Report on Examination

Of

Erlanger Health Plan Trust

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Dept. of Commerce & Insurance
Company Examinations

Chattanooga, TN

As Of

December 31, 2007

Department of Commerce and Insurance

State of Tennessee

Nashville

EXHIBIT
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STATE OF TENNESSEE
DEPARTMENT OF COMMERCE AND INSURANCE
500 JAMES ROBERTSON PARKWAY - 4TH FLOOR
NASHVILLE, TENNESSEE 37243-1135

June 19, 2009

Commissioner Leslie A. Newman
Tennessee Dept. of Commerce & Ins.
Davy Crockett Tower, Fifth Floor
500 James Robertson Parkway
Nashville, Tennessee 37243-0565

Commissioner:

Pursuant to your instructions and in accordance with Tennessee Insurance Laws and Regulations, and Resolutions adopted by the National Association of Insurance Commissioners (NAIC), a financial examination and market conduct review was made of the condition and affairs of:

ERLANGER HEALTH PLAN TRUST

Chattanooga, Tennessee

(hereinafter referred to as the HMO) as of June 19, 2009, and a report thereon is hereby respectfully submitted.

Scope of Examination

The HMO was last examined as of December 31, 2003, by the Department of Commerce and Insurance. Comments and recommendations included in the previous report on examination were as follows:

Comments:

- The HMO posted negative investment income earned for the 2003 calendar year due to

the fact that bonds in their portfolio had call provisions exercised in reaction to the

- current interest rate environment. The bonds were mortgaged backed securities which are subject to prepayment provisions when real estate properties are sold or refinanced. This scenario led to the HMO posting a loss as of December 31, 2003. The situation will reverse in the subsequent year since investments were replaced by new income producing securities. The income or loss amounts are the "Net Transaction Activity" reported on the Custodian Account Summary prepared by First Tennessee Bank.

- "The Department of Commerce and Insurance" notified the HMO via certified letter dated May 6, 2004 of some minor exceptions in the 2003 annual statement. The major two items were the fact that Schedule E was not completed listing the four (4) bonds pledged as trust deposits with "The Department of Commerce and Insurance", State of Tennessee and the Risk Based Capital was not computed and listed on the statement even though the HMO had been exempted from filing the formal "Risk Based Capital Report". The HMO reported the bonds pledged on the aggregate write-in asset line instead of Schedule E. "The Division of Insurance" Financial Affairs Section/Analytical Unit asked that the HMO provide a response within thirty (30) days of receipt of the letter. The HMO was instructed per the referenced letter to compute Risk Based Capital on future financial statements. On May 14, 2004, the Company answered the above referenced letter and filed an amended Schedule E as requested. The other items did not require response at this time only compliance with future filings.

Recommendations:

- At 12/31/2003, the Investment Management and Safekeeping Agreement with First Tennessee Bank dated March 29, 1996 under which cash equivalents (Fidelity Government Portfolio) are held in the name of the HMO did not contain the language as stipulated in Tenn. Comp. R. & Reg. § 0780-01-46-.04 as follows:

> "An insurance company shall require – in addition to any other provisions – that such custodial agreement provide a standard of responsibility on the part of the custodian which shall not be less than the responsibility of a bailee for hire or a fiduciary under statutory or case law of Tennessee"

The referenced investment only amounted to $58,876.59 at December 31, 2003; however, it is recommended that the HMO and the Bank amend the Safekeeping Agreement to comply with the above referenced regulation in the event that the HMO wishes to continue to admit this asset in the future. The HMO's net worth is in compliance with Tenn. Code Ann. § 56-32-212 irrespective of said investment.

Corrective action taken by the HMO for the above recommendations was as follows:

- The HMO and First Tennessee Bank National Association entered an Investment Management and Safekeeping Agreement on July 28, 2004 which was a "Revision to agreement dated March 29, 1996" and contained the following:

XI. "This Agreement shall be governed by the laws of the State of Tennessee and shall be binding upon First Tennessee and Customer, their successors and

representatives, and assigns. This custodial agreement provides a standard of responsibility on the part of the Custodian which shall not be less than the responsibility of the bailee for hire or a fiduciary under statutory or case law of Tennessee."

Procedures for this examination included a review of the Company's assets and liabilities that were determined and estimated as of December 31, 2003 for compliance with Statutory Accounting Principles and Tennessee Statutes.

