STATE OF MISSOURI

DEPARTMENT OF INSURANCE, FINANCIAL INSTITUTIONS AND PROFESSIONAL REGISTRATION

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

RE: Examination Report of Cox Health Systems, HMO, Inc. as of December 31, 2007

ORDER

After full consideration and review of the report of the financial examination of Cox Health Systems, HMO, Inc. for the period ended December 31, 2007, together with any written submissions or rebuttals and any relevant portions of the examiner's workpapers, I, Linda Bohrer, Acting Director, Missouri Department of Insurance, Financial Institutions and Professional Registration pursuant to section 374.205.3(3)(a), RSMo., adopt such report. After my consideration and review of such report, workpapers, and written submissions or rebuttals, the findings and conclusions of the examination report are incorporated by reference and deemed to be my findings and conclusions to accompany this order pursuant to section 374.205.3(4), RSMo.

Based on such findings and conclusions, I hereby ORDER Cox Health Systems, HMO, Inc., 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 mentioned in the General Comments and/or 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 October 16, 2008.

Linda Bohrer

Linda Bohrer, Acting Director
Department of Insurance, Financial Institutions
and Professional Registration

REPORT OF

FINANCIAL EXAMINATION

Cox Health Systems HMO, Inc.

As of:

DECEMBER 31, 2007

FILED
OCT 2 6 2008
DIRECTOR OF INSURANCE,
FINANCIAL INSTITUTIONS &
PROFESSIONAL REGISTRATION

STATE OF MISSOURI

DEPARTMENT OF INSURANCE, FINANCIAL INSTITUTIONS
AND PROFESSIONAL REGISTRATION

JEFFERSON CITY, MISSOURI

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September 17, 2008
Springfield, Missouri

Honorable Alfred W. Gross, Commissioner
Bureau of Insurance
Virginia State Corporate Commission
Chairman, Financial Condition (E) Committee, NAIC

Honorable Merle D. Scheiber, Director
Division of Insurance
State of South Dakota
Secretary, Midwestern Zone, NAIC

Honorable Linda Bohrer, Acting Director
Missouri Department of Insurance, Financial
Institutions and Professional Registration
301 West High Street, Room 530
Jefferson City, Missouri 65101

Dear Sirs and Madam:

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

Cox Health Systems HMO, Inc.

hereinafter referred to as such or as the "Company". The Company's office is located at 3200 South National, Building B, Springfield, Missouri 65801-5750, telephone number (417) 269-2990. Examination fieldwork began on March 24, 2008, and concluded on September 17, 2008.

SCOPE OF EXAMINATION

Period Covered

The last comprehensive financial examination of the Company was performed as of December 31, 2004, by examiners from the state of Missouri.

The current financial examination of the Company covers the period from January 1, 2005, through December 31, 2007, and was conducted by examiners from the state of Missouri. This examination also included material transactions or events occurring subsequent to December 31, 2007.

Procedures

This examination was conducted using the guidelines set forth in the Financial Condition Examiners Handbook of the National Association of Insurance Commissioners (NAIC), except where practices, procedures and applicable regulations of the Missouri Department of Insurance, Financial Institutions and Professional Registration (Department) and statutes of the state of Missouri prevailed.

Workpapers of the Company's independent auditor, BKD, LLP, were made available to the examiners for review. Standard examination procedures were modified as deemed appropriate under the circumstances.

Comments Prior Examination

1. Comment
Many issues and concerns regarding affiliated companies and intercompany accounts were noted during this examination. Most of these issues and concerns were also documented in previous financial examinations. The Company does not have the internal policies and procedures necessary to properly account for and administrate their intercompany agreements.

The Company must develop and file with the Department a comprehensive Plan of Compliance. This written plan should include (but is not limited to) a complete list of all currently active intercompany agreements, method of tracking all agreement submission and renewal dates, procedures to ensure all agreement submissions and renewals are filed within statutory filing time limits, procedures to ensure all statutory requirements for intercompany agreements and related intercompany activity are adhered to on an on-going basis, and assignment of specific intercompany agreement administrative responsibilities to specific company personnel to guarantee the company's commitment to resolving the recurring discrepancies and issues.

Company Response
Cox Health Systems HMO, Inc. (CHMO) will complete a list of all currently active intercompany agreements, better organize and develop a method of tracking these agreements including the submission and renewal dates and designate specific company personnel to be responsible for this. CHMO will submit these documents to the Department.

