or line of insurance which the corporation may be legally authorized to write.

THP actively markets commercial POS, commercial PPO, Medicare Advantage Local PPO, Medicare Select, and employer stop-loss insurance policies to employers and individuals in Ohio and West Virginia. THP's primary service area consists of Akron, OH; Canton/Massillon, OH; St. Clairsville, OH; Wheeling, WV; Morgantown, WV; and each of these cities' surrounding areas. Most of THP's membership in the commercial POS, PPO, and Medicare Select lines of businesses is located in the Akron/Canton/Massillon area while a majority of the membership in the employer stop-loss line of business is located in the St. Clairsville/Wheeling/Morgantown areas. THP markets all of its products both on a direct basis and through independent insurance agents.

Beginning January 1, 2006, THP entered the employer stop-loss reinsurance market by underwriting losses in excess of the employer's plan-level deductible, subject to a limit, with the remainder of the risk for health care costs ceded to a reinsurer. Some underwriting and administrative services for the employer stop-loss line of business are performed by Summit Reinsurance Services, a managing general underwriter for the reinsurer.

2. Significant Accounting Policies

Basis of Presentation

THP Insurance Company prepares its statutory-basis financial statements in conformity with accounting practices prescribed or permitted by the State of West Virginia Insurance Commission. The state of West Virginia requires that insurance companies domiciled in the state of West Virginia prepare their statutory-basis financial statements in accordance with the National Association of Insurance Commissioners' (NAIC) *Accounting Practices and Procedures Manual* subject to any deviations prescribed or permitted by the State of West Virginia Insurance Commission.

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2. Significant Accounting Policies (continued)

The more significant variances between statutory accounting practices prescribed or permitted by the State of West Virginia Insurance Commission and accounting principles generally accepted in the United States (GAAP) are as follows:

- Cash, cash equivalents, and short-term investments in the statements of cash flows represent cash balances and investments with initial maturities of one year or less. In accordance with GAAP, the corresponding captions of cash and cash equivalents include cash balances and investments with initial maturities of three months or less.

- Investments in bonds are reported at amortized cost or fair value based on their National Association of Insurance Commissioners (NAIC) rating. Equity investments are reported at fair value based on values determined by the Securities Valuation Office (SVO) of the NAIC. For GAAP, such fixed maturity investments would be designated at purchase as held-to-maturity, trading, or available-for-sale. Held-to-maturity fixed investments would be reported at amortized cost, and the remaining fixed maturity investments would be reported at fair value with unrealized holding gains and losses reported in operations for those designated as trading and as a separate component of other comprehensive income, net of the related deferred taxes, for those designated as available-for-sale. Fair value for statutory purposes is based on the price published by the SVO of the NAIC, if available, whereas fair value for GAAP is determined in accordance with the Financial Accounting Standards Board Accounting Standards Codification 820.

Certain types of assets are classified as "nonadmitted," are excluded from the accompanying balance sheets, and are charged directly to unassigned surplus. Nonadmitted assets include office furniture and fixtures and related accumulated depreciation, computer software and related amortization, accounts receivable greater than 90 days, prepaid expenses, assets capitalized under capital leases, non-income-producing investments, pharmacy rebates that do not meet specific criteria, and other assets not specifically identified as an admitted asset within the NAIC's Accounting Practices and Procedures Manual. *In accordance with GAAP, such assets are included in the balance sheets to the extent those assets are not impaired.*

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2. Significant Accounting Policies (continued)

- Deferred tax assets are limited to: 1) the amount of federal income taxes paid in prior years that can be recovered through loss carrybacks for existing temporary differences that reverse by the end of the subsequent calendar year, plus; 2) the lesser of the remaining gross deferred tax assets expected to be realized within one year of the balance sheet date or 10% of capital and surplus excluding any net deferred tax assets, and EDP equipment and operating software, plus; 3) the amount of remaining gross deferred tax assets that can be offset against existing gross deferred tax liabilities. The remaining deferred tax assets are nonadmitted. Deferred taxes do not include amounts for state taxes. In accordance with GAAP, state taxes are included in the computation of deferred taxes, a deferred tax asset is recorded for the amount of gross deferred tax assets expected to be realized in future years, and a valuation allowance is established for deferred tax assets not realizable.

