



COMMONWEALTH OF MASSACHUSETTS
OFFICE OF CONSUMER AFFAIRS AND BUSINESS REGULATION
DIVISION OF INSURANCE

REPORT OF EXAMINATION OF THE
CELTICARE HEALTH PLAN OF MASSACHUSETTS, INC.

Waltham, Massachusetts

As of December 31, 2012

NAIC GROUP CODE 1295

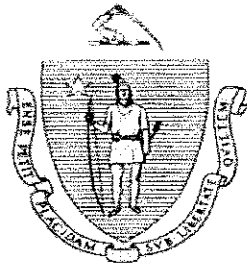
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CeltiCare Health Plan of Massachusetts, Inc.

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COMMONWEALTH OF MASSACHUSETTS
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May 21, 2014

Honorable Joseph G. Murphy
Commissioner of Insurance
Commonwealth of Massachusetts
Division of Insurance
1000 Washington Street, Suite 810
Boston, MA 02118-6200

Honorable Commissioner:

Pursuant to your instructions and in accordance with Massachusetts General Laws ("M.G.L."), Chapter 176G, Section 10, an examination has been made of the financial condition and affairs of

CELTICARE HEALTH PLAN OF MASSACHUSETTS, INC.

at its home office located at 200 West Street, Suite 250, Waltham, Massachusetts 02451. The following report thereon is respectfully submitted.

SCOPE OF EXAMINATION

This is the first examination of the CeltiCare Health Plan of Massachusetts, Inc. ("CeltiCare") or ("Company") by the Massachusetts Division of Insurance ("Division"). The current examination covers the intervening period from May 6, 2009 through December 31, 2012, and any material transactions and/or events occurring subsequent and noted during the examination.

The examination was conducted in accordance with standards and procedures established by the National Association of Insurance Commissioners ("NAIC") Financial Condition (E) Committee and prescribed by the current 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 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. All accounts and activities of the Company were considered in accordance with the risk-focused examination process and procedures. Deloitte Consulting LLP actuaries were involved in the performance of those procedures to the extent that such procedures related to the Company's reserves for unpaid claims and loss adjustment expenses.

In addition to a review of the financial condition of the Company, the examination included a review of the Company's business policies and practices, corporate records, reinsurance treaties, conflict of interest disclosure statements, fidelity bond and other insurance, employees' benefits plans, disaster recovery plan, treatment of policyholders and other pertinent matters to provide reasonable assurance that the Company was in compliance with applicable laws, rules and regulations. In planning and conducting the examination, consideration was given to the concepts of materiality and risk and examination efforts were directed accordingly.

The Company is audited annually by KPMG LLP, an independent certified public accounting firm. The firm expressed unqualified opinions on the Company's financial statements for all years under examination. A review and use of the Certified Public Accountants' workpapers were made to the extent deemed appropriate and effective. Deloitte Consulting LLP actuaries performed procedures to determine the reasonableness of the Company's reserves for unpaid claims and loss adjustment expenses. With the cooperation of the Indiana Department of Insurance, the Division utilized and relied upon the Indiana Department's review of the Company's Information Technology systems' controls.

SUMMARY OF SIGNIFICANT FINDINGS

There were no significant findings during the examination of the Company.

SUBSEQUENT EVENTS

CeltiCare's Commonwealth Care program with the Commonwealth Health Insurance Connector Authority will end in 2014 with the implementation of the Affordable Care Act. Commonwealth Care members with income less than 138% of the Federal Poverty Limit will be transitioned into the CarePlus program, a new MassHealth coverage type for adult citizens and eligible noncitizens under age 65 with incomes no greater than 138% of the Federal Poverty Guidelines, and the remaining members will be eligible for subsidized insurance from a choice of Qualified Health Plans ("QHPs") in the health insurance exchange market in which CeltiCare will participate. Commonwealth Choice individual plans will need to transition to the QHP market after March 31, 2014 and Commonwealth Choice small group plans must transition to the health insurance exchange market by December 31, 2014. CeltiCare will offer various product options in the health insurance exchange market under the marketing name ("Ambetter").

