

**PROCEEDINGS BEFORE MICHAEL D. RILEY
INSURANCE COMMISSIONER
OF THE STATE OF WEST VIRGINIA**

IN RE: THP INSURANCE COMPANY

Administrative Proceeding No.: 14-AP-FINCON-02003

**AGREED ORDER ADOPTING REPORT OF FINANCIAL EXAMINATION AND
DIRECTING ACTION**

COMES NOW Michael D. Riley, Insurance Commissioner of the State of West Virginia, and issues this Order which adopts the REPORT OF FINANCIAL EXAMINATION as of December 31, 2012, of THP INSURANCE COMPANY (hereinafter referred to as "Company") based upon the following findings, to wit:

JURISDICTION

1. Michael D. Riley is the Insurance Commissioner of the State of West Virginia (hereinafter the "Insurance Commissioner") and is charged with the duty of administering and enforcing the provisions of Chapter 33 of the West Virginia Code of 1931, as amended.

2. The Company was incorporated on March 1, 1999 and authorized by the Insurance Commissioner to transact business in the State of West Virginia as permitted and authorized under Chapter 33, Article 22 of the West Virginia Code.

FINDINGS OF FACT

1. An examination of the financial condition and operational affairs of the Company for period beginning January 1, 2009 and ending December 31, 2012, was conducted in accordance with West Virginia Code §33-2-9(c) by the Insurance Commissioner.

2. On April 14, 2014, the examiner filed a REPORT OF FINANCIAL EXAMINATION with the Insurance Commissioner pursuant to W.Va. Code § 33-2-9(j)(2). A copy of the REPORT OF FINANCIAL EXAMINATION is attached hereto as Exhibit A and incorporated herein as if set forth in full.

3. On or about April 16, 2014, a true and accurate copy of the REPORT OF FINANCIAL EXAMINATION was forwarded to the Company by certified mail, return receipt requested. On April 18, 2014, the Company received the certified mail copy of the REPORT OF FINANCIAL EXAMINATION.

4. Pursuant to W.Va. Code § 33-2-9(j)(2), the Company was notified and afforded a period of thirty (30) days after receipt of the REPORT OF FINANCIAL EXAMINATION within which to make a submission, rebuttal, or objection concerning any matter contained in the REPORT OF FINANCIAL EXAMINATION.

5. By letter dated May 19, 2014, management of the Company indicated that they had reviewed the REPORT OF FINANCIAL EXAMINATION and concurred with the findings of the examination. A copy of the Company's letter dated May 19, 2014, is attached hereto as Exhibit B.

CONCLUSIONS OF LAW

W.Va. Code § 33-2-9(j)(3)(A) provides that following a review of the REPORT OF FINANCIAL EXAMINATION, the examination work papers, and any written submission, rebuttal, or objection the Insurance Commissioner shall enter an ORDER adopting the REPORT OF FINANCIAL EXAMINATION as filed or with modifications or corrections.

ORDER

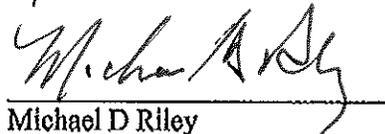
It is therefore AGREED by the Parties and ORDERED the following:

