STATE OF TENNESSEE

DEPARTMENT OF COMMERCE AND INSURANCE

REPORT ON EXAMINATION

OF

WINDSOR HEALTH PLAN, INC.

(NAIC #95792)

BRENTWOOD, TENNESSEE

AS OF

DECEMBER 31, 2012

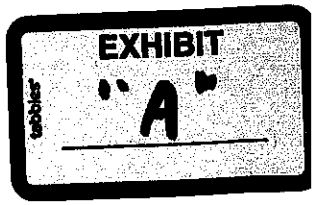

TABLE OF CONTENTS

Brentwood, Tennessee
June 19, 2014

The Honorable Julie Mix McPeak
Commissioner
Tennessee Department of Commerce and Insurance
500 James Robertson Parkway
Nashville, Tennessee 37243

Commissioner:

Pursuant to your instructions and in accordance with Tenn. Code Ann. § 56-32-115, regulations, and resolutions adopted by the National Association of Insurance Commissioners (NAIC), a full-scope financial examination and a market conduct review was made of the condition and affairs of:

WINDSOR HEALTH PLAN, INC.
(NAIC # 95792)
7100 Commerce Way
Brentwood, Tennessee 37027

hereinafter generally referred to as the "Company" or "WHP" and a report thereon is submitted as follows:

INTRODUCTION

This examination was arranged by the Tennessee Department of Commerce and Insurance (TDCI or Department) under rules promulgated by the NAIC. The examination was announced on the NAIC "FEETS" on May 2, 2013, and was conducted by duly authorized representatives of the TDCI with the assistance of the firm of AGI Services.

The previous examination was made as of December 31, 2008, by duly authorized representatives of the TDCI. The examination was a full-scope associated examination, due to the Company being licensed in several states. The examination resulted in a $3,098,581 decrease in the Company's surplus and included nine recommendations for Company management to address.

SCOPE OF EXAMINATION

This examination covers the period January 1, 2009, through December 31, 2012 and

includes any material transactions and/or events occurring subsequent to the examination date, which were noted during the course of examination.

During the course of examination, assets were verified and valued, and liabilities were determined or estimated as of December 31, 2012, in accordance with rules and procedures as prescribed by the statutes of the State of Tennessee, the Company's state of domicile. The examination of the financial condition of the Company was conducted in accordance with Risk-Focused guidelines and procedures contained in the *NAIC Financial Condition Examiners Handbook*.

An examination of all assets and liabilities contained in the financial statement of this report was made and individual items were verified with a degree of emphasis determined by the examiner-in-charge during the planning stage of the examination. Independent actuaries were utilized in the review of the Company's loss reserves.

A letter of representation, dated as of the date of this report, and certifying that management has disclosed all significant matters and records, was obtained from management, and has been included in the work papers of this examination.

The Company is audited annually as part of the audit conducted for the holding company system, of which it is a member, by the independent accounting firm of KPMG. The auditors' workpapers for the year ended 2012 were made available to the examiners during the planning phase of this examination. In addition, select internal auditor workpapers for year ended 2012 were made available. Workpapers of the external and internal audit as well as external actuarial support were relied upon where sufficient for the purposes of this examination. Copies of these workpapers are included in the examination files where appropriate.

COMPLIANCE WITH PREVIOUS EXAMINATION FINDINGS

Recommendations from the previous examination and the status of Company compliance is as follows:

A. Management and Control

During our review of the Company's Charter, Bylaws, shareholder, Board of Directors and committee meeting minutes, we noted several deficiencies in the Company's corporate records. The following list presents our findings of noted deficiencies in the Company's corporate records for the period of examination:

1. There were no recorded annual meetings of the shareholders or Board of Directors of the Company for the entire period of examination. This failure does not comply

with the Company's Bylaws.

2. The shareholders did not formally elect a Board of Directors of the Company for the entire period of examination. This failure does not comply with the Company's Bylaws.

3. The Board of Directors did not formally elect officers of the Company for the entire period of examination. This failure does not comply with the Company's Bylaws.

4. The Board of Directors did not approve any investment transactions of the Company for the entire period of examination. This failure does not comply with Tenn. Code Ann. § 56-3-301(b)(1).

5. There were no recorded shareholders or Board of Director meeting minutes of any kind for the full year of 2008. This failure does not comply with the Company's Bylaws.

Compliance Update

After the Company was advised of these deficiencies, their legal representative, who acts as Secretary for their Board of Directors Meetings, prepared all Board of Directors and shareholder annual meeting minutes going back to 2006. These minutes were based on templates that the legal representative had previously prepared and were signed by the Directors and shareholders on May 17, 2010. Further, in conjunction with the acquisition of WHP by Munich Health North America, Inc. on December 31, 2010, a Board of Directors was elected by the shareholders, who, in turn elected Company officers. Additionally, an investment committee was established at the plan level. Examiners noted that during these investment committee meetings, investment transactions were approved in compliance with Tenn. Code Ann. § 56-3-301(b)(1).

B. Pecuniary Interest of Officers and Directors

The Company's conflict of interest policy does not require annual disclosure statements to be performed by any of its officers, directors or employees. The Company is required to maintain compliance with Tenn. Code Ann. § 56-3-103, prohibiting officers and directors of insurance companies from being pecuniarily interested in the investment or disposition of funds of a domestic insurance company. Without being able to review conflict of interest annual disclosure statements performed by the Company's officers and directors, it is impossible to determine Company compliance with Tenn. Code Ann. § 56-3-103. It is recommended that the Company amend its conflict of interest policy to include required annual disclosure statements be performed by its officers and directors so that the TDCI can determine compliance with Tenn. Code Ann. § 56-3-103.

Compliance Update

This recommendation has not been complied with during this examination period. As such,

this finding is also noted for the current examination. See "Comments and Recommendations" section later in this report.

C. Agreements with Parent, Subsidiaries and Affiliates

As of our examination date of December 31, 2008, the Company had three (3) separate agreements with affiliated companies that were never submitted to the TDCI as required by Tenn. Code Ann. § 56-11-106(a)(2)(D), in the form of a Form D filing, so a formal approval or disapproval of these agreements were never issued by the TDCI. The three (3) agreements that were never filed for approval by the TDCI were the Company's Management Service Agreement with Windsor Management Services, Inc. (WMS), the Administrative Services Agreement with Windsor HomeCare Network, LLC (WHN), and the Delegation Agreement with WHN.

It is recommended that the Company file the current Management Service Agreement with WMS, the Administrative Services Agreement with WHN, and the Delegation Agreement with WHN with the TDCI in the form of a Form D filing as required by Tenn. Code Ann. § 56-11-106(a)(2)(D), and to maintain compliance with this statute at all times in the future.

Compliance Update

The Administrative Services Agreement and Delegation Agreement with WHN were terminated in conjunction with the acquisition by Munich Health North America, Inc. on December 31, 2010. They were never filed for approval. The Management Services Agreement with WMS, along with a subsequent amendment, was submitted to the TDCI as required by Tenn. Code Ann. § 56-11-106(a)(2)(D), in the form of a Form D filing. However, this was not done until November 14, 2012. A formal approval of this agreement was issued by the TDCI on March 26, 2013.

D. Accounts and Records

The Company filed their 2008 audited financial statement with the TDCI approximately seven (7) months late in violation of Tenn. Code Ann. § 56-32-108. Tenn. Code Ann. § 56-32-108 requires HMO's to file their annual reports on the form prescribed by the National Association of Insurance Commissioners (NAIC). On such form, the NAIC requires HMO's to file audited financial statements by June 1 of each year. The TDCI did not receive the Company's audited financial statement until December 23, 2009. The Company was fined by the TDCI for this violation of Tenn. Code Ann. § 56-32-108. It is recommended that the Company maintain compliance with Tenn. Code Ann. § 56-32-108 at all times in the future.

