STATE OF MISSOURI

DEPARTMENT OF INSURANCE, FINANCIAL INSTITUTIONS AND PROFESSIONAL REGISTRATION

P.O. Box 690, Jefferson City, Mo. 65102-0690

RE: Examination Report of Community Health Plan Insurance Company for the period ended December 31, 2012

ORDER

After full consideration and review of the report of the financial examination of Community Health Plan Insurance Company for the period ended December 31, 2012, together with any written submissions or rebuttals and any relevant portions of the examiner's workpapers, I, John M. Huff, Director, Missouri Department of Insurance, Financial Institutions and Professional Registration pursuant to section 374.205.3(3)(a), RSMo., adopt such examination report. After my consideration and review of such report, workpapers, and written submissions or rebuttals, I hereby incorporate by reference and deem the following parts of such report to be my findings and conclusions to accompany this order pursuant to section 374.205.3(4), RSMo: summary of significant findings, subsequent events, company history, corporate records, management and control, fidelity bond and other insurance, pension, stock ownership and insurance plans, territory and plan of operations, growth of the company and loss experience, reinsurance, accounts and records, statutory deposits, financial statements, financial statement changes resulting from examination, and comments on financial statement items.

Based on such findings and conclusions, I hereby ORDER, that the report of the Financial Examination of Community Health Plan Insurance Company as of December 31, 2012 be and is hereby ADOPTED as filed and for Community Health Plan Insurance Company to take the following action or actions, which I consider necessary to cure any violation of law, regulation or prior order of the Director revealed by such report: (1) implement, and verify compliance with each item, if any, mentioned in the Comments on Financial Statement Items and/or Summary of Recommendations section of such report; (2) account for its financial condition and affairs in a manner consistent with the Director's findings and conclusions.

So ordered, signed and official seal affixed this 5th day of June, 2014.

John M. Huff, Director
Department of Insurance, Financial Institutions
and Professional Registration

REPORT OF THE

ASSOCIATION FINANCIAL EXAMINATION OF

COMMUNITY HEALTH PLAN INSURANCE COMPANY

FILED
JUN 15 2014
DIRECTOR OF INSURANCE,
FINANCIAL INSTITUTIONS &
PROFESSIONAL REGISTRATION

AS OF

DECEMBER 31, 2012

STATE OF MISSOURI

DEPARTMENT OF INSURANCE, FINANCIAL INSTITUTIONS
AND PROFESSIONAL REGISTRATION

JEFFERSON CITY, MISSOURI

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St. Joseph, Missouri
March 28, 2014

Honorable John M. Huff, Director
Missouri Department of Insurance, Financial Institutions
and Professional Registration
301 West High Street, Room 530
Jefferson City, Missouri 65101

Director Huff:

In accordance with your financial examination warrant, a full scope financial examination has been made of the records, affairs and financial condition of

Community Health Plan Insurance Company

hereinafter referred to as CHPIC or the Company. Its administrative office is located at 137 North Belt, St. Joseph, Missouri, 64506, telephone number (816) 271-1247. This examination began on June 20, 2013, and concluded on the above date.

SCOPE OF EXAMINATION

Period Covered

We have performed a single state examination of CHPIC. The last examination was completed as of December 31, 2007. This examination covers the period of January 1, 2008, through December 31, 2012. This examination also included the material transactions or events occurring subsequent to December 31, 2012.

Procedures

This examination was conducted in accordance with the National Association of Insurance Commissioners (NAIC) Financial Condition Examiners Handbook, except where practices, procedures and applicable regulations of the Missouri Department of Insurance, Financial Institutions and Professional Registration (DIFP) and statutes of the State of Missouri prevailed.

A risk-focused examination was not performed, due to the fact that the Company has no active insurance operations and no plans to resume operations in the future. CHPIC withdrew from the health insurance market during 2009 and 2010. As of year-end 2010, all policies were terminated and there are no current members.

SUMMARY OF SIGNIFICANT FINDINGS

Several areas of non-compliance with the Company's Bylaws were noted in the examination, as follows:

1) The annual Board of Directors' meeting did not occur during 2009 to 2012.
2) The annual election of officers by the Board of Directors was not performed.
3) The annual shareholders' meeting did not occur during 2008 to 2012.