This examination, which began July 29, 2008 and ended August 8, 2008, covers the intervening period from January 1, 2004 through December 31, 2007. The exam includes any material transactions and/or events occurring subsequent to the examination date and noted during the course of this examination. This examination was conducted by a representative of the Tennessee Department of Commerce and Insurance (TDCI).

The examination consisted of a review of corporate minutes and records, verification and valuation of assets and determination of liabilities, reserves and the resulting unassigned (surplus) funds of the HMO in accordance with the rules and regulations established by the National Association of Insurance Commissioners (NAIC) and as prescribed or permitted by Title 56 of the Tennessee Code Annotated and Related Laws, Rules and Regulations. Financial Condition Examination Procedures were adhered to as promulgated by the NAIC.

An examination was also made into the following matters:

Company History
Management and Control
Corporate Records
Holding Company System
Fidelity Bond and Other Insurance
Employee Welfare
Territory, Plan of Operation and Insurance in Force
Growth of the Company
Mortality & Loss Experience
Statutory Deposits
Market Conduct Activities
Reinsurance

Accounts and Records

Litigation, Contingent Liabilities & Subsequent Events

Financial Statement

Such tests and reviews were conducted as were deemed necessary or appropriate for the purposes of this examination. This report is written by exception, except for certain items of regulatory significance, and those matters examined and found to be substantially in compliance with statutes will not be commented on further. No events subsequent to the December 31, 2007 examination date were noted for this Examination.

The Company received a waiver of all regulatory filings by the TDCI on March 12, 2007. As such, the Company files a request to waive regulatory filings due to the inactivity of the Company at each Examination period. The Examiner merely relied on work papers, annual statements, and management and control records provided by the Chattanooga-Hamilton County Hospital Authority, in addition to financial statements from the Company's Financial Institution for completeness and accuracy of this Examination.

Company History

On August 19, 1993, the Chattanooga-Hamilton County Hospital Authority ("Hospital Authority") d/b/a Erlanger Health System adopted the Declaration of Trust creating the Erlanger Health Plan Trust, a health maintenance organization created in order to qualify for participation in the state created TennCare program. The Hospital Authority is a governmental entity and political subdivision of the State of Tennessee but has been declared by the General Assembly of Tennessee to be a public nonprofit corporation and, as such, has also been determined by the Internal Revenue Service to be exempt from federal income tax under Section 501(a) of the Code as being an organization described in Section 501(c)(3) of the Code in addition to its status as a political subdivision of the State of Tennessee.

Following the expiration of the initial TennCare enrollment period, the final funding for TennCare managed care organization was insufficient for the HMO to justify its operation and the Hospital Authority declined to fund the HMO to qualify for issuance of a certificate of authority and as well declined to enter into a contract to become a TennCare Managed Care Organization.

On June 9, 1995, the Trustees adopted the Amended and Restated Erlanger Health Plan Trust making it a division of and an instrumentality of the Hospital Authority to apply for a certificate of authority and licensure as a health maintenance organization so as to be able to contract directly with selected employers, to control health care cost, improve status of enrollees and direct incremental revenues to the Hospital Authority. The Trust was amended and restated on February 15, 1996 in order to comply with the Department's request.

The HMO commenced business on June 1, 1996. It had contributed capital of $2,006,509 received from the Hospital Authority. The HMO contracted with Assured Care, Inc. a physician independent practice association, Erlanger Medical Center, other hospitals and other facilities to provide primary and specialized services to enrollees on a fee-for-service basis subject to a withhold. The HMO contracted with the City of Chattanooga and Board of Education of Hamilton County to provide them with health care for their enrollees.

The HMO's operations were not profitable and the Hospital Authority Board of Trustees decided to withdraw from doing new business. All enforceable contracts were either canceled or not renewed as of December 31, 1998. At January 1, 1999, there were no active members under contract with the HMO. The remaining claims were allowed to runoff. The HMO has maintained the trust deposits and assets associated with them as income producing investments in compliance with Tenn. Code Ann. § 56-32-212 which has allowed the HMO to maintain its certificate of authority.

At December 31, 2007, the HMO was licensed in one state, Tennessee. The HMO has not written any business through that date and continues to maintain its certificate of authority.