Current Examination Findings
The Company had filed all intercompany agreements with the Department and provided copies during the examination.

2. Comment
Caremark, the TPA for prescription benefits, still does not have a "Certificate of Authority" as required by Missouri Statute 376.1092, (Certificate of authority, required,

application, contents, fee). In addition, Caremark performs as a "Utilization Review Agent," and is required by Section 374.503 RSMo, (Certificate required for utilization review agents, exceptions) to be certified to perform this function.

The Company must obtain proof of compliance from Caremark or obtain the services from a compliant TPA.

Company Response
CHMO's relationship with Caremark will be terminated December 31, 2006.

Current Examination Findings
The Company no longer has an agreement with Caremark. The current pharmacy benefits management firm is licensed as a third party administrator in Missouri.

3. Comment
Milliman, the Department's consulting actuary, found that the Company does not include a margin for adverse development in its calculation of claims unpaid as required per Section 5.1 of the Actuarial Standard of Practice #5.

Although no adjustment was recommended, the Company should ensure a margin for adverse development is included in future filings.

The Company did not perform an analysis at year end to determine if a Premium Deficiency Reserve (PDR) was necessary. The Company is required to test for the need of a PDR, which is usually done by a gross premium valuation, as stated in the Actuarial Standards of Practice and also in the NAIC Health Reserves Guidance Manual. The Guidance Manual also specifies that documentation is necessary whether or not a PDR is established.

Upon request the Company's consulting actuary provided a retrospective analysis based on actual 2005 experience and demonstrated that no PDR was required.

The actuarial opinion did not include a line for Aggregate Reserve for A&H contracts, which is where the PDR would be reported. The opinion should include this line even if the reserve is not required. This is consistent with Regulation 20 CSR 200-1.

Company Response
CHMO will analyze the need for recording a margin for adverse development in its calculation of Claims unpaid as required per Section 5.1 of the Actuarial Standard of Practice #5. CHMO will analyze the need for recording a Premium Deficiency Reserve and believes their Class R Stock agreement should be taken into account upon determination of a Premium Deficiency Reserve.

Current Examination Findings
The consulting actuary hired by the Department for the current examination determined that the claims unpaid reserve was adequately established.

The consulting actuary determined that the aggregate health policy reserves had not been established by appropriate methods.

HISTORY

General

Cox Health Systems HMO, Inc. was incorporated in the state of Missouri on April 8, 1996, as a network model health maintenance organization. The Company was issued a certificate of authority under Chapter 354, RSMo (Health service corporations-Health maintenance organizations-Prepaid dental plans) on April 3, 1996 and began issuing contracts of health insurance on January 1, 1997.

At incorporation, the Company was owned 50% by Cox Health Systems (CHS), Springfield, Missouri and 50% by Freeman Hospitals and Health System (Freeman), Joplin, Missouri. Effective January 1, 2001, CHS purchased the stock held by Freeman and became the sole stockholder.

The Company's original name of Cox-Freeman Health Plans, Inc. was changed to Cox Health Systems HMO, Inc. by amendment to the articles of incorporation on February 28, 2001.

Capital Stock

The Company is authorized to issue 6,600 shares of $1.00 par value Class H common stock and 1,650 of $1.00 par value Class P common stock for a total of 8,250 shares of $1.00 par value common stock. As of December 31, 2007, 2,000 shares of the Class H common stock were issued and outstanding for a balance of $2,000 in the Company's common stock capital account. None of the Class P common stock has been issued.

The Company has authority to issue 20,000,000 shares of $1.00 par value Class R restricted stock. The Class R stock is issued by the Company in exchange for capital contributions made by the sole shareholder to cover any losses the Company may incur. As of December 31, 2007, 15,301,506 shares of this stock had been acquired by the Company's parent.

Dividends

The Company has not declared or paid any dividends since inception.

