

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

IN RE: THE HEALTH PLAN OF THE UPPER OHIO VALLEY, INC.

Administrative Proceeding No.: 14-AP-FINCON-02002

**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 THE HEALTH PLAN OF THE UPPER OHIO VALLEY (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 is a non-profit, tax exempt health maintenance organization (HMO) and was organized on August 8, 1978 and began writing business in November 1, 1979 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 THE HEALTH PLAN OF THE UPPER OHIO VALLEY, INC., 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 THE HEALTH PLAN OF THE UPPER OHIO VALLEY, INC., by certified mail, return receipt requested upon entry of this Order by the Insurance Commissioner.

3. It is **ORDERED** that THE HEALTH PLAN OF THE UPPER OHIO VALLEY, INC., 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).

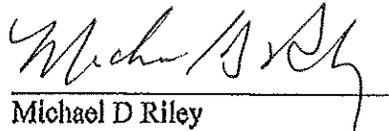
4. It is **ORDERED** that THE HEALTH PLAN OF THE UPPER OHIO VALLEY, INC., take whatever actions are required to comply with the recommendations set forth in the REPORT OF FINANCIAL EXAMINATION, if any, and shall demonstrate compliance to the satisfaction of the Insurance Commissioner, if necessary.

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. THE HEALTH

PLAN OF THE UPPER OHIO VALLEY, INC., 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.

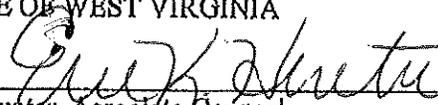
6. It is finally ORDERED that this administrative matter be hereby dismissed from the administrative docket of the Insurance Commissioner.

Entered this 10th day of June, 2013.


Michael D Riley
Insurance Commissioner

THE PARTIES DO SO AGREE:

OFFICES OF THE INSURANCE COMMISSIONER
STATE OF WEST VIRGINIA

By: 
Erin Hunter, Associate Counsel
Associate Counsel

6/10/14
Date

THE HEALTH PLAN OF THE UPPER OHIO VALLEY, INC.,

BY: Philip D. Wright
[Print Name]

Signed: 

Its: President/CEO

Dated: 5/29/14

REPORT OF EXAMINATION
OF
THE HEALTH PLAN OF THE UPPER OHIO VALLEY, INC.
ST. CLAIRSVILLE, OHIO
NAIC #95677
AS OF DECEMBER 31, 2012

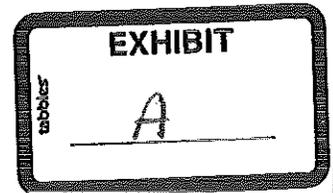
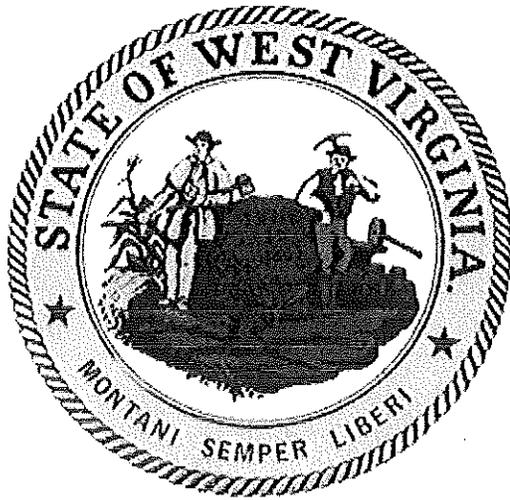


TABLE OF CONTENTS

SCOPE OF EXAMINATION	2
SUMMARY OF SIGNIFICANT FINDINGS	2
SUBSEQUENT EVENTS	4
COMPANY HISTORY	5
CORPORATE RECORDS	5
MANAGEMENT AND CONTROL	5
BOARD OF DIRECTORS AND OFFICERS	5
BOARD COMMITTEES	6
ORGANIZATIONAL CHART	8
SUBSIDIARY COMPANIES	8
COST-SHARING AGREEMENTS	9
CAPITAL CONTRIBUTIONS	9
FIDELITY BOND AND OTHER INSURANCE	9
EMPLOYEE WELFARE	9
PENSION PLAN	10
OTHER POSTRETIREMENT BENEFITS	10
TERRITORY AND PLAN OF OPERATIONS	10
GROWTH OF THE COMPANY	10
CLAIMS UNPAID EXPERIENCE	11
REINSURANCE	11
ASSUMED REINSURANCE	11
CEDED REINSURANCE	11
ACCOUNTS AND RECORDS	11
GENERAL	11
DESIGNATED CERTIFIED PUBLIC ACCOUNTANT	12
SAFEKEEPING OF ASSETS	12
STATUTORY DEPOSITS	12
FINANCIAL STATEMENTS	13
ACKNOWLEDGEMENT	18

