STATE OF MISSOURI

DEPARTMENT OF INSURANCE, FINANCIAL INSTITUTIONS AND PROFESSIONAL REGISTRATION

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

RE: Examination Report of Missouri Hospital Plan for the period ended December 31, 2011

ORDER

After full consideration and review of the report of the financial examination of Missouri Hospital Plan for the period ended December 31, 2011, 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 Missouri Hospital Plan as of December 31, 2011, be and is hereby ADOPTED as filed and for Missouri Hospital Plan 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 6th day of May, 2013.

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

REPORT OF THE

ASSOCIATION FINANCIAL EXAMINATION OF

MISSOURI HOSPITAL PLAN

AS OF

DECEMBER 31, 2011

STATE OF MISSOURI

DEPARTMENT OF INSURANCE, FINANCIAL INSTITUTIONS
AND PROFESSIONAL REGISTRATION

JEFFERSON CITY, MISSOURI

TABLE OF CONTENTS

Jefferson City, Missouri
March 14, 2013

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 association financial examination has been made of the records, affairs and financial condition of

Missouri Hospital Plan

hereinafter referred to as MHP or the Company. Its administrative office is located at 4700 Country Club Drive, Jefferson City, Missouri, 65109, telephone number (573) 893-5300. The examination began on September 10, 2012, and concluded on the above date.

SCOPE OF EXAMINATION

Period Covered

The prior full scope financial examination of MHP was made as of December 31, 2006, and was conducted by examiners from the State of Missouri. The current full scope financial examination covered the period from January 1, 2007 through December 31, 2011, and was conducted by examiners from the State of Missouri. The examination also included the material transactions and/or events occurring subsequent to December 31, 2011.

This examination was conducted concurrently with the examination of the Company's subsidiary, Medical Liability Alliance (MLA).

Procedures

This examination was conducted in accordance with the 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. 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 corporate governance, identifying and assessing inherent risks, and evaluating the Company's 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.

All accounts and activities of the Company were considered in accordance with the risk-focused examination process. The key activities identified in our examination of MHP were as follows:

- Investments
- Premiums
- Underwriting
- Claims Handling
- Reserving
- Reinsurance

The examiners relied upon information supplied by the Company's independent auditor, Brown, Smith, Wallace, LLC, of St. Louis, Missouri, for its audit covering the period from January 1, 2011 through December 31, 2011. Areas in which the testing and results from the CPA workpapers were relied upon in our examination included internal control identification, internal control walkthroughs, bank confirmations, aged premium receivable reconciliations, premium receivable confirmations, unearned premiums attribute testing, case reserve sample testing, and fraud risk assessment.

SUMMARY OF SIGNIFICANT FINDINGS

There were no 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, 2011 through the date of this report.

COMPANY HISTORY

General

Missouri Hospital Plan was organized as a non-profit assessment association on October 30, 1986 and commenced business on January 1, 1987. The Company was the surviving entity in a merger with Missouri Professional Liability Insurance Association, on October 1, 1993. The Company operates as a medical malpractice insurer under the insurance laws of Chapter 383 RSMo (Malpractice Insurance).

Dividends

MHP does not have any stockholders and therefore, there are no stockholder dividends. However, MHP is an association and the Company's Bylaws allow for dividends to be paid to its members. Cash dividends were paid to member hospitals during the examination period in the following amounts: 2007 – $10,000,000, 2008 – $12,499,998, 2009 – $12,952,876, 2010 – $17,471,244, 2011 – $11,000,000.

Mergers and Acquisitions

No mergers or acquisitions occurred during the examination period.

CORPORATE RECORDS

A review was made of the Articles of Association and Bylaws for the examination period. There were no amendments or changes to the Articles of Association during the period under examination. The Bylaws were amended on March 6, 2008 to update the name of the policy referenced in an article defining the indemnification of directors, officers, and employees. The Bylaws were amended on March 6, 2012 to change the date of the annual membership meeting from April to June. The Bylaws were also amended on December 13, 2012 to remove a requirement that had previously established $2,000,000 as the maximum amount of risk that could be retained by MHP for any policy.

