

STATE OF INDIANA )  
 ) SS: BEFORE THE INDIANA  
COUNTY OF MARION ) COMMISSIONER OF INSURANCE

IN THE MATTER OF: )  
 )  
Physicians Health Plan of Northern Indiana, Inc. )  
8101 West Jefferson Boulevard )  
Fort Wayne, IN 46804 )

Examination of Physicians Health Plan of Northern Indiana, Inc.

**NOTICE OF ENTRY OF ORDER**

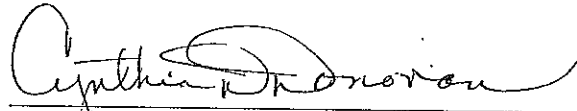
Enclosed is the Final Order entered by Stephen W. Robertson, Commissioner of the Indiana Department of Insurance, after fully considering and reviewing the Verified Report of Examination of Physicians Health Plan of Northern Indiana, Inc., any relevant examination work papers, and any written submissions or rebuttals. The Verified Report of Examination, as sent to you on October 19, 2015, has been adopted by the Commissioner.

Pursuant to Ind. Code § 27-1-3.1-12(b), within thirty (30) days of receipt of the Final Order, each director of Physicians Health Plan of Northern Indiana, Inc. shall file an affidavit with the Indiana Department of Insurance stating that he/she has received a copy of the Verified Report of Examination and the Final Order.

The Final Order is a final administrative decision that may be appealed pursuant to Ind. Code § 4-21.5-5.

Date

11/9/2015



Cynthia D. Donovan  
Chief Financial Examiner

**CERTIFIED MAIL NUMBER: 91 7190 0005 2720 0050 7744**

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COUNTY OF MARION ) COMMISSIONER OF INSURANCE

IN THE MATTER OF: )  
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Physicians Health Plan of Northern Indiana, Inc. )  
8101 West Jefferson Boulevard )  
Fort Wayne, IN 46804 )

Examination of Physicians Health Plan of Northern Indiana, Inc.

### FINDINGS AND FINAL ORDER

The Indiana Department of Insurance conducted an examination into the affairs of the Physicians Health Plan of Northern Indiana, Inc. (hereinafter "Company") for the time period January 1, 2012 through December 31, 2014.

The Verified Report of Examination was filed with the Commissioner of the Department of Insurance (hereinafter "Commissioner") by the Examiner on August 19, 2015.

A copy of the Verified Report of Examination, along with a Notice of Opportunity to Make Written Submission or Rebuttal, was mailed to the Company via Certified Mail on October 19, 2015 and was received by the Company on October 22, 2015.

The Company did not file any objections.

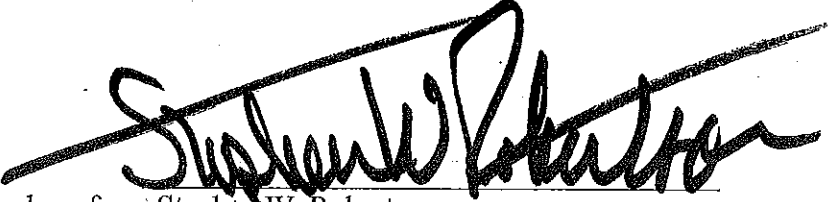
NOW THEREFORE, based on the Verified Report of Examination, I hereby make the following **FINDINGS**:

1. That the Verified Report of Examination is a true and accurate report of the financial condition and affairs of the Physicians Health Plan of Northern Indiana, Inc. as of December 31, 2014.
2. That the Examiner's Recommendations are reasonable and necessary in order for the Physicians Health Plan of Northern Indiana, Inc. to comply with the laws of the State of Indiana.