There were no other material adverse findings, significant non-compliance issues, or material changes to the financial statements noted during the examination.

SUBSEQUENT EVENTS

There were no significant subsequent events noted from December 31, 2012 through the date of this report.

COMPANY HISTORY

General

The Company was incorporated January 1, 1981, under Charter 376 RSMo (Life Accident and Health Insurance) under the name Contemporary American Life, Inc. In 1984, the Company was purchased by A.G. Edwards, Inc. and its name changed to A.G. Edwards Life Insurance Company. The Company was held by A.G. Edwards, Inc. as a shell until March 17, 2003, at which time it was sold to Heartland Health and its name was changed to its current form, Community Health Plan Insurance Company. Effective October 1, 2005, Heartland Health transferred its ownership interest in CHPIC to its wholly owned HMO subsidiary, Community Health Plan (CHP).

Dividends and Capital Contributions

There were no dividends declared or paid and no capital contributions received during the examination period.

Mergers and Acquisitions

Effective December 31, 2012, the Company was merged with the direct parent, CHP, with CHPIC being the surviving entity. Immediately prior to the merger, CHP issued a stock dividend and all 10,000 shares of stock in CHPIC were transferred to Heartland Health, the ultimate controlling entity of both CHP and CHPIC. As a result of the merger, CHPIC became a direct subsidiary of Heartland Health.

CORPORATE RECORDS

The Company's Articles of Incorporation and Bylaws were reviewed. The Articles of Incorporation were amended, effective June 10, 2009, to reduce the number of members required to serve on the Board of Directors from eleven (11) to nine (9). The Bylaws were amended, effective June 10, 2009, to remove the requirement that two directors must be licensed physicians or dentists that are members of Heartland Regional Medical Center (HRMC) medical staff and also make changes related to the election of officers and terms of office. The Bylaws were amended, effective August 25, 2011, to change the date of the annual shareholder's meeting from November to August.

The minutes of the Board of Directors' meetings, unanimous written consents, and Executive Committee meetings were reviewed for proper approval of corporate transactions. In general, the minutes appear to properly reflect and approve the Company's major transactions and events for the period under examination. However, there were two deficiencies noted. Only Executive Committee meeting minutes were provided for the period from July 2009 to December 2012. The Bylaws require an annual meeting of the Board of Directors, which apparently did not occur during 2009 to 2012. Also, the minutes did not disclose proper election of officers, which is also required on an annual basis by the Bylaws.

Shareholder meeting minutes were not provided for the 2008 to 2012 examination period. If the shareholder meetings did not occur, it is a violation of the Bylaws. The Company should ensure that shareholder meetings are held annually and meeting minutes should be maintained.

MANAGEMENT AND CONTROL

Corporate Governance

The management of the Company is vested in a Board of Directors, which is appointed by the shareholders. The Company's Articles of Incorporation specify that the Board of Directors shall consist of nine (9) members. The 2012 Annual Statement only listed the following six (6) members serving on the Board of Directors, as of December 31, 2012:

Name	Principal Occupation and Business Affiliation
S. Mark Laney, MD	President and CEO, Heartland Health
Curtis A. Kretzinger	Chief Operating Officer, Heartland Health
John P. Wilson	Chief Financial Officer, Heartland Health
R. Dirck Clark	Chief Business Officer, Heartland Health
Douglas M. Brandt	Controller, Heartland Health
Lisa A. Michaelis	Administrator, Heartland Regional Medical Center

The vacancies in the Board of Directors membership were addressed subsequent to the examination period. The sole shareholder, Heartland Health, elected a slate of nine members to the CHPIC Board of Directors, on October 30, 2013. This included the six individuals listed in the table above and the following three members listed below:

Name	Principal Occupation and Business Affiliation
R. Scott Koelliker	Administrator, Heartland Regional Medical Center
Michael Pulido	Chief Human Resources Officer, Heartland Health
Janet Pullen	Team Leader of Clinic Finance, Heartland Health

Committees

The Company's Bylaws specify that the Board of Directors may appoint an Executive Committee and other or special committees. In 2009, CHPIC's Board of Directors established an Executive Committee, composed of four directors, to manage the business and affairs of CHPIC during intervals between Board meetings. The members of the Executive Committee, as of December 31, 2012, were as follows:

Executive Committee
Curtis A. Kretzinger, Chair
S. Mark Laney, MD
John P. Wilson
Douglas M. Brandt

Officers

The 2012 Annual Statement reported the following officers serving, as of December 31, 2012:

Officer	Position
S. Mark Laney, MD	President and Chief Executive Officer
Curtis A. Kretzinger	Chief Operating Officer
Douglas M. Brandt	Assistant Treasurer
Karen E. Dittemore	Executive Vice President
James J. McMillen, MD	Medical Director
Linda S. Bahrke	Assistant Secretary

The Company's Bylaws require a Secretary and Treasurer to be elected and serving, which were not listed in the 2012 Annual Statement. As explained previously, the Board of Directors' meeting minutes did not disclose the election of officers.

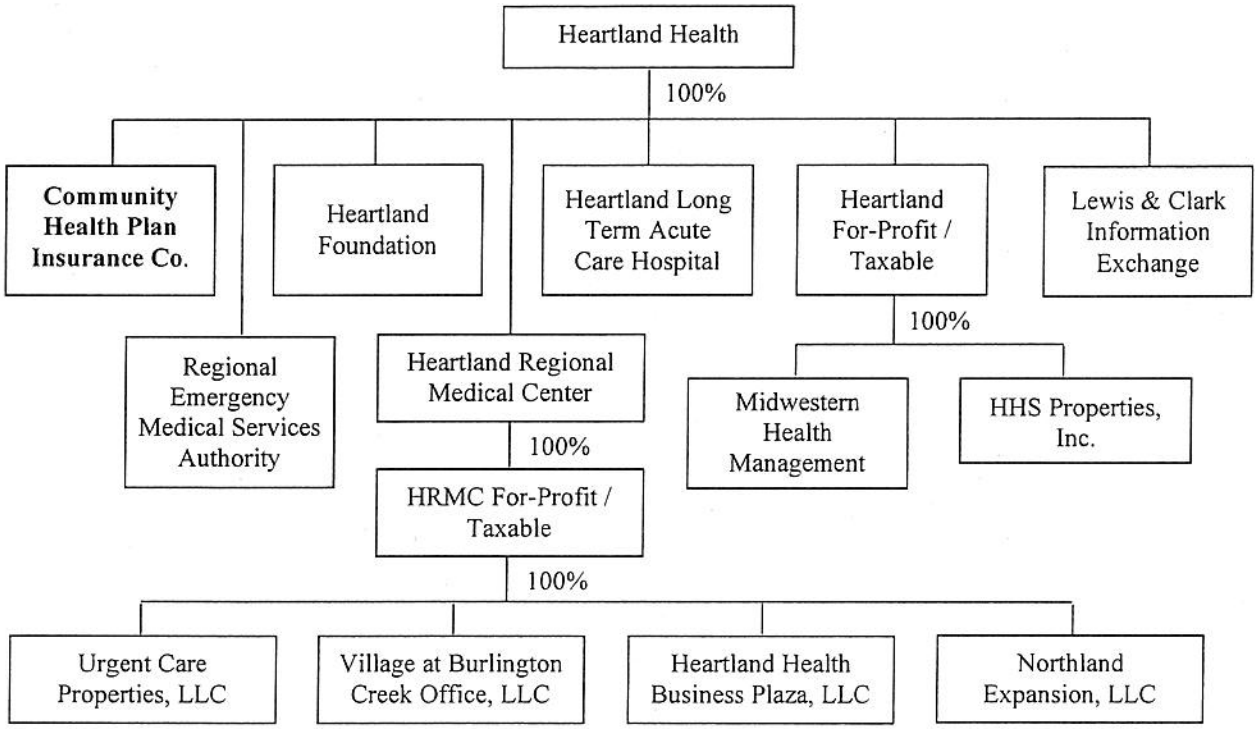
Holding Company, Subsidiaries and Affiliates

The Company is a member of an Insurance Holding Company System, as defined by Section 382.010 RSMo (Definitions). An Insurance Holding Company System Registration Statement was filed by CHPIC for each year of the examination period.