COMPANY HISTORY

General

CeltiCare was incorporated in the Commonwealth of Massachusetts on May 6, 2009 as a Health Maintenance Organization and commenced business on May 6, 2009. CeltiCare Health Plan Holdings LLC ("CHPH") owns 100% of the outstanding shares of the Company which in turn is owned 100% by Celtic Group Inc. ("CGI"), which in turn is wholly owned subsidiary of Centene Corporation, a publicly-traded "national leader in the healthcare services field." The Company is licensed in Massachusetts only and its territory includes all of Massachusetts.

Dividends to Stockholders

During the period of this examination, there were no dividends paid to the Company's stockholders.

CORPORATE RECORDS

Board of Directors Minutes

The minutes of meetings of the Board of Directors and its Committees for the period under examination were read and they indicated that all meetings were held in

accordance with the Company's bylaws and the Laws of the Commonwealth of Massachusetts. Activities of the Committees were ratified at meetings of the Board of Directors.

Articles of Incorporation and Bylaws

The Company's bylaws may be altered, amended or repealed, or new bylaws may be adopted at any meeting of the stockholders. There were no amendments to the Company's Articles of Incorporation and bylaws during the period of this examination.

Conflict of Interest Procedures

Centene Corporation and its subsidiaries, including the Company, adhere to a "Code of Business Conduct and Ethics". On an annual basis, Centene requires employees to affirm their compliance with the policy by completing a conflict of interest statement.

Disaster Recovery and Business Continuity

The Company provides for the continuity of management and operations in the event of a catastrophe or national emergency in accordance with M.G.L., Chapter 175, Sections 180M-180Q.

MANAGEMENT AND CONTROL

Stockholder Meetings

At December 31, 2012, CHPH is the sole stockholder of the Company. The annual meeting of the stockholder shall be held at a time fixed by the Directors. Special meetings of the stockholders may be called by the President and shall be called by the President or by the Directors.

Board of Directors

The business and affairs of the Company are managed by its Board which may exercise all of corporate powers of the Company. The Board of Directors shall consist of one or more individuals, with the number fixed by the shareholders at the annual meeting or by the Board of Directors, but, unless otherwise provided in the Articles of Organization, if the Company has more than one shareholder, the number of Directors shall not be less than three, except that whenever there shall be only two shareholders, the number of Directors shall not be less than two. The term of all Directors shall expire at the next annual meeting following their election. At all meetings of the Board, a majority of the Directors then in office constitutes a quorum for the transaction of business. Special meetings of the Board may be called by the president, by the secretary and by two Directors or by one Director in the event there is only one Director.

CeltiCare Health Plan of Massachusetts, Inc.

Directors duly elected and serving at December 31, 2012, with addresses and business affiliations, are as follows:

Director	Principal Occupation
Jesse Nathan Hunter	Executive Vice President and Chief Business Development Officer, Centene Corporation
Richard Denis Lynch	Chairman and Vice President, CeltiCare Health Plan of Massachusetts, Inc.
Lewis Raymond Marszalek	Treasurer and Chief Financial Officer of CeltiCare
Mary Vest Mason, M.D.	Senior Vice President/Chief Medical Officer of Centene Corporation
Keith Harvey Williamson	Secretary of CeltiCare and Executive Vice President, Secretary and General Counsel of Centene Corporation

Committees of the Board of Directors

Centene's Audit Committee serves as the Audit Committee for the Company. The Audit Committee consists of three (3) independent members. The purpose of the Audit Committee is to assist Centene's Board with oversight of the integrity of the financial statements; compliance with legal and regulatory requirements; the qualifications and independence of the independent auditor; the performance of the internal audit function and independent registered public accountant; and to prepare an Audit Committee report as required by the U.S. Securities and Exchange Commission to include in Centene's annual proxy statement.

Officers

The bylaws of the Company provide that officers of the Company shall include a President, a Secretary, Treasurer and such officers as may be appointed by the Board of Directors from time-to-time. The Board may also appoint one of its members to the office of Chairman of the Board.

The elected officers and their respective titles at December 31, 2012, were as follows:

Name of Officer	Title
Richard Denis Lynch	Chairman and Vice President
Michael David Kirby	President and Chief Executive Officer
Jesse Nathan Hunter	Vice President
Lewis Raymond Marszalek	Treasurer and Chief Financial Officer
Keith Harvey Williamson	Secretary
William Nelder Scheffel	Vice President
Sarah Louise Baiocchi	Vice President
Jeffrey Alan Schwaneke	Assistant Treasurer

Tricia Lynn Dinkelman

Director of Tax

Corporate Governance

Centene is a publicly traded diversified multi-line healthcare enterprise that is subject to the Sarbanes-Oxley Act of 2002. Enterprise Risk Management (“ERM”) and Internal Audit are enterprise-wide functions; thus, unless otherwise noted, references to Centene are applicable to the Company.