1. It is **ORDERED** that the Report of Financial Examination of THP INSURANCE COMPANY attached hereto as Exhibit A, is hereby ADOPTED and APPROVED by the Insurance Commissioner.
2. It is further **ORDERED** that a copy of this AGREED ORDER ADOPTING REPORT OF FINANCIAL EXAMINATION AND DIRECTING ACTION and the adopted REPORT OF FINANCIAL EXAMINATION shall be mailed to THP INSURANCE COMPANY by certified mail, return receipt requested upon entry of this Order by the Insurance Commissioner.
3. It is **ORDERED** that THP INSURANCE COMPANY shall file with the Insurance Commissioner, within thirty (30) days of the issuance of this ORDER, affidavits executed by each of its directors stating under oath that they have received a copy of the adopted REPORT OF FINANCIAL EXAMINATION and a copy of this AGREED ORDER ADOPTING REPORT OF FINANCIAL EXAMINATION and DIRECTING ACTION, in accordance with W.Va. Code § 33-2-9(j)(4).
4. It is **ORDERED** that THP INSURANCE COMPANY take whatever actions are required to comply with the recommendations set forth in the REPORT OF FINANCIAL EXAMINATION, if any, and shall demonstrate compliance to the satisfaction of the Insurance Commissioner, if necessary.
5. That THP INSURANCE COMPANY waives any right to any notice, administrative hearing or appeal therefrom for the actions taken by the Insurance Commissioner herein this Agreed Order Adopting Report of Financial Examination and Directing Action. THP INSURANCE COMPANY reserves herein its rights to notice, administrative hearing or appeal for any future enforcement actions taken by the Commissioner that might result from this Agreed

Order, if any.

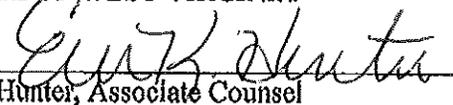
6. It is finally **ORDERED** that this administrative matter be hereby dismissed from the administrative docket of the Insurance Commissioner.

Entered this 28th day of May, 2014


Michael D Riley
Insurance Commissioner

THE PARTIES DO SO AGREE;

OFFICES OF THE INSURANCE COMMISSIONER
STATE OF WEST VIRGINIA

By: 
Erin Huntel, Associate Counsel
Associate Counsel

5/28/14
Date

THP INSURANCE COMPANY

BY: Philip D. Wright
[Print Name]

Signed: 

Its: President/CEO

Dated: 5/29/14

REPORT OF EXAMINATION
OF
THP INSURANCE COMPANY
ST. CLAIRSVILLE, OHIO
NAIC #60016
AS OF DECEMBER 31, 2012

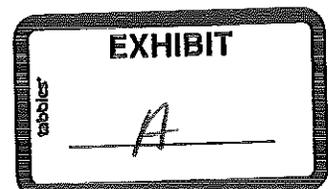
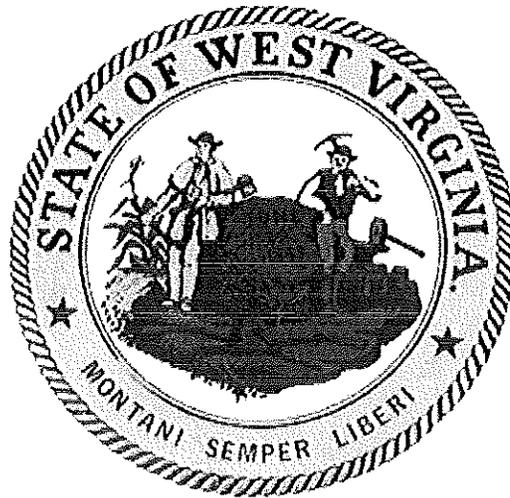


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March 31, 2014

Honorable Michael D. Riley
West Virginia Insurance Commissioner
1124 Smith Street, 4th Floor
Charleston, West Virginia 25301

Honorable Commissioner:

Pursuant to the authority vested in the West Virginia Offices of the Insurance Commissioner (WVOIC), a comprehensive examination has been made of the affairs and financial condition of:

THP Insurance Company
52160 National Road E
St. Clairsville, OH 43950-9306

hereinafter referred to as "the Company".

The interview phase of the examination was conducted at the Company's home office.

The following examination report is respectfully submitted.

SCOPE OF EXAMINATION

Pursuant to W. Va. Code §33-2-9, a full scope examination of THP Insurance Company ("THP") was conducted. The last examination was completed as of December 31, 2008. This examination covers the period January 1, 2009, through December 31, 2012. The examination included a review of significant transactions and/or events occurring subsequent to December 31, 2012 that were noted during the course of this examination.