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:

**The Health Plan of the Upper Ohio Valley, Inc.
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 The Health Plan of the Upper Ohio Valley ("HPUOV") 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 #	
1	4	Filing of Documents with WVOIC

The Company amended its Bylaws in 2011. The amended Bylaws were not filed with WVOIC in accordance with W. Va. Code §33-25A-3(5).

"A health maintenance organization shall, unless otherwise provided for by rules promulgated by the commissioner, file notice prior to any modification of the operations or documents filed pursuant to this section or as the commissioner may require by rule. If the commissioner does not disapprove of the filing within ninety days of filing, it shall be considered approved and may be implemented by the health maintenance organization."

It is recommended the Company file any amendments to the Articles and/or Bylaws in accordance with W. Va. Code §33-25A-3(5).

2	8	Schedule Y
---	---	------------

HPUOV only included THP Insurance Company ("THP") on its 2012 Schedule Y, Part 1A - Detail of Insurance Holding Company System. HPUOV did not include HP Agency Inc., Hometown Health Plan and

Finding # Page #

Hometown Health Network. In addition, HPUOV did not include the 2012 \$5,000,000 capital contribution to THP or the fees associated with the management agreement 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.

3 9 Disclosure of Retirement Plans and Other Postretirement Benefit Plans

The Company did not disclose its pension plan or other postretirement benefits in Note 12 "Retirement Plans and Other Postretirement Benefit Plans" in the Notes to the Financial Statements in the 2012 Annual Statement.

It is recommended the Company accurately complete the Notes to the Financial Statements.

4 10 Administrative Services Only "ASO"

HPUOV's Allied Services Division (ASO business) expenses and reimbursements are netted together and flow through the administrative expenses on the annual statement. The Company did not disclose any amount on the "Analysis of Operations and Line of Business" schedule in the December 31, 2012 annual statement.

According to the Health Annual Statement Instructions, HPUOV should include the ASO expenses and reimbursements from ASO contracts on the "Analysis of Operations and Lines of Business" schedule in Column 9 "Other Health" line 20. In addition, the Health Annual Statement Instructions also state that the ASO commissions, expenses and taxes paid by the administrator to administer such plans shall be reported on a gross basis by type of expense in the annual statement Underwriting and Investment Exhibit - Part 3 - Analysis of Expenses. The Company is currently reporting the ASO business net and it is not broken down by expense type.

It is recommended the Company report the ASO business in accordance with the Annual Statement instructions.

5 12 Reporting of Bonds

Finding # Page #

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.

6 12 Allocation and Reporting of Expenses

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

7 13 West Virginia Special Deposit

The Company did not disclose the \$100,000 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 THP Insurance Company 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.

The Board of Directors approved a change to the Company's Bylaws on September 26, 2013 that stated "The President of the Corporation shall be an ex-officio (non-voting) member of the Board". At that time, Mr. Phil Wright became a non-voting member of the Board of Directors.

The following Board members resigned from the Board of Directors: Mr. John Schellhase resigned effective October 1, 2013 and Mr. Ronald Hobbs resigned effective October 30, 2013.

Effective November 21, 2013, Mr. John Holloway, MD was appointed Chairman of Board. Mr. Nick Zervos was appointed Immediate Past Chairman of the Board.

COMPANY HISTORY

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. The Health Plan was originally located in Wheeling, West Virginia. After receiving regulatory approval in 1985, HPUOV relocated to its present location in St. Clairsville, OH.

In July 2003, HPUOV purchased Hometown Health Network, a Massillon, OH-based managed care organization, from Akron General Health System. On April 1, 2006, Hometown's membership and that of its divisions – which included Hometown Health Plan, Hometown Insurance Group, Hometown Administrative Services – were transferred to HPUOV, completing the merger of Hometown into its parent company.

CORPORATE RECORDS

The minutes of meetings of the Board of Directors and committees reflected the elections of directors and officers, approvals of investment transactions and approvals of other pertinent matters requiring corporate review.

