Audited Financial Report

THP Insurance Company

(A Wholly-Owned Subsidiary of The Health Plan of the Upper Ohio Valley, Inc.)

Statutory-Basis Financial Statements as of and for the Years Ended December 31, 2014 and 2013, and Independent Auditors' Report

Supplemental Information as of and for the Year Ended December 31, 2014

DIXON HUGHES GOODMAN LLP

TABLE OF CONTENTS

DIXON HUGHES GOODMAN LLP

INDEPENDENT AUDITORS' REPORT

To the Audit Committee
THP Insurance Company
St. Clairsville, Ohio

We have audited the accompanying statutory-basis financial statements of THP Insurance Company (the "Company'), which comprise the statutory-basis balance sheet as of December 31, 2014, and the related statutory-basis statements of revenues and expenses, changes in capital and surplus, and cash flows for the year then ended, and the related notes to the statutory-basis financial statements.

Management's Responsibility for the Statutory-Basis Financial Statements
Management is responsible for the preparation and fair presentation of these statutory-basis financial statements in accordance with statutory accounting principles prescribed or permitted by West Virginia Offices of the Insurance Commissioner ("WVOIC"); this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of statutory-basis financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility
Our responsibility is to express an opinion on these statutory-basis financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the statutory-basis financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the statutory-basis financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the statutory-basis financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the statutory-basis financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the statutory-basis financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

DHG
DIXON HUGHES GOODMAN LLP

Basis for Adverse Opinion on Accounting Principles Generally Accepted in the United States of America

As described more fully in Note A to the statutory-basis financial statements, the statutory-basis financial statements are prepared by the Company in accordance with statutory accounting principles prescribed or permitted by the WVOIC, which is a basis of accounting other than accounting principles generally accepted in the United States of America, to meet the requirements of the WVOIC. The effects on the statutory-basis financial statements of the variances between the statutory-basis of accounting described in Note A and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

Adverse Opinion on Accounting Principles Generally Accepted in the United States of America

In our opinion, because of the significance of the matter discussed in the "Basis for Adverse Opinion on Accounting Principles Generally Accepted in the United States of America" paragraph, the statutory-basis financial statements referred to in the first paragraph do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the Company as of December 31, 2014, or the results of its operations or its cash flows for the year then ended.

Opinion on Statutory-Basis of Accounting

In our opinion, the statutory-basis financial statements referred to in the first paragraph present fairly, in all material respects, the admitted assets, liabilities and surplus of the Company as of December 31, 2014, and the results of its operations and its cash flows for the year then ended, in accordance with statutory accounting principles prescribed or permitted by the WVOIC.

Other Matters

Our audit was conducted for the purpose of forming an opinion on the basic statutory-basis financial statements taken as a whole. The Summary Investment Schedule and Supplemental Investment Risks Interrogatories as of December 31, 2014 ("Supplemental Information") on pages 22 through 27 are presented for purposes of additional analysis and are not a required part of the basic statutory-basis financial statements. This additional information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the statutory-basis financial statements. The information has been subjected to the auditing procedures applied in the audit 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 statutory-basis financial statements or to the statutory-basis financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. Because of the significance of the matter described in the "Basis for Adverse Opinion on Accounting Principles Generally Accepted in the United States of America" paragraph, it is inappropriate to and we do not express an opinion on the Supplemental Information in accordance with accounting principles generally accepted in the United States of America. In our opinion, this information is fairly stated in all material respects in relation to the statutory-basis financial statements in accordance with statutory accounting principles prescribed or permitted by the WVOIC as a whole.

DIXON HUGHES GOODMAN LLP

Prior Period Financial Statements

The statutory-basis balance sheet of THP Insurance Company as of December 31, 2013, and the related statutory-basis statement of revenue and expenses, changes in capital and surplus, cash flows, and related notes to the statutory-basis financial statements for the year then ended, were audited by other auditors whose report dated June 2, 2014, expressed an unmodified opinion on those statements prepared in conformity with statutory accounting principles prescribed or permitted by the WVOIC.