Management

Management of the Company is vested in a board of directors that are elected by the sole shareholder. This board consisted of nine members elected at annual meetings of the

stockholder as authorized by the Company's bylaws which state that the board of directors shall consist of not more than ten directors and not fewer than six directors. The directors serving as of December 31, 2007, were as follows:

Name	Principal Occupation
Mark Costley, M.D. Monett, MO	Physician Cox Health Systems
Dona K. Elkins Nixa, MO	President EDCO
Jerry Jared Rogersville, MO	President and CEO CRW Properties, Inc.
Chris W. Nattinger Springfield, MO	Chairman Skyline Investment Company
Kenneth E. Meyer Springfield, MO	President-Owner Meyer Communications
Robert E. Roundtree Springfield, MO	President Roundtree Capital Management
Bob Simmons Branson, MO	President Table Rock Asphalt Construction Company
Joseph Turner Springfield, MO	President Great Southern Bank
Robert Bezanson Springfield, MO	President and CEO CoxHealth

The officers serving as of December 31, 2007, were as follows:

Name	Office
Jeffrey Bond	President
Matthew Aug	Chief Financial Officer
Jacob Salinas	Chief Marketing Officer
Dona Elkins	Secretary
Joseph Turner	Treasurer

Conflict of Interest

Conflict of interest disclosure statements are executed annually by all directors and officers of the Company. A review of the statements for the years under examination indicated no material conflicts that had not previously been disclosed.

Corporate Records

A review was made of the Company's articles of incorporation and bylaws. The articles of incorporation and bylaws were amended February 19, 2007, to authorize another 5,000,000 shares of Class R restricted stock. The amendments were approved by the board of directors and filed with the Department.

The minutes of the meetings of the stockholder and board of directors were reviewed for the period under examination. Those minutes provided sufficient documentation that major corporate transactions were evaluated by the board of directors.

Acquisitions, Mergers, and Major Corporate Events

No major corporate events took place during the examination period.

Surplus Debentures

None.

AFFILIATED COMPANIES

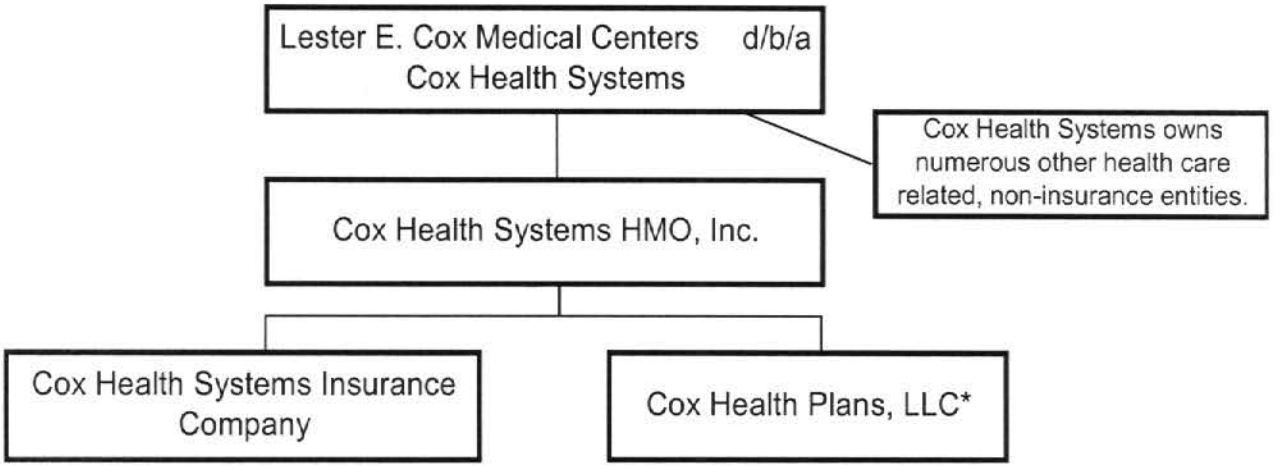
Holding Company, Subsidiaries and Affiliates

The Company is a member of an insurance holding company system as defined in Section 382.010 RSMo, (Definitions). Annual registration statements were filed as required by Section 382.100 RSMo, (Registration).

Lester E. Cox Medical Centers, doing business as Cox Health Systems, is the ultimate controlling entity and is a community-owned, not-for-profit health care organization. The organization consists of various entities, all of which are related to the health care industry including hospitals, a nursing home, home care companies, physician services, mental health services, and the insurance companies. Insurance Holding Company System Registration Statements were filed by Cox Health Systems, for the Company and its affiliates, with the state of Missouri for the period under examination.

Organizational Chart

The following organizational chart depicts the ownership structure of the Company as of December 31, 2007. The chart shows only the Missouri domiciled insurers, their subsidiaries and the parent company. A complete organizational chart is included in the Company's annual statement. All subsidiaries are wholly-owned and non-insurance entities are identified with an asterisk.