Based on the FINDINGS, the Commissioner does hereby ORDER:

1. Pursuant to Ind. Code § 27-1-3.1-11(a)(1), the Verified Report of Examination is adopted and shall be filed. Hereafter the Verified Report of Examination, may constitute prima facie evidence of the facts contained therein in any action or proceeding taken by the Indiana Department of Insurance against the Company, its officers, directors, or agents.
2. The Company shall comply with the Examiner's Recommendations enumerated in summary form and throughout the text of the Verified Report of Examination. A written response to these recommendations should be provided to the Department within 30 days of receipt of this order.
3. Compliance with the Examiner's recommendations shall be completed on or before the filing of the subsequent annual statement. In the event it is not feasible to comply with a recommendation before the filing of the subsequent annual statement, the Company shall submit a written explanation as to why it was not feasible with the filing of the annual statement.

Signed and Sealed this 9<sup>th</sup> day of November, 2015.

  
Stephen W. Robertson  
Insurance Commissioner  
Indiana Department of Insurance

## ABOUT AFFIRMATIONS

The following pages for affirmations need to be signed by each Board Member and returned to the Indiana Department of Insurance within thirty (30) days in accordance with I.C. §27-1-3.1-12(b).

If your affirmations list individuals that are no longer on your Board of Directors, you may simply retype the form on plain white paper with the correct names and a line to the right for signature. If the names are misspelled, you may do the same, simply re-type the corrected form with a line to the right for signature.

Should you have any questions or difficulties with these forms or you require additional time past the thirty (30) day requirement, please do not hesitate to contact this department at (317) 232-2390.

A handwritten signature in black ink, appearing to read "Michael J. ...". The signature is written in a cursive style with a long horizontal line extending to the right.

STATE OF INDIANA

Department of Insurance

REPORT OF EXAMINATION

OF

PHYSICIANS HEALTH PLAN OF NORTHERN INDIANA, INC.

NAIC Co. CODE 95436

NAIC GROUP CODE 3828

As of

December 31, 2014

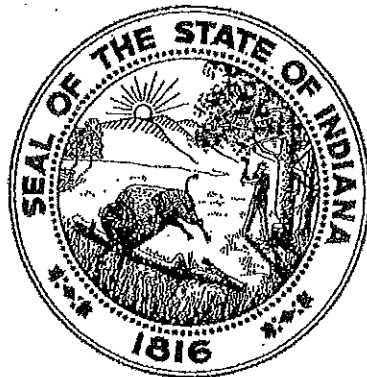


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# STATE OF INDIANA

# IDOI

MICHAEL R. PENCE, Governor

Indiana Department of Insurance  
311 W. Washington Street, Suite 300  
Indianapolis, Indiana 46204-2787  
Telephone: (317) 232-2385  
Fax: (317) 232-5251  
Stephen W. Robertson, Commissioner

August 19, 2015

Honorable Stephen W. Robertson, Commissioner  
Indiana Department of Insurance  
311 West Washington Street, Suite 300  
Indianapolis, Indiana 46204-2787

Dear Commissioner:

Pursuant to the authority vested in Appointment Number 3864, an examination has been made of the affairs and financial condition of:

**Physicians Health Plan of Northern Indiana, Inc.**  
**8101 W Jefferson Boulevard**  
**Fort Wayne, Indiana 46804**

hereinafter referred to as the "Company", or "PHPNI", an Indiana domestic 501(c)(4) tax-exempt corporation, health maintenance organization. The examination was conducted at the corporate offices of the Company in Fort Wayne, Indiana.

The Report of Examination, reflecting the status of the Company as of December 31, 2014, is hereby respectfully submitted.

ACCREDITED BY THE

NATIONAL ASSOCIATION OF INSURANCE COMMISSIONERS

AGENCY SERVICES  
(317) 232-2413

COMPANY COMPLIANCE  
(317) 233-0697

CONSUMER SERVICES  
(317) 252-2395  
1-800-622-4461

EXAMINATIONS/FINANCIAL SERVICES  
(317) 232-2390

MEDICAL MALPRACTICE  
(317) 232-2402

SECURITIES/COMPANY RECORDS  
(317) 232-1007

STATE HEALTH INSURANCE P

## SCOPE OF EXAMINATION

The Company was last examined by representatives of the Indiana Department of Insurance (INDOI) as of the period ending December 31, 2011. The present risk-focused examination was conducted by Noble Consulting Services, Inc., covered the period from January 1, 2012 through December 31, 2014, and included any material transactions and/or events occurring subsequent to the examination date and noted during the course of this examination.