Compliance Update

All subsequent Statutory Audited Financial Statements have been filed timely with the TCDI including those for the period ended December 31, 2013.

E. Subsequent Events and Capital and Surplus

As of the examination date of December 31, 2008, the Company's capital and surplus was reported by them to be ($619,485). Due to findings for this examination, the Company's capital and surplus was lowered an additional $3,098,581. After these examination changes, the Company's capital and surplus as stated for this examination is ($3,718,066). Therefore, the Company as of December 31, 2008, for this examination does not maintain capital and surplus in excess of the amount required per Tenn. Code Ann. § 56-32-112(a)(2).

The Company's premium revenue per documentation obtained from their 2009 Annual Statement totaled $366,622,814; therefore, based upon Tenn. Code Ann. § 56-32-112(a)(2), the Company's minimum statutory net worth requirement was $9,249,342 as of December 31, 2009. The Company reported total capital and surplus of $16,174,314 as of December 31, 2009, which is $6,924,972 in excess of their minimum net worth requirement.

As of December 31, 2009, the Company is now in compliance with Tenn. Code Ann. § 56-32-112. It is recommended that the Company be in compliance with the State's HMO net worth requirement as outlined in Tenn. Code Ann. § 56-32-112 at all times in the future.

Compliance Update

Subsequent to the prior examination "as of" date, the Company received additional paid-in capital contributions from their parent totaling $12.3 million. These additional capital contributions received helped increase the Company's capital and surplus amount to $16,174,314 as of December 31, 2009, as reported by them in their 2009 Annual Statement which placed them in compliance with Tenn. Code Ann. § 56-32-112. Further, the Company's capital structure was further strengthened as a result of being acquired by Munich Health North America, Inc., on December 31, 2010, who satisfied the outstanding surplus note in full at the time of acquisition.

F. Subsequent Events and Bonds

As of December 31, 2008, the Company held investments at Regions Bank, Fifth Third Bank and Bank of America and did not have a custodian agreement at each of these institutions that complies with Tenn. Comp. R. & Regs. 0780-01-46-.03 or guidelines set in

the *NAIC Financial Condition Examiners Handbook* for custodian agreements. During this examination once this improper holding of securities was determined, the TDCI advised the Company to either move these securities to a custodian under a proper custodian agreement or enact a proper custodian agreement with these banks at once. It is recommended that in the future the Company hold their securities with a custodian under a proper custodian agreement that complies with Tenn. Comp. R. & Regs. 0780-01-46-.03 and the guidelines set in the *NAIC Financial Condition Examiners Handbook* for custodian agreements at all times.

Compliance Update

Subsequent to the examination date in early 2010, the Company worked with two (2) financial institutions to enact a proper custodian agreement for the purpose of holding securities with each custodian. This work was done under guidance furnished by the TDCI. The two (2) banks where the Company's securities are held are Pinnacle Bank and Regions Bank. The Company was able to establish custodian agreements with Pinnacle Bank and Regions Bank in early 2010. These custodian agreements were pre-approved by the TDCI and they do comply with Tenn. Comp. R. & Regs. 0780-01-46-.03 and the guidelines set in the NAIC *Financial Condition Examiners Handbook* for custodian agreements.

G. Management and Control and Bonds

As noted in the Management and Control section of this report, the Company's Board of Directors did not approve any investment transactions of the Company for the entire period of examination. This does not comply with Tenn. Code Ann. § 56-3-301(b)(1). It is recommended that the Company comply with Tenn. Code Ann. § 56-3-301(b)(1) and have its Board of Directors approve all of its investment transactions at all times in the future.

Compliance Update

In conjunction of the acquisition of WHP by Munich Health North America, Inc. on December 31, 2010, an investment committee was established at the plan level. Examiners noted that during these investment committee meetings, investment transactions were approved in compliance with Tenn. Code Ann. § 56-3-301(b)(1).

H. Cash, Cash Equivalents and Short-Term Investments

In examination of cash equivalents as reported by the Company in the 2008 Annual Statement it was found that the Company reported four (4) corporate bonds as being classified as cash equivalents that should have been reported as long-term bonds. The corporate bonds reported as cash equivalents by the Company are considered to be

readily convertible to cash; however they do not meet the SSAP #2 (*Cash, Drafts, and Short-term Investments*) requirement of having an original maturity of three months or less. The bonds in question have maturities of 15 to 32 years beyond the ending period of the examination and should instead be classified as long-term corporate bonds in accordance with SSAP #26 (*Bonds, excluding Loan-backed and Structured Securities*) paragraph 2d.

Compliance Update

Subsequent to the period of examination, on February 26, 2009, the Company sold the above corporate bonds and, as of the date of this report, holds no investments in corporate bonds. It is recommended that any future Company investment in corporate bonds be reported in the Annual Statement as long-term bonds, as required by the NAIC *Accounting Practices and Procedures Manual* and the NAIC *Annual Statement Instructions*.

I. Receivables from Parent, Subsidiaries and Affiliates

As of December 31, 2008, the Company reported receivables from parent, subsidiaries and affiliates in the amount $2,460,520. Early in 2009, the Company received payments from their parent WHG totaling $2,200,000 as a partial payment for this receivable. The Company did not receive the rest of the balance due on this receivable until 2010, which was $260,520. The late receipt of this balance due does not meet the requirements to be an admitted asset under SSAP # 25; pp. 6 (Settlement Requirements for Intercompany Transactions). Due to the Company not receiving this amount in a timely fashion as required by SSAP # 25, the amount of $260,520 was non-admitted in the prior examination. It is recommended that in the future the Company comply with the guidance in the *NAIC Accounting Practices and Procedures Manual* SSAP # 25 (Settlement Requirements for Intercompany Transactions) when they report amounts for this asset.

Compliance Update

As of the current examination date, examiners noted that intercompany balances and transactions were reported in compliance with NAIC *Accounting Practices and Procedures Manual* SSAP # 25R (Accounting for and Disclosures about Transactions with Affiliates and Other Related Parties).

COMPANY HISTORY

The Company was incorporated on May 14, 1993, pursuant to the provisions of the Tennessee Business Corporation Act, with the name VUMC Care, Inc., for the purpose of providing managed health care services to individuals participating in the State of Tennessee's TennCare Program. On September 3, 1993, TDCI issued the Company a certificate of authority to operate as an HMO. At inception, VUMC Care, Inc. was a wholly-owned subsidiary of Vanderbilt Health Services, Inc. (VHS), which was a wholly-owned

subsidiary of Vanderbilt University. The initial capitalization of the Company was authorized for a maximum of 100,000 shares of common stock with a par value of $1 per share. Effective March 24, 1994, the Company's name was changed to Vanderbilt Health Plans, Inc.

In March 2001 the TDCI approved the sale, effective August 31, 2000, of 100% of the Company's stock held by VHS to Health Plans Holding Corporation (HPHC), a Tennessee Corporation. The consideration included a surplus note issued by the Company to VHS for a principal amount of $4,231,300. In July 2001 HPHC's name was changed to Windsor Health Group (WHG). On August 21, 2001, the Company's name changed to Victory Health Plan, Inc., (VHP).