The minutes of the Board of Directors' meetings, membership meetings, and 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.

MANAGEMENT AND CONTROL

Corporate Governance

The management of the Company is vested in a Board of Directors that are appointed by the member hospitals. The Company's Articles of Association and Bylaws specify that the number of directors shall be eleven. The Bylaws require that five directors serving must be the chief executive officers of the member hospitals and one director must be the president of the Missouri Hospital Association, an affiliated entity. The Board of Directors appointed and serving, as of December 31, 2011, were as follows:

Name	Address	Principal Occupation and Business Affiliation
Donald J. Babb	Bolivar, MO	CEO, Citizens Memorial Hospital
Patrick E. Carron	Perryville, MO	President/CEO, Perry County Health System
Lewis R. Crist	Wildwood, MO	President, Crist and Associates
Michael J. Delaney	Jefferson City, MO	President/CEO, Missouri Hospital Plan
Gary D. Duncan*	Joplin, MO	President/CEO, Freeman Health System
Judith K. Feuquay	Nevada, MO	President/CEO, Nevada Regional Medical Center
John C. Grossmeier	Hannibal, MO	President, Hannibal Regional Healthcare System
Michael E. Henze	Osage Beach, MO	CEO, Lake Regional Health System
Herbert B. Kuhn	Lohman, MO	President/CEO, Missouri Hospital Association
David A. Neuendorf	Mexico, MO	President/CEO, Audrain Medical Center
Bernard A. Orman Jr.	Macon, MO	CEO, Samaritan Hospital

* Mr. Duncan resigned in March 2012 and was replaced by Paula F. Baker in June 2012

Committees

The Bylaws require the Board of Directors to have an Executive Committee and a Nominating Committee. The Bylaws also allow for additional committees to be appointed by the Chairman of the Board as needed. A Finance Committee, Claims Committee, and an Audit Committee were also operational during the examination period. As of December 31, 2011, the members of each committee were as follows:

Audit Committee	Claims Committee	Finance Committee
Michael J. Delaney	Lewis R. Crist	Patrick E. Carron
Roger Dix	Michael J. Delaney	Michael J. Delaney
Judith K. Feuquay	Judith K. Feuquay	Herbert B. Kuhn
Michael E. Henze	Dana L. Frese	David A. Neuendorf
James McMillan	Ronald Poindexter	Roger Dix
Kirk W. Schmidt	Bernard A. Orman Jr.	James McMillan

Executive Committee	Nominating Committee
Donald J. Babb	Donald J. Babb
Michael J. Delaney	Michael J. Delaney
John C. Grossmeier	Gary D. Duncan
David A. Neuendorf	Michael E. Henze
	Herbert B. Kuhn

Officers

The officers elected by the Board of Directors and serving, as of December 31, 2011, were as follows:

Name	Office
Michael E. Henze	Chairman of the Board
Donald J. Babb	Vice Chairman
Michael J. Delaney	President
Richard G. Anderson	Secretary and Treasurer

Holding Company, Subsidiaries and Affiliates

As interpreted by the Missouri DIFP, 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 MHP for each year of the examination period. The Company does not have any stockholders due to its formation as a not-for-profit association. The Company is ultimately owned 100% by its member hospitals, which are not-for-profit and government entities. A hospital must be insured by MHP to be a member.

The operations of the Company's affiliates are described as follows:

Medical Liability Alliance (MLA) is a property and casualty company that is owned 100% by MHP. MLA insures entities that are not eligible to be insured by MHP, including for-profit hospitals and independent staff physicians either affiliated or not affiliated with the hospitals insured by MHP.

