STATE OF MISSOURI

DEPARTMENT OF INSURANCE, FINANCIAL INSTITUTIONS AND PROFESSIONAL REGISTRATION

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

RE: Examination Report of Essence LLP as of December 31, 2008

ORDER

After full consideration and review of the report of the financial examination of Essence LLP for the period ended December 31, 2008, 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 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, 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 2nd day of June, 2010.

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

REPORT OF

FINANCIAL EXAMINATION

Essence LLP

FILED
JUN 12 2010
DIRECTOR OF INSURANCE, FINANCIAL INSTITUTIONS & PROFESSIONAL REGISTRATION

As of:
DECEMBER 31, 2008

STATE OF MISSOURI
DEPARTMENT OF INSURANCE, FINANCIAL INSTITUTIONS
AND PROFESSIONAL REGISTRATION

JEFFERSON CITY, MISSOURI

Table of Contents

March 12, 2010
St. Louis, MO

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

Honorable Mary Jo Hudson, Director
Ohio Department of Insurance
50 West Town Street, Suite 300
Columbus, Ohio 43215
Secretary, Midwestern Zone, NAIC

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

Dear Lady and Gentlemen:

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

Essence LLP

hereinafter referred to as "Essence" or the "Company." The Company's office is located at 13900 Riverport Drive; Maryland Heights, Missouri 63043; telephone number (314) 209-2780. Examination fieldwork began on December 14, 2009 and concluded on the above date.

SCOPE OF EXAMINATION

Period Covered

This examination covers the period from January 1, 2006 through December 31, 2008, and was conducted by examiners from the state of Missouri. This examination also included material transactions or events occurring subsequent to December 31, 2008.

Procedures

We conducted our examination in accordance with the NAIC Financial Condition Examiners Handbook. The handbook requires that we plan and perform the examination to evaluate the financial condition and identify prospective risks of the Company by obtaining information about the Company including corporate governance, identifying and assessing inherent risks within the Company and evaluating systems controls and procedures used to mitigate those risks. An examination also includes assessing the principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation, management's compliance with statutory accounting principles and annual statement instructions when applicable to domestic state regulations.

All accounts and activities of the Company were considered in accordance with the risk-focused examination process. Key activities included: Treasury, Premiums, Reinsurance, and Claims.

The examiners relied upon information and workpapers provided by the Company's independent auditor, Ernst & Young LLP, St. Louis, Missouri, for its audit covering the period from January 1, 2008 through December 31, 2008. Such reliance included fraud risk analysis, internal control narratives and tests of internal controls.

SUMMARY OF SIGNIFICANT FINDINGS

The Company is operating in a sound manner. The Company has experienced significant growth and now needs to ensure that management is kept apprised of all aspects of the operation. In order to accomplish this, the Company should implement an internal audit function that provides appropriate reporting to the board of directors. The Company is currently in the process of creating an internal audit function.

SUBSEQUENT EVENTS

Effective January 1, 2009, Essence LLP merged with Essence Healthcare, Inc. with Essence Healthcare, Inc. as the surviving corporation.

COMPANY HISTORY

General

The Company was organized on January 30, 2003, as Essence Inc., d/b/a Essence Healthcare. The Company received its Certificate of Authority on May 30, 2003, to operate as a health maintenance organization under Chapter 354.400 RSMo.

The sole owner of the Company at year-end 2006 was American Multispecialty Group, Inc., a Missouri corporation that does business as Esse Health ("Esse").

On August 31, 2006, the Missouri Department of Insurance, Financial Institutions and Professional Registration ("Department") approved a series of transactions to transfer ownership from Esse to a newly formed company, Essence Holding Company, LLC

("EHC"). Esse formed EHC which in turn formed EHC II, LLC. EHC II, in conjunction with Esse, formed Essence Healthcare, LP. Subsequently, due to an Illinois law that prohibits a limited partnership from being a licensed HMO, Essence Healthcare's form was changed to a limited liability partnership ("LLP").