On February 18, 2005, the Company's name was changed to Windsor Health Plan of TN, Inc. Effective January 1, 2006, the Company contracted with the Centers for Medicare and Medicaid Services (CMS) to begin operating Medicare Advantage Prescription Drug (MA-PD) plans in three regions within the state of Tennessee. As a contracted managed care organization (MCO) in the State of Tennessee's TennCare program, the Company also provided managed care and administrative services to TennCare enrollees in Middle Tennessee.

In August 2006 the Company changed its name from Windsor Health Plan of TN, Inc. to Windsor Health Plan, Inc. dba VHP Community Care. The Company continued to conduct all TennCare business in the VHP name, except on documents and other items where the legal name was required.

In 2006 the State of Tennessee issued a Request for Proposal (RFP) for MCO's for the provision of managed care service for TennCare enrollees and other related populations in Middle Tennessee with the selected MCO's to assume full insurance risk effective April 1, 2007. The Company participated in a joint venture, which submitted a proposal that was not selected. Consequently, the Company's active participation in the TennCare program terminated on April 1, 2007.

In September 2006 the Company renewed its contract with CMS to include an expansion of its MA-PD service area and plan offerings effective January 1, 2007. The Company was approved by CMS to expand its service area from seven counties in Tennessee to thirty-one counties in the states of Tennessee, Arkansas, and Mississippi. As part of this expansion, the Company also became licensed as an HMO in the states of Arkansas and Mississippi for the purpose of offering Medicare products.

In September 2006 the Company also contracted with CMS to begin providing prescription drug benefits on a stand-alone basis (PDP plans) to Medicare eligible beneficiaries in the

states of Tennessee, Alabama, Mississippi, and Arkansas, effective January 1, 2007. Additionally, the Company entered into a contract with CMS to begin providing private fee for service (PFFS) products to Medicare-eligible beneficiaries in the state of Tennessee effective January 1, 2007.

Effective February 22, 2007, the Company's charter was amended to increase the number of authorized shares of capital stock to 600,000 common shares, par value $1.

In September 2007 the Company again renewed its contract with CMS to include further expansion of its Medicare service areas and plan offerings effective January 1, 2008. The Company was approved by CMS to expand its MA-PD service area from thirty-one counties in the states of Tennessee, Arkansas, and Mississippi to ninety-six counties in the states of Tennessee, Arkansas, Mississippi, South Carolina and Alabama. It was also approved to expand its PDP service areas to include the state of South Carolina. As part of this expansion, the Company also became licensed as an HMO in the states of Alabama and South Carolina.

The surplus note payable requires quarterly payments of interest at prime subject to approval of the TDCI Commissioner, with the principal balance due on March 29, 2008. In February 2008, the Company received approval from the Commissioner to pay $1,253,740 of accrued interest associated with the surplus note for the periods of July 2002 through June 2007. In March 2008, the Company amended the surplus note payable. The maturity date was extended to March 29, 2012, and the interest rate increased to prime plus 2%.

In March 2008 WHG entered into a credit facility with a financial institution for $7,500,000 with a maturity date of March 13, 2010. The Company's stock was pledged as collateral under the terms of the credit facility.

On December 31, 2010, Munich Health North America, Inc. (MHNA or Munich) funded the acquisition of 100% of Windsor's issued and outstanding common shares with the transfer of shares occurring on January 1, 2011. In connection with this acquisition, a portion of the purchase price was used to repay the surplus note for approximately $4,231,000 to VHS on December 31, 2010.

On June 1, 2011, MHNA contributed to the Company to MHNA's wholly-owned subsidiary, Windsor Health Group, Inc. On July 1, 2011, employees of the Company became employees of Windsor Management Services, Inc. (WMS). In July 2011 the Company executed a General Services and Cost Allocation agreement with WMS. The General Services and Cost Allocation agreement allows WMS to provide support and services to the Company including, but not limited to services pertaining to corporate finance, financial

reporting, claims, legal, human resources, personnel, planning, benefits and benefit plans, information, accounting, tax, and other matters to support ongoing operations of the Company. In all instances, the fees and costs of such services are reasonable and consistent with those provided by an independent third party.

Effective March 2012 the Company increased the number of issued and outstanding shares of common stock by 400,000 shares from 600,000 to comply with statutory requirements. The Company did not receive any cash from this increase in shares of common stock. The increase in common stock was offset by a decrease in paid-in and contributed surplus.

During 2012 the Company recorded a commitment for a capital contribution of $80,000,000 from its parent company, WHG. This commitment is an admitted asset in accordance with statutory accounting principles, which allows for receivables for additional capital contributions, and satisfied by receipt of cash prior to filing to be considered an admitted asset, provided the transaction is treated as a Type I subsequent event and the nature and the amount of the transaction is disclosed in 2012. Full settlement of the amount was received from Windsor on February 20, 2013.

On September 5, 2013, Munich announced that it had reached an agreement with WellCare Health Plans, Inc. (WellCare) to sell the Company to WellCare subject to regulatory approvals. On January 1, 2014, the sale transaction closed.

DIVIDENDS

The Company did not pay any dividends to stockholders throughout the examination period.

MANAGEMENT AND CONTROL

The Company's Bylaws state that the business and affairs of the corporation shall be managed by a Board of Directors who shall be elected at the annual meeting of the shareholders. Directors need not be residents of the State of Tennessee or shareholders of the corporation. The Company's Bylaws state that the number of directors shall consist of not less than three (3) persons nor more than nine (9) persons as set forth from time to time by resolution of the Board of Directors. A majority of directors constitutes a quorum.

Directors serve until the next annual meeting of the shareholders and thereafter, until a successor has been elected.

The Company lists the following persons as its Board of Directors as of December 31, 2012:

Name	Principal Occupation
Dr. Christian Schneider	Chairman of Windsor Health Group, Inc. and Member of Munich Health Board; Head of N. America, Middle East & Africa Health Services.
Christian Ludwig Schmid M.D.	CFO to Munich Health, Member of Munich Health Board
Hassan Rifaat M.D.	CEO & President of Windsor Health Plan, Inc.
Paul Boudreau	Retired
Ernest I. Weis, M.D.	Retired
Marshall Rozzi	Retired

The Company's Bylaws require that an annual meeting of the shareholders be held for the purpose of electing directors and for such other business. The meeting may be held at such place, either within or without Tennessee, and shall be held on the third Monday of May of each year.

The Bylaws allow any action required or permitted to be taken at a meeting of the Board, or of any committee thereof, to be taken without a meeting, if prior to such action a written consent thereto is signed by all Board or committee members and such written consent is filed with the minutes of proceedings. Such consent shall have the same force and effect as a vote at a meeting. Any or all of the stockholders, directors, or committee members may participate in meetings by means of conference telephone or similar communication equipment.

The Bylaws provide that the officers of the corporation shall consist of a President and Secretary and, as deemed appropriate by the Board of Directors, such other officers or assistant officers, including Chairman of the Board, as may be designated and elected by the Board of Directors. Officers need not be Directors or shareholders of the corporation. One person may simultaneously hold two or more offices, except the President may not simultaneously hold the office of Secretary.

The Company lists the following persons as its officers as of December 31, 2012:

Name	Title
Hassan Rifaat, MD	Chief Executive Officer
Sandra Loder	Secretary
Jennifer Giannotti	Chief Financial Officer

The Board of Directors may designate, establish and charter such committees, as it deems necessary or desirable. As of the examination date, the Company had the following committees:

- Audit and Risk Committee
- Investment Committee

As noted in the section above, "Compliance with Previous Examination Findings," the Company failed to prepare minutes of meetings of the shareholders, the Board of Directors, or minutes of any kind for the full year of 2009. This matter was brought to the attention of the Company during the previous examination. As a result, the Company's legal representative, who acts as Secretary for their Board of Directors Meetings, prepared all Board of Directors and shareholder annual meeting minutes going back to 2006. These minutes were based on templates that the legal representative had previously prepared, and were signed by the Directors and shareholders on May 17, 2010.

