



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

REPORT OF EXAMINATION OF
TUFTS INSURANCE COMPANY

Watertown, Massachusetts

As of December 31, 2011

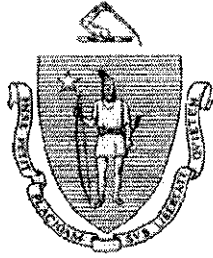
NAIC GROUP CODE 4742

NAIC COMPANY CODE 60117

EMPLOYER ID NUMBER 04-3319729

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COMMONWEALTH OF MASSACHUSETTS
Office of Consumer Affairs and Business Regulation
DIVISION OF INSURANCE

1000 Washington Street, Suite 810 Boston, MA 02118-6200
(617) 521-7794 • Toll free (877) 563-4467

<http://www.mass.gov/doi>

DEVAL L. PATRICK
GOVERNOR

TIMOTHY P. MURRAY
LIEUTENANT GOVERNOR

GREGORY BIALECKI
SECRETARY OF HOUSING AND
ECONOMIC DEVELOPMENT

BARBARA ANTHONY
UNDERSECRETARY OF CONSUMER AFFAIRS
AND BUSINESS REGULATION

JOSEPH G. MURPHY
COMMISSIONER OF INSURANCE

May 24, 2013

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 specific instructions and in accordance with Massachusetts General Laws, Chapter 175, Section 4, an examination has been made of the financial condition and affairs of

TUFTS INSURANCE COMPANY

at its home office at 705 Mount Auburn Street, Watertown, MA 02472-1508. The following report thereon is respectfully submitted.

Tufts Insurance Company

SCOPE OF EXAMINATION

This statutory examination of Tufts Insurance Company hereinafter referred to as ("Company"), ("Corporation"), or ("TICO"), is as of December 31, 2011 and covers the period of January 1, 2009 through December 31, 2011 including any material transactions and/or events occurring subsequent to the examination date and noted during the course of the examination. The last exam was completed as of December 31, 2008.

The current examination was conducted at the direction of and under the overall management and control of the examination staff of the Massachusetts Division of Insurance ("Division") 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 examination standards of the Division and with Massachusetts General Laws ("M.G.L."). Representatives from the firm of PricewaterhouseCoopers LLP ("PwC") were engaged by the Division to assist in the examination by performing certain examination procedures. This assistance included a review of accounting records, information systems, taxes, investments, and actuarially determined loss and loss adjustments expense reserves.

The principal focus of the examination was 2011 activity; however, transactions both prior and subsequent thereto were reviewed as deemed appropriate. The examination was conducted following the NAIC Risk Focused Examination Model. All accounts and activities of the Company were considered in accordance with the risk-focused examination process. 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, provider contracts, reinsurance treaties, conflict of interest disclosure statements, fidelity bonds and other insurance, employees' pension and benefits plans, disaster recovery plan, 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.

In determining the scope of the statutory examination, after review and evaluation, the examination team placed reliance on certain work papers provided by the Company's independent auditor, Ernst & Young ("E&Y") and the Company's internal audit staff. Wherever possible and wherever deemed appropriate and effective, E&Y's and internal audit's independent work product was used to define, support, document and expedite the overall examination process.

A review and an evaluation of the control environment of the Company's information technology systems were performed. The NAIC's Information Technology (IT) Questionnaire completed by the Company was reviewed and 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 (LAN), Wide Area Network (WAN) and Internet Controls. The control environment of the Company's information systems was reviewed and found to have in place sufficient internal controls.

This Report of Examination is written on an exception basis. Explanations of and details pertaining to various phases of the examination will be found herein. Unless it is specifically noted otherwise, all references to the accounts, activities, and transactions of the Company are as of December 31, 2011.

Tufts Insurance Company

Status of Prior Examination Findings

The prior report of examination did not have any findings.

HISTORY

General

TICO was licensed in 1996 in New Hampshire as a for-profit Life, Accident & Health carrier and was a subsidiary of Tufts Health Plan of New England, Inc. ("TNE"), which was in liquidation as of December 31, 2008. The Company's former subsidiary, TAHMO Holdings, Inc., relinquished control of TNE to the New Hampshire Department of Insurance in 1999. During 2003, TICO changed its domicile to Massachusetts. On September 1, 2008, under a restructure agreement, the Company became a subsidiary of Tufts Associated Health Plans ("TAHP"), a for-profit corporation organized to perform certain management, administrative and marketing services for its affiliates and subsidiaries. TAHP, as of the restructure date, is now a wholly owned subsidiary of Tufts Associated Health Maintenance Organization ("TAHMO"), a not-for-profit corporation established for the purpose of arranging for the delivery of health care services, on a prepaid basis, to subscribing individuals and groups.