On March 5, 2007, following approvals from Washington, Illinois, and the Centers for Medicare and Medicaid Services ("CMS"), EHC redeemed its original units from Esse and granted new units to the existing Esse shareholders, to Esse and other key management personnel of Essence, each of whom own less than 10% of the holding company.

Effective November 30, 2007, Essence Holding Company, LLC (now known as 12655 Olive Blvd., LLC) contributed to Essence Group Holdings Corporation ("EGHC") all of its membership interests in EHC II, LLC and EHC's recently acquired partnership interest in Essence from Esse.

Essence, Inc. merged into Essence Healthcare, LLP with the LLP as the surviving entity. The merged entity was then renamed Essence, LLP. EHC II is a general partner with 99.99% interest in future earnings of Essence and $25,000 in capital interest. Esse is a general partner with 0.01% interest in Essence's future earnings and the value of Essence at closing in capital interest of approximately $2.4 million. This structural reorganization allows additional physician provider groups to contribute capital into EHC, without affecting the ownership structure of Esse, and thereby allowing Essence to expand into additional states where Esse has no physical presence.

Essence Health Insurance Company, a wholly owned subsidiary, was incorporated on March 5, 2008, in the state of Oklahoma. After an unsuccessful attempt to start this business, management decided it would be in the Company's best interests to end all attempts of establishing operations in the state.

Capital Stock

The Company was a partnership at December 31, 2008 and had no capital stock.

Dividends

The Company has paid no dividends to shareholders.

Mergers and Acquisitions

Merger activity was discussed in the background section above.

CORPORATE RECORDS

Minutes of the meetings of the board of directors and annual meetings of the stockholder were reviewed for the years 2006 and 2007. However, no meetings were held in 2008 because the company was a partnership. Major corporate decisions and resolutions were sufficiently documented in the minutes that were reviewed. There were no directors as of December 31, 2008.

The Company does not currently have an internal audit program. Given the growth over the past few years and the complexity of the Company's operations, an internal audit function is needed. The Company has plans to create this program and is currently building a staff to implement the internal audit program. Management should ensure that such a program is placed into service and reports directly to the board of directors.

Officers serving at December 31, 2008 were:

Name	Position
Debra Kay Gribble	President
Paul A. Beuttenmuller 1/	Secretary and Treasurer
Martha Butler	Chief Operating Officer
Herbert Olson	Chief Actuary
Eric Miller	Director of Sales

1/ Mr. Beuttenmuller left the Company as of March 5, 2010.

As of December 31, 2008, there was no board of directors. However, management of the partnership had appointed the following individuals to serve on the committees listed below:

Executive Committee: Frank Ingari, Richard Jones

Quality Improvement Committee: Kathleen Brunts, Mike Fedak, Tom Hastings, Collins Corder, David Morton, Donald Blum, Martha Butler, Karen Kennedy, Mary Kay Keys, Tom Lonergan

Utilization Management Committee: Tom Hastings, Mike Fedak, John Rice, John Wiedner, Martha Butler, Lisa Bean, and Karen Kennedy

Compliance Committee: Lorna Pate, Martha Butler, Terry Price, Lisa Bean, Eric Miller, Tina Launhardt, Joel Anderson, Dawn Walter, Mark Carroll, Mary Kay Keys, Barbara Newton, and the Director of Medical Management (currently open position)

Investments Committee: Richard Jones and Paul Beuttenmuller

Conflict of Interest

Members of the senior management of this company and related entities provided signed conflict of interest disclosures. No instances of conflict of interest situations were reported.

Surplus Debentures

The Company had surplus notes as follows:

Date	Amount	Interest Rate
December 31, 2003	\$500,000	4.0%
June 15, 2004	\$1,500,000	4.0%
September 30, 2004	\$600,000	4.5%
December 31, 2004	\$750,000	5.0%
March 31, 2005	\$500,000	5.50%
December 31, 2005	\$300,000	7.25%
March 31, 2006	\$200,000	7.50%

These notes were all issued to American Multispecialty Group, Inc. No interest or principal payments have been made. Principal and interest as of December 31, 2008 totaled \$5,196,883.