Centene has adopted an ERM framework for addressing and mitigating risks, including prospective business risks. Exhibit M of the Handbook (*Understanding the Corporate Governance Structure*) was utilized by the examiners as guidance for assessing the Company’s corporate governance environment. Overall, it was determined that the Company’s corporate governance structure is adequate, sets an appropriate “tone at the top,” supports a proactive approach to operational risk management, and contributes to an effective system of internal controls. It was found that the Company’s Board and key executives encourage integrity and ethical behavior throughout the Company, and that senior management promotes a corporate culture that acknowledges, understands and maintains an effective internal control environment.

The Company’s management has an adequate approach to identifying and mitigating risks across the organization, including prospective business risks. The Company deals proactively with its areas of risk, and its management is knowledgeable about risk mitigation strategies. Through risk discussions and other measures, the Company’s management discusses significant issues and reacts to changes in the environment with a clear commitment to address risk factors and manages the business accordingly. The Company’s overall risk management process takes a proactive approach to identifying, monitoring, and handling significant current and emerging risk factors.

Centene has an Internal Audit Department (“IAD”), which is independent of management, to serve the Centene Audit Committee of the Centene Board. The Centene Audit Committee is comprised entirely of external directors.

During the course of this examination, consideration was given to the significance and potential impact of certain IAD findings. To the extent possible, the examiners relied upon the work performed by the IAD, as required by the Handbook.

Affiliated Companies

As stated in the Insurance Holding Company System Form B and Form C as filed with the Division, the Company is a member of a holding company system and is subject to the registration requirements of Section 206C of M.G.L., Chapter 175 and Regulation 211 CMR 7.00.

CeltiCare Health Plan of Massachusetts, Inc.

Organization Chart

As of December 31, 2012, the Company was 100% owned by CHPH. The ultimate parent is Centene Corporation.

Centene Corporation (DE)

Celtic Group, Inc. (DE)

Celtic Insurance Company (IL)

Novasys Health Inc. (DE)

CeltiCare Health Plan Holdings LLC (DE)

CeltiCare Health Plan of Massachusetts, Inc. (MA)

Transactions and Agreements with Affiliates

Management Agreement

Effective March 10, 2009, the Company entered into a Management Agreement with Centene Management Company (“CMC”). Under this agreement, CMC provides the administrative and financial services necessary to manage the business operations of the Company and assumes responsibility for all associated costs for a fee equal to 10% or 10.5 % of the Company’s gross monthly revenues depending membership. CMC provides program planning and development; management of information systems, financial systems and services; facilities; claims administration; provider and enrollee services and records; utilization and peer review; and quality assurance/quality improvement. Under the agreement, the Company pays other direct costs associated with the business. During 2012, the Company incurred management expenses in the amount of \$12,092,428.

NurseWise Agreement

Effective July 1, 2009, the Company entered into an Agreement with NurseWise, LP (“NurseWise”). Under this agreement, NurseWise provides a “Care Line” responding to health inquiries on matters including triage health conditions, health questions, eligibility decisions, admission notifications, notification of primary care and other providers, coordination of appropriate transportation for health services and questions regarding participation status of providers. The Agreement was amended on April 1, 2012 with the revision of the compensation rates. During 2012, the Company incurred expenses of \$307,946 for services provided under this agreement.

Disease Management Program Services Agreement

Effective July 1, 2009, the Company entered into a Disease Management Program Services Agreement with Nurtur Health Inc. ("Nurtur"). Under this agreement, Nurtur provides disease management services for the Company's members with chronic diseases. During 2012, the Company incurred expenses of \$875,057 for services provided under this agreement.

Behavioral Health Services Agreement

Effective July 1, 2009, the Company entered into a Behavioral Health Services Agreement with Cenpatico Behavioral Health LLC ("Cenpatico"). Under this agreement, Cenpatico provides behavioral health services to eligible members based upon State mandated provisions or provider manual provisions. During 2012, the Company paid \$502,416 for services provided under this agreement.