All companies are wholly-owned by the immediate parent.

Intercompany Transactions

The Company is a party to several intercompany agreements, which were reviewed and are summarized below. These agreements were filed with the Missouri Department of Insurance, Financial Institutions and Professional Registration.

1. Contribution Agreement
This agreement became effective on January 1, 2000. The original agreement was between Cox-Freeman HealthPlans, Inc. (now Cox Health Systems HMO, Inc.) and Cox Health Systems and Freeman Health System. Cox Health Systems bought out Freeman Health System's interest and changed the Company's name to the present name.

The agreement calls for Cox Health Systems to cover any loss incurred by the Company in any settlement period. Cox Health Systems will pay within 30 days of the end of the settlement period. The agreement runs until cancelled by one or both parties and the cancelation is approved by the Department.

2. Conversion Policy Agreement
This agreement was signed on August 10, 1998. The original agreement was between Cox-Freeman HealthPlans, Inc. (now Cox Health Systems HMO, Inc.) and Cox Health Systems Insurance Company. The agreement allows the insurance company to write a conversion policy that would be available to the Company's members. The Company pays 12 cents per member per month for this service. The agreement will remain in-force until terminated by either party after providing 30 days prior notice.

3. Dual Option Product Agreement
This agreement originated on October 1, 2002. This agreement between Cox Health Systems HMO, Inc. and Cox Health Systems Insurance Company allows the Company to offer both a traditional HMO product and a Point of Service product to employer groups of 26 or more employees. At least quarterly, the respective business generated by each

group will be evaluated and the gains or losses will be split on a 50-50 basis between the two companies. The agreement can be terminated with 30 days written notice by either party.

4. Income Tax Apportionment Agreement
This agreement begins with the period ending December 31, 2004. This agreement between Cox Health Systems HMO, Inc. and Cox Health Systems Insurance Company serves as the basis for filing consolidated federal and state tax returns. The respective tax liability is determined as if each entity were a stand alone company. The alternative minimum tax is determined by the proportion of tax preference items contributed by each entity. Settlements are to be made quarterly. The agreement will remain in effect for successive one year periods unless either party provides 90 days written notice of termination.

5. Management Agreement
This agreement originated on January 1, 2000 and is between Cox Health Systems HMO, Inc. and Cox HealthPlans, LLC. Cox HealthPlans, LLC provides all operational services for the HMO including, premium processing, claims management, provider network administration, utilization review and other administrative functions. During 2007, Cox HealthPlans, LLC received 8.9% of the Company's premium revenue each month as compensation for this arrangement. The agreement can be terminated by either party with three months prior notice.

6. Point of Service Rider
This agreement originated on January 1, 2007 and is between Cox Health Systems HMO, Inc. and Cox Health Systems Insurance Company. It replaces the Underwriting and Retrospective Settlement Agreement that had been in place between the two parties. The Point of Service Rider allows the Company to sell a policy with a point of service feature. This coverage is underwritten by the insurance company. The Company pays 1.5% of the premium associated with this coverage. Either party can terminate the agreement with 30 days notice.

7. Provider Services Agreement
This agreement between Cox Health Systems HMO, Inc. and Cox Health Systems is the Company's major provider services agreement. The Company's other major provider group, Freeman Health System, is no longer an affiliate. Compensation is governed by detailed schedules depending on the particular health care facility and medical procedures involved. The agreement became effective on January 1, 2007 and can be renewed each year.

8. Cost Sharing Agreement
This agreement was entered on February 18, 1998 and is between Cox Health Systems HMO, Inc. and Cox Health Systems. This agreement calls for the cost of various advertising campaigns to be allocated between the two parties. Currently, the Company pays 30% of the costs of joint advertising programs. The agreement runs for one year and can be renewed for subsequent years. Either party can terminate the agreement with

30 days notice prior to the end of the year.

FIDELITY BOND AND OTHER INSURANCE

The Company is adequately insured through fiduciary liability coverage contained in a policy issued to Cox Health Systems and affiliates. This policy provides coverage with a limit of $2,000,000 and a deductible of $5,000.

The Company is also included in various policies issued to the affiliated group and includes protection for general liability, employment practices, errors and omissions and various property damage coverages. Cox Health System self insures for medical malpractice and worker's compensation and has obtained excess of loss reinsurance for these areas. The Company is included in this coverage.