Dixon Hughes Goodman LLP

Charlotte, North Carolina
June 1, 2015

THP INSURANCE COMPANY
(A Wholly-Owned Subsidiary of The Health Plan of the Upper Ohio Valley, Inc.)
STATUTORY-BASIS BALANCE SHEETS
December 31, 2014 and 2013

ADMITTED ASSETS	2014	2013
Cash and invested assets		
Bonds	$ 2,806,162	$ 2,790,686
Common stock	4,127,254	4,091,131
Cash, cash equivalents, and short-term investments	16,604,330	15,809,296
TOTAL CASH AND INVESTED ASSETS	23,537,746	22,691,113
Accrued interest receivable	19,842	19,588
Premiums receivable	1,272,921	1,054,116
Reinsurance receivable	877,537	106,787
Other admitted assets	7,564,138	6,381,324
Pharmacy rebates receivable	1,529,697	-
TOTAL ADMITTED ASSETS	$ 34,801,881	$ 30,252,928

LIABILITIES AND SURPLUS	2014	2013
Liabilities		
Medical costs payable	$ 8,828,532	$ 11,584,423
Unpaid claims adjustment expense	295,775	343,050
Health policy reserves	2,207,109	811,560
Unearned premium revenue	420,716	642,520
Accounts payable and accrued expenses	1,117,428	787,773
Amounts due to affiliates	3,055,425	1,173,619
TOTAL LIABILITIES	15,924,985	15,342,945
Capital and Surplus		
Common stock, $100 par value, 15,000 shares authorized; 10,000 shares outstanding	1,000,000	1,000,000
Additional paid-in capital	85,320,000	70,320,000
Contingency reserves	200,000	200,000
Assigned surplus	568,000	-
Unassigned deficit	(68,211,104)	(56,610,017)
TOTAL SURPLUS	18,876,896	14,909,983
TOTAL LIABILITIES AND SURPLUS	$ 34,801,881	$ 30,252,928

THP INSURANCE COMPANY
(A Wholly-Owned Subsidiary of The Health Plan of the Upper Ohio Valley, Inc.)
STATUTORY-BASIS STATEMENTS OF REVENUES AND EXPENSES
Years Ended December 31, 2014 and 2013

	2014	2013
REVENUES		
Net premium revenue	$ 51,957,800	$ 53,054,572
EXPENSES		
Hospital and medical benefits	60,782,268	56,659,527
Net reinsurance recoveries	(873,751)	(225,932)
Administrative expenses	5,542,459	9,353,222
NET UNDERWRITING LOSS	(13,493,176)	(12,732,245)
INVESTMENT INCOME		
Net investment income earned	269,818	196,588
Net realized capital gain	74,898	95,326
NET INVESTMENT GAIN	344,716	291,914
NET LOSS	$ (13,148,460)	$ (12,440,331)

The accompanying notes are an integral part of the statutory-basis financial statements.

STATUTORY-BASIS STATEMENTS OF CHANGES IN CAPITAL AND SURPLUS
Years Ended December 31, 2014 and 2013

	Common Stock	Additional Paid-in Capital	Contingency Reserves	Assigned Surplus	Unassigned Deficit	Total Capital and Surplus
BALANCES AT DECEMBER 31, 2012	$ 1,000,000	$ 58,320,000	$ 200,000	$ -	$ (40,847,240)	$ 18,672,760
Net loss	-	-	-	-	(12,440,331)	(12,440,331)
Unrealized gain on investments	-	-	-	-	738,778	738,778
Additional paid-in capital	-	12,000,000	-	-	-	12,000,000
Change in nonadmitted assets	-	-	-	-	(4,061,224)	(4,061,224)
BALANCES AT DECEMBER 31, 2013	1,000,000	70,320,000	200,000	-	(56,610,017)	14,909,983
Net loss	-	-	-	-	(13,148,460)	(13,148,460)
Unrealized loss on investments	-	-	-	-	(651,041)	(651,041)
Additional paid-in capital	-	15,000,000	-	-	-	15,000,000
Change in assigned surplus	-	-	-	568,000	(568,000)	-
Change in nonadmitted assets	-	-	-	-	2,766,414	2,766,414
BALANCES AT DECEMBER 31, 2014	$ 1,000,000	$ 85,320,000	$ 200,000	$ 568,000	$ (68,211,104)	$ 18,876,896

The accompanying notes are an integral part of the statutory-basis financial statements.