Growth of the Company

The growth of the Company for the years 2009 through 2011 is shown in the following schedule, which was prepared from the Company's Statutory Annual Statements:

<u>Year</u>	<u>Total Admitted Assets</u>	<u>Total Liabilities</u>	<u>Capital and Surplus</u>	<u>Net Premium Income</u>
2011	\$86,075,348	\$38,677,171	\$47,398,176	\$163,937,682
2010	64,390,342	31,336,124	33,054,081	139,210,034
2009	48,903,150	25,251,643	23,651,507	100,939,577

The Company received capital contributions from TAHP of \$20,000,000 in 2011 and 2010.

MANAGEMENT

Articles of Organization and Bylaws

The bylaws may be altered, amended or repealed and new bylaws may be adopted by a majority of the shareholders present at any meeting of the shareholders of the Corporation at which a quorum is present, provided that notice of the substance of the proposed amendment is stated in the notice of the meeting. If authorized by the Articles of Organization, the Board of Directors ("Board") may also make, amend or repeal the bylaws, in whole or in part, except with respect to Articles XI and XII or any other provision thereof which by law, the Articles of Organization, or the bylaws requires action by the shareholders. Not later than the time of giving notice of the meeting of the shareholders next following the making, amending, or repealing by the Board of any bylaw, notice thereof stating the substance of such change shall be given to all shareholders entitled to vote on amending the bylaws. Any bylaw adopted by the Board may be amended or repealed by the shareholders.

Tufts Insurance Company

BOARD OF DIRECTORS

The Company's bylaws indicate the following regarding its Board:

- The property, business and affairs of the Corporation shall be managed by the Board. In carrying out its responsibilities hereunder, the Board shall have and may exercise all of the powers of the Corporation except such as are conferred upon the shareholders by law, the Articles of Organization or these bylaws.
- Notwithstanding anything in these bylaws to the contrary, none of the following actions by the Board shall be effective without the approval of shareholders:
 - Issuance of any capital stock of the Corporation to any person or entity that would result in either Tufts Associated Health Plans, Inc., a Delaware corporation, or its subsidiaries or affiliates, no longer holding the right to vote a majority or more of the outstanding shares authorized to vote;
 - Execution of any contract or engagement in any transaction providing for the sale, lease, exchange or other disposition of all or substantially all of the Corporation's property;
 - Filing or acquiescence in the filing of any voluntary or involuntary bankruptcy or insolvency proceedings under any federal or state insolvency or bankruptcy laws or the making of an assignment for the benefit of creditors;
 - Adoption of a plan of or authorization of a petition for liquidation and/or dissolution of the Corporation;
 - Adoption or authorization of a plan and/or agreement of merger or share exchange with any other foreign or domestic corporation;
 - Amendment, alteration or repeal of the Corporation's Articles of Organization; and
 - Amendment, alteration or repeal of these bylaws, except for alteration, amendment or repeal of these bylaws by a vote of a majority of Directors pending notification of the stockholders in accordance with Article XIV.
- The Board shall consist of not less than five (5) and not more than fifteen (15) Directors. The number of the Directors shall be as determined from time to time by the shareholders and may be reduced or enlarged between meetings of the shareholders by the vote of a majority of the Directors then in office. In the absence of an affirmative determination by the shareholders, the number of Directors to be elected at any annual meeting shall be the same as the number last determined by the shareholders or Directors. The Directors shall be chosen at the Annual Meeting of the shareholders or at any meeting held in place thereof by such shareholders as have the right to vote thereon, and each shall hold office until the next annual election of Directors and until his or her successor is chosen and qualified or until he or she sooner dies, resigns, is removed or becomes disqualified. No Director need be a shareholder.
- At any meeting of the Board a majority of the Directors then in office and entitled to vote at meetings thereof shall constitute a quorum for the transaction of business; provided always that any number of Directors (whether one or more and whether or not constituting a quorum) constituting a majority of Directors present at any meeting may make any reasonable adjournment thereof.
- Any vacancy occurring in the Board and any directorship to be filled by reason of an increase in the number of Directors may be filled by election at a meeting of the shareholders entitled to vote at the election of such Director, or by vote of the Board; provided, however, that the shareholders shall have the right to replace a successor Director elected by the Board. A Director elected to fill a vacancy shall be elected for the unexpired term of his or her predecessor in office. The Corporation may provide for an executive committee or other committees to be elected from and by the Board, and the Directors may delegate to any such committee or committees some or all of their powers, except, however, the power to change the principal office of the Corporation, to elect officers and fill vacancies in any such offices, to change the

Tufts Insurance Company

number of Directors and fill vacancies on the Board, to remove officers or Directors from office, to authorize the payment of any dividend or distribution to shareholders, to authorize the reacquisition for value of stock of the Corporation or to authorize a merger.