Capitalization

During the period of examination, the HMO did not report any common stock issued or outstanding.

Growth Of Company

The following exhibit depicts certain aspects of the growth and financial history of the HMO since the previous examination, according to annual statements filed with TDCI.

Date	Net Premium Income	Medical & Hospital Expenses	Admitted Assets	Liabilities	Net Worth
12/31/04	0	0	1,619,640	0	1,619,640
12/31/05	0	0	1,650,070	0	1,650,070
12/31/06	0	0	1,720,467	0	1,720,467
12/31/07	0	0	1,526,837	0	1,526,837

The HMO's net worth is compliant with the Tennessee Code Annotated § 56-32-112(a)(1) which mandates a minimum net worth of $1,500,000 must be maintained by an HMO.

Management and Control

The Bylaws of the Chattanooga-Hamilton County Hospital Authority and the Authority's Medical Staff Bylaws contain provisions for members of the Authority's Medical Staff to hold certain offices and perform certain duties and obligations, including but not limited to serving as members of certain committees, providing medical review functions and other things for the benefit of the Authority.

The Bylaws are consistent with the Declaration of Trust. The bylaws may be altered or amended by the affirmative vote of a majority of the members of The Board of Trustees. The Bylaws in effect at December 31, 2007 were the same as those in effect at the last previous examination.

The Declaration of Trust sets forth the following as the purpose for which Erlanger Health Plan Trust is organized:

- Amended Trust is created exclusively for the purposes of establishing and operating a health maintenance organization within the meaning of Tenn. Code Ann. § 56-32, providing hospital and health related services within the scope of authority and powers established in the Enabling Acts and the 1995 Act within the meaning of Section 501 (c) (3) of the Internal Revenue Code, which are not in conflict with Tenn. Code Ann. § 56-32-201, et seq. and is to be operated in furtherance of these purposes exclusively through activities supporting or benefiting the Beneficiary Organization (the Hospital Authority).

The Amended Trust was declared to be a division and an instrumentality of the Hospital Authority with all rights and privileges under the Tennessee Governmental Tort Liability Act codified in Title 29, Chapter 20 of the Tennessee Code Annotated. The Trust was created to segregate funds and operate separately from Erlanger Medical Center to allow for regulation of the Trust by TDCI without requiring regulation and examination of Erlanger Medical Center.

Board of Directors

The Declaration of Trust vests the management of the business and affairs of the HMO in a Board of Trustees of not less than five (5) nor more than eleven members, and chosen from among the trustees of the Hospital Authority. As of December 31, 2007, the Board of Trustees of the HMO was composed of the following:

Board of Trustees	
Bruce Adams	Ray Albright
Ronald Loving	Dan Quarles, Ed. D
Patrick Quinn	Kim White
Thomas Williams, Esq.	James Worthington, Jr.

The officers of the Board of Trustees shall be designated as "Board Officers." The Board of Trustees shall have a Chairman, Vice Chairman and Secretary. The Trustees occupying these positions shall be chosen by the Board of Trustees of the Hospital Authority. As of December 31, 2007, the following persons held office in the HMO:

Officers	**Title**
Charles Longer, MD	Chairperson
Aldous McCrory, Esq	Vice Chairperson
George Shuford, III	Secretary

The Senior Officers of the HMO are subject to a code of ethics which include the following: (1) Honest and ethical conduct, including the ethical handling of actual or apparent conflicts of interest between personal and professional relationships; (2) Full, fair, accurate, timely and understandable disclosure in the periodic reports required to be filed by the reporting

entity; (3) Compliance with applicable governmental laws, rules, and regulations; (4) The prompt internal reporting of violations to an appropriate person or persons identified in the code; and (5) Accountability for adherence to the code.

The HMO continues to remain at an inactive status. Essentially, board meetings of the Chattanooga-Hamilton County Hospital Authority include discussion of the Erlanger HMO. The Trustees of the HMO are also trustees who serve on the Board of the Chattanooga-Hamilton County Hospital Authority. The Board of Trustees of Erlanger is required to meet according to the Charter and/or Bylaws set forth by the Hospital Authority.

Control:

According to the HMO, "Erlanger Health System and Chattanooga-Hamilton County Hospital Authority are one in the same. The Health system owns 100% of Erlanger Health Plan Trust, but it is a legally separate organization." A holding company organizational chart is included at the last page of this examination report.