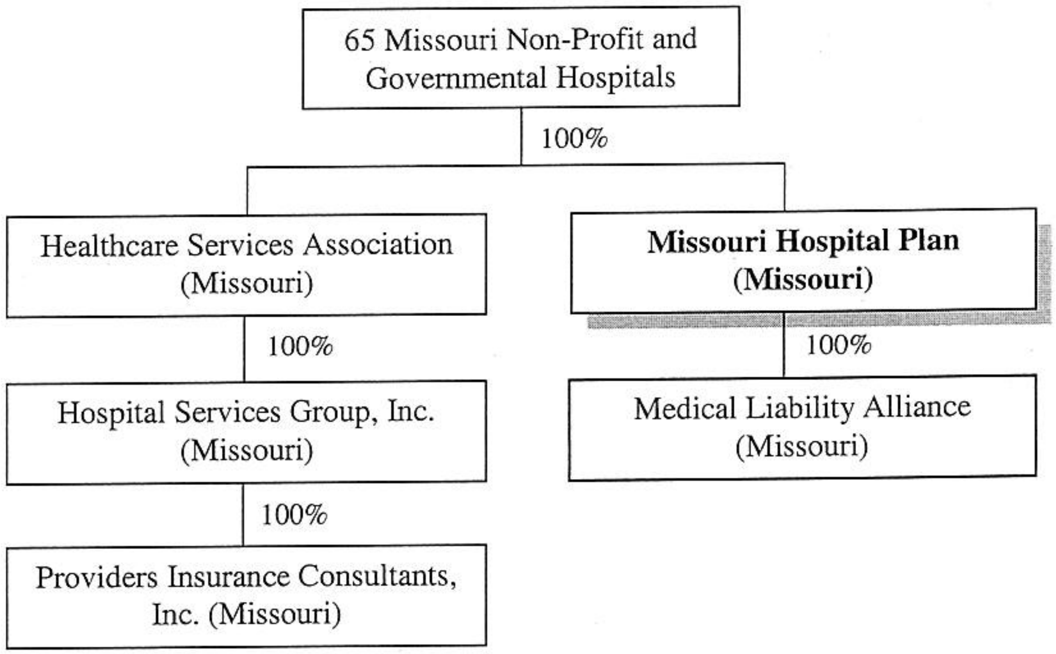
Healthcare Services Association (HSA) is a not-for-profit corporation that assists its members in offering high quality healthcare services and facilities by providing products, services, and insurance coverages to achieve that objective. The regular members of HSA are the owner hospitals of MHP. The Company is the only associate member.

Hospital Services Group, Inc. (HSG) is a management services company that performs all of the business functions for MHP and MLA.

Providers Insurance Consultants, Inc. (Pro-Con) is an insurance agency and broker located in St. Louis. Its primary purpose is to broker products and services for MLA and other health related entities for lines of business that are not written by MLA.

Organizational Chart

Below is the organizational chart of MHP and its affiliates, as of December 31, 2011.



Intercompany Agreements

The Company's intercompany agreements that were in effect, as of December 31, 2011, and subsequent periods are outlined below.

1. **Type:** Management Agreement

   Affiliate: HSG

   Effective: January 1, 2010 to December 31, 2019

   Terms: HSG employees will perform various services to conduct the business operations of MHP. HSG will also provide necessary office space, equipment, and supplies to perform MHP's business functions. The Company will reimburse HSG for 100% of the direct payroll and benefits costs for the personnel providing the services, less an adjustment equal to at least 95% of the revenue earned by HSG outside of this Agreement. MHP will remit any fees collected from policyholders for claims processing to HSG. MHP will also pay HSG an additional amount, not to exceed 5% of direct costs, to compensate for overhead costs and a return on investment. The net amount due each month is to be paid by MHP within 30 days of receiving an invoice from HSG.

2. **Type:** Reinsurance Services Agreement

   Affiliate: HSG

   Effective: January 1, 2011 to December 31, 2011
   January 1, 2012 to December 31, 2012 (identical terms as 2011)
   January 1, 2013 to December 31, 2013 (identical terms as 2011)

   Terms: HSG will negotiate the terms of all reinsurance agreements for the Company, subject to the MHP's approval. All of the ceding commissions received by MHP, pursuant to its reinsurance agreements, will be paid to HSG as compensation for the services provided under this Agreement.