- The Board may establish or recognize advisory committees from time to time other than the Standing Committees. No committee established or recognized under this Section 3.12 shall have any power to act on behalf of the Board.
- Any action by the Board or a committee may be taken without a meeting if a written consent thereto is signed by all the Directors, or in the case of a committee by all the members of such committee, and filed with the records of the Board or the committee, as the case may be. Any such signature may be in electronic or digital format. Such consent shall be treated as a vote of the Board or applicable committee for all purposes.
- Any Director may resign at any time by delivering or causing to be delivered to any officer of the Corporation, or to the Board, a written resignation, which shall take effect upon being so delivered or at such other time as may be therein specified. The shareholders may remove one or more Directors with or without cause. A Director may be removed for cause by the Board by vote of a majority of the directors then in office. A Director may be removed by the shareholders or the Directors only at a meeting called for the purpose of removing him or her, and the meeting notice must state that the purpose, or one of the purposes, of the meeting is removal of the Director.

At December 31, 2011, the Board was comprised of five (5) Directors, which is in compliance with the Company's bylaws. Directors duly elected and serving at December 31, 2011, with business affiliations, were as follows:

Director

James Roosevelt, Jr., Esq.

Thomas A. Croswell

Davey S. Scoon

Lois Dehls Cornell, Esq.

Umesh Kurpad

Principal Occupation

Chief Executive Officer and President, TAHMO

Chief Operating Officer, TAHMO

Professional Director; Currently serving on the Boards of Allianz Mutual Funds, Orthofix and Amag Pharmaceutical; Honorary Associate/Fellow University of Wisconsin

Clerk, Senior Vice President of Human Resources and General Counsel, TAHMO

Senior Vice President and Chief Financial Officer, TAHMO

Committees of the Board

TICO does not have any standing Committees of the Board.

Tufts Insurance Company

OFFICERS

The Company's bylaws indicate the following regarding officers of the Corporation:

The officers of the Corporation shall be a Chief Executive Officer ("CEO"), a President, a Treasurer and a Clerk, each of whom shall be elected by the Board. The Clerk shall be a resident of the Commonwealth of Massachusetts unless the Corporation has appointed a resident agent to receive service of process. The Board may appoint such other officers as they deem necessary who shall have such authority and shall perform such duties as from time to time may be prescribed by the Board. Any person may simultaneously hold more than one office of the Corporation and may simultaneously be a Board officer and an officer of the Corporation.

The officers of the Corporation shall be elected by the Board at its Annual Meeting. If the election of officers is not held at that Board's Annual Meeting, the election shall be held as soon thereafter as practicable. Each officer, except the CEO, shall hold office until the Annual Meeting of the Board next following his or her election, or any meeting held in place thereof, and until his or her successor shall have been duly elected and qualified, or until his or her death or until he or she shall resign or shall have been removed in the manner hereinafter provided. The CEO shall be appointed at such time and for such term as the Board shall determine. An officer may resign at any time by delivering notice of the resignation to the Corporation. A resignation is effective when the notice is delivered unless the notice specifies a later effective date. If a resignation is made effective at a later date and the Corporation accepts the future effective date, the Board may fill the pending vacancy before the effective date if the Board provides that the successor shall not take office until the effective date. An officer's resignation shall not affect the Corporation's contract rights, if any, with the officer. The Board may remove any officer at any time with or without cause. The appointment of an officer shall not itself create contract rights. An officer's removal shall not affect the officer's contract rights, if any, with the Corporation.

The Board may appoint such Assistant Treasurers, Assistant Clerks, Controllers and other officers, and such agents as the Board may determine, to hold office for such period and with such authority and to perform such duties as the Board may from time to time determine. The Board may, by specific resolution, empower the CEO, the President or a committee to appoint any such subordinate officers or agents. A vacancy in any office because of death, resignation, removal, disqualification or otherwise, may be filled by the Board for the unexpired portion of the term. Vacancies may be filled at any meeting of the Board.