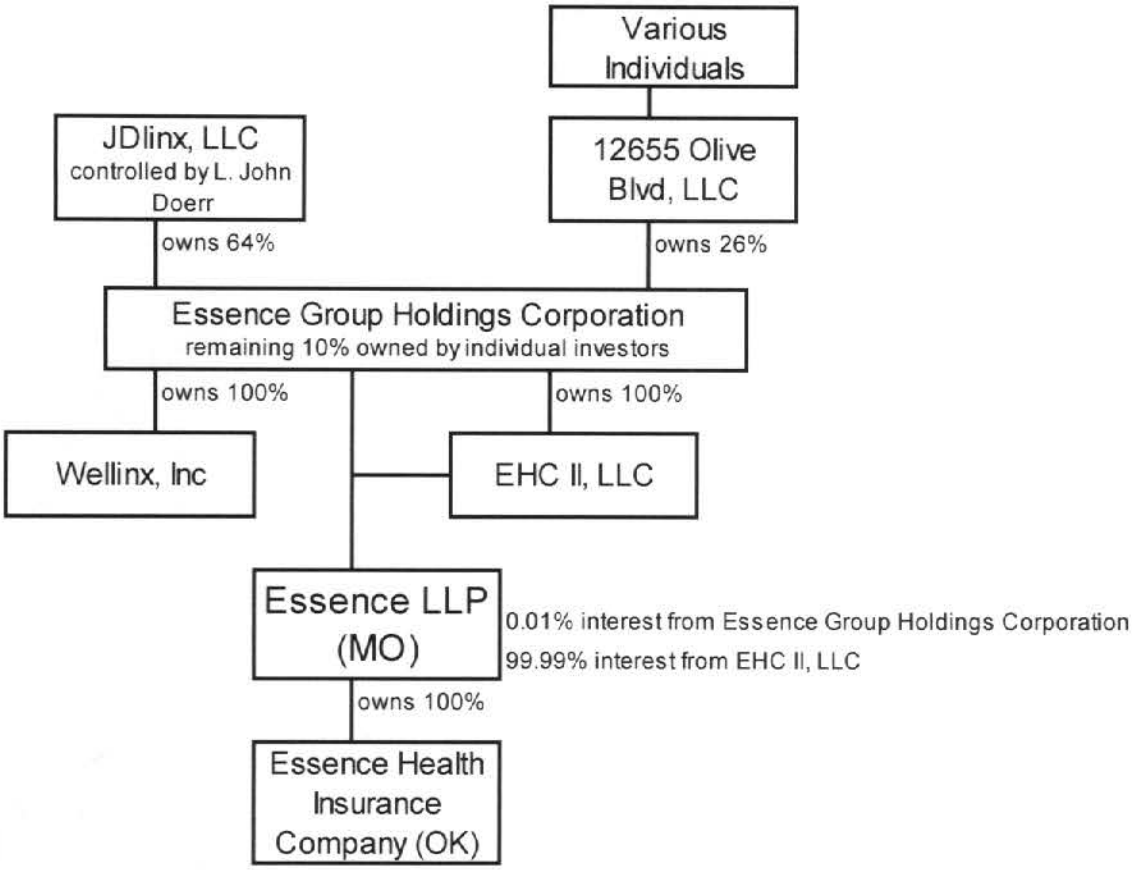
MANAGEMENT AND CONTROL

Holding Company

Essence is a member of an Insurance Holding Company System as defined by Chapter 382.010 RSMo. The Company is owned by Essence Group Holdings and its subsidiary, EHC II, LLC. Essence Group Holdings controls a .01% interest in the future earnings of the Company while EHC II, LLC controls the other 99.99% of the earnings stream. Essence Group Holdings Corporation is owned by JDlinx, LLC with 64% of the voting stock, an entity called 12655 Olive Blvd, LLC with 26% of the voting stock, and the remaining stock is owned by various individuals. 12655 Olive Blvd, LLC is owned by a group of investors and JDlinx, LLC is controlled by L. John Doerr, which makes Mr. Doerr the ultimate controlling person of the Company. The Company is the sole owner of Essence Health Insurance Company, an Oklahoma company.