The Company is a wholly-owned subsidiary of Heartland Health, the ultimate controlling entity within the holding company system. Heartland Health is a Missouri not-for-profit and community-based health care organization located in St. Joseph, Missouri. Subsidiaries of Heartland Health include a hospital, Heartland Regional Medical Center, and various other entities related to the health care industry.

Organizational Chart

Below is the organizational chart of CHPIC and its affiliates, as of December 31, 2012.



Intercompany Agreements

The Company's agreements with related parties that were in effect, as of December 31, 2012, are outlined below.

1. **Type:** Administrative Services Allocation Agreement

   Affiliate: Heartland Regional Medical Center

   Effective: January 1, 2006

   Terms: HRMC will pay certain pharmacy and transplant claims expense on behalf of CHPIC. Monthly, HRMC will summarize the cost and CHPIC will reimburse 100% of the costs by the end of the following month. For 2012, the Company did not report any expenses associated with this agreement.

2. **Type:** Financial Guaranty

   Affiliate: Heartland Health

   Effective: November 1, 2007

   Terms: Heartland agrees to fund CHPIC as necessary in order for CHPIC to maintain capital and surplus in excess of $1.2 million. The agreement may not be amended or terminated without Missouri DIFP approval.

FIDELITY BOND AND OTHER INSURANCE

The Company is a named insured on a crime insurance policy issued to the parent, Heartland Health. The policy also covers other subsidiaries of Heartland Health. The policy provides coverage with a liability limit of $2 million and a $50,000 deductible, which meets the minimum coverage that is recommended by the NAIC.

The Company is also a named insured on the Directors and Officers Liability insurance policy issued to Heartland Health.

PENSION, STOCK OWNERSHIP AND INSURANCE PLANS

CHPIC has no direct employees. Heartland Health performs functions to manage the operations of the Company. There is no agreement between the Company and Heartland Health, but an agreement is not deemed necessary, since any expenses reimbursed are immaterial.

Heartland Health sponsors a qualified defined benefit pension plan that covered substantially all employees of the Company. Effective January 1, 2001, balances were converted into the defined contribution plan for employees of the Company, in the form of a 401(k) Retirement Plan.

TERRITORY AND PLAN OF OPERATION

CHPIC is licensed in the State of Missouri under Chapter 376 RSMo (Life and Accident Insurance). The Company is not licensed in any other states. In May 2009, the Company announced plans to withdraw from the health insurance market. All policies were terminated by November 1, 2010 and no new business has been written since that date. All claim liabilities were fully run-off, as of December 31, 2012. The parent, Heartland Health, has no current plans to resume operations for CHPIC. Management stated that the Company will be held as a shell entity in case there is a need for insurance operations in the future.

REINSURANCE

The Company does not have any assumed or ceded business, as of December 31, 2012.

ACCOUNTS AND RECORDS

The CPA firm, BKD, LLP, of Kansas City, Missouri issued audited statutory financial statements of the Company the years ending 2008, 2009, and 2010. The actuarial opinion regarding the Company's claim reserves was issued by Richard D. Johnson, FSA, MAAA, of New Brighton, Minnesota, for the years ending 2008, 2009, and 2010. The Company was granted waivers from the Missouri DIFP from filing audited financial statements and actuarial opinions for the years ending 2011 and 2012 based upon its run-off status with no current business in force and no known claims outstanding.

STATUTORY DEPOSITS

Deposits with the State of Missouri

The funds on deposit with the Missouri DIFP as of December 31, 2012, as reflected below, were sufficient to meet the capital deposit requirements for the State of Missouri in accordance with Section 376.290 RSMo (Deposit and Transfer of Securities). The funds on deposit were as follows:

Type of Security	Par Value	Fair Value	Book Value
U.S. Treasury Bill	$604,000	$606,809	$606,809

Deposits with Other States

The Company does not have funds on deposit with any other states.

FINANCIAL STATEMENTS

The following financial statements, with supporting exhibits, present the financial condition of Community Health Plan Insurance Company for the period ending December 31, 2012. Any examination adjustments to the amounts reported in the financial statements and/or comments regarding such are made in the "Comments on Financial Statement Items." The failure of any column of numbers to add to its respective total is due to rounding or truncation.