3. **Type:** Membership Fee Agreement

   Affiliate: HSA

   Effective: January 1, 2011 to December 31, 2011
   January 1, 2012 to December 31, 2012 (identical terms as 2011)
   January 1, 2013 to December 31, 2013 (identical terms as 2011)

   Terms: MHP is an associate member of HSA and the policyholders of MHP are regular members. MHP agrees to pay annual fees of $75,000 to HSA for an associate membership and annual fees of no more than $3,000 for each of the regular memberships. The Agreement does not specify a due date for the membership fees.

The Company had a $500,000 note receivable from HSA during most of the examination period. The loan originated in 2004 and was renewed for successive one year terms on December 31 of each year. The interest on the note varied each year of the examination period from a high of 5.01% in 2007 to a low of 0.27% in 2011. HSA extinguished the debt by paying MHP principal and interest of $500,960 on September 14, 2011.

MHP and MLA have also executed a Reinsurance Agreement on an annual basis. The terms of this agreement are described in the Reinsurance section of this report.

Intercompany Payments

The following table summarizes the payments made during the examination period, between MHP and its affiliates, pursuant to intercompany agreements.

		Net Paid / (Received)				
Affiliate	Agreement	**2007**	**2008**	**2009**	**2010**	**2011**
HSG	Management	$1,443,000	$2,069,800	$2,515,200	$3,424,000	$2,036,000
HSG	Reinsurance Services	1,450,650	1,363,770	1,056,380	1,399,000	1,233,000
HSA	Membership Fee	126,000	125,000	129,000	179,000	179,000
HSA	Note Receivable	(25,050)	(16,400)	(10,000)	(1,750)	(500,960)
TOTAL		$2,994,600	$3,542,170	$3,690,580	$5,000,250	$2,947,040

FIDELITY BOND AND OTHER INSURANCE

MHP is a named insured on a financial institution bond that covers losses resulting from fraudulent or dishonest acts of an employee. The Company's subsidiary, MLA, and other affiliated entities are also named insureds on this bond. The bond provides coverage with a liability limit of $1,000,000 and a $15,000 deductible. This level of coverage complies with the suggested minimum coverage recommended by the NAIC Financial Examiner's Handbook.

The Company is also a named insured on the following other insurance policies: commercial property, commercial general liability, commercial excess liability, worker's compensation and employer's liability, fiduciary liability, directors' and officers' liability, and employed lawyers professional liability.

PENSION, STOCK OWNERSHIP AND INSURANCE PLANS

MHP does not have any direct employees. The employees of an affiliate, HSG, perform all of the operational and administrative functions of the Company. As of December 31, 2011, HSG had 31 employees located in its Jefferson City, Missouri office and 4 employees in a St. Louis, Missouri office. The employees also work on the operations of the Company's subsidiary, MLA, and its affiliates, Pro-Con and HSA.

A variety of standard benefits are provided to the HSG employees. These benefits include, but are not limited to, the following: medical insurance, health savings account, dental insurance, vision insurance, life insurance, disability insurance, and personal time off (vacation / sick leave). Employees are also provided with a 401(k) savings / retirement plan. Benefit costs for HSG employees are indirectly charged to the Company pursuant to a Management Agreement that is described in the Intercompany Agreements section of this report.

TERRITORY AND PLAN OF OPERATION

The Company is licensed to write business only in Missouri. MHP is an association that insures only its member hospitals, which consisted of 65 not-for-profit and government hospitals, as of December 31, 2011. MHP is the leading writer of hospital medical malpractice insurance in Missouri with a 95% market share of direct written premiums in 2011.

The Company provides professional liability (medical malpractice) and general liability coverages for its member hospitals and their employees, subsidiaries and related operations. Medical malpractice insurance accounted for 94.4% of net written premiums in 2011. All policies are written on a claims made basis. Most policies are written with limits of $2,000,000 per loss occurrence and $6,000,000 aggregate per policy, per year. Higher policy limits are written for some of the larger hospitals.