Vision Services Agreement

Effective July 1, 2009, the Company entered into a Vision Services Agreement with Opticare Vision Company, Inc. ("Opticare") known as Opticare Managed Vision. Under the agreement, Opticare provides routine vision examinations and hardware services to the Company's enrollees via its contracted provider network. The Agreement was amended on April 1, 2010 revising the scope of services for certain programs and the compensation arrangement. During 2012, the Company paid \$140,925 for services provided under this agreement.

Pharmacy Benefit Management Agreement

Effective July 1, 2009, the Company entered into a Pharmacy Benefit Management Agreement with US Script Inc. ("US Script"). The agreement with US Script provides management and delivery of pharmacy benefits to the Company's members. During 2012, the Company incurred \$22,102,499 for services provided under this agreement.

Tax Allocation Agreement

Effective May 6, 2009, the Company became a party in the Tax Allocation Agreement with Centene. Under this agreement, the parties file a consolidated U.S. federal income tax return with Centene. The tax amount is allocated to the parties on a stand-alone basis as if the Company were not a party to the consolidated return. All amounts due for either party shall be settled on or before the due date for the filing of the consolidated federal income tax return.

Guaranty Agreement

Effective May 9, 2009, Centene and the Company entered into a Guaranty Agreement whereby Centene guarantees that CeltiCare shall have and maintain capital and surplus in the minimum amount of \$5 million or an amount equivalent to 250% of the Authorized Control Level RBC as defined by the Division in 211CMR 25.01, whichever is greater. The RBC calculation is to be performed quarterly and filed with the Division within 45 days of the end of each quarter and with the Annual Statement. The Company has 15 calendar days to increase its capital and surplus to meet the requirements.

FIDELITY BONDS AND OTHER INSURANCE

The Company maintains fidelity coverage with an authorized Massachusetts insurer, consistent with M.G.L., Chapter 175, Section 60. The aggregate limit of liability exceeds the NAIC suggested minimum.

The Company has further protected its interests and property by policies of insurance covering other insurable risks. Coverage is provided by insurers licensed in the Commonwealth of Massachusetts, and the policies were in force as of December 31, 2012.

PENSIONS, STOCK OWNERSHIP AND INSURANCE PLANS

The Company had no employees; therefore, there were no employee pension or insurance plans. All personnel necessary to conduct business operations of the Company are provided to the Company by CMC under the aforementioned Management Agreement.

TERRITORY AND PLAN OF OPERATION

The Company is licensed in Massachusetts only and its territory includes all of Massachusetts. The entirety of the Company's health insurance business is related to its contract with the Commonwealth Health Insurance Connector Authority ("Connector"). The contract provides for insurance coverage under the Commonwealth Care, Commonwealth Choice, and Commonwealth Bridge insurance programs.

- The Commonwealth Care insurance program is a subsidized health insurance program for uninsured Massachusetts residents who meet certain income guidelines and other requirements. Commonwealth Care connects eligible residents with approved health insurance plans and helps pay for the health insurance. The State withholds 1% of the monthly capitation payment for Commonwealth Care to fund a stop-loss pool. For 2012, CCHPM retained 100%

CeltiCare Health Plan of Massachusetts, Inc.

of risk up to \$150,000 in claims per insured, and is then at risk for 25% beyond the \$150,000 threshold.

- The Commonwealth Choice insurance program is a self-pay health insurance program that offers health insurance options to Massachusetts residents and small employers who do not qualify for Commonwealth Care.
- The Commonwealth Bridge insurance program is a special insurance program for aliens with special status, who were dis-enrolled from MassHealth the Massachusetts program that encompasses both Medicaid and the Children's Health Insurance Program ("CHIP") and Commonwealth Care as of August 31, 2009, because they no longer qualified for these programs due to changes in the law. The Company had been the only company authorized by the Connector to provide the Commonwealth Bridge insurance program. The Commonwealth Bridge insurance program was terminated as of March 1, 2012 and its members were transitioned into the Commonwealth Care insurance program.

GROWTH OF COMPANY

The growth of the Company for the years 2009 through 2012 is shown in the following schedule, which was prepared from the Company's annual statements.