The Bylaws were amended in 2011. The following changes were made: Term limits do not apply to the 14 Directors currently on the Board and the Directors may attend a meeting by phone but the number of meetings attended by phone is limited to three per year. The Amendment to the Bylaws was not filed with WVOIC in accordance with W. Va. Code §33-25A-3(5).

MANAGEMENT AND CONTROL

Corporate governance is provided by the Company's Board of Directors and is carried out by Company management.

Board of Directors and Officers

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

Name & Location	Year First Elected	Principle Business Affiliation
Robert Dunlevy Wheeling, West Virginia	1993	Marketing Representative Lincoln Manufacturing
Jerry Fisher Bellaire, Ohio	1985	Retired - Ohio Edison

Name & Location	Year First Elected	Principle Business Affiliation
Ronald Hobbs* Wheeling, West Virginia	2001	Retired President, CEO and Chairman WESBANCO
John Holloway, MD** Wheeling, West Virginia	1998	Physician
Frank Joanou Wheeling, West Virginia	1989	Life Insurance Agent/Financial Services Representative
Kiki Mehallis St. Clairsville, Ohio	1985	Retired - Bellaire City Schools
Charles Monfradi Wheeling, West Virginia	1989	Owner of Monfradi Design & Consulting Co.
Charles Newmeyer Wheeling, West Virginia	1994	Owner of Ben Franklin Stores Newmeyer, Inc.
James Newton, PhD Belmont, Ohio	1992	Retired - Special Assistant to Vice President for Regional Higher Education Ohio University Eastern
Edward Polack, MD Wheeling, West Virginia	1998	Plastic & Reconstructive Surgery (Semi-Retired)
John Schellhase*** Wheeling, West Virginia	1994	Civil Engineer Stegman & Schellhase (Part Owner)
John Wright, IV Wheeling, West Virginia	1993	Owner of American Plate Glass
Philip Wright**** St. Clairsville, Ohio	1981	President and CEO of HPUOV
Nick Zervos, Chair of Board ** Glen Dale, West Virginia	1993	Executive Director RESA 6

* Ronald Hobbs resigned effective October 30, 2013.

**John Holloway was appointed Chairman of Board effective November 21, 2013. Nick Zervos was appointed Immediate Past Chairman of the Board.

*** John Schellhase resigned effective October 1, 2013.

****Phil Wright became a non-voting member of the Board effective September 26, 2013.

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

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

Board Committees

Individuals serving on the Company's Board Committees as of December 31, 2012, included:

Audit Committee

Kiki Mehallis, Chair
Jerry Fisher
Charles Newmeyer
Jeffrey Knight

Finance Committee

Charles Monfradi, Chair
Roland Hobbs
Charles Newmeyer
Jeffrey Knight
Philip Wright

Personnel/Salary/Long Range Planning Committee

Roland Hobbs, Chair
Charles Monfradi
John Schellhase
John Wright, IV
Philip Wright

Conflict of Interest Committee

Jerry Fisher, Chair
Robert Dunlevy
John Holloway, MD
James Newton, PhD
John Wright, IV

Bylaws Committee

Charles Newmeyer, Chair
Frank Joanou
Edward Polack, MD
John Schellhase

Nominating Committee

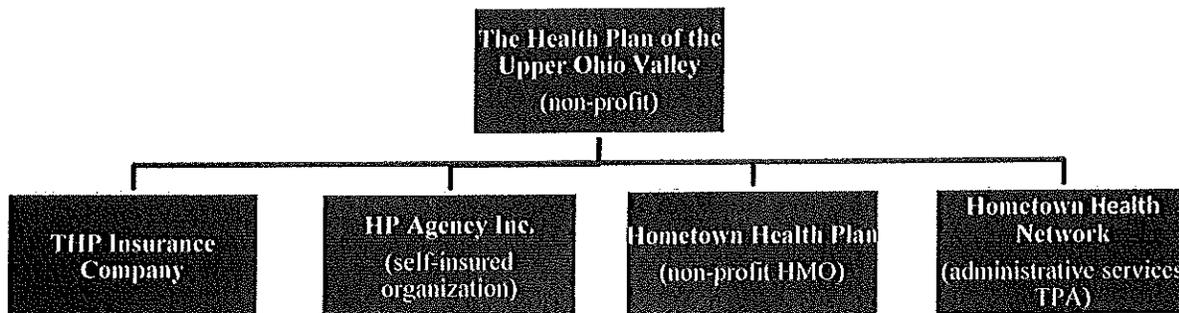
John Schellhase, Chair
Frank Joanou
John Holloway, MD

Ad Hoc Community Relations Committee

Robert Dunlevy, Chair
Kiki Mehallis
Philip Wright
Nick Zervos

Organizational Chart

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



Subsidiary Companies

THP is a wholly owned accident and life insurance subsidiary of HPUOV. 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. HPUOV owns 100% of the 15,000 shares of THP.