Since it is an association, MHP does not utilize any agents or brokers to produce business.

GROWTH OF COMPANY

The table below shows the Company's premium writings and writing ratios for the examination period.

Year	Direct Premiums Written	Net Premiums Written	Change in Net Premiums	Capital and Surplus	Ratio of Net Premiums to Surplus
2007	$30,182,858	$18,301,244	na	$106,860,709	0.17
2008	28,823,431	17,929,749	-2.0%	103,775,007	0.17
2009	27,242,375	17,011,264	-5.1%	113,398,230	0.15
2010	26,993,154	18,475,077	8.6%	120,132,005	0.15
2011	26,603,996	19,301,026	4.5%	124,804,516	0.15

The decreases in direct premiums over the five-year period are attributable to slight decreases in MHP's member hospitals and decreases in premium rates. Increases in net premiums in 2010 and 2011 are due to lower ceded premiums resulting from increased retentions in the Company's reinsurance agreements. MHP had significant underwriting gains and net investment income totaling $72.8 million for the examination period. Most of this income was returned to policyholders with dividend payments totaling $64.0 million for the five-year period. The modest increases in capital and surplus were the result of undistributed earnings and unrealized gains on equity investments.

LOSS EXPERIENCE

The table below shows the Company's incurred losses and loss ratios for the examination period.

Year	Net Premiums Earned	Net Losses and Loss Adjustment Expenses Incurred	Loss Ratio
2007	$19,172,215	$5,831,007	30.4%
2008	17,798,002	3,559,060	20.0%
2009	17,556,761	6,203,091	35.3%
2010	17,605,632	11,286,272	64.1%
2011	19,181,701	12,042,262	62.8%

The loss ratios for 2010 and 2011 returned to a more "normal" level as compared to the exceptionally low loss ratios in prior years. Favorable reserve development in prior year's reserves led to the extremely low loss ratios in 2007 and 2008. A lower severity of reported claims in 2009 was able to keep the loss ratio at a low level. The severity of reported claims was $9.5 million higher in 2010, which resulted in the highest loss ratio in several years. Offsetting changes in claim severity and reserve development in 2011 led to a mostly unchanged loss ratio from the prior year.

REINSURANCE

General

The Company's premium activity on a direct written, assumed and ceded basis, for the period under examination, is detailed below:

	2007	2008	2009	2010	2011
Direct Business	$30,182,858	$28,823,431	$27,242,375	$26,993,154	$26,603,996
Assumed – Affiliates	2,080,398	2,739,169	1,217,937	984,946	2,061,616
Assumed – Non-affiliates	0	0	0	0	0
Ceded – Affiliates	0	0	0	0	0
Ceded – Non-affiliates	(13,962,013)	(13,632,851)	(11,449,049)	(9,503,024)	(9,364,585)
Net Premiums Written	$18,301,243	$17,929,749	$17,011,263	$18,475,076	$19,301,027

Assumed

The Company only assumes business from its subsidiary, MLA. A reinsurance agreement between MHP and MLA was effective July 1, 2011, which is applicable to risks in force as of the examination date. Pursuant to this agreement, the Company assumes 100% of MLA's losses in excess of MLA's retention of $500,000 per policy, per occurrence. MLA has a maximum aggregate retention of $1,500,000 per insured, per policy period. MHP has agreements to retrocede a portion of the business assumed from MLA, which is described in the Ceded section of this report.