Organizational Structure

The following organizational chart shows the structure of the Company's ownership:



Intercompany Transactions

Essence was a party to the following affiliated agreements at December 31, 2008. All have been approved by the Department.

1. Guaranty and Capital Contribution Agreement This agreement is between the Company and Essence Group Holdings Corporation (EGHC). Under this agreement, which became effective November 30, 2007, EGHC guarantees to maintain the Company's capital and surplus at the greater of a 250% RBC ratio or 2% of annual premiums as of the end of each calendar year.

2. Intercompany Services Agreement The parties in this agreement are the Company, EGHC and Wellinx, Inc., a subsidiary of EGHC. The Company receives various administrative and management services from EGHC and receives data processing services from Wellinx, both on a cost basis. This agreement became effective on February 1, 2008.

3. Intercompany Services Agreement This agreement is between the Company and Essence Health Insurance Company, a wholly owned subsidiary. The agreement

became effective on March 8, 2008. Essence Health Insurance Company receives various administrative services, on a cost basis, from the Company.

4. Business Associate Agreement This agreement is between the Company and Wellinx, Inc., and was effective on February 1, 2008. This agreement was entered into in conjunction with the intercompany services agreement noted above and is required by CMS to safeguard patient health information. No funds are exchanged under the agreement.

5. Business Associate Agreement This agreement is between the Company and Essence Health Insurance Company and became effective on March 8, 2008. The agreement was entered into in conjunction with the intercompany services agreement noted above and is required by CMS to safeguard patient health information. No funds are exchanged under the agreement.

6. Tax Allocation Agreement The parties in this agreement are the Company, Essence Group Holdings Corporation, Wellinx, Inc., and Essence Health Insurance Company. The effective date was March 8, 2008. The agreement allocates taxes within these companies on the basis of each company's individual contribution to the tax provision as a whole.

Payments to Affiliates

Schedules in the annual statements examined disclosed that the Company made the following payments to affiliates:

Name	2006	2007	2008
American Multispecialty Group, Inc.	\$3,388,193	\$11,802,888	
Essence Group Holding Corp.			\$40,978
Wellinx, Inc.			\$325,557
Essence Health Insurance Co.			\$422,544
Total	\$3,388,193	\$11,802,888	\$789,079

FIDELITY BOND AND OTHER INSURANCE

The Company has a fiduciary liability policy with a limit of \$2,000,000 and no deductible. This coverage is provided for all companies within the holding company system and exceeds the National Association of Insurance Commissioners' suggested minimum guidelines.

The Company is also adequately insured through policies providing coverage for personal property, general liability, automobile liability, workers compensation and employer liability, and directors' and officers' liability.

PENSIONS, STOCK OWNERSHIP AND INSURANCE PLANS

The Company's primary benefits provided to full time employees include: paid time off, group life, accidental death or dismemberment insurance, long-term disability insurance, short-term disability insurance, employee group health insurance, including dental coverage, and a 401(k) savings plan with employer match. Adequate provision has been made in the financial statements for these liabilities.

TERRITORY AND PLAN OF OPERATION

Territory and Plan of Operations

The Company is licensed as a health maintenance organization under Chapter 354 RSMo. The only product offered is a Medicare Advantage plan. As a Medicare provider, the Company receives a monthly fee from the Center for Medicare and Medicaid Services. The Company is licensed in Missouri, Illinois, Indiana, Kentucky, and Washington.

Treatment of Policyholders

The Department has a market conduct staff that performs reviews of consumer related issues. There has been no market conduct examination of this company since its inception.

Being a Medicare provider, the Company is subject to strict regulation of its advertising and production of business by the Center for Medicare and Medicaid Services.

GROWTH OF COMPANY

The Company has experienced substantial asset growth as a result of large premium revenue increases every year since inception. The Company's capital and surplus have increased with this growth and remains adequate. The vast majority of the Company's assets consists of cash and cash equivalents. While this provides ample liquidity, the investment yield in 2008 was considerably less than in previous years.