Other significant accounting practices are as follows.

Use of Estimates

The preparation of financial statements requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

Cash, Cash Equivalents, and Short-Term Investments

Cash, cash equivalents, and short-term investments include demand deposits with financial institutions and highly liquid investments with maturities of one year or less.

Investments

Debt investments, which are classified as bonds and consist of government securities and corporate bonds, are recorded at amortized cost or fair value based on their NAIC rating. Common and preferred stock, which includes mutual funds, are recorded at fair value, as determined by the SVO. Premiums and discounts on debt investments are amortized on the effective yield method over the term of the investment.

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2. Significant Accounting Policies (continued)

Realized capital gains and losses are determined on the first-in, first-out cost method. Changes in admitted asset carrying amounts of bonds and common and preferred stocks are credited or charged directly to surplus unless a decline in fair value is determined to be other than temporary. If a decline of fair value is determined to be other than temporary, the cost basis of the security is written down to the fair value and the amount is recorded as a component of net income.

THP Insurance Company continually reviews investments for impairment conditions that indicate that an other-than-temporary decline in market value has occurred. In conducting this review, numerous factors are considered which, individually or in combination, indicate that a decline is other than temporary and that a reduction of the carrying value is required. These factors include specific information pertaining to an individual company or a particular industry and general market conditions that reflect prospects for the economy as a whole.

Revenue Recognition

Member premiums are recognized as income in the period in which enrollees are entitled to receive health care services. Premiums billed and collected prior to the period of coverage are classified as unearned premiums.

Reinsurance premiums are recognized as revenue in the period coverage is provided.

Premium Deficiency Reserves

Premium deficiency reserves are established for the amount of anticipated losses, loss adjustment expenses, commissions and other acquisition costs, and maintenance costs that have not previously been expensed in excess of the recorded unearned premium reserve and future installment premiums on existing policies. THP does not consider anticipated investment income when calculating its premium deficiency.

Medical Costs

THP Insurance Company provides medical care to its members under contracts with various health care providers on a modified fee-for-service and capitation basis with certain provider contracts. Medical costs payable includes estimates for claims reported and estimated claims costs for claims incurred but unreported. Adjustments to prior period estimates of medical costs are reflected in the current period.

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2. Significant Accounting Policies (continued)

Medical costs payable, which include approximately $580,000 and $220,000 in 2011 and 2010, respectively, related to the reinsurance line of business, represent management's best estimate.

There is uncertainty as to whether the actual medical costs payable will conform to the assumptions inherent in the determination of the amount. Because of the uncertainties related to the recording of health care costs, the ultimate settlement of the health care cost estimates may vary significantly from the estimated amounts included in the accompanying financial statements.

Reinsurance

THP Insurance Company purchases reinsurance, which provides coverage for catastrophic inpatient hospital claims. Deductibles range between $350,000 and $400,000 depending on line of business, of allowable expenses subject to a 20% coinsurance, depending on whether the reinsurer's claim audit review services are utilized, for each member for each contract year with a maximum lifetime reinsurance indemnity for each member of $2,000,000. THP Insurance Group and HPUOV share a combined reinsurance risk with the reinsurance carrier through a layered risk arrangement in which the layers of risk are assessed on a per-member, per-month calculation.

THP Insurance Company also purchases reinsurance for stop-loss insurance sold to self-insured groups administered by HPUOV. The reinsurer is liable for up to 100% of claims and claim expenses per covered person per policy year in excess of the greater of $600,000 above the employer group's specific deductible or $300,000 above the specific deductible for an employer group's named covered person up to the stop-loss policy limit. THP Insurance Company is contingently liable for reinsured losses to the extent that the reinsurance company cannot meet its obligations under the reinsurance contract.

Reinsurance expenses of approximately $415,000 and $443,000 in 2011 and 2010, respectively, are included in the statements of operations and changes in surplus as a reduction of member premiums. Reinsurance recoveries of approximately $145,000 and $1,000 for 2011 and 2010, respectively, are included in the statements of revenues, expenses, and changes in surplus as a reduction of medical benefit expenses.