EMPLOYEE BENEFITS AND PENSION PLAN

Cox Health Systems HMO, Inc. does not have any direct employees. The management agreement between the Company and Cox Health Plans, LLC requires Cox Health Plans, LLC to provide personnel that administer all policies, perform comprehensive administrative, financial and managerial services on behalf of the Company on a fee basis. This management agreement also provides for an additional fee for benefit costs of the personnel involved.

The benefits received by the personnel covered in the above mentioned management agreement include but are not limited to, life, long term disability, medical, vision and dental insurance, a pension plan and savings incentive program.

STATUTORY DEPOSITS

Deposits with the State of Missouri

The funds on deposit with the Missouri Department of Insurance, Financial Institutions and Professional Registration as of December 31, 2007, were deemed sufficient in par and market value to meet the deposit requirement for the State of Missouri in accordance with Section 354.410 2. (1) RSMo (Certificate issued, when--annual deposit, requirements--capital account, amount, contents.)

Type of Security	Par Value	Market Value	Statement Value
US Treasury Note	$ 137,000	$ 135,630	$ 135,353
US Treasury Note	421,000	413,742	415,577
	$ 558,000	$ 549,372	$ 550,930

Deposits with Other States

None.

INSURANCE PRODUCTS AND RELATED PRACTICES

General

Cox Health Systems HMO, Inc. is licensed in the state of Missouri under RSMo Chapter 354 as a Health Maintenance Organization (HMO). The Company is not licensed in any other state. The Company operates as a provider-sponsored HMO and issues group and individual contracts. The service area is concentrated in twenty-five counties in Southwestern and South Central Missouri. As of December 31, 2007, the Company had total membership of 6,250 insureds.

The Company offers a traditional HMO product but the primary care physician no longer serves as "gatekeeper" of medical services. Members have direct access to the network specialists. The Company provides a point of service (POS) product that includes an indemnity rider underwritten by Cox Health Systems Insurance Company. The POS members can either use the Company's network of providers or use any out of network provider of their choice. Cox Health Systems Insurance Company is at risk for any losses incurred when the Company's members go out of network, except for emergencies. The Company also provides a prescription drug coverage rider which is made part of the group health plan to which it is attached.

Marketing

Business is acquired through independent insurance brokers and agents and employees of the parent company, Cox Health Systems. Promotional activities are accomplished through advertisements in newspapers, radio, billboards, city buses and sponsorship of various local sports events. The provider hospitals assist in distributing information describing the benefits and coverages offered by the Company.

Grievance Procedures

The Company has grievance procedures in place for both members and providers. Initial grievances are reviewed by the grievance coordinator or a member of the executive staff. An appeals committee administers any subsequent appeals.

Quality Assurance, Utilization Review and Provider Credentialing

Quality assurance and utilization reviews are performed by Cox HealthPlans, LLC. The ultimate authority for these reviews resides with the Company's board of directors. Cox HealthPlans, LLC is licensed as a third party administrator and is registered to perform utilization reviews.

The provider agreements with the Company's network providers call for those organizations to perform credentialing services in accordance with the requirements established by the Company.

REINSURANCE

General

The Company receives protection from underwriting losses from two sources. First, losses on in-network claims are limited by the Contribution Agreement previously discussed. Second, in-network point of service claims are covered by an excess of loss agreement discussed in the ceded reinsurance section below. The Company's reinsurance and premium activity during the period under examination are as follows:

Premiums:	2007	2006	2005
Direct Business	$20,084,903	$20,354,190	$11,697,585
Reinsurance Assumed	0	0	0
Reinsurance Ceded:	0	0	0
Affiliates	0	0	0
Non-Affiliates	(135,645)	(245,453)	(124,248)
Net Premiums Written	$19,949,258	$20,108,737	$11,573,337

Assumed

The Company does not assume any business.

Ceded

The Company is contingently liable for all reinsurance losses ceded to others. This contingent liability would become an actual liability in the event that an assuming reinsurer fails to perform its obligations under the reinsurance agreement.

The Company executed an excess of loss reinsurance agreement with Allianz Life Insurance Company of North America effective January 1, 2005, providing coverage for the Company's out-of-network point of service members. This was extended through 2006. For 2007, the Company executed a similar agreement with HCC Life Insurance Company that continued the coverage for the Company's point of service members. The reinsurer will pay 90% of the claims in excess of $250,000 for claims up to $2,000,000 per member per year.