LOSS EXPERIENCE

The Company's growth has led to corresponding increases in the total medical losses experienced. However, the medical loss ratio has been stable and the Company's claims related reserves have been deemed adequate by outside auditors and the Department's consulting actuary.

REINSURANCE

Premiums reported for the period under examination were as follows:

	2006	2007	2008
Direct Premiums Written	$32,539,755	$121,854,669	$197,126,687
Ceded Premiums	542,645	950,487	880,752
Net Premums Written	$31,997,110	$120,904,182	$196,245,935

Assumed Reinsurance

The Company has no assumed business.

Ceded Reinsurance

The Company participates in an agreement with OneBeacon Insurance Company to provide coverage for the insured members of the Company's Medicare Advantage and Medicare SNP (diabetes) groups. The Company retains $175,000 of eligible charges for each member while OneBeacon Insurance Company covers 90% of eligible charges up to $2,000,000 per member per year. The Company paid a premium of $4.00 per member per month for Medicare Advantage and $8.00 per member per month for Medicare SNP.

ACCOUNTS AND RECORDS

General

The Company used a software package from Great Plains for its accounting systems. Beginning in 2009, Microsoft Navision became the software package used for the general ledger. Claims and policy administration is processed on the FACETS software system.

Independent Auditor

The Company is audited by the accounting firm of Ernst & Young, LLP. Workpapers from the most recent audit were used in the course of this examination as deemed appropriate.

Independent Actuaries

Reserves and related actuarial items reported in the financial statements were certified by the Company's chief actuary, Herbert Olson, MAAA.

Consulting actuary Karen E. Elsom, FSA, MAAA, with Lewis & Ellis, Inc., was retained by the Department to review the adequacy of reserves and other related liabilities. Her report concluded that the Company's reserves at December 31, 2008 were adequate.

Information Systems

In conjunction with this examination, Andrew Balas, Information Systems Financial Examiner with the Missouri Department of Insurance, Financial Institutions and

Professional Registration conducted a review of the Company's information systems. No significant issues were identified.

STATUTORY DEPOSITS

Deposits with the State of Missouri

Funds on deposit with the Department as of December 31, 2008, were sufficient in par and market value to meet the minimum requirement in accordance with Section 354.410 RSMo.

Security	Par Value	Market Value	Statement Value
US Treasury Bill	\$625,000	\$624,806	\$624,806
Cash	85,159	85,159	85,159
Total	\$710,159	\$709,965	\$709,965

Deposits with Other States

The following funds were on deposit with other states as of December 31, 2008:

State	Security	Par Value	Market Value	Statement Value
Illinois	US Treasury Bill	\$330,000	\$329,967	\$329,967
Washington	Cash	150,000	150,000	150,000
	Total	\$480,000	\$479,967	\$479,967

FINANCIAL STATEMENTS

The following financial statements, with supporting exhibits, present the financial condition of the Company as of December 31, 2008, 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 "Comments on 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 "Comments on 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, 2008

Assets	Assets	Nonadmitted Assets	Net Admitted Assets
Bonds	$2,928,569	$0	$2,928,569
Common stocks	911,925	0	911,925
Cash and short-term investments	81,662,511	0	81,662,511
Investment income due and accrued	85,407	0	85,407
Uncollected premiums and agents' balances	1,257,378	8,871	1,248,507
Amounts recoverable from reinsurers	283,301	0	283,301
Net deferred tax asset	908,000	48,000	860,000
Electronic data processing equipment	556,633	265,268	291,365
Furniture and equipment	249,892	140,375	109,517
Receivables from parent and affiliates	285,520	0	285,520
Health care and other amounts receivable	1,526,773	382,028	1,144,745
Aggregate write-ins	47,688	47,688	0
Totals	$90,703,597	$892,230	$89,811,367