CONFLICTS OF INTEREST AND PECUNIARY INTEREST

No Conflict of Interest forms were provided at the time of the examination. Without being able to review conflict of interest annual disclosure statements prepared by the Company's officers, directors, or employees, it is impossible to determine Company compliance with Tenn. Code Ann. § 56-3-103. The finding was also noted in the previous examination report. See "Compliance with Previous Examination Findings" and "Comments and Recommendations" sections in this report.

During examination procedures, it was determined that Company CEO Hassan Rifaat owned 1% of a third party vendor, Outcomes Health. It was noted that appropriate measures were taken to reduce this conflict of interest, including Mr. Rifaat relinquishing his position on the Board of Outcomes Health and removing himself from any contract negotiations with Outcomes Health.

CORPORATE RECORDS

The minutes of meetings of the Company's shareholders, Board of Directors, and committees were reviewed for the period under examination. For a complete list of the noted deficiencies for the Company's corporate records for this examination, please refer

to the "Comments and Recommendations" section of this report.

Charter

The original Charter of the Company was filed and recorded with the Tennessee Secretary of State on May 14, 1993. The Company has amended its Charter many times since it was originally filed. The Company Amended and Restated its Charter on August 18, 1997, which was subsequently filed and recorded with the Tennessee Secretary of State on August 22, 1997. The Company has amended its Charter six (6) times since it was restated in August 1997, one (1) of which occurred during the period of examination. The reason for the Charter amendment that occurred during the period of examination was to increase the number of authorized shares of capital stock to 2,000,000 common shares, par value $1.00.

The amended Charter authorizes the corporation "to transact the business of a health maintenance organization, as defined in Tennessee Code Annotated, Title 56, Chapter 32; to do all things which the Board of Directors determines to be necessary or appropriate in connection or associated therewith; and to engage in any lawful business." It authorizes the Company to issue two million (2,000,000) common shares, par value $1.00 per share. The corporation is for-profit.

Bylaws

The Bylaws of the Company in effect at December 31, 2012, were amended by the unanimous consent of the Board on March 31, 2001. No amendments or restatements were made to the Company's Bylaws during the period of examination.

The Bylaws provide for an annual shareholders' meeting at which a Board of Directors is elected. Officers are elected by the Board of Directors. The Bylaws are such as generally found in corporations of this type and contain no unusual provisions. They provide for the regulation of the business and for the conduct of the affairs of the Company, the Board of Directors and its shareholders.

CONTROL

The Company is a member of an insurance holding company system as defined by Tenn. Code Ann. § 56-11-101, and as such, is subject to the "Insurance Holding Company System Act of 1986," set forth in Tenn. Code Ann. §§ 56-11-101, *et seq*. The Company is a wholly-owned subsidiary of Windsor Health Group (WHG), a holding company incorporated in Tennessee. At December 31, 2012, WHG was owned by Munich Health North America, Inc., which is a member of Munich Re as of December 31, 2012. WHG files a Holding Company Registration Statement annually as required by Tenn. Code Ann. § 56-11-105.

AGREEMENTS WITH PARENT, SUBSIDIARIES AND AFFILIATES

The Company had four (4) agreements with affiliated companies in effect as of December 31, 2012. The following are summaries of the agreements in effect as of this examination of the Company:

General Services and Cost Allocation Agreement (MAHC)

The Company is party to a General Services & Cost Allocation Agreement with MAHC. The effective date of the current agreement for group members is September 1, 2009. The agreement became effective for the Company upon approval from TDCI on September 13, 2012. The General Services & Cost Allocation agreement allows MAHC and any of its directly owned subsidiaries to provide support and services to the Company including, but not limited to services pertaining to corporate finance, financial reporting, claims, legal, human resources, personnel, planning, benefits and benefit plans, information technology, accounting, tax, and other matters to support ongoing operations of the Company. In all instances, the fees and costs of such services are reasonable and consistent with those provided by a third party.

Notice of this Management Service Agreement was submitted to the TDCI as required by Tenn. Code Ann. § 56-11-106(a)(2)(D), in the form of a Form D filing. A formal approval of this agreement was issued by the TDCI on September 13, 2012.

Management Services Agreement with Windsor Management Services, Inc. (WMS)

Effective March 15, 2005, the Company entered into a Management Services Agreement with WMS. This Agreement replaced the prior similar agreements that the Company had been a party to since January 1, 2000, and December 21, 2000, respectively, with Vanderbilt Management Services, Inc. (previous name of WMS).

According to the terms and provisions of the Agreement, WMS agrees to provide the Company with certain administrative services for its internal operations and processing of its insurance business. Such services include managerial and administrative support, equipment, office space, marketing, product support, and such other services as may be required.

The Company has no employees of its own. Services necessary to its business are provided by WMS pursuant to the Agreement. The compensation paid by the Company to WMS shall be a monthly management fee equal to fourteen percent (14%) of the aggregate monthly premiums received by the Company from Medicare Advantage (MA) enrollees plus the monthly premium with respect to such enrollees paid to the Company by

the Medicare program under the Company's MA contract.

Effective September 30, 2012, an amendment was approved by the TCDI, which changed the calculation of the Company's monthly management fee to WMS. Under the new agreement, the monthly management fee is calculated as a percentage of the aggregate monthly premiums received by WHP from its MA enrollees and CMS for providing coverage to such Medicare Members. The monthly MA premium is multiplied by the percentage that is dependent on the medical loss ratio incurred by WHP during the preceding month to provide covered services to Medicare Members. The highest percentage that can be paid is the previously agreed upon 14%. Thus, this amendment provided the Company the ability to pay a lower percentage of its monthly premiums to WMS during months in which it has unfavorable Medical Loss Ratios.

Transactions under the Agreement for services were reviewed for compliance with the Agreement and charges appear to be commensurate with services rendered. The Agreement was determined to satisfy the requirements of Tenn. Code Ann. § 56-11-106(a)(1).

Notice of this Management Service Agreement, along with the September 30, 2012, amendment, was submitted to the TDCI as required by Tenn. Code Ann. § 56-11-106(a)(2)(D), in the form of a Form D filing. A formal approval of this agreement was issued by the TDCI on March 26, 2013.

Joint Marketing Agreement By and Between WHP and Sterling Life Insurance Company

Effective October 1, 2010, the Company entered into a joint marketing agreement with affiliate Sterling Life Insurance Company (SLIC or Sterling), on behalf of itself and wholly-owned subsidiary, Olympic Health Management Services, Inc. The purpose of this agreement is to allow each party to sell the Medicare Advantage and Medicare Part D products (the Products) of the other party during the Annual Enrollment Period for Medicare Advantage Products in the fall of 2010, and other enrollment periods thereafter.

As a result of the agreement, each party is appointed as a non-exclusive agent for the other party with respect to the Products. Each party is authorized to solicit and recruit agents to sell the Products in all states in which each party and its agents are properly licensed to sell the Products, and in which the other party is properly authorized to issue the Products. Under the contract, each party's agents shall be compensated according to the compensation schedules of the other party, as such schedules have been approved by the appropriate regulatory authorities. The agreement contains a HIPAA Business Associate Addendum that is effective as of October 1, 2010, as well.