According to Tenn. Code Ann. § 56-11-201(b)(5) "Health maintenance organization holding company system" means two (2) or more affiliated persons, one (1) of which is a health maintenance organization. Therefore, Erlanger Health System and Erlanger Health Plan Trust meet the definition of a Health maintenance organization holding company system according to Tenn. Code Ann. § 56-11-201(b)(5). According to Tenn. Code Ann. § 56-11-205 (a) every insurer and every health maintenance organization that is authorized to do business in this state and that is a member of an insurance holding company system or health maintenance organization holding company system shall register with the commissioner.

According to Tenn. Code Ann. § 56-11-205(e), subject to Tenn, Code Ann. § 56-11-206(b), each registered insurer and each registered health maintenance organization shall report to the commissioner, for informational purposes, all dividends and other distributions to shareholders within five (5) business days following the declaration thereof, and at least ten (10)

days prior to their payment.

According to Tenn. Code Ann. § 56-11-206(b)(1), no domestic insurer and no health maintenance organization shall pay an extraordinary dividend or make any other extraordinary distribution to its shareholder until: A) thirty (30) days after the commissioner has received notice of the declaration thereof and has not within the period disapproved the payment; or B) the commissioner shall have approved the payment within the thirty-day period. The Company must register with the Commissioner annually in accordance with Tenn. Code Ann. § 56-11-205(a). No formal written agreement exists between the HMO and its parent.

According to the Statement of Revenue and Expenses, an extraordinary dividend in the amount of $295,360 was distributed to the HMO's Parent during the 2007 examination period. However, the HMO does maintain $1.5 million to keep their license. Any excess that occurs due to market gains and interest income is distributed to the Erlanger Health Systems operating account.

During the period of the examination, the HMO was exempted by the TDCI from making filings pursuant to the "Insurance Holding Company System Act of 1986"; however, it has since been determined that the HMO is part of a "health maintenance organization holding company system" as defined by Tenn. Code Ann. § 56-11-201(b)(5) (re-designated as Tenn. Code Ann. § 56-11-101(b)(5) in 2008). As such, the HMO will be required to make all future filings applicable to health maintenance holding company systems, pursuant to Tenn. Code Ann. §§ 56-11-101, *et seq.* and Tenn. Comp. R. & Regs. 0780-01-67.

Investment Policy

According to the Custodian agreement between the HMO and First Tennessee Bank ("the bank"), the bank is the investment advisor for the HMO. In this agreement, the Bank agrees to perform continuous investment management and supervision of the assets held for Client by the Bank from time to time. As advisor, the bank is authorized to effect such sales and purchases as the Bank in its discretion selects, by placing brokerage orders for the account of the Bank, as Custodian. Tenn. Comp. R. & Reg. § 0780-01-46-.03 requires "a provision stating that the

securities held by the custodian are subject to instructions of the insurance company" and "the agreement is between the custodian and the insurance company, and not the parent or affiliate of the insurance company".

Purchases and sales of all investments of the HMO are passed upon either by the board of directors or a subordinate committee thereof.

Pecuniary Interest

The Hospital Authority has a conflict of interest policy for its officers and directors. No conflict would exist with the HMO due to the Hospital Authority not charging any fee for the limited administration required to maintain the HMO's Certificate of Authority. No salary or fee is paid by the HMO to any officer, director or employee.

Additionally, Tenn. Code Ann. § 56-32-221(a) states "Except as otherwise provided in this part, provisions of the insurance law, and provisions of hospital or medical service corporation laws are not applicable to any health maintenance organization granted a certificate of authority under this part."

Corporate Records

The HMO's current Certificate of Authority was issued July 1, 1986, and is effective until suspended or revoked. The Amended and Restated Charter of the HMO was approved by the Commissioner of Insurance with an effective date of March 21, 1990. There were no subsequent amendments. The HMO's Bylaws, as adopted May 14, 1991, and last amended May 5, 1992, were relied upon for this examination. No subsequent amendments were noted. The HMO's corporate records are maintained at Erlanger Health System in Chattanooga, TN.