The examination was conducted pursuant to the instructions, procedures and guidelines prescribed by the WVOIC and in accordance with the *NAIC Financial Condition Examiners' Handbook* (Handbook). The Handbook requires that examiners plan and perform the examination to evaluate the financial condition and identify prospective risks of the Company by obtaining information about the Company including corporate governance, identifying and assessing inherent risks within the Company and evaluating system controls and procedures used to mitigate those risks. An examination also includes assessing the principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation, management's compliance with Statutory Accounting Principles and annual statement instructions, when applicable to domestic state regulations.

All accounts and activities of the Company were considered in accordance with the risk-focused examination process.

SUMMARY OF SIGNIFICANT FINDINGS

Finding #	Page #
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1	5	Schedule Y
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THP did not include any entities on Schedule Y, Part 1A. The Company should have included its parent company and three affiliated companies. In addition, THP did not include the 2012 \$5,000,000 capital contribution from The Health Plan of the Upper Ohio Valley ("HPUOV") or the fees associated with the management agreement with HPUOV on Schedule Y Part 2 - Summary of Insurers Transactions with Any Affiliates.

It is recommended the Company complete Schedule Y in accordance with the NAIC Annual Statement Instructions. According to the NAIC Annual Statement Instructions, effective with the 2011 filing of the annual statement, all entities of the holding company group should be included on Schedule Y, Part 1 and Schedule Y, Part 1A. Schedule Y Part 2 should include all capital contributions and transactions involving one-half of one percent or more of the largest insurer's admitted assets as of December 31.

2	8	Allocation and Reporting of Expenses
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The Company did not report and allocate expenses in accordance with

Finding # Page #

SSAP No. 70 Allocation of Expenses and the NAIC Health Annual Statement Instructions on its Underwriting and Investment Exhibit - Part 3 - Analysis of Expenses. The allocation of expenses may also impact the Company's Medical Loss Ratio calculation.

The Company should report and allocate expenses in accordance with SSAP No. 70 and NAIC Annual Statement Instructions.

3 8 Reporting of Bonds

The Company did not report any current years' amortization or accretion for bond investments on its Schedule D – Part 1. The actual cost reported for bond investments was the same as the book/adjusted carrying value reported on its Schedule D – Part 1.

The Company should report and value investments in accordance with NAIC Annual Statement Instructions and applicable SSAPs.

4 9 West Virginia Special Deposit

The Company did not disclose the \$100,300 West Virginia statutory deposit on Schedule E Part 3 – Special Deposits in its 2012 Annual Statement.

It is recommended the Company accurately complete Schedule E Part 3 – Special Deposits.

SUBSEQUENT EVENTS

A \$12,000,000 capital contribution was provided to the Company from its parent in 2013.

Phil Wright, President and CEO, announced his retirement from the Company effective June 30, 2014. Mr. Wright has served as CEO for 25 years.

COMPANY HISTORY

THP incorporated on March 1, 1999 and began writing business on that date. THP is domiciled in the state of West Virginia and is licensed to write business in the states of Ohio, Pennsylvania and West Virginia. The Company's parent, The Health Plan of the Upper Ohio Valley "HPUOV" owns 100% of the 15,000 shares of THP. The par value of the shares is \$100 per share.

On August 1, 2008, the Company's affiliate Hometown Insurance Group was merged into the Company. As a result of the merger the common capital stock increased from \$1,000,000 to \$2,500,000 and the Gross Paid In and Contributed Surplus increased by \$4,920,000.

CORPORATE RECORDS

The Company's Bylaws state an annual meeting should be held in addition to regular meetings. The THP Board of Directors last meeting was in July, 2011.

There were no amendments to the Articles and Bylaws during the exam period.

MANAGEMENT AND CONTROL

Article III, Section 1 of the Company's Bylaws designates that the Board of Directors shall be comprised of not less than five (5) or more than seven (7) members. The Bylaws state an annual meeting should be held in addition to regular meetings.