The examination was conducted in accordance with the NAIC *Financial Condition Examiners Handbook* (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 system 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.

Actuarial Options, LLC., provided all actuarial services throughout the examination and conducted a review of the Company's actuarially determined balances as of December 31, 2014.

All accounts and activities of the Company were considered in accordance with the risk-focused examination process.

## HISTORY

PHPNI was incorporated and began business in 1983 as a 501(c)(4) tax exempt, not-for-profit corporation. PHPNI is sponsored by independent physicians as a not-for-profit Health Maintenance Organization (HMO) and is an individual practice association model which primarily contracts with employer groups and individuals. PHPNI is organized and operated pursuant to Article 13 of the Indiana Insurance Law. PHPNI is the ultimate controlling parent of PHP Insurance Company of Indiana, Inc. (PHPIC), which was incorporated as a life insurance company on September 28, 2005, and commenced business on May 1, 2006.

## CAPITAL AND SURPLUS

As of December 31, 2014, PHPNI had no capital stock. Member physicians are required to make a one-time capital contribution. PHPNI is organized as a 501(c)(4), not-for profit social welfare organization and provides no shareholder dividends.

## TERRITORY AND PLAN OF OPERATION

PHPNI is currently licensed by the INDOI to conduct business in forty (40) counties in northern Indiana (excluding the Chicago metropolitan area counties of Lake and Porter), and offer fully-insured products to both groups and individuals. PHPNI is sponsored by physicians in seven (7) of its forty (40) counties in northern Indiana. Sponsoring physicians provide services to PHPNI members and participate in the governance of PHPNI's plan. Significant mechanisms for compliance with regards to fair practices and antitrust requirements include the establishment of fees by non-physician Board of Directors (Board) members, and a 20% withhold on reimbursement for certain procedures.



PHPNI's core service area consists of twenty-two (22) counties concentrated around Fort Wayne where it offers its own provider network. PHPNI's fully-insured products offered to both groups and individuals are HMO, Choice, Rx, Vision, Dental, and Life & Disability.

Effective November 1, 2014, PHPNI entered into an agreement with the Healthcare Group, LLC to offer their Encircle EPO Provider Network in the remaining eighteen (18) counties within its service area and throughout the rest of Indiana. In conjunction with this change, PHPNI entered into an agreement with MultiPlan to offer their PHCS network to members when traveling outside Indiana. Prior to that date, PHPNI utilized Sagamore and PHX for its expansion area and for outside Indiana.

PHPNI has a sales staff composed of three (3) employees and an employer service team composed of four (4) employees, both groups report to the Vice President of Sales. The Company primarily uses brokers to distribute its products.

### GROWTH OF THE COMPANY

The following exhibit summarizes the financial results, of the Company during the examination period:

Year	Admitted Assets	Liabilities	Capital and Surplus	Total Revenues	Net Income
2014	\$ 87,556,113	\$ 42,783,857	\$ 44,772,256	\$ 212,811,717	\$ 1,834,329
2013	74,599,353	29,747,154	44,852,199	167,139,180	388,297
2012	70,028,062	27,666,146	42,361,916	151,753,053	2,857,535

Bonds, the largest of the invested assets, decreased by \$6.5 million, or approximately 15%, due to reinvestments taking place at a slower rate than maturities. Cash and Short-term Investments at December 31, 2014 were at levels much higher than PHPNI's typical targets, an increase of \$10,049,576, as the Company conservatively managed liquidity given the uncertainty surrounding the timing of settlement of Affordable Care Act (ACA) risk-sharing provisions. Accrued Retrospective Premiums and Amounts Recoverable from Reinsurers increased \$3,842,345 and \$7,357,985, respectively, due to the effects from the ACA's "Three Rs".