THP INSURANCE COMPANY
(A Wholly-Owned Subsidiary of The Health Plan of the Upper Ohio Valley, Inc.)
STATUTORY-BASIS STATEMENTS OF CASH FLOWS
Years Ended December 31, 2014 and 2013

	2014	2013
OPERATING ACTIVITIES		
Premiums and revenues received, net of reinsurance paid	$ 52,912,336	$ 53,283,894
Insurance benefits paid, net of reinsurance recoveries received	(62,752,764)	(55,175,922)
Administrative expenses paid	(6,479,911)	(15,468,760)
Net investment income received	339,485	268,411
NET CASH USED BY OPERATING ACTIVITIES	(15,980,854)	(17,092,377)
INVESTMENT ACTIVITIES		
Proceeds from sales, maturities, or repayments of investments:		
Bonds	465,179	587,906
Common stocks	1,276,259	1,426,924
Miscellaneous proceeds	9,419	510
Total investment proceeds	1,750,857	2,015,340
Cost of investments acquired:		
Bonds	(519,858)	(799,282)
Common stocks	(1,318,193)	(856,723)
Total investments acquired	(1,838,051)	(1,656,005)
NET CASH USED BY INVESTMENT ACTIVITIES	(87,194)	359,335
FINANCING ACTIVITIES		
Additional paid-in surplus	15,000,000	12,000,000
Other cash provided, net	1,863,082	137,171
NET CASH PROVIDED BY FINANCING ACTIVITIES	16,863,082	12,137,171
NET INCREASE (DECREASE) IN CASH, CASH EQUIVALENTS AND SHORT-TERM INVESTMENTS	795,034	(4,595,871)
CASH, CASH EQUIVALENTS AND SHORT-TERM INVESTMENTS, BEGINNING OF YEAR	15,809,296	20,405,167
END OF YEAR	$ 16,604,330	$ 15,809,296

NOTE A - 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, Ohio; Canton/Massillon, Ohio; St. Clairsville, Ohio; Wheeling, West Virginia; Morgantown, West Virginia; 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.

NOTE B - SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

THP prepares its statutory-basis financial statements in conformity with accounting practices prescribed or permitted by the West Virginia Offices of the Insurance Commissioner (WVOIC), which 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* (statutory accounting principles) subject to any deviations prescribed or permitted by the WVOIC. THP has no permitted practices and the WVOIC has not adopted any prescribed practices which differ from statutory accounting principles.

The more significant variances between statutory accounting practices prescribed or permitted by the WVOIC and accounting principles generally accepted in the United States (GAAP) are as follows:

- Cash, cash equivalents, and short-term investments in the statutory-basis 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 and a reconciliation of net income to cash flows from operating activities is a required disclosure when the direct method for determining cash flows from operating activities is used. Statutory accounting principles do not require such disclosure.

NOTE B - SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Presentation (Continued)

- Investments in bonds are reported at amortized cost or fair value based on their NAIC rating; for GAAP, these investments would be designated at purchase as held-to-maturity, trading or available-for-sale. Held-to-maturity bonds would be reported at amortized cost, and the remaining investments would be reported at fair value with unrealized holding gains and losses reported in the statement of operations for those designated as trading and as a component of other comprehensive income for those designated as available-for-sale.
- All single-class and multiclass mortgage-backed/asset-backed securities (e.g., CMOs) are adjusted for the effects of changes in prepayment assumptions on the related accretion of discount or amortization of premium of such securities using either the retrospective or prospective methods. If it is determined that a decline in fair value is other than temporary, the cost basis of the security is written down to the undiscounted estimated future cash flows. For GAAP purposes, all securities, purchased or retained, that represent beneficial interests in securitized assets (e.g., CMO, CBO, CDO, CLO, MBS, and ABS securities), other than high-credit-quality securities, are adjusted using the prospective method when there is a change in estimated future cash flows. If it is determined that a decline in fair value is other than temporary, the cost basis of the security is written down to the discounted fair value. If high-credit-quality securities are adjusted, the retrospective method is used.
- Certain types of assets classified as “nonadmitted” are excluded from the accompanying statutory-basis 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.
- 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.

NOTE B - SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation (Continued)

Other significant accounting practices are as follows.

Use of Estimates - The preparation of statutory-basis financial statements in conformity with statutory accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, and the disclosure of contingent assets and liabilities at the date of the statutory-basis financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates and assumptions.

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 - Short-term investments are stated at amortized cost.

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. Premiums and discounts on debt investments are amortized on the effective yield method over the term of the investment.

All mortgage-backed/asset-backed securities are adjusted for the effects of changes in prepayment assumptions on the related accretion of discount or amortization of premium of such securities using the prospective method. If it is determined that a decline in fair value is other than temporary, the cost basis of the security is written down to the undiscounted estimated future cash flows.

Common stocks, which include investments in mutual funds, are reported at estimated fair value prescribed or permitted by the SVO, and the related net unrealized capital gains (losses), net of deferred income taxes, are reported as a component of surplus.

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 stock 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 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.

NOTE B - SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation (Continued)

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 Reserve - 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. The premium deficiency reserves were approximately $2,207,000 and $812,000 at December 31, 2014 and 2013, respectively.