At December 31, 2012, the following Company individuals served as members of the Board of Directors:

Name & Location	Year First Elected	Principle Business Affiliation
Philip Wright St. Clairsville, Ohio	1999	President and CEO
Robert Kota St. Clairsville, Ohio	1999	General Counsel
Patricia Fast St. Clairsville, Ohio	1999	Vice President of Operations
Edmund Mathieu St. Clairsville, Ohio	1999	Vice President of Marketing
Jeffrey Knight St. Clairsville, Ohio	2007	Treasurer and CFO

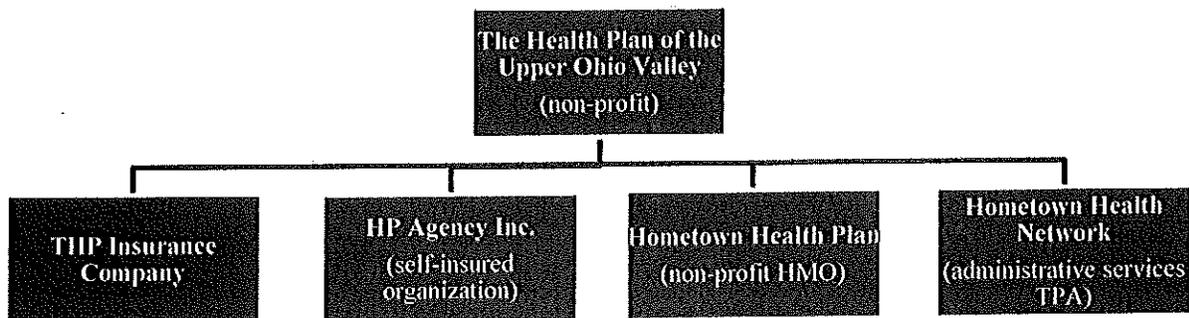
The Officers as of December 31, 2012, were as follows:

<u>Name</u>	<u>Title</u>
Philip Wright	President
Jeffrey Knight	Treasurer
Robert Kota	Secretary

There were no committees of the Board of Directors.

Organizational Chart

An organizational chart of the Company and its affiliates at December 31, 2012, follows:



Parent Company

HPUOV is the parent company. HPUOV is a non-profit, tax exempt health maintenance organization (HMO) under the provisions of the Internal Revenue Code 501c(4). HPUOV was organized on August 8, 1978 and began writing business in West Virginia on November 1, 1979. On March 3, 1980, HPUOV was authorized to transact business in Ohio and on July 9, 1980, HPUOV was federally qualified under the provisions of Title XIII of the Public Health Service Act.

Affiliates

HP Agency, Inc., "HPA" is a for-profit entity incorporated in the state of Ohio to operate as an insurance broker to sell insurance products on a commission basis. HPA contracts with large insurance companies to sell insurance products, such as long term disability and group insurance policies, to its members. The insurance company with whom HPUOV has contracted pays a commission on the sale of insurance to the plan's members. Through this entity the Company acts as a third-party administrator of self-insured employer health benefits in the state of Ohio. There are 105 shares of common stock authorized and issued by HPA. HPUOV owns 100 shares of Class B HPA stock and Philip Wright owns 5 shares of Class A HPA stock. The par value of the stock is \$1 per share.

Hometown Health Plan "HHP" is a not-for-profit health maintenance organization (HMO). In 2006, the operations of HHP were transferred to HPUOV. As of September 1, 2007 all accounts of HHP were merged with HPUOV and HHP is currently inactive with a minimum amount of cash and investments to maintain its insurance status.

Hometown Health Network. "HHN" provides administrative services for the insurance entities, various self-funded groups and the workers' compensation line of business, PremierComp. HHN

charges for these administrative services through a management fee. HHN is a wholly owned subsidiary of HPUOV.

The Company did not include HPUOV, HPA, HHP or HHN on Schedule Y Part 1A.

Cost-Sharing Agreements

HPUOV and THP established an Administrative Services Agreement effective January 1, 2007. HPUOV provides financial, accounting, marketing and sales of THP's products, claims processing and related support services for THP.

The Company did not include any transactions involving one-half of one percent or more of its admitted assets as of December 31, 2012. Any transactions with affiliates over \$1,215,721 should have been disclosed in Schedule Y Part 2 "Management Agreements and Service Contracts". THP paid the Company approximately \$4,680,000 in 2012.