Liabilities	Covered	Uncovered	Total
Claims unpaid	37,536,135	0	37,536,135
Accrued medical incentive pool	498,836	0	498,836
Unpaid claims adjustment expenses	296,672	0	296,672
Aggregate health policy reserves	1,184,467	0	1,184,467
Premiums received in advance	9,899	0	9,899
General expenses due or accrued **Note 1**	3,798,956	0	3,798,956
Federal income taxes payable **Note 1**	1,809,000	0	1,809,000
Amounts held for uninsured plans	238,989	0	238,989
Reserve for CMS revenue adjustments	24,681,428	0	26,681,428
Aggregate write-ins for other liabilities	1,228	0	1,228
Total liabilities	$70,055,610	$0	$70,055,610

Capital and Surplus	
Gross paid in and contributed surplus	$8,374,887
Surplus notes	5,196,883
Unassigned funds (surplus)	6,183,987
Total capital and surplus	$19,755,757
Total liabilities, capital and surplus	$89,811,367

INCOME STATEMENT
For Year Ending December 31, 2008

Net premium income		$196,245,935
Hospital/medical benefits	117,143,204	
Other professional services	13,321,811	
Outside referrals	7,510,272	
Emergency room and out-of-area	1,646,091	
Prescription drugs	16,706,096	
Aggregate write-ins for other hospital and medical	122,236	
Incentive pool, withhold adjustments and bonus amounts	501,488	
Subtotal		156,951,198
Less: Net reinsurance recoveries		449,558
Total hospital and medical		156,501,640
Claims adjustment expenses		4,459,494
General administrative expenses		24,001,203
Total underwriting deductions		184,962,337
Net underwriting gain or (loss)		11,283,598
Net investment income earned		578,432
Net income or (loss) before federal income taxes		11,862,030
Federal and foreign income taxes incurred		3,468,000
Net income (loss)		$8,394,030

CAPITAL AND SURPLUS
Changes for 2008

Capital and surplus December 31, 2007		$10,837,678
Net income or (loss)	$8,394,030	
Change in net deferred income tax	(67,000)	
Change in nonadmitted assets	591,049	
Change in surplus notes	208,754	
Changes as a result of examination	0	
Aggregate write-ins for gains or (losses) in surplus	(208,754)	
Net change in capital and surplus		8,918,079
Capital and surplus December 31, 2008		$19,755,757

COMMENTS ON FINANCIAL STATEMENTS

Note 1 **General Expenses Due or Accrued**
Federal Income Taxes Payable

The Company included the liability for federal income taxes payable in the line with general expenses due or accrued. Annual statement forms contain a specific line for this liability and the balance of $1,809,000 was reclassified to that line. There was no impact on surplus.

SUMMARY OF RECOMMENDATIONS

Corporate Records **Page 3**

The Company should implement an internal audit function that ensures the board of directors and senior management are adequately informed of all aspects of the operation. The Company is currently working toward achieving this and should continue those efforts.

ACKNOWLEDGEMENT

The assistance and cooperation extended by the officers and staff of Essence LLP during the course of this examination is hereby acknowledged and appreciated. In addition to the undersigned, James Wright, Doug Daniels, CFE, Rick Stamper, CFE, and Andy Balas, CFE, CPA, 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 23rd day of MARCH, 2010
My commission expires:
JULY 23, 2010

Notary Public

C. JINGA
Notary Public, State of Missouri
Franklin County
Commission # 06912592
My Commission Expires July 23, 2010

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 R. Shadowens

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

ESSENCE HEALTHCARE

Frederick G. Heese, CFE, CPA
Chief Financial Examiner & Division Director
Missouri Department of Insurance
301 West High Street, Room 530
Jefferson City, Missouri 65101

Re: Essence Healthcare, Inc. Examination Report of Essence Healthcare Inc. for Period Ending December 31, 2008

Dear Mr. Heese,

Please include the response noted below as part of the final Examination Report.

Corporate Records

The Company has recognized the need to create an internal audit department and had included these costs in the current year budget. We expect this department to be operational during 2010.

Sincerely,

Lisa M. McGinnis

Lisa M. McGinnis
Controller

13900 Riverport Drive
Maryland Heights, MO 63043