Approval of this agreement is not required by the TDCI, as it does not meet the requirements set forth by Tenn. Code Ann. § 56-11-106(a)(2)(A-E)

Federal and State Income Tax Allocation Agreement with Affiliates

The Company is a member of the Munich-American Holding Corporation (MAHC) consolidated federal income tax return group. A tax allocation agreement exists, effective December 31, 2011, for all companies within the MAHC group, and has been approved by the Board of Directors. Under this agreement, income tax expense is computed as if each company within the group filed a separate tax return. Inter-company tax balances are settled quarterly. Any loss member is entitled to receive reimbursement at the time and to the extent that the loss member would have been able to utilize such tax loss on a stand-alone basis.

Notice of this Management Service Agreement was submitted to the TDCI as required by Tenn. Code Ann. § 56-11-106(a)(2)(D), in the form of a Form D filing. A formal approval of this agreement was issued by the TDCI on February 9, 2012.

FIDELITY BONDS AND OTHER INSURANCE

The Company is listed as a named insured on a Financial Institution Bond carried by WHG. The Company's fidelity coverage is in excess of the suggested minimum amount per the *NAIC Financial Condition Examiners Handbook.* The bond was inspected and appears to be in-force as of the date of this examination.

PENSION PLANS AND OTHER EMPLOYEE BENEFITS

The Company receives all management, administrative, and general services from Windsor Management Services, Inc. (WMS) in accordance with the Management Services Agreement that is described previously in the report under the heading "Agreements with Parent, Subsidiaries and Affiliates." As of December 31, 2012, the Company had no employees, and therefore, no employee benefit plans. However, WMS provides its employees with term life insurance, medical insurance, disability insurance, and a 401(k) retirement plan.

TERRITORY AND PLAN OF OPERATION

TERRITORY

The Company is a stock for-profit HMO licensed to transact business in ten (10) states. As of December 31, 2012, and as of the date of this examination report the Company was licensed to transact business in the states of Tennessee, Arkansas, Mississippi, Alabama,

Idaho, Missouri, Montana, Oklahoma, Virginia, and South Carolina. Certificates of Authority granted by the licensed states were reviewed and found to be in force at year-end 2012.

The Company currently operates in 297 counties, primarily in the states of Mississippi, Tennessee, Arkansas, and South Carolina.

PLAN OF OPERATION

The Company was formed to provide managed care services to residents of Tennessee under TennCare Management Medicaid Program. In 2004, following the Medicare Modernization Act of 2003, the Company decided to expand into the new Medicare Advantage (MA) Program. In 2005 the Centers for Medicare and Medicaid Services (CMS) approved the Company to operate as a Medicare Advantage Prescription Drug (MA-PD) plan in seven counties in Tennessee. In 2006 the Company started operating as a provider of Medicare in Tennessee. In 2007 the Company expanded its Medicare business into Mississippi and Arkansas, covering 31 counties across three states. During this time, the Company exited out of the TennCare Management Medicaid Program and launched a stand-alone Medicare Prescription Drug Plan (PDP) product or Medicare Part D Plan. In 2008 the Company expanded Medicare business into Alabama and South Carolina, covering 96 counties across five states. As of December 31, 2012, the Company had expanded Medicare business into 297 counties across ten states. The Company has contracts with the CMS to operate as a MA-PD plan and stand-alone PDP. The Company's primary lines of business are Medicare Advantage (90.5%), with the other 9.5% being classified as "Other Health".

The Company utilizes the CMS guidelines and the administration expertise that has been developed by its affiliate, WMS, to select and manage risks. The Company has no employees. All product support and general and administrative services are provided by WMS.

GROWTH OF COMPANY

The following exhibit depicts certain aspects of the growth and financial history of the Company for the period subject to this examination according to its annual statements as filed with the TDCI:

Year	Total Revenues	Medical & Hospital Expenses	Net Income	Admitted Assets	Capital and Surplus
2012	$602,454,227	$547,057,918	($64,950,873)	$208,307,901	$64,045,354
2011	505,924,880	421,872,679	9,534,826	125,465,961	45,375,323
2010	231,298,041	182,463,354	13,162,837	143,373,852	29,663,052
2009	366,622,814	312,279,632	1,037,833	66,399,847	16,174,314

LOSS EXPERIENCE

As developed from applicable amounts included in the Company's annual statements filed with the TDCI, the ratios of benefits and claims adjustment expenses (CAE) incurred to earned premiums for the period subject to this examination were as follows:

Year	Claims & CAE Incurred	Earned Premiums	Claims and CAE Ratio
2012	$563,728,419	$602,454,227	91%
2011	422,746,903	505,924,880	83%
2010	182,714,812	231,298,041	79%
2009	312,529,457	366,622,814	85%
Total All Years	$1,481,719,591	$1,706,299,962	87%

REINSURANCE AGREEMENTS

The Company signed a one-year reinsurance agreement with Munich Reinsurance America, Inc. (the Reinsurer) effective January 1, 2010, through January 1, 2011. The agreement required the Company to cede to the Reinsurer a 50% quota share participation in the Company's Net Loss for that effective period. The agreement defined Net Loss as the "sum or sums that are Claims incurred and paid by the Company for which it is liable, under Policies reinsured hereunder, including any Claims Adjustment Expenses."

On December 3, 2012, the TDCI approved a commutation and release agreement between the Company and the Reinsurer, effective December 15, 2011. This agreement required the Company to pay the Reinsurer $4,740,934 on or before fifteen business days after the effective date.

At year-end, the Company reported no reinsurance payable or receivable balances, which complies with Tennessee Statutory requirements.

LITIGATION AND CONTINGENT LIABILITIES

During the period of examination and as of December 31, 2012, the Company is a party to various pending legal proceedings arising in the ordinary course of business. Based in part upon the opinion of its counsel as to the ultimate disposition of such lawsuits and claims, Company management believes that the liability, if any, resulting from the disposition of such proceedings will not be material to the Company's financial condition or results of operations.

STATUTORY DEPOSITS

In compliance with statutory and other requirements, the Company maintained deposits with several jurisdictions or custodians as of December 31, 2012.

The following are deposits with states where special deposits are for the benefit of all policyholders, claimants, and creditors of the Company:

Jurisdiction	Description of Security	Book Adjusted Carrying Value	Fair Value	Par Value
Tennessee - Department of Insurance	Federal Home Loan Bank 3.125%, Due 12/13/2013 CUSIP# 3133XSP93	$228,052	$231,208	$225,000
Tennessee - Department of Insurance	Federal Home Loan Bank 5.50%, Due 8/15/2016 CUSIP# 3133MJQF0	1,385,080	1,459,455	1,240,000
Tennessee - Department of Insurance	US Treasury Note 0.25%, Due 11/30/2013 CUSIP# 912828RS1	3,245,597	3,247,044	3,245,000
Sub-Total		$4,858,729	$4,937,707	$4,710,000

The following are deposits with jurisdictions where special deposits are **not** for the benefit of all policyholders, claimants, and creditors of the Company:

Jurisdiction	Description of Security	Book Adjusted Carrying Value	Fair Value	Par Value
Alabama Department of Insurance	Federal Home Loan Bank 3.125%, Due 12/31/2013 CUSIP# 3133XSP93	$506,781	$513,795	$500,000
Arkansas Insurance Department	Federal Home Loan Bank 2.249%, Due 6/12/2015 CUSIP# 3133XWNB1	304,444	317,883	300,000
South Carolina - Department of Insurance	Federal Home Loan Bank 2.249%, Due 6/12/2015 CUSIP# 3133XWNB1	309,518	323,181	305,000
Sub-Total		$1,120,743	$1,154,859	$1,105,000
Grand-Total		$5,979,472	$6,092,566	$5,815,000

Deposits with said jurisdictions or custodians were verified by direct correspondence with the custodians.