The Company's officers and their respective titles at December 31, 2011 were as follows:

<u>Officer</u>	<u>Title</u>
James Roosevelt Jr., Esq.	President and Chief Executive Officer
Lois Dehls Cornell, Esq.	Clerk, Senior Vice President of Human Resources and General Counsel
Umesh Kurpad	Senior Vice President and Chief Financial Officer
Roland Price	Treasurer
Cynthia L. Torgersen	Assistant Clerk
Thomas A. Croswell	Chief Operating Officer

CONFLICT OF INTEREST PROCEDURES

The Company has adopted a Conflict of Interest policy. Board members, senior management, Vice President ("VP"), Assistant Vice Presidents ("AVP"), and Directors shall annually deliver to the Board, at or about the time of the Annual Meeting, a true and complete conflicts of interest statement in the form approved by the Board.

Each board member, member of senior management, VP, AVP, and Director shall promptly update his or her most recent conflicts of interest statement upon the occurrence of any event that makes the information contained in such conflicts of interest statement no longer true or that would be required to be reported to the Board.

Should a contract or other transaction between the Corporation and one or more of its Directors or officers, or between the Corporation and any other organization in which one or more of its Directors or officers are Directors, officers or have a financial interest, the contract or transaction shall not be void or voidable solely for this reason if the material facts of the conflict are disclosed or known to the Board or applicable committee, the contract or transaction is fair and reasonable to the Corporation, and the Board or committee authorizes the contract or transaction by a majority of disinterested Directors. Review of the 2011 Board of Directors records identified no conflicts of interest and no financial conflicts of interest.

CORPORATE RECORDS

Articles of Incorporation and Bylaws

The Company's bylaws were most recently amended as of June 1, 2010. The bylaws were amended to make them consistent with the bylaws of other TAHMO subsidiaries and affiliates.

Board of Directors Minutes

The minutes of the Board meetings for the period under statutory examination were reviewed and indicated that all meetings were held in accordance with the Company's bylaws and the laws of the Commonwealth of Massachusetts.

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 Massachusetts General Laws, Chapter 175, Sections 180M-180Q.

Annual Meeting

Per the bylaws, the Annual Meeting of the shareholders shall be held at such place, time and date as shall be fixed by the Board. Per review of the board of Directors meeting minutes, compliance with this requirement was observed for 2011, 2010, and 2009.

ACQUISITIONS, MERGERS, DISPOSALS, DISSOLUTIONS AND PURCHASES OR SALES

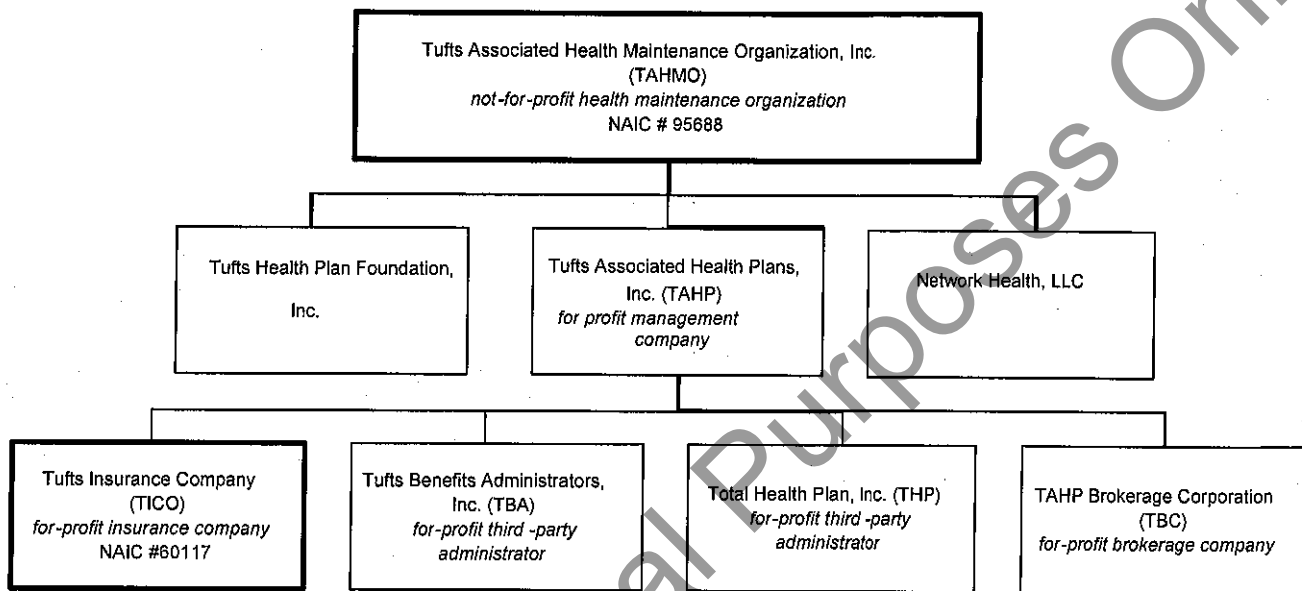
No acquisition, mergers, disposals, dissolutions, and purchases or sales were noted during the exam period.