Capital Contributions

The Company received the following capital contributions from HPUOV during the exam period:

Year	Amount
2012	\$ 5,000,000
2011	\$ 15,000,000
2010	\$ 10,000,000
2009	\$ -
Total	\$ 30,000,000

FIDELITY BOND AND OTHER INSURANCE

HPUOV is a named insured on a financial institution bond, pursuant to W. Va. Code §33-25A-7. All employees are employees of HPUOV. The bond exceeds the minimum amount recommended by the NAIC.

HPUOV maintains various other property and liability coverages which the Company believes are adequate to cover its corporate risks.

EMPLOYEE WELFARE

The Company does not have any employees; all employees are employed by the Company's parent, HPUOV. HPUOV provides its employees with a package of life and health benefits. HPUOV offers a 401(k) Retirement Savings Plan for all eligible employees. HPUOV contributes 7% of Plan Compensation to eligible participants.

Pension Plan

All full-time employees participated in a noncontributory defined contribution pension plan until December 31, 2011. HPUOV contributed 10% of salaries and wages for each employee who met the eligibility requirements. Total plan contribution expense for the years ended December 31, 2012 and 2011 was approximately \$1,473,000 and \$1,479,000, respectively. Effective January 1, 2012, the Pension Plan was replaced with the 401(k) Plan discussed above.

Other Postretirement Benefits

HPUOV provides postretirement medical and life insurance benefits for all full-time employees. HPUOV provides retirees with single coverage at no cost for the first 12 months of retirement. In subsequent years, the cost is shared by the retiree and HPUOV based upon years of service. HPUOV also has a life insurance plan that provides coverage of \$5,000 and is provided by HPUOV at no cost for ten years after retirement.

TERRITORY AND PLAN OF OPERATIONS

THP actively markets Commercial POS, Commercial PPO, Medicare Advantage Local PPO, Medicare Advantage Private Fee-for-Service (contract not renewed with CMS effective 1/1/2010), Medicare Select and employer stop-loss insurance policies to employers and individuals in Ohio and West Virginia. THP's primary service area consists of the following: Akron, OH; Canton/Massillon, OH; St. Clairsville, OH; Wheeling, WV; Morgantown, WV and each of these cities surrounding areas. THP markets all of its' products both on a direct basis and through independent insurance agents.

THP is licensed in West Virginia, Ohio and Pennsylvania.

GROWTH OF THE COMPANY

The following chart shows the Company's growth over the examination period.

Year	Admitted Assets	Capital and Surplus	Net Premium Income	Net Income
2012	\$28,215,000	\$18,995,000	\$46,531,000	(\$7,367,000)
2011	\$30,916,000	\$21,054,000	\$41,058,000	(\$10,012,000)
2010	\$25,758,000	\$16,885,000	\$44,951,000	(\$4,237,000)
2009	\$19,674,000	\$10,525,000	\$41,173,000	(\$5,299,000)

CLAIMS UNPAID EXPERIENCE

The statutory reserves and related items for 2012 were reviewed and certified by the Company's Appointed Actuary, Roger Schacht, FSA, MAAA, of Ernst & Young LLP.

The reserves established by the Company were reviewed for reasonableness by the examination actuary. The actuary determined the claims unpaid, unpaid claims adjustment expenses and aggregate health policy reserves presented in the 2012 annual statement appear to make reasonable provision for all unpaid claims.

REINSURANCE

Assumed Reinsurance

THP does not assume any reinsurance.

Ceded Reinsurance

THP purchases reinsurance which provides coverage for catastrophic inpatient claims. THP retains \$400,000 for commercial products and \$350,000 for government products (Medicare and Medicaid).

THP also purchases reinsurance for stop-loss insurance sold to self-insured groups administered by HPUOV and affiliates. THP is responsible for 100% of claims expenses per covered person per policy year in excess of \$300,000 above the specific deductible and up to \$2,000,000 per covered person's lifetime.