ACCOUNTS AND RECORDS

The Company's statutory financial statements are subject to an annual audit conducted by independent certified public accountants. KPMG performed the audit of the Company's statutory financial statements for the year ended December 31, 2012. An unqualified opinion was issued for this year.

During the course of the examination, accounts were verified by various tests and procedures deemed necessary to establish values for assets and liabilities appearing in the Company's financial statements. Test checks, for selected periods, were made of premium receipts, investment income, interest due and accrued, claim payments, and other disbursements. All annual statements for the period under examination were reviewed for completeness and adequacy of disclosure. The Company's risk-based capital filings were reviewed and a sample was tested for correctness. These test checks and reviews revealed one error: an error in the total reflected for special accounts in 2012 Schedule E Part 3 pertaining to statutory deposits. The Company was informed of this error.

An Information Technology (IT) Specialist performed a review of the Company's IT general controls to assess these controls for purposes of reliance by the examiners. The IT Specialist prepared a separate assessment memorandum, which was incorporated into the

examination workpapers. As a result of the IT review, recommendations were made to strengthen controls and a written summary was provided to the Company. It was noted that the Company formalize its risk assessment process and framework for the ITGC environment. A review process should be in place to identify risks around operations, change control, and security. A control framework should be implemented that mitigates all identified risks and these controls should periodically be tested to ensure they are appropriately designed and operating effectively.

MARKET CONDUCT ACTIVITIES

In accordance with the policy of the TDCI, a market conduct review was made of the Company as of December 31, 2012, in conjunction with this examination. The market conduct review procedures were modified by incorporating Federal Guidelines under United States Code of Federal Regulations Title 42-Public Health Chapter IV-Centers for Medicare and Medicaid Services (CMS), Department of Health and Human Services (HHS). The following items were addressed:

Underwriting and Rating

The Company principally issues Medicare Advantage and Part D insurance plans to individuals through CMS/HHS.

The Company utilizes the underwriting manuals and rates developed by CMS using the approved Federal Guidelines for Medicare under CMS/HHS prior to use. The Company's policy plans and premium rates are approved by CMS/HHS. The TDCI does not review or approve the Company's guidelines, plans, or rates.

Policy Forms and Filings

The Company is not required by the TDCI to file their policies, forms, or rates for "use and file" or prior approval by the Department. The Department of CMS/HHS approves all of the Company's policy plans, forms, and rates prior to use. All policy's forms and rates were noted as having been filed and approved with the Departments of CMS/HHS prior to their use.

Advertising

The Company's advertising program utilizes media, as well as printed and published materials, TV and Billboard ads, and descriptive literature and sales aids.

General product information and information about other Company services are available on the Company's internet website. The Company's website through its "Windsor Medicare Extra" section provides a means for electronic submissions of insurance

applications, filing of claims, and obtaining copies of all policy forms.

All advertisement and promotional materials are reviewed and approved by Company management and CMS prior to use. Advertising material does not appear to be deceptive or misleading.

Policyholder Complaints

The Company maintains a complaint register as required by various federal/state Unfair Trade Practices Acts. The Company's complaint register lists the date the complaint was received, who the complaint was received from, the nature of the complaint, who responded to the complaint, the disposition of the complaint, and the state of origin. The register and the accompanying files are maintained for a minimum of ten years.

Company complaint files were reviewed to confirm that the Company is processing complaints in accordance with its Complaint Log Procedure. The complaint files adequately documented each complaint and demonstrated that the Company is handling complaints promptly and appropriately. No exceptions were noted.

Claims Review

A sample of the Company's medical and pharmacy paid claims were reviewed as of the examination period.

From the review of the paid claims sample, it indicated that the Company was in compliance with Tenn. Code Ann. §§ 56-8-104 and 56-32-126, unfair trade practices and prompt payment requirements, respectfully, and paid in accordance with the policy provisions. The above mentioned Tennessee Statutes mirror similar CMS regulation requirements. No exceptions were noted from the examiners review.

SUBSEQUENT EVENTS

Acquisition By Wellcare Health Plans, Inc.

On September 5, 2013, WellCare Health Plans, Inc. (WellCare) announced that it had entered into an agreement to acquire WHG, including its subsidiary WHP. On January 6, 2014, WellCare announced that it had completed the acquisition of WHG from Munich.

All board members and officers of the WHP have been replaced since the acquisition by WellCare appointed personnel. During a March 28, 2014 meeting of the Board of Directors, officers of WHP were appointed as follows:

Name:	Title:
Frank J. Heyliger	Region President
David Shafer	State President
Thomas L. Tran	Chief Financial Officer
Maurice S. Hebert	Chief Accounting Officer Assistant Treasurer
Lisa G. Iglesias	Secretary

Full Valuation of Deferred Tax Asset Due to Acquisition

As of December 31, 2013, the Company had net operating loss carry forwards of $9,177,000 that were set to expire in 2033. These net operating losses do not carry forward into 2014 because of the acquisition of the Company on January 1, 2014. As there are no amounts of federal income taxes incurred available for recoupment in the event of future net losses, a full valuation allowance was recorded against Company deferred tax assets beginning with the period ended December 31, 2013.

Release of Premium Deficiency Reserve

As of December 31, 2012, the Company had liabilities of $55,000,000 reported for premium deficiency over its Medicare Advantage line of business. The related expense of $55,000,000 was included in the increase in reserves for accident and health contracts on the 2012 Statutory Statement of Revenue and Expenses. In calculating the premium deficiency, expected benefits and claim adjustment expenditures were based on projected actuarial estimates. During fiscal year 2013 these estimates were updated, resulting in no premium deficiency. This released the entire amount of the reserve reported in 2012 through benefits paid in the 2013 Statutory Statement of Revenue and Expenses.

Capital Contribution Settlement

During 2012 the Company recorded a commitment for a capital contribution of $80,000,000 from its parent company, WHG. This commitment is an admitted asset in accordance with statutory accounting principles, which allows for receivables for additional capital contributions which are satisfied by receipt of cash prior to filing of the statutory financial statement to be considered an admitted asset, provided the transaction is treated as a Type I subsequent event and the nature and the amount of the transaction is disclosed in 2012. Full settlement of the amount was received from Windsor on February 20, 2013.

Affordable Care Act Provision 9010 – Health Insurers Providers Fee

Beginning January 1, 2014, the Company will be subject to an annual fee under section 9010 of the Affordable Care Act, payable on September 30 each year thereafter. 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, 2013, the Company has written health insurance subject to the Affordable Care Act assessment and expects to conduct health insurance business in 2014. The Company estimates its portion of the annual health insurance industry fee to be $8,700,000 and its impact to the risk-based capital (RBC) ratio to be (38.3)%. These Company estimates are subject to change based on the ultimate determination of total 2013 industry premiums. The final fee amount will not be known until August 2014.