PHPNI's most significant liability is in Claims Unpaid which increased \$7.7 million, or approximately 41%, from December 31, 2013 to December 31, 2014. Claims reserves increased due to the change from a medically underwritten individual market to a guaranteed issue individual exchange market where the Company saw a significant increase in memberships. An ACA Risk Adjustment Payable of \$4,007,023 was established at year-end 2014 based on an estimate of payments required by the ACA Risk Adjustment.

Earned premiums increased 5.1% on a per-member-per-month (PMPM) basis while individual membership grew 21.2%. PHPNI's reinsurance cost increased from \$9.75 PMPM in 2013 to \$10.82 PMPM in 2014 primarily due to the ACA's Transitional Reinsurance program.

### MANAGEMENT AND CONTROL

#### Directors

The Company's bylaws state that the number of directors which shall constitute the Board shall be set from time to time by resolution of the Board; provided, however, that the number of directors shall be not less than ten (10) and not more than twenty-one (21).

The directors shall be of two (2) types: Physician Directors and Consumer Directors. The Physician Directors, who must also be members of the Corporation, shall comprise no more than two-thirds (2/3) of the directors. Physician Directors can serve a maximum of four (4), three (3) year terms, and Consumer Directors are appointed annually. The following is a listing of persons serving as directors at December 31, 2014, and their principal occupations as of that date:

Name and Address	Principal Occupation
Michael R. DeWald, CPA Roanoke, Indiana	Retired Partner Dulin, Ward & DeWald
Peter P. Fetting Fort Wayne, Indiana	Retired Lincoln National Corporation
Theresa A. Gutierrez, M.D. Fort Wayne, Indiana	Physician - Pediatrics Lutheran Hospital of Indiana
Gerald A. Kelty, M.D. Fort Wayne, Indiana	Physician - Family Medicine Parkview Regional Medical Center
Judith L. Kennedy, M.D. Fort Wayne, Indiana	Physician - Obstetrics & Gynecology Parkview Physicians Group OBGYN
Karl R. LaPan Fort Wayne, Indiana	President and Chief Executive Officer Northeast Indiana Innovation Center
Michael D. Larkin Fort Wayne, Indiana	Chief Underwriting Officer K & K Insurance
David E. Lentz, D.O. Fort Wayne, Indiana	Physician Brooklyn Medical Center/LHN
Andrew O'Shaughnessy, M.D. Fort Wayne, Indiana	Physician Nephrology Association of Northern Indiana
Rhys A. Rudolph, M.D. Fort Wayne, Indiana	Physician Fort Wayne Urology
Donald F. Schenkel Fort Wayne, Indiana	Vice President for University Relations St. Francis University
James C. Stevens, M.D. Fort Wayne, Indiana	Physician - Neurology Fort Wayne Neurological Center
Joel C. Valcarcel, M.D. Columbia City, Indiana	Physician - Family Medicine Parkview Whitley Hospital
James C. Wehrenberg, M.D. Fort Wayne, Indiana	Physician Summit Radiology
Joseph P. Yurkanin, M.D. LaGrange, Indiana	Anesthesiologist Preferred Anesthesia Group

## Officers

The Bylaws state that elected officers of the Board shall consist of a Chairman, a Vice-Chairman, a Secretary, and a Treasurer. The Chairman and the Vice-Chairman shall be Physician Directors, but all other Board offices may be occupied by either Physician Directors or Consumer Directors. The Board officers shall be elected by the Board at its annual meeting. The Board shall have the power to appoint, from time to time, such other officers and agents as it may deem necessary for the proper conduct of business of the Corporation, who shall hold their offices for such terms and exercise such powers and perform such duties as may be authorized, from time to time, by the Board.