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2. Significant Accounting Policies (continued)

Neither THP Insurance Company nor any of its affiliates control, directly or indirectly, any direct reinsurers with whom THP Insurance Company conducts business. No policies issued by THP Insurance Company have been reinsured with a foreign company, which is controlled, either directly or indirectly, by a party not primarily engaged in the business of insurance. THP Insurance Company does not have any reinsurance agreements in effect, under which the reinsurer may unilaterally cancel the agreement.

Income Taxes

Through December 31, 2011, the Company has incurred net operating losses (NOLs) approximating $30,207,000 for federal income tax purposes, which are available to offset future taxable income. The NOLs expire beginning in 2025 through 2031.

The potential tax benefit of the net operating loss carryforward has not been reported as an admitted asset in the financial statements due to the uncertainty of realizing these benefits in the foreseeable future.

3. Fair Value Measurements

On December 5, 2009, the NAIC issued Statement of Statutory Accounting Principles No. 100 (SSAP No. 100), *Fair Value Measurements*, which established a framework for measuring fair value and required specific disclosures regarding assets and liabilities that are measured at fair value. This statement was effective December 31, 2011. THP elected to adopt SSAP No. 100 as of December 31, 2010.

Included in various investment related line items in the financial statements are certain financial instruments carried at fair value. Other financial instruments are periodically measured at fair value, such as when impaired, or, for certain bonds when carried at the lower of cost or market.

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3. Fair Value Measurements (continued)

As defined in SSAP No. 100, fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. SSAP No. 100 establishes a three-level hierarchy for valuing assets and liabilities based on how transparent (observable) the inputs are that are used to determine fair value, with the inputs considered most observable categorized as Level 1 and those that are the least observable categorized as Level 3. For some assets, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. When this is the case, the asset is categorized in the table based on the lowest level input that is significant to the fair value measurement in its entirety. THP's assessment of the significance of a particular input to the fair value measurement in its entirety requires judgment, and considers factors specific to the assets being valued.

Hierarchy levels are defined by SSAP No. 100 as follows:

- Level 1: Quoted (unadjusted) market prices in active markets for identical assets and liabilities. For THP, Level 1 inputs are generally quoted for debt or equity securities actively traded in exchange or over-the-counter markets.

- Level 2: Market data obtained from sources independent of the reporting entity (observable inputs). For THP, Level 2 inputs generally include quoted prices in markets that are not active, quoted prices for similar assets/liabilities, and other observable inputs such as interest rates and yield curves that are generally available at commonly quoted intervals.

Level 3: The reporting entity's own assumptions about market participant assumptions developed based on the best information available in the circumstances (unobservable inputs). For THP, Level 3 inputs are used in situations where little or no Level 1 or 2 inputs are available or are inappropriate given the particular circumstances. Level 3 inputs include results from pricing models and discounted cash flow methodologies as well as adjustments to externally quoted prices that are based on management judgment or estimation.

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3. Fair Value Measurements (continued)

The following tables present the financial instruments measured at fair value on a recurring basis as of December 31, 2011 and 2010.

At December 31, 2011	Level 1	Level 2	Level 3	Total
Assets at fair value				
Common stock	$ 3,612,777	$ –	$ –	$ 3,612,777
Total assets at fair value	$ 3,612,777	$ –	$ –	$ 3,612,777

At December 31, 2010	Level 1	Level 2	Level 3	Total
Assets at fair value				
Common stock	$ 3,691,473	$ –	$ –	$ 3,691,473
Total assets at fair value	$ 3,691,473	$ –	$ –	$ 3,671,473

Certain financial assets are measured at fair value on a nonrecurring basis, such as certain bonds valued at the lower of cost or fair value, or investments that are impaired during the reporting period and recorded at fair value on the balance sheet.