FINANCIAL STATEMENTS

ASSETS

	Assets per Annual Statement	Non Admitted Assets	Net Admitted Assets
Bonds	$ 14,200,111	$ -	$ 14,200,111
Cash and short-term investments	44,290,560	-	44,290,560
Cash and invested assets	58,490,671	-	58,490,671
Investment income due and accrued	47,675	-	47,675
Uncollected premiums	32,116,007	-	32,116,007
Current federal tax recoverable	1,148,814	-	1,148,814
Net deferred tax asset	5,414,927		5,414,927
Receivables from parent, subsidiaries and affiliates	16,549,539	(1,653,270)	14,896,269
Healthcare and other amounts receivable	16,874,553	(931,598)	15,942,955
Aggregate write-ins for other than invested assets	80,274,664	(24,081)	80,250,583
Total Admitted Assets	$210,916,850	($2,608,949)	$208,307,901

4 YEAR ASSETS

	2012	2011	2010	2009
Bonds	$14,200,111	$53,220,546	$12,362,586	$10,709,111
Cash and short-term investments	44,290,560	27,759,395	28,335,508	23,883,555
Receivables for securities	-	177	-	-
Cash and invested assets	58,490,671	80,980,118	40,698,094	34,592,666
Investment income due and accrued	47,675	133,533	85,228	260,716
Uncollected premiums	32,116,007	975,677	400,338	523,181
Accrued retrospective premiums	-	26,449,786	17,999,997	26,000,000
Other amounts receivable under reinsurance contracts	-	-	68,576,973	-
Amounts receivable relating to uninsured plans	-	-	7,735,257	-
Current federal tax recoverable	1,148,814	3,790,581	-	-
Net deferred tax asset	5,414,927	841,892	485,861	2,330,194
Electronic data processing equip and software	-	-	-	290,000
Receivables from parent, subsidiaries and affiliates	14,896,269	-	-	1,137,281
Healthcare and other amounts receivable	15,942,955	11,889,727	7,392,104	3,913,131
Aggregate write-ins for other than invested assets	80,250,583	354,647	-	-
Total Admitted Assets	$208,307,901	$125,415,961	$143,373,852	$69,047,169

LIABILITIES, CAPITAL AND SURPLUS

	2012	2011	2010	2009
Claims unpaid	$82,988,289	$61,897,718	$19,790,473	$36,674,211
Accrued medical incentive pool and bonus	731,729	1,039,933	904,000	-
Unpaid claims adjustment expenses	2,117,991	1,535,738	872,826	831,426
Aggregate health policy reserves	55,000,000	1,595,068	1,679,230	1,797,959
Premiums for contracts in advance	-	1,121,979	58,313	-
General expenses due or accrued	1,159,327	804,893	359,466	816,404
Ceded reinsurance premiums payable	-	-	88,592,929	-
Amounts withheld	414,836	-	-	-
Payable to parent, subs or affiliates	-	9,133,061	1,453,563	-
Payable for securities	1,850,375	-	-	-
Amounts held under uninsured plans	-	2,962,248	-	10,105,533
Total Liabilities	144,262,547	80,090,638	113,710,800	50,225,533
Common capital stock	1,000,000	600,000	600,000	100,000
Gross paid in and contributed surplus	113,305,811	33,305,811	106,753,262	103,311,962
Surplus notes	-	-	-	4,231,300
Unassigned funds	(50,260,457)	11,469,512	(77,690,210)	(91,468,948)
	-	-	-	-
Total capital and surplus	64,045,354	45,375,323	29,663,052	16,174,314
Total liabilities, capital and surplus	$208,307,901	$125,465,961	$143,373,852	$66,399,847

STATEMENT OF REVENUES AND EXPENSES

	Amounts Per 2012 Annual Statement	Amounts Per 2011 Annual Statement	Amounts Per 2010 Annual Statement	Amounts Per 2009 Annual Statement
REVENUES:				
Net Premium Income	$602,454,227	$505,924,880	$231,298,041	$366,622,814
Total Premiums	602,454,227	505,924,880	231,298,041	366,622,814
HOSPITAL & MEDICAL:				
Hospital/medical benefits	398,618,123	297,264,259	240,679,068	239,977,537
Outside referrals	42,149,434	30,795,335	20,267,398	18,676,744
Emergency room and out-of-area	14,572,182	9,844,273	7,241,505	5,885,554
Prescription drugs	91,070,258	81,113,798	62,778,483	47,435,349
Incentive pool, withhold adjustments, and bonus amounts	647,921	873,719	1,513,505	451,741
Subtotal	547,057,918	419,891,384	332,479,959	312,426,925
Net reinsurance recoveries	0	(1,981,295)	150,016,605	147,293
Total Hospital and Medical	547,057,918	421,872,679	182,463,354	312,279,632
Claims adjustment expense	16,670,501	874,224	251,458	249,825
General administrative expenses	48,522,972	69,973,418	30,457,427	53,166,496
Increase in reserves for life and accident and health contracts	55,000,000	0	0	0
Total Underwriting Deductions	667,251,391	492,720,321	213,172,239	365,695,953
Net Underwriting Gain or (loss)	(64,797,164)	13,204,559	18,125,802	926,861
Net investment gains	473,858	688,670	740,451	669,805
Net gain from agent's or premium balances charged off	0	1,251	0	0
Net Income or (loss) after capital gains tax and before all other federal income taxes	(64,323,306)	13,894,480	18,866,253	1,596,666
Federal and foreign income taxes incurred	627,567	4,359,654	5,703,416	558,833
Net Income (Loss)	($64,950,873)	$9,534,826	$13,162,837	$1,037,833

RECONCILIATION OF CAPITAL AND SURPLUS

	2012	2011	2010	2009
Capital and surplus at January 1	$45,375,323	$29,663,052	$16,174,314	($619,485)
Add (deduct)				
Net income	(64,950,873)	9,534,826	13,162,837	1,037,833
Change in net deferred income tax	4,460,742	901,929	(899,776)	-
Change in nonadmitted assets	(839,838)	(172,219)	1,050,430	3,165,966
Change in surplus notes	-	-	(4,231,300)	-
Capital changes -Paid in	400,000	-	500,000	-
Surplus adjustments - Paid in	79,600,000	73,447,451)	3,441,300	12,590,000
Surplus adjustments - transferred from capital	-	75,947,450	-	-
Aggregate write-ins for gains and losses in surplus	-	2,947,736	465,247	-
Net change in capital and surplus	18,670,031	15,712,271	13,488,738	16,793,799
Capital and Surplus at December 31	$64,045,354	$45,375,323	$29,663,052	$16,174,314

ANALYSIS OF CHANGES IN FINANCIAL STATEMENTS

ASSETS

Uncollected Premiums $32,116,007

The Company's premium related to its contract with CMS under the MA and PDP plans is subject to adjustment based on the health risk of its members. This process for adjusting premiums is referred to as the CMS risk adjustment payment methodology. Under this methodology, the Company must capture, collect, and report diagnosis code information to CMS. After reviewing the Company's submission, CMS determines the payment generally at the beginning of the calendar year, and then adjusts premium levels on two separate occasions on a retroactive basis. CMS adjusts the premiums once during the plan year and then again in the subsequent plan year. The Company estimates the adjustment based on a comprehensive review of its members' medical files to verify the diagnosis code information provided to CMS.

On April 17, 2013, Windsor discovered an issue with the claims data prepared by its third party claims processor for a subset of EDI professional claims that were received between early February 2012 and early June 2012. These claims had dates of service that crossed multiple years from 2009 through 2012. In total there were approximately 48,000 claims affected, of which 3,817 were for 2011 dates of service. The issue increased the range of diagnostic codes for matching the updated HCC Model used to determine risk scores by CMS. Consequently, a risk score was assigned to diagnostic codes for which none should have existed.

The estimated impact on Windsor's 2012 revenue accrual was calculated to be ($1,130,158). This accrual is a significant estimate and part of a continuous process that extends beyond fiscal year end. Additionally, any change in estimate should be recorded prospectively. As such, no examination adjustment was made.