Tufts Insurance Company

AFFILIATED COMPANIES

Per Form B, as filed with the Division, the Company is a member of a holding company system and is subject to the registration requirements of Chapter 175, Section 206C of the MGL. Tufts Associated Health Maintenance Organization, Inc. is the "ultimate controlling person" of the holding company system.

A summary of ownership and relationship of the Company and its operating subsidiaries and affiliated companies as of December 31, 2011 is illustrated below:



RELATED PARTY TRANSACTIONS

TICO is a subsidiary of TAHP, which is a wholly owned subsidiary of TAHMO. At December 31, 2011, the net amount payable to TAHMO from TICO was \$4.3 million. At December 31, 2010 and 2009, the net receivable to TICO from TAHMO was \$1.9 million and \$1.2 million, respectively. At December 31, 2011 and 2010, the net amount payable to TAHP from TICO, was \$14.8 thousand and \$29.7 thousand, respectively. At December 31, 2009, the net receivable to TICO from TAHP was \$107.7 thousand.

TICO and TBA (a subsidiary of TAHP) have an agreement whereby TBA administers a preferred provider option plan insured by TICO. Administrative fees paid to TBA were \$9.8 million, \$10.8 million, and \$8.3 million in 2011, 2010, 2009, respectively. At December 31, 2011 and 2010 amounts payable from TICO to TBA were \$1.4 million and \$2.6 million, respectively. At December 31, 2009, the net receivable to TICO from TBA was \$770 thousand.

TICO has no employees; rather, TAHP and its affiliates' employees are used to provide administrative services to the Company and the Company's affiliates through intercompany agreements.

FIDELITY BOND AND OTHER INSURANCE

The Corporation maintains fidelity bond coverage with an authorized Massachusetts insurer. The aggregate limit of liability is \$1,000,000 which exceeds the NAIC suggested minimum. In addition, the Company has further protected its interests and properties by acquiring policies of insurance covering other insurable risks. Coverage

Tufts Insurance Company

is provided by insurers licensed in the Commonwealth of Massachusetts and was in force as of December 31, 2011.

PENSION AND INSURANCE PLANS

TICO has no employees and therefore, no benefit plans.

SPECIAL DEPOSITS

The special deposits of the Company at December 31, 2011 were as follows:

<u>Description of Deposit</u>	<u>Purpose of Deposit</u>	<u>Book Value</u>	<u>Fair Value</u>
U.S. Treasury Note	Insolvency Protection	\$99,996	\$100,230
		<u>\$99,996</u>	<u>\$100,230</u>

INSURANCE PRODUCTS AND RELATED PRACTICES

Territory and Plan of Operation

The Corporation is licensed to transact business in the Commonwealth of Massachusetts, the State of Rhode Island, the State of Connecticut and the State of Vermont.

Products

The Company offers the following insured products:

PPO (Preferred Provider Organization) – The PPO product is available to employers on a fully insured basis. A Primary Care Physician (PCP) is not required for members in the PPO. Members can receive care from any provider within the network and pay only a copayment for many covered services. Members can also see providers outside of the network without a referral, although they will pay a deductible and coinsurance for covered inpatient and outpatient services.

Advantage PPO – This product has similar features to the PPO described above, with several payment options. A front-end deductible applies to both in-and out-of-network for inpatient hospital care, day surgery, outpatient diagnostic services, and certain other services. For in-network services, once the deductible is satisfied, the plan will pay 100% of eligible charges that are subject to the deductible. For out-of-network services, once the deductible has been satisfied, the plan will pay a percentage of eligible charges that are subject to the deductible, up to a specified out-of-pocket maximum. Once the out-of-pocket maximum has been reached, the plan will pay 100% of eligible charges. The Advantage PPO is also available with copayments on preventive care. This allows employers to set copayments for most in-network preventive care (e.g., office visits and emergency care) and apply deductibles to other services (e.g., diagnostic tests and inpatient care). Out-of-network care with the preventive care option would be subject to a deductible and coinsurance. The Company also offers an Advantage Saver PPO with similar features and higher deductibles.