The HMO continues to remain at an inactive status. Essentially, board meetings of the Chattanooga-Hamilton County Hospital Authority include discussion of the Erlanger HMO. The Trustees of the HMO are also trustees who serve on the Board of the Chattanooga-Hamilton County Hospital Authority. The Board of Trustees of Erlanger is required to meet according to the Charter and/or Bylaws set forth by the Hospital Authority.

Fidelity Bond and Other Insurance

Officers and employees of the Hospital Authority are covered by a policy which covers Chattanooga-Hamilton County Hospital Authority d/b/a Erlanger Health Systems which includes the HMO. The following table is a schedule of the policy coverage's at December 31, 2007:

Type of Coverage	Deductibles
Judgments, Settlements and Defense Costs (Organizations in Financial Insolvency)	None
Employment Practices Claims	100,000
Non-Employment Discrimination Claims	100,000
Claims Other than Employment/Non-Employment Discrimination Claims	50,000

The limit of liability for this policy is $10,000,000 (aggregate for each policy year). Tenn. Code Ann. § 56-32-106 requires that an HMO shall maintain in force a fidelity bond on employees and officers in an amount not less than on hundred thousand dollars ($100,000) or such other sum as prescribed by the Commissioner.

Retirement Plan and Other Employee Benefits

The HMO has no employees. Any services performed on behalf of the HMO are provided by employees of the Chattanooga-Hamilton County Hospital Authority at no expense to the HMO.

Territory and Plan of Operation

As of December 31, 2007, and as of the date of this examination report, the HMO was licensed to transact business in the State of Tennessee. The Certificate of Authority for that jurisdiction was reviewed.

The HMO's service area in Tennessee consists of the following counties:

Hamilton

The HMO currently does not plan to write any premium or provide any medical care coverage. The trust deposits and assets associated with them have been maintained as income producing investments in compliance with Tenn. Code Ann. § 56-32-212 in order for the HMO to maintain its certificate of authority.

For the years during which the HMO did provide coverage to members, its plan was to service local governmental entities and their agencies in the Hamilton County area. The HMO provided primary and specialized services to enrollees on a fee for service basis through a physician independent practice association, Erlanger Medical Center, other hospitals and other facilities subject to a withhold. The contracts with City of Chattanooga and the Board of Education of Hamilton County covering their employees were either cancelled or not renewed during 1998.

Loss Experience

As developed from applicable amounts included in the HMO's annual statements filed with TDCI the ratios of net losses incurred to net premiums earned for the period subject to this examination were as follows:

Year	Losses Incurred	Premiums Earned	Loss Ratio
2004	$0	$0	n/a%
2005	0	0	n/a%
2006	0	0	n/a%
2007	0	0	n/a%
Total	($0)	$0	n/a%

Statutory Deposits

In compliance with statutory and other requirements, the HMO maintained the following deposits with the named jurisdictions at December 31, 2007:

Where Deposited and Description	Par Value	Statement Value	Market Value
Tennessee			
FHLB 5.3%, due 5/23/2011	**$350,000**	**$351,858**	**$351,858**
FHLB 4.3%due 12/29/2008	**400,000**	**400,000**	**400,000**
US Treasury Notes 4.625% due 09/30/2008	**208,000**	**209,820**	**209,820**
US Treasury Notes 3.125$ due 09/15/2008	**542,000**	**541,111**	**541,111**
Total general deposits held for the benefit of all enrollees of the HMO	1,500,000	1,502,789	1,502,789
Total	$1,500,000	$1,502,789	$1,502,789

The statutory deposit was verified by direct correspondence with the custodian of the statutory deposit account.

Market Conduct Activities

In accordance with the policy of TDCI a market conduct review was made of the HMO as of December 31, 2007 in conjunction with this examination. However; the review is a moot issue due to the fact that the HMO has no market activities and writes no business. The following items were addressed:

Rating and Underwriting Practices

The HMO has not written any business since 1998 and does not intend to do so. No rate or underwriting manuals are maintained due to the HMO's inactive status.

Policy Forms

The HMO has no active policy forms and has not issued a policy since 1998. They have agreed to notify TDCI prior to any reactivation of the HMO. The HMO is aware of the filing responsibility for various forms, agreements, etc., as well as "hold harmless" requirements for provider contracts pursuant to Tenn. Code Ann. § 56-32-205(c).

Policyholder Complaints

Inquiries made to the various sections within "The Division of Insurance" indicated no concerns or complaints with the HMO during the period under examination.