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 HPA, HHP or HHN on Schedule Y Part 1A.

Year	Admitted Assets	Capital and Surplus	Net Premium Income	Net Income
2012	\$243,107,634	\$190,003,590	\$376,856,000	\$8,772,000
2011	\$235,646,000	\$179,722,000	\$383,288,000	\$22,444,000
2010	\$226,841,000	\$175,688,000	\$380,518,000	\$34,415,000
2009	\$198,053,000	\$148,102,000	\$399,764,000	\$9,386,000

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

HPUOV does not assume any reinsurance.

Ceded Reinsurance

HPUOV purchases reinsurance which provides coverage for catastrophic inpatient claims. The Company retains \$400,000 for commercial products and \$350,000 for government products (Medicare and Medicaid). HPUOV ceded premiums of approximately \$676,000 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.

The Company has a written investment policy that is reviewed and approved annually by the Board. The Company's investment portfolio is managed by professional investment managers under a written agreement that is in accordance with the established investment policies.

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	\$ 50,000	\$ 50,000
Ohio	\$ 500,000	\$ 500,000
West Virginia	\$ 100,000	\$ 100,000
Totals	<u>\$ 650,000</u>	<u>\$ 650,000</u>

The Company did not disclose the \$100,000 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 HEALTH PLAN OF THE UPPER OHIO VALLEY

Assets
December 31, 2012

<u>ASSETS</u>	<u>Per Annual Statement</u>	<u>Statutory Exam Adjustments</u>	<u>Per Statutory Exam</u>
Bonds	\$105,081,620	-	\$105,081,620
Stocks:			
Common stocks	110,734,988		91,740,085
Real estate:			
Properties occupied by company	5,421,652	-	5,421,652
Cash and short-term investments	<u>12,557,897</u>	<u> </u>	<u>12,557,897</u>
Subtotals, cash and invested assets	\$233,796,157		\$233,796,157
Investment income due and accrued	843,697	-	843,697
Premiums and considerations:			
Uncollected premiums and agents' balance	6,124,044	-	6,124,044
Reinsurance:			
Amounts recoverable from reinsurers	861,807	-	861,807
Amounts receivable relating to uninsured plans	669,451	-	669,451
Electronic data processing equipment and software	359,127	-	359,127
Aggregate write-ins for other than invested assets	<u>453,351</u>	<u> </u>	<u>453,351</u>
Total Assets	<u><u>\$ 243,107,634</u></u>	<u><u> </u></u>	<u><u>\$243,107,634</u></u>

HE HEALTH PLAN OF THE UPPER OHIO VALLEY
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	\$40,690,765	-	\$ 40,690,765
Unpaid claims adjustment expenses	1,264,129	-	1,264,129
Aggregate health policy reserves	1,206,070	-	1,206,070
Premiums received in advance	2,576,292	-	2,576,292
General expenses due or accrued	1,754,918	-	1,754,918
Amounts withheld or retained for account of others	299,901	-	299,901
Liability for amounts held under uninsured plans	3,137,716	-	3,137,716
Aggregate write-ins for other liabilities	2,174,256	-	2,174,256
Total Liabilities	\$ 53,104,047	-	\$ 53,104,047
Aggregate write-ins for other than special surplus funds	550,000		550,000
Unassigned funds (surplus)	189,453,590		189,453,590
Total Capital and Surplus	\$ 190,003,590		\$190,003,590
Total Liabilities, Surplus & Other Funds	\$243,107,634		\$243,107,634