Medical Costs - THP 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.

Medical costs payable, which include approximately $103,000 and $100,000 in 2014 and 2013, 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 statutory-basis financial statements.

Reinsurance - THP purchases reinsurance which provides coverage for catastrophic inpatient hospital claims. Depending on line of business, deductibles range between $350,000 and $400,000 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. 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 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 is contingently liable for reinsured losses to the extent that the reinsurance company cannot meet its obligations under the reinsurance contract.

NOTE B - SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation (Continued)

Reinsurance (Continued)

Reinsurance expenses of approximately $342,000 and $309,000 in 2014 and 2013, respectively, are included in the statutory-basis statements of revenues and expenses as a reduction of member premiums. Reinsurance recoveries of approximately $874,000 and $226,000 for 2014 and 2013, respectively, are included in the accompanying statements of revenues and expenses as a reduction of medical benefit expenses.

Neither THP nor any of its affiliates control, directly or indirectly, any direct reinsurers with whom THP conducts business. No policies issued by THP 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 does not have any reinsurance agreements in effect under which the reinsurer may unilaterally cancel the agreement.

Income Taxes - Through December 31, 2014, the Company has incurred net operating losses (NOLs) approximating $50,000,000 for federal income tax purposes, which are available to offset future taxable income. The NOLs expire beginning in 2025 through 2033.

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

Reclassifications - Certain amounts in the 2013 statutory-basis financial statements have been reclassified to conform to the 2014 presentation. Such reclassifications had no impact on the statutory-basis financial statements for the year ended December 31, 2013.

Application of New Accounting Standards

SSAP 26: In June 2014, the NAIC adopted revisions to SSAP No. 26, *Bonds, Excluding Loan-Backed and Structured Securities* ("SSAP 26"), which adopt a new disclosure requirement to permit the capture of data about structured notes. SSAP 26 was effective for year-end reporting in 2014. The adoption of SSAP 26 did not have an impact on the Company's statutory-basis financial statements.

SSAP 106: The NAIC issued SSAP No. 106, *Affordable Care Act Section 9010 Assessment* ("SSAP 106") in 2014, which moved and clarified guidance previously contained in SSAP 35R, *Guaranty Fund and Other Assessments*. The guidance issued in SSAP 106 incorporates a 2013 disclosure for entities that are subject to Section 9010 of the Federal Affordable Care Act ("ACA"). The disclosure indicates that the assessment, payable in 2014, shall be consistent with the guidance provided under SSAP No. 9, *Subsequent Events*, for a Type II subsequent event. The guidance further states that impacted companies shall record the assessment for the data year as assigned surplus until the conclusion of the data year. At the outset of the subsequent period or fee year, the assessment shall become a liability on the statutory-basis statements of admitted assets, liabilities, and surplus. Adoption of this pronouncement as of December 31, 2014 did not result in a material effect on the statutory-basis financial statements. See Note J for additional discussion.

NOTE B - SIGNIFICANT ACCOUNTING POLICIES

Application of New Accounting Standards (Continued)

SSAP 107: The NAIC has issued SSAP No. 107, *Accounting for the Risk-Sharing Provisions of the Affordable Care Act* ("SSAP 107") in 2014, effective as of December 31, 2014, which established guidance for the reinsurance, risk adjustment, and risk corridor (the "3Rs") provisions of the ACA. The adoption of SSAP 107 did not have a material effect on the statutory-basis financial statements of the Company as of December 31, 2014.

NOTE C - FAIR VALUE MEASUREMENTS

SSAP No. 100, *Fair Value Measurements*, clarifies the definition of estimated fair value and establishes a hierarchy for measuring estimated fair value. The hierarchy established by this standard consists of three levels to indicate the quality of the estimated fair value measurements as described below:

Included in various investment-related line items in the statutory-basis 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.

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.

NOTE C - FAIR VALUE MEASUREMENTS (Continued)

- **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.

The following tables present the financial instruments measured at fair value on a recurring basis as of December 31:

	2014			
	Level 1	Level 2	Level 3	Total
Assets				
Common stock	$ 4,127,254	$ -	$ -	$ 4,127,254

	2013			
	Level 1	Level 2	Level 3	Total
Assets				
Common stock	$ 4,091,131	$ -	$ -	$ 4,091,131

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.

At the end of each reporting period, the Company evaluates whether any event has occurred or circumstances have changed that would cause an instrument to be transferred between Levels 1 and 2. This policy also applies to transfers into or out of Level 3. The Company had no transfers into or out of any of the levels during the years ended December 31, 2014 and 2013.