(in thousands)

Year	Premium Income	Admitted Assets	Total Liabilities	Capital and Surplus
2012	\$ 119,801	\$ 32,240	\$ 19,030	\$ 13,210
2011	106,495	34,773	23,686	11,086
2010	78,116	29,799	21,672	8,126
2009	11,599	14,464	9,001	5,463

REINSURANCE

Ceded Reinsurance

CeltiCare has no reinsurance contracts in place outside of the stop-loss arrangement with Massachusetts as part of the Commonwealth Care program. The Company funds a Specific Outlier Stop Loss Insurance pool maintained by the Commonwealth Health Insurance Connector Authority for members under the Commonwealth Care program. The stop loss pool coverage is equal to 75% of a member's annual claims in excess of \$150,000. The Connector, the administrator of the pool, charges a premium in the amount of 1% of the Company's monthly capitation payments.

ACCOUNTS AND RECORDS

The internal control structure was discussed with management through questionnaires, interviews and through a review of the work performed by the Company's Independent Certified Public Accountants. Testing of key underwriting and claim internal controls was performed. No material deficiencies were noted.

The NAIC provides a questionnaire covering the evaluation of the controls in the IT systems environment. The questionnaire was completed by the Company and reviewed by the Division to evaluate the adequacy of the IT controls. In addition to the questionnaire, interviews with Company staff were conducted to gather supplemental information and corroborate the Company's responses to the questionnaire. A review was also made of the documentation supporting Management and Organization Controls, Application Systems Development and Maintenance Controls, Operating and Processing Controls, Logical and Physical Security Controls, Contingency Planning Controls, Personal Computer, Local Area Network, Wide Area Network and Internet Controls. Significant reliance was placed upon the work performed by the Indiana Department of Insurance in its review of IT Controls. No material deficiencies were noted.

The Company maintains its accounts and records on an electronic data processing basis. All entries are input to this data processing system, which then generates general ledger and supporting reports as well as other reports common to the insurance industry. No material exceptions were noted.

The books and records of the Company are audited annually by KPMG LLP, independent Certified Public Accountants, in accordance with 211 CMR 23.00 and 211 CMR 26.00.

STATUTORY DEPOSITS

The Company's statutory deposits as of December 31, 2012, are as follows:

<u>Jurisdiction</u>	<u>Description of Deposit</u>	<u>Par Value</u>	<u>Statement Value</u>	<u>Market Value</u>
Massachusetts	U.S. Treasury Note 3/4%			
	Due 9/15/13	\$ 1,025,000	\$ 1,025,107	\$ 1,029,324
	Totals	<u>\$ 1,025,000</u>	<u>\$ 1,025,107</u>	<u>\$ 1,029,324</u>

FINANCIAL STATEMENTS

The following financial statements are presented on the basis of accounting practices prescribed or permitted by the Division of Insurance and by the NAIC as of December 31, 2012:

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

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

Statement of Capital and Surplus for the Year Ended December 31, 2012

Reconciliation of Capital and Surplus for Each Year in the Four-Year Period Ended December 31, 2012

CeltiCare Health Plan of Massachusetts, Inc.

Statement of Assets, Liabilities, Surplus and Other Funds
As of December 31, 2012

Assets	Examination			Notes
	Per Company	Changes	Per Examination	
Bonds	\$ 15,767,589	\$ 0	\$ 15,767,589	
Cash, cash equivalents and short-term investments	8,321,573		8,321,573	
Subtotals, cash and invested assets	24,089,162		24,089,162	
Investment income due and accrued	123,848		123,848	
Premiums and considerations:				
Uncollected premiums and agents' balances				
in course of collection	1,668,327		1,668,327	
Current federal and foreign income tax recoverable				
and interest thereon	5,018,470		5,018,470	
Net deferred tax asset	92,602		92,602	
Health care and other amount receivable	934,136		934,136	
Aggregate write-ins for other than invested assets	313,839		313,839	
Total assets	<u>\$ 32,240,384</u>	<u>\$ 0</u>	<u>\$ 32,240,384</u>	
Liabilities				
Claims unpaid	\$ 10,235,833	\$ 0	\$ 10,235,833	(1)
Unpaid claims adjustment expenses	166,000		166,000	(1)
Premiums received in advance	20,414		20,414	
General expenses due	64,995		64,995	
Current federal and foreign income tax payable				
and interest thereon	3,791		3,791	
Amounts due to parent, subsidiaries and affiliates	8,539,273		8,539,273	
Total liabilities	<u>19,030,306</u>		<u>19,030,306</u>	
Common capital stock	0		0	
Gross paid-in and contributed surplus	14,150,000		14,150,000	
Unassigned funds (surplus)	(939,922)		(939,922)	
Total capital and surplus	<u>13,210,078</u>		<u>13,210,078</u>	
Total liabilities, capital and surplus	<u>\$ 32,240,384</u>	<u>\$ 0</u>	<u>\$ 32,240,384</u>	

CeltiCare Health Plan of Massachusetts, Inc.