Ceded

MHP has a two-layer excess of loss program that covers all policies written or assumed by the Company. The program is implemented with two separate agreements with several participating reinsurers. New agreements are executed effective July 1 of each year for a one year term. The active agreements, as of the examination date, were effective from July 1, 2011 to June 30, 2012. MHP's retention on its direct and assumed business is $1,000,000 per loss. Losses in excess of the retention are ceded to the reinsurers, as follows:

Coverage Layer	MHP Retention Per Risk	Reinsurance Limit Excess of Retention	Reinsurer Participation	MHP Participation
First Excess	$1,000,000	$ 1,000,000	76.25%	23.75%
Second Excess	2,000,000	10,000,000	85.00%	15.00%

There were no changes to the Company's reinsurance program in the subsequent treaty year, effective from July 1, 2012 to June 30, 2013. The participating reinsurers for the 2011-12 and 2012-13 treaty years are a mixture of U.S. domestic reinsurers, two Bermuda companies, and various European reinsurers, including several Lloyd's syndicates.

The Company uses facultative reinsurance agreements for any insureds with policy limits in excess of the second excess layer. As of December 31, 2011, there was one insured that had a policy limit of $25,000,000. For this large risk, MHP obtained a facultative certificate to cede 100% of the policy limits in excess of the third layer coverage, or $12,000,000.

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.

ACCOUNTS AND RECORDS

General

Most financially significant software applications are hosted on an IBM iSeries Model E4B server managed by the affiliate, Hospital Services Group. Two applications are outsourced. The Agency Manager system is outsourced to and hosted by Applied Systems, Inc. HSG payroll is hosted on a server of a service provider, Columbia EDP. Perpetual rights to a package insurance processing system (APS System) had been purchased from Policy Management Systems Corporation in South Carolina. This system performs premium processing, claims processing, reserving, and reinsurance processing. HSG has developed an extensive management reporting system around the APS system. The Company has also added capabilities to the system to handle new physician business and added additional reinsurance processing modules tailored to the reinsurance environment. These additional modules handle both premium and losses. On June 1, 2007, HSG implemented a new customer billing system to replace the original billing system included in the APS system. The new billing system was developed in-house and was designed to handle the Company's specific business model, and to address the needs of customers in accounting for policy billing.

The CPA firm, Brown, Smith, Wallace, LLC, of St. Louis, Missouri performed the Company's statutory audits for each year of the examination period.

The actuarial opinion regarding the Company's reserves for losses and loss adjustment expenses was issued by Patrick Devlin, FCAS, MAAA, of PricewaterhouseCoopers, LLP in Atlanta, Georgia, for all years of the examination period.

STATUTORY DEPOSITS

Missouri Hospital Plan is licensed by the Missouri DIFP as a medical malpractice insurer under Chapter 383 RSMo (Medical Malpractice). Chapter 383 RSMo does not require any funds to be deposited with the Missouri DIFP. The Company is not licensed in any other states and thus, the Company did not have funds on deposit with any states, as of December 31, 2011.

FINANCIAL STATEMENTS

The following financial statements, with supporting exhibits, present the financial condition of Missouri Hospital Plan for the period ending December 31, 2011. 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 section. 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 key activity.

Assets
as of December 31, 2011

	Assets	Non-Admitted Assets	Net Admitted Assets
Bonds	$ 87,738,052	$ 0	$ 87,738,052
Common Stocks	55,521,370	0	55,521,370
Cash and Short-Term Investments	10,080,532	0	10,080,532
Receivables for Securities	15,757	0	15,757
Investment Income Due and Accrued	700,189	0	700,189
Uncollected Premiums and Agents' Balances	1,205,785	0	1,205,785
Deferred Premiums and Agents' Balances	7,211,032	0	7,211,032
Amounts Recoverable from Reinsurers	191,125	0	191,125
TOTAL ASSETS	**$162,663,842**	**$ 0**	**$162,663,842**

Liabilities, Surplus and Other Funds
as of December 31, 2011

Losses	$ 18,997,222
Loss Adjustment Expenses	9,158,375
Other Expenses	392,847
Unearned Premiums	8,016,664
Advance Premium	400,086
Ceded Reinsurance Premiums Payable	889,317
Remittances and Items Not Allocated	4,813
Payable to Parent, Subsidiaries and Affiliates	0
TOTAL LIABILITIES	**$ 37,859,324**
Common Capital Stock	0
Gross Paid In and Contributed Surplus	6,411,480
Unassigned Funds (Surplus)	118,393,036
Surplus as Regards Policyholders	**$124,804,516**
TOTAL LIABILITIES AND SURPLUS	**$162,663,840**