Advertising

The HMO does not participate in advertisement due to its' inactive status.

Reinsurance

The HMO does not participate in reinsurance due to its' inactive status.

Accounts & Records

During the course of examination, such tests and audit procedures were made as were considered necessary, including substantial verification of postings, extensions and footings and reconciliation of subsidiary ledgers to control accounts where necessary. General ledger trial balances were reconciled with copies of annual statements for the years 2004, 2005, 2006 and 2007.

Accounting records conform to generally accepted accounting practices and appear to properly reflect the operations during the period under examination and the status of the HMO at the date of examination.

For each of the four years covered by this examination, the HMO utilized Oracle PeopleSoft Enterprise software to prepare computer-generated "statutory" trial balances that were reconciled, proved in balance and traced to various exhibits and schedules of the respective annual statements by the examiner. Accounting records are produced from various source

documents including cash receipts, cash disbursements, journal entries and other specific entry documents.

The HMO does not file a Risk Based Capital Report due to its inactive status. TDCI has exempted the HMO from all regulatory filings with the exception of the annual statement per its letter dated March 10, 2008. This exemption includes the filing of an annual audit report prepared by an independent accounting firm. Also the HMO was advised to amend the 2007 Annual Statement by the Analytical Section due to the Statement not balancing.

The HMO had been making its exemption request on a yearly basis since it went inactive; however, in April, 2004 TDCI agreed to the exemption as long as the current president was in office, based on his deposed statement dated March 19, 2004.

The administrative and executive functions of the HMO are performed by staff provided by the Hospital Authority. The HMO's original records are maintained at their primary administrative home office location:

975 E 3rd Street, 7th Floor
Chattanooga, TN 37403

The HMO also utilizes a warehouse for storage of financial statements and other records for documents. After 2-3 years, books and records are stored in the warehouse. Location of the warehouse is across the street from the home office location. The locations of the HMO's books and records was determined to be in accordance with Tenn. Code Ann. § 56-2-104.

Litigation, Contingent Liabilities and Subsequent Events

Contingent Liabilities

Based on the results of examination procedures, a review of transactions occurring after the balance sheet date, a review of subsequent financial statements, and confirmations with third parties, there are no known commitments or contingencies as of December 31, 2007 that would require additional disclosure in this report on examination.

Financial Statement

There follows a statement of assets, liabilities and a summary of operations as of December 31, 2007 together with a reconciliation of capital and surplus for the period under review, as established by this examination.

Assets
As of December 31, 2007

	Ledger Assets	Non-Ledger Assets	Assets Not Admitted	Net Admitted Assets
Bonds	$1,502,790	$0	$0	$1,502,790
Cash and short-term investments	24,047	$0	$0	24,047
Totals	$1,526,837			$1,526,837

Liabilities, Surplus & Other Funds
As of December 31, 2007

Claims unpaid		**$0**
Unpaid claim adjustment expenses		**0**
Aggregate policy reserves		**0**
Aggregate claim reserves		**0**
General expenses due or accrued		**0**
Total Liabilities		**0**
Common capital stock	**$0**	
Gross paid in and contributed surplus	**0**	
Unassigned funds (surplus)	**1,526,837**	
Total capital and surplus		**1,526,837**
Totals		**$1,526,837**

Statement of Revenue and Expenses
For the Period Ended December 31, 2007

	Uncovered	Total
Member months	0	0
Net premium income	$0	$0
Total revenues	0	0
MEDICAL AND HOSPITAL		
Hospital/medical benefits	0	0
Other professional services	0	0
Outside referrals	0	0
Emergency room and out of area	0	0
Aggregate write-ins for other medical and hospital	0	0
Subtotal	0	0
LESS		
Net reinsurance recoveries	0	0
Total medical and hospital	0	0
Claims adjustment expenses	0	0
General administrative expenses	0	2,349
Increase in reserves for accident and health contracts	0	0
Total underwriting deductions	0	2,349
Total underwriting gain or loss		(2,349)
Net Investment income earned		104,080
Net realized capital gains or losses		
Net investment gains or losses		104,080
Net income or (loss) before income taxes		101,731
Federal income taxes incurred		0
Net income		$101,731