THP ceded premiums of approximately \$272,000 in 2012.

ACCOUNTS AND RECORDS

General

The Company's internal control structure was discussed with management through questionnaires, interviews and a review of the work performed by the Company's independent public accountants.

The NAIC provides a questionnaire covering the evaluation of the controls in EDP systems. The Company's response was reviewed by computer audit specialists of the examination team who evaluated the adequacy of the EDP controls.

Data center operations are located at the Company's home office facility in St. Clairsville, Ohio.

The Company did not report and allocate expenses in accordance with SSAP No. 70 Allocation of Expenses and the NAIC Health Annual Statement Instructions on its Underwriting and Investment Exhibit - Part 3 - Analysis of Expenses. The allocation of expenses may also impact the Company's Medical Loss Ratio calculation.

The Company did not report any current years' amortization or accretion for bond investments on its Schedule D – Part 1. The actual cost reported for bond investments was the same as the book/adjusted carrying value reported on its Schedule D – Part 1.

Designated Certified Public Accountant

The Company was audited for the years under examination by Ernst & Young LLP (“E&Y”) in compliance with W. Va. Code §33-33-4. The Company received an unqualified statutory opinion in all years under examination.

The applicable work papers of E&Y were reviewed and where appropriate, certain procedures performed by the auditors were relied upon in this examination. In those instances, the work papers documenting the work of the auditors were copied for inclusion into the work papers of this examination.

Safekeeping of Assets

Assets are held pursuant to custodial agreements with JPMorgan Chase & Co. Investments are managed internally.

STATUTORY DEPOSITS

At December 31, 2012, the Company had the following securities held for the benefit of all policyholders:

<u>State</u>	<u>Book/Adjusted Carrying Value</u>	<u>Fair Value</u>
Kentucky	\$ 100,000	\$ 100,000
Ohio	\$ 100,000	\$ 100,000
West Virginia	\$100,300	\$107,617
Totals	<u>\$ 300,300</u>	<u>\$ 307,617</u>

The Company did not disclose the \$100,300 West Virginia statutory deposit on Schedule E Part 3 – Special Deposits in its 2012 Annual Statement.

FINANCIAL STATEMENTS

The following pages contain a statement of assets, liabilities and surplus and a statement of operations as of December 31, 2012. A reconciliation of surplus of the Company for the years 2009 through 2012 follows. The examination team reviewed and accepted the work of the Designated Certified Public Accountant related to these financial statements. The examiners have incorporated these statements into this report without adjustment.

THP INSURANCE COMPANY

Assets
December 31, 2012

<u>ASSETS</u>	<u>Per Annual Statement</u>	<u>Statutory Exam Adjustments</u>	<u>Per Statutory Exam</u>
Bonds	\$2,614,773	-	\$2,614,773
Stocks:			
Common stocks	4,140,347	-	4,140,347
Cash and short-term investments	20,405,167	-	20,405,167
Subtotals, cash and invested assets	\$27,160,287	-	\$27,160,287
Investment income due and accrued	19,932	-	19,932
Premiums and considerations:			
Uncollected premiums and agents' balance	520,919	-	520,919
Reinsurance:			
Amounts recoverable from reinsurers	513,521	-	513,521
Total Assets	\$ 28,214,659	-	\$ 28,214,659

THP INSURANCE COMPANY
Liabilities, Capital and Surplus
December 31, 2012

<u>LIABILITIES, CAPITAL AND SURPLUS</u>	<u>Per Annual Statement</u>	<u>Statutory Exam Adjustments</u>	<u>Per Statutory Exam</u>
Claims unpaid	\$6,807,333	-	\$ 6,807,333
Unpaid claims adjustment expenses	211,482	-	211,482
Aggregate health policy reserves	255,826	-	255,826
Premiums received in advance	435,732	-	435,732
General expenses due or accrued	608,009	-	608,009
Amounts due to parent, subsidiaries and affiliates	<u>901,375</u>	<u>-</u>	<u>901,375</u>
Total Liabilities	\$ 9,219,757	-	\$ 9,219,757
Common capital stock	2,500,000	-	2,500,000
Gross paid in and contributed surplus	56,820,000	-	56,820,000
Unassigned funds (surplus)	<u>(40,325,096)</u>	<u>-</u>	<u>(40,325,096)</u>
Total Capital and Surplus	\$ 18,994,904	-	\$ 18,994,904
Total Liabilities, Surplus & Other Funds	<u>\$28,214,659</u>	<u>-</u>	<u>\$28,214,659</u>