The following is a list of key officers and their respective titles as of December 31, 2014:

<u>Name</u>	<u>Office</u>
James C. Wehrenberg, M.D.	Chairman, Interim President, and Chief Executive
James C. Stevens, M.D.	Vice Chairman
Michael R. DeWald, CPA	Treasurer
Karl R. LaPan	Secretary
James A. Brunnemer	Chief Financial Officer
Gail M. Doran	Chief Operating Officer
Craig M. Petersen	Vice President of Sales
Daniel T. McCrone, M.D.	Medical Director

## CONFLICT OF INTEREST

Directors and officers are required to review and sign Conflict of Interest statements annually. It was determined that all directors and officers listed in the Management and Control section of this Report of Examination have reviewed and signed their statements as of December 31, 2014.

## CORPORATE RECORDS

### Articles of Incorporation

There were no amendments made to the Articles of Incorporation during the examination period.

### Bylaws

The Bylaws were amended February 21, 2013. The amendment was brought about primarily to amend Article V, Section 2a regarding the composition of the Executive Committee to specify that it shall be comprised of five (5) members from the Board, in addition to amending Article III, Section 6 to add a note that states per the Indiana Code (IC) 23-17-11-4(d), if less than one-third (1/3) of voting power is present in person or by proxy at the meeting, then only those matters identified in the notice of meeting may be acted upon at an annual meeting, notwithstanding that a quorum is present.

The Board adopted an addendum to the Bylaws on December 11, 2014. The addendum was brought about primarily to add to Article IV, Section 2 of the Bylaws that notwithstanding any provisions in the Bylaws to the contrary regarding terms or term limits for Physician Directors, Dr. Jim Wehrenberg may be elected as a Physician Director for one (1) additional one (1) year term, such term to begin on the date of the Annual Meeting in April, 2015 and end on the date of the Annual Meeting in April, 2016 or until his successor is elected and qualified. After the end of Dr. Wehrenberg's extended term, this addendum shall be considered moot and removed from the Bylaws with no further force or effect.

There were no other amendments made to the Bylaws during the examination period.

Minutes

The Board meeting minutes were reviewed for the period under examination through the fieldwork date. Significant actions taken during each meeting were noted.

PHPNI's committee meeting minutes for the examination period, and through the fieldwork date, were reviewed for the following committees: Audit & Finance Committee, Behavioral Health Sub-Committee, Credentials Committee, Compensation Committee, Dental Advisory Committee, Executive/Nominating Committee, Pharmacy & Therapeutics Committee, Physician Payment Reimbursement Committee, and Quality Improvement Committee. Significant actions taken during the respective meetings were noted.

**AFFILIATED COMPANIES**

Organizational Structure

The following organizational chart shows the Company's parent and subsidiaries as of December 31, 2014:

	<u>NAIC Co. Code</u>	<u>Domiciliary State/Country</u>
<b>Physicians Health Plan of Northern Indiana, Inc.</b>	<b>95436</b>	<b>IN</b>
PHP Holding Company		IN
<b>PHP Insurance Company of Indiana, Inc.</b>	<b>12331</b>	<b>IN</b>
PHP Management Systems, Inc.		IN

Affiliated Agreements

The following affiliated agreements and transactions were disclosed as part of the Form B – Holding Company Registration Statement and were filed with the INDOI, as required, in accordance with IC 27-1-23-4.

*Management Agreements*

Effective October 4, 2005, a Management Agreement was entered into by and between PHPNI and PHPIC, in which PHPNI shall provide to PHPIC comprehensive managerial services necessary for PHPIC's day-to-day operations. Such services include, but are not limited to; access to PHPNI's accounting and financial analysis services, actuarial services, claims administration services, information systems, medical management services, provider contracting services, underwriting services, utilization review services, and other general administrative services. In consideration for PHPNI's services provided, PHPIC shall reimburse PHPNI for all allocable costs incurred by PHPNI for managerial services provided to support PHPIC's business. In no circumstances may the total charge exceed the greater of allocable costs plus 15% or fair market value for services provided. During 2014, PHPNI charged PHPIC \$50,642 in management fees for services provided by PHPNI.