Capital and Surplus Account

	2004	2005	2006	2007
Total capital and surplus, December 31, previous year	$1,658,050	$1,619,640	$1,650,070	$1,720,467
Net income	44,346	30,430	69,756	101,731
Change in net unrealized capital gains (losses)				
Change in net deferred income tax				
Change in non-admitted assets				
Change in liability for reinsurance in unauthorized companies				
Change in asset valuation reserve				
Cumulative effect of change in accounting principles				
Change in paid in capital	(82,756)		640	
Change in paid in surplus				
Change in surplus as a result of Reinsurance				
Dividends to stockholders				(295,360)
Adjustments to prior year FIT and related interest				
Litigation Settlement				
Net change for the year	(38,410)	30,430	70,397	(193,630)
Total capital and surplus, December 31, current year	$1,619,640	$1,650,070	$1,720,467	$1,526,837

Comments

None

Recommendations

- It is recommended that the Investment Management and Safekeeping Agreement with First Tennessee Bank dated July 28, 2004 under which bonds and cash equivalents (Fidelity Government Portfolio) are held in the name of the HMO be revised to contain the following provisions required by Tenn. Comp. R. & Reg. § 0780-1-46.03(2)(a):

  > A provision stating that the securities held by the custodian are subject to instructions of the insurance company; and
  >
  > A provision stating that the agreement is between the custodian and the insurance company, and not the parent or affiliate of the insurance company.

- It is recommended that the Company make all filings required by the Insurance Holding Company System Act in the future, pursuant to Tenn. Code Ann. §§ 56-11-101, et seq. and Tenn. Comp. R. & Regs., 0780-01-67.

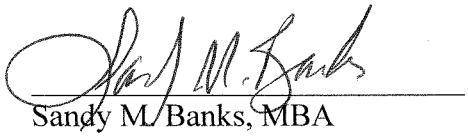
Conclusion

Insurance examination practices and procedures, as promulgated by the National Association of Insurance Commissioners, have been followed in connection with the verification and valuation of assets and the determination of liabilities of Erlanger Health Plan Trust of Chattanooga, Tennessee.

In such manner, it was determined that, as of December 31, 2007, the HMO had admitted assets of $1,526,837 and liabilities, exclusive of capital, of $0. Thus, there existed for the additional protection of the policyholders/enrollees, the amount of $1,526,837 in the form of unassigned funds (surplus).

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

Respectfully submitted,



Sandy M. Banks, MBA
Insurance Examiner-in-Charge
Tennessee Department of Commerce and Insurance

Examination Affidavit

The undersigned deposes and says that he has duly executed the attached examination report of Erlanger Health Plan Trust dated June 19, 2009, and made as of December 31, 2007, on behalf of "The Department of Commerce and Insurance", State of Tennessee. Deponent further says she is familiar with such instrument and the contents thereof, and that the facts therein set forth are true to the best of his knowledge, information and belief.

Sandy M. Banks, MBA
Insurance Examiner
State of Tennessee
Southeastern Zone, N.A.I.C.