NOTE C - FAIR VALUE MEASUREMENTS (Continued)

The following tables reflect the estimated fair values and admitted values of all admitted assets that are considered to be financial instruments as of December 31. The estimated fair values are categorized into the three-level fair value hierarchy as described above.

	2014				
	Admitted Value	Quoted Prices in Active Markets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Estimated Fair Value
Assets					
Cash, cash equivalents and short-term investments	$ 16,604,330	$ 16,604,330	$ -	$ -	$ 16,604,330
Bonds	2,806,162	-	2,819,935	-	2,819,935
Common stocks	4,127,254	4,127,254	-	-	4,127,254
Accrued investment income	19,842	-	19,842	-	19,842
	$ 23,557,588	$ 20,731,584	$ 2,839,777	$ -	$ 23,571,361

	2013				
	Admitted Value	Quoted Prices in Active Markets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Estimated Fair Value
Assets					
Cash, cash equivalents and short-term investments	$ 15,809,296	$ 15,809,296	$ -	$ -	$ 15,809,296
Bonds	2,790,686	-	2,740,770	-	2,740,770
Common stocks	4,091,131	4,091,131	-	-	4,091,131
Accrued investment income	19,588	-	19,588	-	19,588
	$ 22,710,701	$ 19,900,427	$ 2,760,358	$ -	$ 22,660,785

Bonds, Stocks, Cash, Cash Equivalents, and Short-Term Investments

When available, the estimated fair values are based on quoted prices in active markets that are readily and regularly obtainable. Generally, these investments are classified in Level 1. Generally, these are the most liquid of the Company's securities holdings and valuation of these securities does not involve management's judgment.

NOTE C - FAIR VALUE MEASUREMENTS (Continued)

Bonds, Stocks, Cash and Cash Equivalents, and Short-Term Investments (Continued)

When quoted prices in active markets are not available, the determination of estimated fair value is based on market standard valuation methodologies, giving priority to observable inputs. The significant inputs to the market standard valuation methodologies for certain types of securities with reasonable levels of price transparency are inputs that are observable in the market or which can be derived principally from or corroborated by observable market data. Generally, these investments are classified as Level 2.

When observable inputs are not available, the market standard valuation methodologies for determining the estimated fair value of certain types of securities that trade infrequently, and therefore have little or no price transparency, rely on inputs that are significant to the estimated fair value that are not observable in the market or which cannot be derived principally from or corroborated by observable market data. These unobservable inputs can be based in large part on management's judgment or estimation and cannot be supported by reference or market activity. Even though these inputs are unobservable, management believes they are consistent with what other market participants would use when pricing such securities and are considered appropriate, given the circumstances. Generally, these investments are classified as Level 3.

The estimated fair value of cash and cash equivalents approximates carrying value and is classified as Level 1, given the nature of cash.

Accrued Investment Income

Due to the short-term nature of accrued investment income, the Company believes there is minimal risk of material changes in interest rates or credit of the issuer such that estimated fair value approximates carrying value. These amounts are generally classified as Level 2.

NOTE D - INVESTMENTS

The following is a summary of investments at December, with amortized cost for bonds and actual, historical cost for common stocks:

	2014			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Bonds				
U.S. government and agencies	$ 712,808	$ 16,624	$ (7,453)	$ 721,979
Corporate bonds	913,420	22,684	(10,538)	925,566
Mortgage-backed securities:				
Corporate	1,179,934	13,269	(20,813)	1,172,390
Total bonds	2,806,162	52,577	(38,804)	2,819,935
Common stock	3,471,975	684,283	(29,004)	4,127,254
Total investments	$ 6,278,137	$ 736,860	$ (67,808)	$ 6,947,189

	2013			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
U.S. government and agencies	$ 723,969	$ 29	$ (23,806)	$ 700,192
Corporate bonds	885,549	5,574	(27,032)	864,091
Mortgage-backed securities:				
Corporate	1,181,168	10,632	(15,313)	1,176,487
Total bonds	2,790,686	16,235	(66,151)	2,740,770
Common stock, including mutual funds	3,352,353	1,359,511	(620,733)	4,091,131
Total investments	$ 6,143,039	$ 1,375,746	$ (686,884)	$ 6,831,901

NOTE D - INVESTMENTS (Continued)

A summary of the book-adjusted carrying value and estimated fair value of THP's investments in bonds at December 31, 2014, by contractual maturity, is as follows:

	Book/Adjusted Carrying Value	Estimated Fair Value
Year of maturity:		
2015	$ 100,000	$ 100,000
2016 - 2019	684,540	674,593
2020 - 2024	457,863	461,617
After 2025	383,825	411,335
Mortgage-backed securities	1,179,934	1,172,390
Total	$ 2,806,162	$ 2,819,935

The actual 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 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 accompanying statutory-basis statements of revenues and expenses in the period the determination is made. The company has determined that there are no other-than-temporary impairments that should be recognized as of December 31, 2014 and 2013.