4. Investments

The following is a summary of investments at December 31, 2011 and 2010, with amortized cost for fixed income securities and actual, historical cost for stocks:

	Amortized Cost/Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value	Carrying Value
At December 31, 2011					
U.S. government and agencies	$ 675,927	$ 28,448	$ 2,659	$ 701,716	$ 675,927
Corporate bonds	624,603	8,971	10,869	622,705	624,603
Corporate mortgage-backed securities	1,344,700	31,422	2,780	1,373,342	1,344,700
Common stock	3,599,021	110,131	96,376	3,612,777	3,612,777
Total investments	$ 6,244,251	$ 178,972	$ 112,684	$ 6,310,540	$ 6,258,007

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	Amortized Cost/Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value	Carrying Value
At December 31, 2010					
U.S. government and agencies	$ 693,938	$ 418	$ 30,932	$ 663,424	$ 693,938
Corporate bonds	674,249	940	15,887	659,302	674,249
Corporate mortgage-backed securities	1,260,816	3,822	15,443	1,249,195	1,260,816
Common stock	3,256,732	441,737	6,996	3,691,473	3,691,473
Total investments	$ 5,885,735	$ 446,917	$ 69,258	$ 6,263,394	$ 6,320,476

4. Investments (continued)

A summary of the book-adjusted carrying value and fair value of THP Insurance Company's investments in bonds at December 31, 2011, by contractual maturity, is as follows:

	Book/ Adjusted Carrying Value	Fair Value
Year of maturity:		
2012	$ 100,000	$ 100,000
2013–2017	592,109	586,210
2018–2022	333,510	341,179
After 2023	274,911	297,032
Mortgage-backed securities	1,344,700	1,373,342
Total	$ 2,645,230	$ 2,697,763

The expected maturities may differ from the contractual maturities because certain borrowers have the right to call or prepay obligations with or without call or prepayment penalties.

Management regularly reviews the value of THP's investments. If the value of any investment falls below its cost basis, the decline is analyzed to determine whether it is an other-than-temporary decline in value. To make this determination for each security, management considers how long and by how much the fair value of the security has been below its cost, the financial condition and near-term prospects of the issuer of the security, any downgrades of the security by

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a rating agency and management's intent to hold the security long enough for it to recover its value.

Based on that analysis, management makes a judgment as to whether the loss is other-than-temporary. If the loss is other-than-temporary, an impairment charge is recorded within net realized investment gains (losses) in the statements of revenues, expenses, and changes in surplus in the period the determination is made.

4. Investments (continued)

The following table represents the gross unrealized losses that were in existence less than 12 months and more than 12 months at December 31, 2011.

	Less Than 12 Months			12 Months or More			Total	
	Fair Value	Unrealized Losses	Number of Securities	Fair Value	Unrealized Losses	Number of Securities	Fair Value	Unrealized Losses
U.S. government and agencies	$ –	$ –	–	$ 177,890	$ 2,659	2	$ 177,890	$ 2,659
Corporate bonds/MBS	264,293	4,560	23	255,872	9,089	37	520,165	13,649
Common stock	2,036,277	96,376	14	–	–	–	2,036,277	96,376
Totals	$ 2,300,570	$ 100,936	37	$ 433,762	$ 11,748	39	$ 2,734,332	$ 112,684

Management recorded $0 and $0 of unrealized losses as other-than-temporary decline in value in 2011 and 2010, respectively.

Proceeds from the sales of investments in 2011 and 2010 were approximately $2,966,000 and $4,778,000, respectively. Realized gains and losses (including amounts recorded as other-than-temporary declines) were approximately $225,000 and $21,000 , respectively, for the year ended December 31, 2011, and $61,000 and $28,000, respectively, for the year ended December 31, 2010.

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5. Medical Costs Payable

The following table provides a reconciliation of the beginning and ending reserve balances for medical costs payable for the years ended December 31, 2011 and 2010:

	Year Ended December 31 2011	2010
Medical costs payable, net of reinsurance receivable, at beginning of year	**$ 5,778,681**	$ 5,891,493
Add provision for medical costs, net of reinsurance recoveries, occurring in:		
Current year	**45,080,696**	41,928,653
Prior years	**20,788**	(117,286)
Net incurred medical costs during the current year	**45,101,484**	41,811,367
Deduct payments for medical costs occurring in:		
Current year	**38,905,339**	36,161,137
Prior years	**5,719,845**	5,763,042
Net medical cost payments during the current year	**44,625,184**	41,924,179
Medical costs payable, net of reinsurance receivable, at end of year	**$ 6,254,981**	$ 5,778,681

The medical cost payable at December 31, 2010 was underaccrued by $20,788. The redundancy in the December 31, 2009 reserves of $117,286, which occurred primarily from lower than expected utilization of medical services.