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

	Examination		
	Per Company	Changes	Per Examination
Member months	374,937		374,937
Net premium income	\$ 119,800,852	\$ 0	\$ 119,800,852
Total revenues	119,800,852		119,800,852
Hospital and Medical			
Hospital/medical benefits	85,710,092		85,710,092
Other professional services	3,205,120		3,205,120
Emergency room and out-of-area	7,851,600		7,851,600
Prescription drugs	17,625,169		17,625,169
Incentive pool, withhold adjustments and bonus amounts	25,200		25,200
Subtotal	114,417,181		114,417,181
Less:			
Claim adjustment expense, including \$92,610 cost containment	2,941,103		2,941,103
General administrative expenses	8,177,734		8,177,734
Total underwriting deductions	125,536,018		125,536,018
Net underwriting gain or (loss)	(5,735,166)		(5,735,166)
Net investment income earned	288,344		288,344
Net income or (loss) after capital gains tax and before all other federal income taxes	(5,446,822)		(5,446,822)
Federal and foreign income taxes incurred	(5,562,963)		(5,562,963)
Net income	\$ 116,141	\$ 0	\$ 116,141

CeltiCare Health Plan of Massachusetts, Inc.

**Statement of Capital and Surplus
For the Year Ended December 31, 2012**

	<u>Per Company</u>	<u>Examination Changes</u>	<u>Per Examination</u>
Capital and surplus, December 31, prior year	\$ 11,086,352	\$ 0	\$ 11,086,352
Net income or (loss)	116,141		116,141
Change in net deferred income tax	(3,643,262)		(3,643,262)
Change in nonadmitted assets	846		846
Surplus adjustments:			
Paid in	5,650,000		5,650,000
Net change in capital and surplus for the year	<u>2,123,725</u>		<u>2,123,725</u>
Capital and surplus, December 31 current year	<u>\$ 13,210,077</u>	<u>\$ 0</u>	<u>\$ 13,210,077</u>

**Reconciliation of Capital and Surplus
For the four year period ending December 31, 2012**

	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>
Capital and surplus, December 31, prior year	\$ 11,086,352	\$ 8,126,191	\$ 5,462,903	\$ 0
Net income	116,141	(147,681)	(122,199)	(765,148)
Change in net deferred income tax	(3,643,262)	1,452,507	2,283,203	0
Change in nonadmitted assets	846	1,655,335	(1,497,716)	(271,949)
Change in paid in capital	5,650,000	0	2,000,000	6,500,000
Net change in capital and surplus	<u>2,123,725</u>	<u>2,960,161</u>	<u>2,663,288</u>	<u>5,462,903</u>
Capital and surplus, December 31, current year	<u>\$ 13,210,077</u>	<u>\$ 11,086,352</u>	<u>\$ 8,126,191</u>	<u>\$ 5,462,903</u>

NOTES TO FINANCIAL STATEMENTS

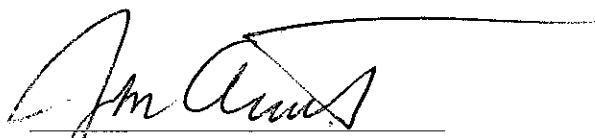
Note 1. Claims Unpaid and Unpaid Claims Adjustment Expenses

Actuaries from Deloitte Consulting LLP performed a review and evaluation of CeltiCare's statutory actuarial balances as of December 31, 2012. The balances were found to meet or exceed minimum standards and to be sufficient to meet future benefit obligations in the aggregate as of December 31, 2012.

ACKNOWLEDGEMENT

Acknowledgement is made of the cooperation and courtesies extended by the officers and employees of the Company during the examination.

The assistance rendered by Deloitte & Touche LLP, who participated in this examination, is acknowledged.

A handwritten signature in black ink, appearing to read "John A. Turchi", is written over a horizontal line.

John A. Turchi, CFE, CPCU
Deputy Commissioner,
Financial and Market Regulation
Examiner-In-Charge
Commonwealth of Massachusetts
Division of Insurance