NOTE D - 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:

	2014					
	Less than 12 Months		12 Months or Greater		Total	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
Bonds:						
U.S. government and agencies	$ -	$ -	$ 270,193	$ (7,453)	$ 270,193	$ (7,453)
Mortgage-related securities:						
Corporate	1,299,837	(25,359)	394,992	(18,799)	1,694,829	(44,158)
Common stock, including mutual funds	199,524	(10,316)	326,194	(5,881)	525,718	(16,197)
Total	$ 1,499,361	$ (35,675)	$ 991,379	$ (32,133)	$ 2,490,740	$ (67,808)

	2013					
	Less than 12 Months		12 Months or Greater		Total	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
Bonds:						
U.S. government and agencies	$ 480,147	$ (13,639)	$ 195,240	$ (10,167)	$ 675,387	$ (23,806)
Mortgage-related securities:						
corporate	759,307	(30,363)	244,751	(11,982)	1,004,058	(42,345)
Common stock, including Mutual funds	1,036,462	(620,733)	-	-	1,036,462	(620,733)
Total	$ 2,275,916	$ (664,735)	$ 439,991	$ (22,149)	$ 2,715,907	$ (686,884)

The Company had 112 and 146 investment holdings in an unrealized loss position as of December 31, 2014 and 2013, respectively. Management recorded no unrealized losses as other-than-temporary declines in value in either 2014 or 2013.

Proceeds from the sales of investments in 2014 and 2013 were approximately $1,751,000 and $1,453,000, respectively. Realized gains and losses (including amounts recorded as other-than-temporary declines) were approximately $87,000 and $13,000, respectively, for the year ended December 31, 2014, and $118,000 and $23,000, respectively, for the year ended December 31, 2013.

NOTE D - INVESTMENTS (Continued)

Major categories of net investment income, excluding realized gains, are summarized as follows:

	2014	2013
Income:		
Bonds	$ 96,688	$ 89,779
Common stocks	220,297	135,194
Cash, cash equivalents and short-term investments	-	17,161
Total investment income	316,985	242,134
Investment expenses	(47,167)	(45,546)
NET INVESTMENT INCOME	$ 269,818	$ 196,588

NOTE E - 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:

	2014	2013
Medical costs payable, net of reinsurance receivable and nonadmitted pharmacy rebates receivable at beginning of year	$ 7,551,485	$ 6,293,812
Add provision for medical costs, net of reinsurance recoveries and pharmacy rebates receivable, occurring in:		
Current year	62,010,777	56,665,527
Prior years	(54,911)	(231,932)
Net incurred medical costs during the current year	61,955,866	56,433,595
Deduct payments for medical costs occurring in:		
Current year	52,048,036	48,620,635
Prior years	11,387,127	6,555,287
Net medical cost payments during the current year	63,435,163	55,175,922
Medical costs payable, net of reinsurance receivable and nonadmitted pharmacy rebates receivable, at end of year	6,072,188	7,551,485
Reinsurance receivable	877,537	106,787
Nonadmitted pharmacy rebates receivable	1,878,807	3,926,151
Medical costs payable at end of year	$ 8,828,532	$ 11,584,423

NOTE E - MEDICAL COSTS PAYABLE

The surplus in the 2013 reserves of $231,932 resulted from lower than expected claims utilization of medical services and is included as a decrease in net incurred medical costs for the year ended December 31, 2014. The medical cost payable at December 31, 2014 was over-accrued by $54,911.

NOTE F - CAPITAL AND SURPLUS

THP 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, 2014 and 2013, THP Insurance Company meets the RBC requirements.

NOTE G - RESERVE REQUIREMENTS AND DEPOSITS

The WVOIC 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, 2014 and 2013, and a deposit of the same amount has been set aside and is included in bonds in the investment portfolio.

NOTE H - RELATED-PARTY TRANSACTIONS

THP has a management services contract (Contract) with HPUOV. The Contract requires THP 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, 2014 and 2013, THP paid approximately $4,978,000 and $6,539,000, respectively, to HPUOV pursuant to the Contract.