THP INSURANCE COMPANY
Statement of Income
December 31, 2012

	<u>Per Annual Statement</u>	<u>Statutory Exam Adjustments</u>	<u>Per Statutory Exam</u>
Premium income	\$46,530,747	-	\$ 46,530,747
Hospital and Medical:			
Hospital/medical benefits	41,677,227	-	41,677,227
Other professional services	2,604,659	-	2,604,659
Emergency room and out-of-area	3,450,876	-	3,450,876
Subtotal	47,732,762	-	47,732,762
Less:			
Reinsurance recoveries	982,602	-	982,602
Total hospital and medical	46,750,160	-	46,750,160
Claims adjustment expenses	1,635,322	-	1,635,322
General administrative expenses	5,768,191	-	5,768,191
Total underwriting deductions	54,153,673	-	54,153,673
Net underwriting gain or (loss)	(7,622,926)	-	(7,622,926)
Net investment income earned	240,390	-	240,930
Net realized capital gains	15,854	-	15,854
Net investment gains	256,244	-	256,244
Net loss	<u>\$ (7,366,682)</u>	-	<u>\$ (7,366,682)</u>

THP INSURANCE COMPANY
 Reconciliation of Surplus
 December 31, 2012

<u>SURPLUS ACCOUNT</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>
Surplus, December 31, previous year	\$21,054,147	\$16,884,975	\$10,524,970	\$15,417,527
Net loss	(7,366,682)	(10,394,307)	(3,850,747)	(5,612,731)
Change in net unrealized capital gains or (losses)	308,379	(420,994)	210,645	707,288
Change in non-admitted assets	(943)	(16,832)	107	12,886
Surplus adjustments:				
Paid in	5,000,000	15,000,000	10,000,000	-
Prior period correction	-	1,305	-	-
Net change in surplus of the year	(2,059,246)	4,169,172	6,360,005	(4,892,557)
Surplus, December 31, current year	\$ 18,944,904	\$ 21,054,147	\$ 16,884,975	\$ 10,524,970

ACKNOWLEDGEMENT

Acknowledgment is hereby made of the courtesy and cooperation extended by personnel of the Company during the course of the examination.

Respectfully submitted:

A handwritten signature in black ink, appearing to read 'S. Carroll', with a long horizontal flourish extending to the right.

Susan L. Carroll, CPA, CFE
Examiner-in-Charge
Representing the State of West Virginia



St. Clairsville Office
52160 National Road East
St. Clairsville, OH 43950-9365
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Hearing Impaired:
1.877.236.2291
FAX: 330.837.6869
www.healthplan.org



May 19, 2014

Michael D. Riley
Insurance Commissioner
Financial Conditions Division
State of West Virginia
P.O. Box 50540
Charleston, WV 25305-0540

Re: Report of Financial Examination, as of December 31, 2012 for
The Health Plan of the Upper Ohio Valley NAIC #: 95677 WV File #: D030
THP Insurance Company NAIC #: 60016 WV File #: D037

Dear Mr. Riley:

This letter is in response to the Report of the Financial Examination for The Health Plan of the Upper Ohio Valley, Inc. (The Health Plan) and THP Insurance Company.

The Health Plan concurs with the findings of the examination and has taken or will take the appropriate actions to implement recommendations detailed in the report.

If you have questions or need additional information, please feel free to contact me at (740) 695-7625 or pwright@healthplan.org.

Sincerely,

Philip D. Wright
President/CEO

mjb