County Davidson
State Tennessee

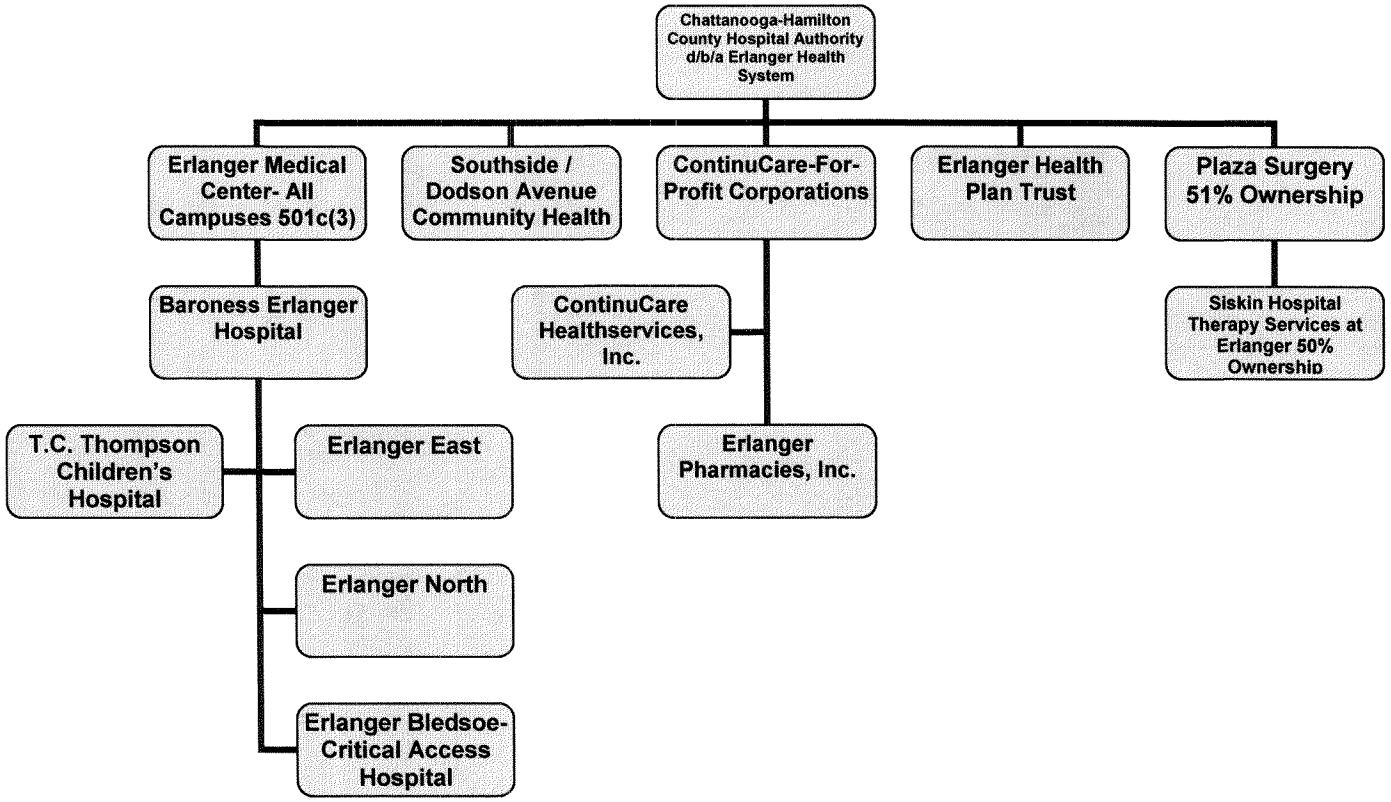
Subscribed and sworn to before me this 19th day of June, 2009.

Helen W. Dorsey
(Notary)

HELEN W. DORSEY
STATE OF TENNESSEE
NOTARY PUBLIC
DAVIDSON COUNTY, TENN.

My Commission Expires MAY 22, 2010

Organizational Chart



erlanger

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JUN 23 2009
FINANCIAL AFFAIRS
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June 19, 2009

Mark Jaquish
State of Tennessee
Department of Commerce and Insurance
500 James Robertson Parkway
Nashville, Tennessee 37243

Re: Report of Examination of
Erlanger Health Plan Trust
Made as of December 31, 2007

Dear Mr. Jaquish,

This letter is in response to your letter dated June 19, 2009 regarding recommendations to the Erlanger Health Plan Trust derived from the report on examination conducted on the Trust as of December 31, 2007.

Page 23 – It is recommended that the Investment Management and Safekeeping Agreement with First Tennessee Bank dated July 28, 2004 under which bonds and cash equivalents (Fidelity Government Portfolio) are held in the name of the HMO be revised to contain the following provisions required by Tenn. Comp. R. & Reg. § 0780-1-46.03(2)(a):

> A provision stating that the securities held by the custodian are subject to the instructions of the insurance company; and
>
> A provision stating that the agreement is between the custodian and the insurance company, not the parent or affiliate of the insurance company.
>
> Response: The Safekeeping Agreement with First Tennessee will be revised as recommended by July 15.

Page 23 – It is recommended that the Company make all filings required by the Insurance Holding Company System Act in the future, pursuant to Tenn. Code Ann. §§ 56-11-101, et seq. and Tenn. Comp. R. & Regs., 0780-01-67.

> Response: Erlanger Health Plan Trust will make all future filings required by the Insurance Holding Company System Act upon expiration of the current exemption.

Sincerely,

Pamela S Varnell

Pamela S. Varnell
Accounting Director

EXHIBIT
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