Receivables from Parent, Subsidiaries and Affiliates $14,896,269

The examiners inquired as to the nature of the $14,896,269 receivable from Sterling and noted the balance relates to an entry made to correct an overpayment of a liability by WHP. The examiners noted WHP paid twice for the same liability, and the $14,896,269 relates to the receivable for repayment of the overpayment. The examiners obtained support of the payment made to WHP dated 1/10/2013 for $15,232,018. The timely receipt of this balance meets the requirements to be an admitted asset under SSAP # 25; pp. 6 (Settlement Requirements for Intercompany Transactions).

Aggregate Write-ins for other than invested assets: $80,250,583

During 2012 the Company recorded a commitment for a capital contribution of $80,000,000 from its parent company, WHG. This commitment is an admitted asset in accordance with statutory accounting principles, which allows for receivables for additional capital contributions which are satisfied by receipt of cash prior to filing of the statutory financial statement to be considered an admitted asset, provided the transaction is treated as a Type I subsequent event and the nature and the amount of the transaction is disclosed in 2012. Full settlement of the amount was received from Windsor on February 20, 2013.

LIABILITIES, SURPLUS AND OTHER FUNDS

Aggregate Health Policy Reserves $55,000,000

As of December 31, 2012, the company had liabilities of $55,000,000 for premium deficiency over its Medicare Advantage line of business. The related expense of $55,000,000 is included in the increase in reserves for life and accident and health contracts on the Statutory Statement of Income. In calculating the premium deficiency, expected benefits and claims adjustment expenditure is based on projected actuarial estimates, anticipated investment revenue is not considered an integral part of the calculation, and insurance contracts are grouped in a manner consistent with how policies are marketed, serviced, and measured.

COMMENTS AND RECOMMENDATION

COMMENTS

The following list presents a summary of examination comments noted in this report:

1. Management and Control

During review of the Company's Charter, Bylaws, shareholder, Board of Directors and committee meeting minutes, examiners noted there were no recorded shareholders or Board of Director meeting minutes of any kind for the full year of 2009. This failure resulted in noncompliance with the Company's Bylaws.

After the Company was advised of these deficiencies, their legal representative, who acts as Secretary for their Board of Directors Meetings, prepared all Board of Directors and shareholder annual meeting minutes going back to 2006. These minutes were based on templates the legal representative had previously prepared and were signed by the Directors and shareholders on May 17, 2010.

2. Information Technology General Controls

Examiners reviewed Information Technology General Controls (ITGC), which encompassed the Company's IT control framework in place as of December 31, 2012, and from that date to the date of the report. Overall, there appears to be a controls consciousness of ITGC from a design perspective. However, there are (i) missing formal processes in place to ensure the operating effectiveness of the IT controls and (ii) security control weaknesses. It is advised that the Company formalize its risk assessment process and framework for the ITGC environment. A review process should be in place to identify risks around operations, change control, and security. A control framework should be implemented that mitigates all identified risks and these controls should periodically be tested to ensure they are appropriately designed and operating effectively.

3. Claims Administration

On April 17, 2013, the Company discovered an issue with the claims data prepared by its third party administrator (TPA) claims processor for a subset of EDI professional claims. These errors resulted in an overstatement of revenue for the year ended December 31, 2012. This type of deficiency, if not detected in a timely manner, could result in errors with potentially systemic effects. Initially, these issues could result in significant miscalculations to the Company's retrospective risk revenue accrual. In addition, these issues could potentially affect the inputs used by the company in its annual bidding process. It is suggested that the Company closely monitor the TPA's ability to accurately collect and

report diagnosis code information.

4. Large Loss in 2012

Without an $80,000,000 capital infusion from its Parent in 2012, the Company's capital and surplus would have dropped to a level which violates requirements set out in Tenn. Code Ann. § 56-32-112. The capital injected was attributed to a Net Loss of ($64,950,873) for fiscal year 2012. This loss is tied directly to the establishment of a premium deficiency reserve during the year. The reserve was recorded as the bid submitted to CMS for the 2012 plan year and contained loss assumptions that did not represent actual experience. Due to the material impact bids have on Company results, it is suggested that the Company immediately improve its controls surrounding the bid process, including but not limited to the establishment of a formal set of procedures to be followed during the preparation and submission of the bid.

5. Dependence on Parent

In each of the fiscal years ending on December 31, 2009, 2010, 2011 and 2012, the Company received capital contributions from its Parent. The respective amounts of these contributions were $12,300,000, $4,231,300, $2,500,000 and $80,000,000. As previously discussed, the most recent contribution was in response to a bid that led to inadequate levels of premiums to cover benefits. This led to a significant net loss for the year. Further, the contribution in 2009 is much higher than the contributions in 2010 and 2011; these contribution amounts are inversely proportional to net income for each year. As such, it is suggested that the Company closely monitor its bidding process to ensure proper levels of revenue that result in profitability.

RECOMMENDATIONS

1. Pecuniary Interest of Officers and Directors

The Company's conflict of interest policy does not require annual disclosure statements to be performed by any of its officers, directors or employees. The Company is required to maintain compliance with Tenn. Code Ann. § 56-3-103, prohibiting officers and directors of insurance companies from having a pecuniary interest in the investment or disposition of funds of a domestic insurance company. It is recommended that the Company amend its conflicts of interest policy to include required annual disclosure statements be performed by its officers, directors and employees. As stated earlier in this report, this finding was also noted during the previous examination.

2. Filing of Agreements with Affiliates

Although the company filed its Management Services Agreement with WMS with the TDCI, this was not done until November 14, 2012. The Company was directed to comply with Tenn. Code Ann. § 56-11-106(a)(2)(D) by filing the agreement within thirty days by the Order Adopting Examination Report with Directives issued on June 25, 2010. It is recommended that Company comply with Tenn. Code Ann. § 56-11-106(a)(2)(D) at all times.

CONCLUSION

The Risk-Focused examination practices and procedures, as promulgated by the NAIC have been followed in connection with the verification and valuation of assets and the determination of liabilities of Windsor Health Plan, Inc. located in Brentwood, Tennessee.

In such manner, it was found that as of December 31, 2012, the Company had admitted assets of $208,307,901 and liabilities, exclusive of surplus, of $144,262,547. Thus, there existed for the additional protection of the policyholders, the amount of $64,045,354 in the form of common capital stock, gross paid in and contributed surplus, and unassigned funds.

The courteous cooperation of the officers and employees of the Company, extended during the course of the examination, is hereby acknowledged.

In addition to the undersigned, Mike Mayberry, FSA, MAAA, of the contracting actuarial firm, Lewis & Ellis, Inc., Richardson, Texas, Carol Riley, CISA, AES, CGEIT, CRISC of the contracting IT review firm, Noble Consulting Services, Inc., and Adam Lewis, Examiner, of the financial examination services consulting firm, AGI Services, participated in the work of this examination.

Respectfully submitted,

Scott Eady, CPA, CFE
Examiner-in-Charge
AGI Services

EXAMINATION AFFIDAVIT

The undersigned deposes and says that he has duly executed the attached examination report of Windsor Health Plan, Inc. located in Brentwood, Tennessee dated June 19, 2014, and made as of December 31, 2012, on behalf of the Tennessee Department of Commerce and Insurance. Deponent further says he is familiar with such instrument and the contents thereof, and the facts therein set forth are true to the best of his knowledge, information and belief.

Scott Eady, CPA, CFE
Examiner-in-Charge
AGI Services

County Fayette

State Georgia

Subscribed to and sworn before me

this 19th day June, 2014

Melanie Brooks
(NOTARY)

My Commission Expires:

October 30, 2017

MELANIE BROOKS
NOTARY PUBLIC
FAYETTE COUNTY
STATE OF GEORGIA
My Commission Expires October 30, 2017