6. Capital and Surplus

THP Insurance Company is subject to certain risk-based capital (RBC) requirements as specified by the NAIC. Under those requirements, the amount of surplus maintained by a health insurance company is to be determined based on the various factors related to underwriting, investments, and other risk factors. At December 31, 2011 and 2010, THP Insurance Company meets the RBC requirements.

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7. Reserve Requirements and Deposits

The State of West Virginia Insurance Commission and the Ohio Insurance Department have various reserve requirements related to insurance companies. A contingency reserve designation of surplus of $200,000 has been recorded in accordance with these reserve requirements at December 31, 2011 and 2010, and a deposit of the same amount has been set aside and is included in bonds in the investment portfolio.

8. Related-Party Transactions

THP Insurance Company has a management services contract (Contract) with HPUOV. The Contract requires THP Insurance Company to pay a fixed percentage of its monthly premium revenue to HPUOV in return for executive management, administration, marketing, accounting, and claims administration services. For the years ended December 31, 2011 and 2010, THP paid approximately $4,147,000 and $4,331,000, respectively, to HPUOV pursuant to the Contract.

On August 1, 2011, The Health Plan of the Upper Ohio Valley made a $5,000,000 capital contribution to THP to ensure there would not be a financial violation of the operating loss being greater than 50% of the remaining surplus. On December 22, 2011, The Health Plan of the Upper Ohio Valley made an additional $10,000,000 capital contribution to THP to ensure there would not be a financial violation of the December 31, 2011, operating loss being greater than 50% of the remaining surplus.

9. Administrative Expenses

Administrative expenses for THP Insurance Company, other than those expenses under the Contract, include approximately $1,364,000 and $1,466,000 of claims adjustment expenses, $5,353,000 and $5,605,000 of general administrative expenses, and $77,500 and $89,000 of investment expenses for the years ended December 31, 2011 and 2010, respectively.

10. Subsequent Event

Management of THP Insurance Company evaluated events and transactions occurring subsequent to December 31, 2011 through May 30, 2012. No subsequent events requiring disclosure in the financial statements were identified.

Supplemental Financial Information

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THP Insurance Company

Supplemental Investment Risk Interrogatories – Statutory Basis

December 31, 2011

1. The Company's total admitted assets as reported on page three of its Annual Statement is $30,915,727.

2. Following are the Company's ten largest exposures to a single issuer/borrower/investment, by investment category, excluding: (i) U.S. government, U.S. government agency securities, and those U.S. government money market funds listed in the Appendix to the *SVO Practices and Procedures Manual* as exempt, (ii) property occupied by the Company, and (iii) policy loans:

Investment Category	Amount	Percentage of Total Admitted Assets
JP Morgan Money Market Fund	$ 384,032	1.2%
Manning & Napier New Equity Fund	302,032	1.0
Eaton Vance Mutual Funds	250,032	0.8
Ridgeworth Funds SEIX Flrt Hi Income Fund	240,666	0.8
JP Morgan Tr I Infl Managed Bond Fund	234,653	0.8
Artisan International Value Fund	157,407	0.5
JP Morgan Large Cap Growth Fund	136,858	0.4
JP Morgan Asia Equity Fund	126,825	0.4
JP Morgan Tr I Midcap Core Sel Fund	125,756	0.4
JP Morgan Tr I Mlt Sc Inc Sel Fund	123,493	0.4

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3. The Company's total admitted assets held in bonds and preferred stocks, by NAIC rating, are:

Bonds			Preferred Stocks		
NAIC Rating	Amount	Percentage of Total Admitted Assets	NAIC Rating	Amount	Percentage of Total Admitted Assets
NAIC-1	$ 2,406,847	7.79%	P/RP-1	$	%
NAIC-2	138,383	0.45	P/RP-2		
NAIC-3	–	–	P/RP-3		
NAIC-4	–	–	P/RP-4		
NAIC-5	–	–	P/RP-5		
NAIC-6	–	–	P/RP-6		
	$ 2,545,230	8.23%		$	%

Interrogatories 4 through 10 are not applicable to THP Insurance Company since assets held in investments with foreign investments are less than 2.5% of the Company's total admitted assets.