HEALTH PLAN OF THE UPPER OHIO VALLEY

Statement of Income

December 31, 2012

	<u>Per Annual Statement</u>	<u>Statutory Exam Adjustments</u>	<u>Per Statutory Exam</u>
Premium income	\$376,855,825	-	\$376,855,825
Hospital and Medical:			
Hospital/medical benefits	274,243,212	-	274,243,212
Other professional services	20,739,003	-	20,739,003
Outside referrals	180,874	-	180,874
Emergency room and out-of-area	17,038,016	-	17,038,016
Prescription drugs	42,812,443	-	42,812,443
Subtotal	355,013,548	-	355,013,548
Less:			
Reinsurance recoveries	1,605,702	-	1,605,702
Total hospital and medical	353,407,846	-	353,407,846
Claims adjustment expenses	6,907,692	-	6,907,692
General administrative expenses	18,201,233	-	18,201,233
Total underwriting deductions	378,516,771	-	378,516,771
Net underwriting gain or (loss)	(1,660,946)	-	(1,660,946)
Net investment income earned	5,934,103	-	5,934,103
Net realized capital gains	4,491,937	-	4,491,937
Net investment gains	10,426,040	-	10,426,040
Aggregate write-ins for other income	6,900	-	6,900
Net income	\$ 8,771,994	-	\$ 8,771,994

THE HEALTH PLAN OF THE UPPER OHIO VALLEY
 Reconciliation of Surplus
 December 31, 2012

<u>SURPLUS ACCOUNT</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>
Capital and Surplus, December 31, previous year	\$179,722,168	\$175,688,331	\$148,101,856	\$120,907,658
Net income	8,771,994	22,444,115	34,415,121	9,386,369
Change in net unrealized capital gains or (losses)	(1,411,845)	(15,474,624)	(6,363,290)	17,630,742
Change in non-admitted assets & related items	2,921,273	(2,935,654)	(465,356)	177,087
Net change in surplus of the year	10,281,422	4,033,837	27,586,475	27,194,198
Surplus, December 31, current year	\$190,003,590	\$179,722,168	\$175,688,331	\$148,101,856

ACKNOWLEDGEMENT

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

Respectfully submitted:



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
PH: 1.800.624.6961
Hearing Impaired: 1.800.622.3925
FAX: 740.695.5297
www.healthplan.org

HomeTown Office
100 Lillian Gish Boulevard
P.O. Box 4816
Massillon, OH 44648-4816
PH: 1.877.236.2289
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.

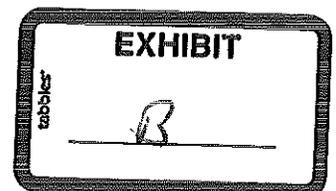
The Health Plan concurs with the findings of the examination and has taken or will take the appropriate actions to implement recommendations detailed in the report.

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



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.

HPUOV and HPA established an Administrative Services Agreement effective April 1, 2004. HPUOV provides financial, accounting, marketing and sales of HPA's products, claims processing and related support services for HPA.

HPUOV and Hometown (includes HHP and HHN) established an Administrative Services Agreement effective April 1, 2004. HPUOV provides financial, accounting, marketing and sales, claims processing and related support services for Hometown.

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. There were no other agreements that required disclosure.

Capital Contributions

The Company provided the following capital contributions to THP 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

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

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

EMPLOYEE WELFARE

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

The Company provides postretirement medical and life insurance benefits for all full-time employees. The Company 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 the Company based upon years of service. The Company also has a life insurance plan that provides coverage of \$5,000 and is provided by the Company at no cost for ten years after retirement.

The Company did not disclose the pension plan or other postretirement benefits in Note 12 "Retirement Plans and Other Postretirement Benefit Plans" in the Notes to the Financial Statements in the 2012 Annual Statement.

TERRITORY AND PLAN OF OPERATIONS

HPUOV actively markets Commercial HMO, Medicare and Medicaid insurance policies to employers and individuals in eastern Ohio and northern West Virginia. HPUOV'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. HPUOV markets its' commercial and Medicare products both on a direct basis and through independent insurance agents. Medicaid membership is received from the West Virginia Medicaid program.

HPUOV provides third-party administration of self-insured employer health benefit plans. The Administrative Services Only "ASO" are provided to employers throughout the HMO service areas as well as Kentucky. The expenses and reimbursements are netted together and flow through the administrative expenses on the annual statement. The Company did not disclose any amount on the "Analysis of Operations and Line of Business" schedule in the December 31, 2012 annual statement.

HPUOV is licensed in West Virginia and Ohio.

GROWTH OF THE COMPANY

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