Effective January 1, 2003, a Management Agreement was entered into by and between PHPNI and PHP Management Systems, Inc. (PHPMSI), in which PHPNI shall provide PHPMSI comprehensive managerial services necessary for PHPMSI's general agency business and third party administration business operations. Such services include, but are not limited to; access to PHPNI accounting and financial analysis services, claims administration services, information systems, medical management services, provider contracting services, utilization review services, and other general administrative services. In consideration for PHPNI's services provided hereunder for the general agency business of PHPMSI, PHPMSI shall pay to PHPNI a fee of \$500 per month, in addition to a fee of 10% of brokerage revenue. In addition, PHPMSI shall be responsible for the payment of any brokerage commissions due to external brokers as a result of the general agency business. In consideration for PHPNI's services provided hereunder for the third party administration business of PHPMSI, PHPMSI shall pay PHPNI a fee equal to 90% of administrative service only fees paid to PHPMSI, 90% of network access fees paid to PHPMSI, 100% of all third party costs incurred by PHPNI for execution of PHPNI's management duties related to PHPMSI's Third Party Administration business, and 100% of all prescription rebates received due to the pharmacy benefit management services of PHPNI's pharmacy benefit manager. During 2014, PHPNI charged PHPMSI \$483,759 in management fees for services provided by PHPNI.

#### *Capital Contribution*

On September 19, 2014, PHPNI made a \$150,000 capital contribution to PHP Holding Company (PHPHC) in order that PHPHC could in turn further capitalize PHPMSI.

### **FIDELITY BOND AND OTHER INSURANCE**

PHPNI has a crime policy with the Federal Insurance Company. The single loss limit of liability is \$2,000,000 with a deductible amount of \$50,000. Coverage includes computer fraud, crime, employee theft, executive liability, fiduciary liability, forgery, funds transfer fraud, in transit, kidnap/ransom and extortion, outside directorship liability, and premises. The fidelity bond is adequate to meet the prescribed minimum coverage specified by the NAIC.

The Company had additional types of coverage in-force at December 31, 2014 including, but not limited to, automobile liability including non-owned autos and hired autos, breach consultant services, breach response services, commercial general liability, commercial property, commercial umbrella liability, electronic data processing equipment, employee benefit liability, employers liability, network systems machinery and equipment, privacy, network security or media wrongful acts, supplemental privacy, and workers' compensation.

### **PENSION, STOCK OWNERSHIP, AND INSURANCE PLANS**

The Company has adopted a qualified defined contribution retirement plan for its employees. Both the Company and its employees may make contributions. Company contributions are determined annually. Contributions expensed for 2014 were \$345,885. All obligations for postemployment benefits and compensated absences are appropriately accrued.

### STATUTORY DEPOSITS

The Company reported the following statutory deposits, at December 31, 2014:

<u>State</u>	<u>Book Value</u>	<u>Fair Value</u>
For All Policyholders:		
Indiana	\$5,108,554	\$5,204,679
Total Deposits	<u>\$5,108,554</u>	<u>\$5,204,679</u>

### REINSURANCE

#### Reinsurance Ceded

Effective February 3, 2014, PHPNI renewed an HMO reinsurance agreement with Munich Reinsurance America, Inc. (Munich Re), for both group health and individual policies. This treaty provides stop loss coverage for claims by member. The retention level is \$450,000 per member with a 10% loss sharing agreement for losses above the \$450,000 threshold. The maximum covered loss for each member under this agreement is \$5,000,000. The premium cost for this contract was \$5.24 PMPM.

Effective January 1, 2014, PHPNI entered into a contract with OptumHealth Care Solutions, Inc. (OptumHealth), to manage and reinsure human organ and bone marrow transplants. This contract replaced a similar 2013 contract with Unimerica Insurance Company. Under this contract, covered losses are 100% ceded to OptumHealth with a maximum benefit for each member of \$2,000,000. The premium cost for this contract was \$4.88 PMPM.

Effective January 1, 2015, PHPNI renewed both contracts, retaining all key provisions of the 2014 coverage. Premium costs for the 2015 contracts are \$5.10 PMPM for Munich Re and \$3.95 PMPM for OptumHealth.