For the years ended December 31, 2014 and 2013, HPUOV made capital contributions of $15,000,000 and $12,000,000, respectively, to THP to ensure there would not be a financial violation of the operating loss being greater than 50% of the remaining surplus.

NOTE I - ADMINISTRATIVE EXPENSES

Administrative expenses for THP, other than those expenses under the Contract, include approximately $628,000 and $2,496,000 of claims adjustment expenses, $4,864,000 and $6,840,000 of general administrative expenses, and $98,000 and $63,000 of investment expenses for the years ended December 31, 2014 and 2013, respectively.

NOTE J - SUBSEQUENT EVENTS

Effective January 1, 2014, the Company is subject to an annual fee under section 9010 of the Patient Protection and Affordable Care Act (PPACA), which is not deductible for income tax purposes. This annual fee will be allocated to individual health insurers based on the ratio of the amount of the entity's net premiums written during the preceding calendar year to the amount of health insurance for any U.S. health risk that is written during the preceding calendar year.

A health insurance entity's portion of the annual fee becomes payable once the entity provides health insurance for any U.S. health risk for each calendar year beginning on or after January 1, 2014. As of December 31, 2014, the Company has written health insurance subject to the PPACA assessment, expects to conduct health insurance business in 2015, and estimates its portion of the annual health insurance industry fee payable in 2015 to be approximately $568,000 and was recorded on January 1, 2015.

Management of THP evaluated events and transactions occurring subsequent to December 31, 2014 through June 1, 2015. No other subsequent events requiring disclosure in the statutory-basis financial statements were identified.

SUPPLEMENTAL INFORMATION

THP INSURANCE COMPANY
(A Wholly-Owned Subsidiary of The Health Plan of the Upper Ohio Valley, Inc.)
SUMMARY INVESTMENT SCHEDULE
December 31, 2014

Investment Categories	Gross Investment Holdings Amount	Gross Investment Holdings Percentage	Admitted Assets as Reported in the Audited Statement Amount	Admitted Assets as Reported in the Audited Statement Percentage
Bonds:				
U.S. treasury securities	$ 712,808	3.0%	$ 712,808	3.0%
U.S. agency bonds and corporate obligations	813,420	3.5%	813,420	3.5%
Mortgage-backed securities (includes residential and commercial:				
Guaranteed by GNMA	1,148,559	4.9%	1,148,559	4.9%
Issued by FNMA and FHLMC	31,375	0.1%	31,375	0.1%
Other debt and fixed income securities	100,000	0.4%	100,000	0.4%
Equity interest:				
Investments in common stock	4,127,254	17.5%	4,127,254	17.5%
Cash, cash equivalents and short-term investments	16,604,330	70.5%	16,604,330	70.5%
Total invested assets	$ 23,537,746	100.0%	$ 23,537,746	100.0%

NAIC Group Code	**1297**
NAIC Company Code	**60016**
Employer's ID Number	**55-0765726**

The Investment Risks Interrogatories are to be filed by April 1. They are also to be included with the Audited Statutory-Basis Financial Statements.

Answer the following interrogatories by stating the applicable U.S. dollar amounts and percentages of the reporting entity's total admitted assets held in that category of investments.

1. The Company's total admitted assets as reported on page three of its Annual Statement are **$34,801,881**.

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:

	Issuer	Description of Exposure	Amount	Percentage of Total Admitted Assets
2.01	First American US Treasury M M	Bonds	$ 757,865	2.2%
2.02	SPDR S&P 500 ETF Trust Fund	Bonds	653,206	1.9%
2.03	JP Morgan Strategic Income Opp Fund	Bonds	326,194	0.9%
2.04	Matthews Pacific Tiger Institutional Fund	Bonds	234,562	0.7%
2.05	JP Morgan Inflation Managed Bond Fund	Bonds	229,459	0.7%
2.06	MFS International Value Fund	Bonds	224,435	0.6%
2.07	JP Morgan Intrepid America Fund	Bonds	213,482	0.6%
2.08	JP Morgan Unconstrained Debt Fund	Bonds	207,889	0.6%
2.09	IShares MSCI EAFE ETF Fund	Bonds	202,171	0.6%
2.10	Blackrock High Yield Bond Fund	Bonds	198,744	0.6%

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

	Bonds	Amount	Percentage of Total Admitted Assets
3.01	NAIC-1	$ 2,479,710	7.1%
3.02	NAIC-2	326,452	0.9%
3.03	NAIC-3	-	-%
3.04	NAIC-4	-	-%
3.05	NAIC-5	-	-%
3.06	NAIC-6	-	-%

		Preferred Stocks	Amount	Percentage of Total Admitted Assets
3.07	P/RP-1			-%
3.08	P/RP-2			-%
3.09	P/RP-3			-%
3.10	P/RP-4			-%
3.11	P/RP-5			-%
3.12	P/RP-6			-%

4. Assets held in foreign investments:

   4.01 Are assets held in foreign investments less than 2.5% of admitted assets?

   Yes [ ] No **[X]**

4.02	Total admitted assets held in foreign investments	$ 1,349,009
4.03	Foreign currency denominated investments	-
4.04	Insurance liabilities denominated in that same foreign currency	-

   Assets held in foreign investments are $1,349,009, which is 3.9% of total admitted assets.