There may have been additional differences found in the course of this examination, which are not shown in the "Comments on Financial Statement Items." These differences were determined to be immaterial concerning their effect on the financial statements, and therefore, were only communicated to the Company and noted in the workpapers for each individual Annual Statement item.

Assets
as of December 31, 2012

	Assets	Non-Admitted Assets	Net Admitted Assets
Cash, Cash Equivalents and Short-Term Investments	$1,307,090	$ 0	$1,307,090
Investment Income Due and Accrued	4,092	0	4,092
Net Deferred Tax Asset	457,961	457,961	0
Receivable from Parent, Sub., Affiliates	4,837	0	4,837
TOTAL ASSETS	**$1,773,980**	**$457,961**	**$1,316,019**

Liabilities, Surplus and Other Funds
as of December 31, 2012

General Expenses Due or Accrued	$ 213
Payable to Parent, Subsidiaries and Affiliates	2,440
Aggregate Write-In Liabilities	5,067
TOTAL LIABILITIES	**$ 7,720**
Common Capital Stock	$ 600,000
Gross Paid-In and Contributed Surplus	1,501,222
Unassigned Funds (Surplus)	(792,923)
Capital and Surplus	**$1,308,299**
TOTAL LIABILITIES AND SURPLUS	**$1,316,019**

Statement of Revenue and Expenses
For the Year Ended December 31, 2012

Net Premium Income	$ 0
TOTAL REVENUES	**$ 0**
Hospital / Medical Benefits	$ 0
General Administrative Expenses	4,400
TOTAL	**$ 4,400**
NET UNDERWRITING GAIN (LOSS)	($ 4,400)
Net Investment Income	13,589
Net Realized Capital Gains (Losses)	(30,396)
Net Gain (Loss) from Premium Balances Charged Off	56,566
NET INCOME	**$ 35,359**

Capital and Surplus

Capital and Surplus, December 31, 2011	$1,324,005
Net Income	35,359
Change in Non-Admitted Assets	12,230
Surplus Paid-In	46,222
Aggregate Write-In: Prior Period Adjustment	(109,517)
CAPITAL AND SURPLUS, DECEMBER 31, 2012	**$1,308,299**

Comments on Financial Statement Items

None.

Examination Changes

None.

General Comments and/or Recommendations

Compliance with Bylaws (page 3)

The Board of Directors should ensure that it holds an annual meeting in compliance with the Company's Bylaws. A majority of directors are required to attend the annual Board meeting to achieve a quorum needed to have valid actions of the Board. Officers should be elected on an annual basis, which is also a requirement in the Company's Bylaws. Finally, the sole shareholder, Heartland Health should ensure that an annual shareholders' meeting is held in compliance with the Bylaws. Proper meeting minutes of the annual Board and shareholders meetings should be maintained to document compliance with the provisions of the Bylaws.

ACKNOWLEDGMENT

The assistance and cooperation extended by the officers and the employees of Community Health Plan Insurance Company during the course of this examination is hereby acknowledged and appreciated. In addition to the undersigned, Chris Bosch, CFE, examiner for the Missouri DIFP, participated in this examination.

VERIFICATION

State of Missouri)
)
County of)

I, Tim L. Tunks, on my oath swear that to the best of my knowledge and belief the above examination report is true and accurate and is comprised of only facts appearing upon the books, records or other documents of Community Health Plan Insurance Company its agents or other persons examined or as ascertained from the testimony of its officers or agents or other persons examined concerning its affairs and such conclusions and recommendations as the examiners find reasonably warranted from the facts.

Tim L. Tunks

Tim L. Tunks, CPA, CFE
Examiner-In-Charge
Missouri DIFP

Sworn to and subscribed before me this 15 day of April, 2014.

My commission expires: 2-6-18

Notary Public

NOTARY PUBLIC NOTARY SEAL STATE OF MISSOURI

DAVID SCOTT FORREST
My Commission Expires
February 6, 2018
Boone County
Commission #14545654

SUPERVISION

The examination process has been monitored and supervised by the undersigned. The examination report and supporting workpapers have been reviewed and approved. Compliance with NAIC procedures and guidelines as contained in the Financial Condition Examiners Handbook has been confirmed.

Mark A. Nance, CPA, CFE
Audit Manager
Missouri DIFP