ACCOUNTS AND RECORDS

Independent Auditor

The Company's financial statements were audited by the firm of BKD, LLP for the period covered by this examination.

Company Actuary

Michael L. Round, ASA, MAAA, of the firm Rational Systems, Inc. provided the actuarial opinions for the Company for the period under examination.

Consulting Actuary

Karen Elsom, FSA, MAAA, of Lewis & Ellis, Inc., evaluated the adequacy of the Company's loss related reserves. She concluded that the Company needs to establish and maintain a loss adjustment expense reserve and determine the aggregate health policy reserve (the primary component being a premium deficiency reserve) using an appropriate methodology.

Information Systems Examination Specialist

The Department's Information Systems Examination Specialist, Andrew Balas, evaluated data processing controls. The Company's controls were determined to be adequate with only minor recommendations.

Loss Reserves

Errors existed in reporting two reserves. First, the Company did not report any loss adjustment expense reserve. Annual statement instructions require that this reserve be established and reported. The Company's actuary should provide an opinion as to the adequacy of the reserve as well.

Second, the Company had not established an aggregate health policy reserve based on acceptable methodology. The Company should ensure that appropriate reserving methodologies are used to determine the reserve. The Company's actuary should provide an opinion as to the adequacy of the reserve.

FINANCIAL STATEMENTS

The following financial statements, with supporting exhibits, present the financial condition of the Company as of December 31, 2007, and the results of operations for the year then ended. Any examination adjustments to the amounts reported in the financial statements and/or comments regarding such are made in the "Notes to the Financial Statements," which follow the financial statements.

There may have been additional differences found in the course of this examination, which are not shown in the "Notes to the Financial Statements." These differences were determined to be immaterial in relation to the financial statements, and therefore were only communicated to the Company and noted in the workpapers for each individual annual statement item.

BALANCE SHEET

As of December 31, 2007

Assets	Assets Current Year	Nonadmitted Assets Current Year	Net Admitted Assets Current Year
Common stocks (stocks)	$ 8,098,634	0	$ 8,098,634
Cash and short-term investments	5,982,645	0	5,982,645
Other invested assets	4,650,542	0	4,650,542
Investment income due and accrued	3,137	0	3,137
Uncollected premiums and agents' balances in the course of collection	223,887	0	223,887
Amounts recoverable from reinsurers	75,702	0	75,702
Net deferred tax asset	9,351,577	9,351,577	0
Receivables from parent, subsidiaries and affiliates	67,285	0	67,285
Health care and other amounts receivable	70,074	23,956	46,118
Total assets	$ 28,523,483	9,375,533	$ 19,147,950

Liabilities	Covered Current Year	Uncovered Current Year	Total Current Year
Claims unpaid	$ 3,256,792	218,470	$ 3,475,262
Aggregate health policy reserves	250,000	0	250,000
Premiums received in advance	488,013	0	488,013
General expenses due or accrued	62,948	0	62,948
Amounts due to parent, subsidiaries and affiliates	408,098	0	408,098
Total liabilities	$ 4,465,851	218,470	$ 4,684,321
Capital and Surplus			
Common capital stock			2,000
Gross paid in and contributed surplus			10,601,073
Write-ins for other than special surplus funds			15,301,506
Unassigned funds (surplus)			(11,440,951)
Total capital and surplus			$ 14,463,628
Total liabilities, capital and surplus			$ 19,147,949

INCOME STATEMENT

For the year ended December 31, 2007

Net premium income	$ 19,949,258	
Aggregate write-ins for other health care related revenues	567,057	
Total revenues		20,516,315
Hospital/medical benefits	15,562,234	
Outside referrals	201,426	
Emergency room and out-of-area	285,477	
Prescription drugs	2,789,030	
Subtotal		18,838,167
Net reinsurance recoveries (less)		75,702
Total hospital and medical		18,762,465
Claims adjustment expenses		360,857
General administrative expenses		2,093,882
Increase in reserves for life and accident and health contracts		100,000
Total underwriting deductions		21,317,204
Net underwriting gain or (loss)		(800,890)
Net investment income earned		242,088
Net income or (loss) before all other federal income taxes		(558,802)
Federal and foreign income taxes incurred		0
Net income (loss)		$ (558,802)

CAPITAL AND SURPLUS

Capital and surplus December 31, 2006		$ 11,432,617
Net income or (loss)	(558,802)	
Change in net unrealized capital gains (losses)	2,633,104	
Change in nonadmitted assets	397,907	
Aggregate write-ins for gains or (losses) in surplus	558,804	
Examination changes		
Net change in capital and surplus		3,031,013
Capital and surplus December 31, 2007		$ 14,463,629

NOTES TO THE FINANCIAL STATEMENTS

None.