5. Aggregate foreign investment exposure categorized by NAIC sovereign rating:

5.01	Countries rated NAIC-1	$ 1,349,009	3.9%
5.02	Countries rated NAIC-2	-	-%
5.03	Countries rated NAIC-3 or below	-	-%

6. Two largest foreign investment exposures to a single country, categorized by the country's NAIC sovereign rating:

   Countries rated NAIC-1:

6.01	Multinational	$ 1,103,267	3.2%
6.02	Japan	85,867	.2%

   Countries rated NAIC-2:

6.03		-	-%
6.04		-	-%

   Countries rated NAIC-3 or below:

6.05		-	-%
6.06		-	-%

Interrogatories 7 through 9 are not applicable to THP since there is no unhedged foreign currency exposure.

10. Ten largest non-sovereign (i.e., non-governmental) foreign issues:

	Issuer	NAIC Rating	Amount	Percentage of Net Admitted Assets
10.01	Matthews Pacific Tiger Inst. Fund	Bonds	$ 234,562	0.7%
10.02	MFS International Value Fund	Bonds	224,435	0.6%
10.03	Ishares MSCI EAFE IndexFund	Bonds	202,171	0.6%
10.04	JP Morgan Global Resource Fund	Bonds	152,749	0.4%
10.05	JP Morgan International Value Fund	Bonds	128,414	0.4%
10.06	Artisan International Value Fund	Bonds	89,826	0.3%
10.07	Brown Adv. Japan Alpha Fund	Bonds	85,867	0.2%
10.08	Aberdeen Asia Pacific Fund	Bonds	71,110	0.2%
10.09	Deutsche Telekom Notes	Bonds	6,940	0.0%
10.10	Norsk Hydro Corporate Notes	Bonds	6,924	0.0%

11. Amounts and percentages of the reporting entity's total admitted assets held in Canadian investments and unhedged Canadian currency exposure:

11.01	Are assets held in Canadian investments less than 2.5% of the reporting entity's total admitted assets?	**YES**	

If response to 11.01 is yes, detail is not required for the remainder of Interrogatory 11.

11.02	Total admitted assets held in Canadian investments	%
11.03	Canadian currency-denominated investments	%
11.04	Canadian-denominated insurance liabilities	%
11.05	Unhedged Canadian currency exposure	%

12. Report aggregate amounts and percentages of the reporting entity's total admitted assets held in investments with contractual sales restrictions:

12.01	Are assets held in investments with contractual sales restrictions less than 2.5% of the reporting entity's total admitted assets?	**YES**

If response to 12.01 is yes, responses are not required for the remainder of Interrogatory 12.

12.02	Aggregate statement value of investments with contractual sales restrictions:	%
	Largest three investments with contractual sales	
12.03	restrictions:	%
12.04		%
12.05		%

13. Amounts and percentages of admitted assets held in the largest 10 equity interests:

13.01	Are assets held in equity interests less than 2.5% of the reporting entity's total admitted assets?	**NO**

If response to 13.01 is yes, responses are not required for the remainder of Interrogatory 13.

	Name of Issuer	Amount	Percentage of Total Admitted Assets
13.02	First American US Money Market	$ 757,865	2.2%
13.03	SPDR S&P 500 ETF Trust Fund	653,206	1.9%
13.04	JP Morgan Strategic Income Fund	326,194	0.9%
13.05	Matthews Pacific Tiger Institutional Fund	234,562	0.7%
13.06	JP Morgan Inflation Managed Fund	229,459	0.7%
13.07	MFS International Value Fund	224,435	0.6%
13.08	JP Morgan Intrepid America Fund	213,482	0.6%
13.09	JP Morgan Unconstrained Debt Fund	207,889	0.6%
13.10	Ishares MSCI EAFE ETF Fund	202,171	0.6%
13.11	Blackrock High Yield Bond Fund	198,744	0.6%

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 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.

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 that 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.