11. Assets held in Canadian investments are less than 2.5% of the Company's total assets.

12. Assets held in investments with contractual sales restrictions are less than 2.5% of the Company's total admitted assets.

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13. The Company's admitted assets held in the largest ten equity interests (including investments in the shares of mutual funds, preferred stocks, publicly traded equity securities, and other equity securities (including Schedule BA equity interests), and excluding money market and bond mutual funds listed in the Appendix to the *SVO Practices and Procedures Manual* as exempt or Class 1) are:

Issuer	Amount	Percentage of Total Admitted Assets
JP Morgan Money Market Fund	$ 384,032	1.2%
Manning & Napier New Equity Fund	302,032	1.0
Eaton Vance Mutual Funds	250,032	0.8
Ridgeworth Funds SEIX Flrt Hi Income Fund	240,666	0.8
JP Morgan Tr I Infl Managed Bond Fund	234,653	0.8
Artisan International Value Fund	157,407	0.5
JP Morgan Large Cap Growth Fund	136,858	0.4
JP Morgan Asia Equity Fund	126,825	0.4
JP Morgan Tr I Midcap Core Sel Fund	125,756	0.4
JP Morgan Tr I Mlt Sc Inc Sel Fund	123,493	0.4

14. Assets held in nonaffiliated, privately placed equities are less than 2.5% of the Company's total admitted assets.

15. Assets held in general partnership interests are less than 2.5% of the Company's total admitted assets.

Interrogatories 16 and 17 are not applicable to THP Insurance Company since mortgage loans reported in Schedule B are less than 2.5% of the Company's total admitted assets.

18. The five largest investments in one parcel or group of contiguous parcels of real estate reported in Schedule A are less than 2.5% of the Company's total admitted assets.

19. Investments held in mezzanine real estate loans are less than 2.5% of the Company's total admitted assets.

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20. The Company's total admitted assets are not subject to securities lending, repurchase agreements, reverse repurchase agreements, dollar repurchase agreements, or dollar reverse repurchase agreements.

21. The Company's total admitted assets are not subject to warrants which are not attached to other financial instruments, options, caps, and floors.

22. The Company's total admitted assets are not subject to potential exposure for collars, swaps, and forwards.

23. The Company's total admitted assets are not subject to potential exposure for futures contracts.

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THP Insurance Company

Supplemental Investment Schedule – Statutory Basis

December 31, 2011

Investment Categories	Gross Investment Holdings*	Admitted Assets as Reported in the Annual Statement
Bonds:		
U.S. Treasury securities	$ 675,927	$ 675,927
U.S. agency bonds and corporate obligations	524,603	524,603
Mortgage-backed securities (includes residential and commercial):		
Guaranteed by GNMA	386,350	386,350
Issued by FNMA and FHLMC	958,350	958,350
All other	–	–
CMOs and REMICs:		
Issued or guaranteed by GNMA, FNMA, and FHLMC	–	–
All other privately issued		
Other debt and fixed income securities	100,000	100,000
Unaffiliated foreign securities	–	–
Equity interests:		
Investments in mutual funds	3,612,777	3,612,777
Publicly traded equity securities (excluding preferred stocks) – unaffiliated		
Cash and short-term investments	24,136,902	24,136,902
Total invested assets	$ 30,394,909	$ 30,394,909

*Gross Investment Holdings as valued in compliance with the NAIC's *Accounting Practices and Procedures Manual*.

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THP Insurance Company

Note to Supplemental Financial Information

December 31, 2011

Note – Basis of Presentation

The accompanying supplemental schedules present selected statutory-basis financial data as of December 31, 2011, and for the year then ended, for purposes of complying with paragraph 9 of the Annual Audited Report section of the National Association of Insurance Commissioners' *Accounting Practices and Procedures Manual* and agree to or are included in the amounts reported in THP Insurance Company's 2011 Statutory Annual Statement as filed with the State of West Virginia Insurance Commission.