EXAMINATION CHANGES

None.

GENERAL COMMENTS AND RECOMMENDATIONS

Loss Reserves Page 12

The Company needs to ensure that appropriate loss adjustment expense and aggregate health policy reserves are established and reported on an ongoing basis. The Company's actuary should also provide opinions as to the adequacy of these reserves.

SUBSEQUENT EVENTS

None.

ACKNOWLEDGEMENT

The assistance and cooperation extended by the officers and employees of Cox Health Systems HMO, Inc. during the course of this examination is hereby acknowledged and appreciated. In addition to the undersigned, Karen Elsom of Lewis & Ellis, Inc., and Art Palmer, CFE, Doug Daniels and Andrew Balas, CFE, examiners for the Missouri Department of Insurance, Financial Institutions and Professional Registration, participated in this examination.

VERIFICATION

State of Missouri)
) ss
County of St. Louis)

I, Robert P. Jordan, 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 the 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.

Robert P. Jordan

Robert P. Jordan, CFE
Examiner-in-Charge
Missouri Department of Insurance, Financial Institutions and Professional Registration

Sworn to and subscribed before me this 28 day of August, 2008
My commission expires:

JACKIE L. SHIELDS
Notary Public - Notary Seal
State of Missouri - County of Greene
My Commission Expires Mar. 3, 2009
Commission #05676079

Jackie L Shields

Notary Public

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.

Michael K. Shadowens

Michael Shadowens, CFE
Audit Manager, St. Louis
Missouri Department of Insurance, Financial Institutions and Professional Registration

COX HEALTHPLANS
CoxHealth

Cox Health Systems Insurance Company
Cox Health Systems HMO, Inc.

RECEIVED
OCT 14 2008
INSURANCE SOLVENCY & COMPANY REGULATION

October 14, 2008

Mr. Frederick Heese
Missouri Department of Insurance
P.O. Box 690
Jefferson City, MO 65102-0690

RE: Company Responses to Examination Reports

Cox Health Systems HMO, Inc (CHMO)

Loss Reserves

Page 16 Item

Company Response: CHMO will analyze the need for recording a loss adjustment expense reserve annually based on SSAP No. 55, Interpretation 02-21 and have an actuary provide an opinion on the reserve. CHMO believes based on the current agreement with Cox HealthPlans LLC to fully administer all aspects of the health plan no additional loss adjustment expense reserve would be necessary. The monthly administration fee paid to Cox HealthPlans LLC is based on a percentage of premiums and is not directly tied to actual expense. Were there to be an unforeseen event, a loss adjustment expense would not be charged back to CHMO from Cox HealthPlans LLC.

CHMO will analyze the need to record a premium deficiency reserve on an annual basis based on the NAIC Health Reserve Guidance Manual and have an actuary provide an opinion on the reserve. The Company's outside actuary completed a premium deficiency reserve calculation for 2007.

Cox Health Systems Insurance Company (CHSIC)

Loss Reserves

Page 15 Item

Company Response: CHSIC will analyze the need for recording a loss adjustment expense reserve annually based on SSAP No. 55, Interpretation 02-21 and have an actuary provide an opinion on the reserve. CHSIC believes based on the current agreement with Cox HealthPlans LLC to fully administer all aspects of the health plan no additional loss adjustment expense reserve would be necessary. The monthly administration fee paid to Cox HealthPlans LLC is based on a percentage of premiums and not tied to actual expense. Were there to be an unforeseen event, a loss adjustment expense would not be charged back to CHSIC from Cox HealthPlans LLC.

CHSIC will analyze the need to record a premium deficiency reserve on an annual basis based on the NAIC Health Reserve Guidance Manual and have an actuary provide an opinion on the reserve. Given the positive operating results no projection was deemed necessary in 2007.

Please include these responses in the report.