### ACCOUNTS AND RECORDS

The Company's accounting procedures, practices, account records, and supporting data were reviewed and tested to the extent deemed necessary. The trial balance prepared from the Company's general ledger for the year ended December 31, 2014, were agreed to the 2014 Annual Statement. The Annual Statements for the years ended December 31, 2012 through December 31, 2014, were agreed to each year's independent audit report without material exception. The Company's accounting procedures, practices, and account records were deemed satisfactory.

PHYSICIANS HEALTH PLAN OF NORTHERN INDIANA, INC.

Assets

As of December 31, 2014

	<u>Per Examination*</u>
Bonds	\$ 36,811,761
Stocks:	
Common Stocks	15,632,634
Real estate:	
Properties occupied by the company	1,878,004
Cash, cash equivalents and short-term investments	18,766,624
Subtotals, cash and invested assets	<u>73,089,023</u>
Investment income due and accrued	308,251
Premiums and considerations:	
Uncollected premiums and agents' balances in course of collection	645,832
Accrued retrospective premiums	4,270,031
Reinsurance:	
Amounts recoverable from reinsurers	7,859,873
Amounts receivable relating to uninsured plans	87,831
Electronic data processing equipment and software	420,794
Receivables from parent, subsidiaries and affiliates	180,803
Health care and other amounts receivable	<u>693,675</u>
TOTAL Assets excluding Separate Accounts, Segregated Accounts and Protected Cell Accounts	<u>87,556,113</u>
TOTAL	<u>\$ 87,556,113</u>

\* There were no adjustments to the as-filed financial statements, therefore the Annual Statement amounts agree to the examination amounts.

PHYSICIANS HEALTH PLAN OF NORTHERN INDIANA, INC.  
 Liabilities, Capital and Surplus  
 As of December 31, 2014

	Per Examination*
Claims unpaid	\$ 26,523,666
Unpaid claims adjustment expenses	670,001
Aggregate health policy reserves, including the liability for medical loss ratio rebate per the Public Health Service Act	265,623
Premiums received in advance	3,759,695
General expenses due or accrued	6,910,862
Ceded reinsurance premiums payable	436,506
Amounts withheld or retained for the account of others	42,248
Amounts due to parent, subsidiaries and affiliates	27,549
Liability for amounts held under uninsured plans	140,684
Aggregate write-ins for other liabilities	4,007,023
<b>TOTAL Liabilities</b>	<b>42,783,857</b>
Aggregate write-ins for special surplus funds	1,733,112
Gross paid in and contributed surplus	2,653,600
Unassigned funds (surplus)	40,385,544
<b>TOTAL Capital and Surplus</b>	<b>44,772,256</b>
<b>TOTAL Liabilities, Capital and Surplus</b>	<b>\$ 87,556,113</b>

\* There were no adjustments to the as-filed financial statements, therefore the Annual Statement amounts agree to the examination amounts.



PHYSICIANS HEALTH PLAN OF NORTHERN INDIANA, INC.  
Statement of Revenue and Expenses  
For the Year Ended December 31, 2014

	<u>Per Examination*</u>
Net premium income	\$ 212,715,657
Aggregate write-ins for other non-health revenues	96,060
TOTAL Revenues	<u>212,811,717</u>
<b>Hospital and Medical:</b>	
Hospital/medical benefits	148,575,827
Other professional services	399,909
Prescription drugs	44,184,534
Subtotal	<u>193,160,270</u>
<b>Less:</b>	
Net reinsurance recoveries	11,486,884
TOTAL Hospital and Medical	<u>181,673,386</u>
Claims adjustment expenses, including cost containment expenses	6,295,398
General administrative expenses	24,940,935
TOTAL Underwriting Deductions	<u>212,909,719</u>
Net underwriting gain or (loss)	(98,002)
Net investment income earned	1,250,239
Net realized capital gains (losses) less capital gains tax	675,254
Net investment gains (losses)	<u>1,925,493</u>
Aggregate write-ins for other income or expenses	6,838
Net income or (loss) after capital gains tax and before all other federal income taxes	<u>1,834,329</u>
Net income (loss)	<u>\$ 1,834,329</u>

\* There were no adjustments to the as-filed financial statements, therefore the Annual Statement amounts agree to the examination amounts.