Statement of Income
For the Year Ended December 31, 2011

Premium Earned	$19,181,701
DEDUCTIONS:	
Losses Incurred	6,600,237
Loss Adjustment Expenses Incurred	5,442,028
Other Underwriting Expenses Incurred	696,316
Total Underwriting Deductions	$12,738,581
Net Underwriting Gain	$ 6,443,120
Net Investment Income Earned	4,110,336
Net Realized Capital Gains	893,191
Net Investment Gain	$ 5,003,527
Other Income	312
Dividends to Policyholders	11,000,000
Federal Income Taxes Incurred	0
Net Income	**$ 446,959**

CAPITAL AND SURPLUS ACCOUNT:	
Surplus as Regards Policyholders, December 31, 2010	$120,132,005
Net Income (Loss)	446,959
Change in Net Unrealized Capital Gains (Losses)	3,724,553
Change in Non-Admitted Assets	500,000
Surplus Adjustment: Paid-In	1,000
Surplus as Regards Policyholders, December 31, 2011	**$124,804,517**

COMMENTS ON FINANCIAL STATEMENT ITEMS

None.

EXAMINATION CHANGES

None.

GENERAL COMMENTS AND/OR RECOMMENDATIONS

None.

ACKNOWLEDGMENT

The assistance and cooperation extended by the officers and the employees of Missouri Hospital Plan during the course of this examination is hereby acknowledged and appreciated. In addition to the undersigned, Emily Turek and Tim Carroll, examiners for the Missouri DIFP, participated in this examination. Jon Michelson, FCAS, MAAA, of Expert Actuarial Services, LLC, also participated as a consulting actuary.

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 Missouri Hospital Plan 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 Tunks

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

Sworn to and subscribed before me this 18th day of March, 2013.

My commission expires: May 18, 2016 Kimberly Landers
Notary Public

KIMBERLY LANDERS
Notary Public - Notary Seal
State of Missouri
Commissioned for Callaway County
My Commission Expires: May 18, 2016
Commission Number: 12558402

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

Healthcare Services Group

Missouri Hospital Plan *Providers Insurance Consultants, Inc.* *Medical Liability Alliance*

April 16, 2013

Frederick G. Heese, CFE, CPA, MBA
Chief Financial Examiner & Division Director
Division of Insurance Company Regulation
301 W. High Street, Room 530
P. O. Box 690
Jefferson City MO 65201-0690

RECEIVED
APR 18 2013
MO. DEPT OF INSURANCE, FINANCIAL INSTITUTIONS & PROFESSIONAL REGISTRATION

Re: Missouri Hospital Plan (MHP)
Examination Report as of December 2011

Dear Mr. Heese:

Your correspondence dated April 11, 2013 is hereby acknowledged. As always, your staff is to be commended on its professionalism and consideration toward the entire HSG staff.

We would like this response to be included in the public document.

With one minor exception, the report is hereby accepted as written. The exception has to do with your reference to Donald Babb as Vice-Chairman. The correct reference should show David Neuendorf as Vice-Chairman of Missouri Hospital Plan.

We are also pleased to report that effective April 12, 2013 A. M. Best has upgraded MHP's rating from "A-" (Excellent) to "A" (Excellent) and issuer credit rating from "a-" to "a". Missouri Hospital Plan and its subsidiary, Medical Liability Alliance, are the only Missouri based specialty medical malpractice companies with such ratings.

Finally, please advise when we will be authorized to distribute copies of this Examination Report.

Sincerely,

Michael J. Delaney

Michael J. Delaney, CPCU
President – Missouri Hospital Plan

Cc - J. Moody, President & CEO, Healthcare Services Group
Cc - R. Anderson, Chief Financial Officer