PHYSICIANS HEALTH PLAN OF NORTHERN INDIANA, INC.  
Capital and Surplus Account Reconciliation

	2014	2013	2012
Capital and surplus prior reporting year	\$ 44,852,199	\$ 42,361,916	\$ 38,739,255
Net income or (loss)	1,834,329	388,297	2,857,535
Change in net unrealized capital gains (losses) less capital gains tax	(233,702)	2,279,424	1,222,267
Change in nonadmitted assets	(1,783,570)	(268,438)	(561,141)
Surplus adjustments:			
Paid in	103,000	91,000	104,000
Net change in capital and surplus	(79,943)	2,490,283	3,622,661
Capital and surplus end of reporting year	<u>\$ 44,772,256</u>	<u>\$ 44,852,199</u>	<u>\$ 42,361,916</u>

## COMMENTS ON THE FINANCIAL STATEMENTS

There were no recommended adjustments to the financial statements as of December 31, 2014, based on the results of this examination.

## OTHER SIGNIFICANT ISSUES

There were no other significant issues requiring disclosure in this Report of Examination.

## SUBSEQUENT EVENTS

As of January 1, 2015, the Company is subject to an annual fee under Section 9010 of the ACA. This annual fee will be allocated to the individual health insurers based on the ratio of the amount of the entity's net premiums written during the preceding calendar year to the amount of health insurance for any U.S. health risk that is written during the preceding calendar year. A health insurance entity's portion of the annual fee becomes payable once the entity provides health insurance for any U.S. health risk for each calendar year beginning on or after January 1 of the year the fee is due. As of December 31, 2014, the Company has written health insurance subject to the ACA assessment and expects to conduct health insurance business in 2015 and estimates the Company's portion of the annual health insurance industry fee to be payable on September 30, 2015, to be \$1,733,112. This amount is reflected in the aggregate write-ins for special surplus funds at December 31, 2014. This assessment as of December 31, 2014, would not have triggered an RBC action level.

There were no other events subsequent to the examination date and prior to the completion of fieldwork which were considered material events requiring disclosure in this Report of Examination.



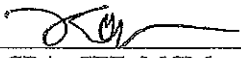
AFFIDAVIT

This is to certify that the undersigned is a duly qualified Examiner-in-Charge appointed by the Indiana Department of Insurance and that he, in coordination with staff assistance from Noble Consulting Services, Inc., and actuarial assistance from Actuarial Options, LLC., hereinafter collectively referred to as the "Examiners", performed an examination of Physicians Health Plan of Northern Indiana, Inc., as of December 31, 2014.

The Indiana Department of Insurance is accredited under the National Association of Insurance Commissioners Financial Regulation Accreditation Standards.

This examination was performed in accordance with those procedures required by the NAIC Financial Condition Examiners Handbook and other procedures tailored for this examination. Such procedures performed on this examination do not constitute an audit made in accordance with generally accepted auditing standards and no audit opinion is expressed on the financial statements contained in this report.

The attached Report of Examination is a true and complete report of condition of Physicians Health Plan of Northern Indiana, Inc., as of December 31, 2014, as determined by the undersigned.



Roy Eft, CPA, CFE, MCM  
Noble Consulting Services, Inc.

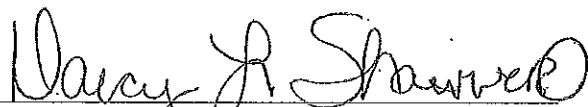
State of: Indiana  
County of: Marion

On this 9th day of October, 2015, before me personally appeared, Roy Eft, to sign this document.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed my notarial seal in said County and State, the day and year last above written.

My commission expires:

9/8/2017

  
Nancy R. Shawver  
Notary Public