Navigator by Tufts Health Plan – This product is based on the PPO model, but with cost incentives based on member choices. Members seeking care within the network for inpatient care can select a hospital from the Navigator Inpatient Hospital List (covering Massachusetts, Rhode Island and portions of New Hampshire),

Tufts Insurance Company

which is grouped into two copayment levels based on service quality and cost efficiency. Eligible inpatient services are covered 100% in-network after the hospital copayment. Out-of-network inpatient care is subject to a deductible and coinsurance for covered services. In-network outpatient care requires a copayment, while members pay a deductible and coinsurance for out-of-network outpatient care.

CareLink – This is a national, open-access health plan offered through TICO and TBA's partnership with CIGNA HealthCare. CareLink is designed for multi-state employers with 200 or more employees, and offers a national network of over 400,000 physicians and 4,200 hospitals. For in-network outpatient care, only a copayment usually applies, while there may be a deductible for inpatient care depending on the plan's features. Out-of-network care requires members to pay a deductible and coinsurance.

PROVIDER CONTRACTS

The Company arranges for the provision of health care services to its subscribers and eligible dependents thereof through contracts with physician providers and other health care providers. For all purposes, physician providers and such other organizations or individuals are and shall be deemed to be independent contractors with the Company, and shall not be characterized as officers, employees or agents of the Company. The agreements are in compliance with Massachusetts statutes and regulation 211 CMR 52.00.

RESERVES

PwC Health Actuaries prepared independent estimates of the Unpaid Claim Liabilities ("UCL") as of December 31, 2011. The booked actuarial reserves were found to be within the PwC independently developed range. Furthermore, the methods, assumptions, and amounts of statutory claim reserves as of December 31, 2009, December 31, 2010, and December 31, 2011 established by Company are reasonable.

When reviewing the Loss Adjustment Expense ("LAE"), it was noted no provision for LAE was established for the TICO business. This is because the Company uses a third-party administrator ("TPA") to pay claims for this business. Given the nature of TICO's contract with the TPA, it is appropriate that no LAE would be established.

PwC Health Actuaries reviewed the methodology and calculations used by the Company to develop the estimates a premium deficiency reserve. The methodology and calculation was noted to be reasonable and consistent with methodologies and assumptions observed in the general market. Furthermore, a rate adequacy evaluation was performed and it was noted that the Company's rates were adequate as of December 31, 2011.

REINSURANCE

TICO does not assume any reinsurance and did not purchase stop-loss insurance in 2011, 2010 or 2009.

COMMITMENTS AND CONTINGENCIES

Legal Proceedings

TICO is involved in legal actions in the ordinary course of business. In the opinion of management, there are no legal proceedings pending against or involving TICO, the outcome of which is likely to have a material adverse effect upon the statutory financial statements.

Tufts Insurance Company

ACCOUNTS AND RECORDS

The books and records of the Company are audited annually by the independent certified public accounting firm of Ernst & Young LLP in accordance with 211 CMR 23.00. The CPA Firm issued an unqualified opinion on the December 31, 2011, 2010, and 2009 audited financial statements. The Company is also subject to review by an internal audit department.

The internal control structure was discussed with management through questionnaires and through a review of the work performed by the Corporation's Independent Certified Public Accountants (Ernst & Young LLP). No material internal control weaknesses were noted in connection with the examination, nor were any such matters reported in the CPA firm's filings with the Division.

The NAIC provides a questionnaire covering the evaluation of the controls in the Information Technology (IT) environment. The questionnaire was completed by the Company and reviewed by PwC's Process Assurance (PA) team, which evaluated the adequacy of the IT controls. No material deficiencies were noted.

The Company uses an automated general ledger system. Trial balances were traced from the general ledger and supporting documents to the 2011 Annual Statement. No material exceptions were noted.

Tufts Insurance Company

FINANCIAL STATEMENTS

The following financial statements are presented on the basis of accounting practices prescribed or permitted by the Division and by the NAIC as of December 31, 2011:

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Tufts Insurance Company
Statement of Assets, Liabilities, Surplus and Other Funds
As of December 31, 2011

	<u>As Reported by the Company</u>	<u>Examination Changes</u>	<u>Per Statutory Examination</u>
Assets			
Bonds	\$ 99,996		\$ 99,996
Common Stocks	56,879,190		56,879,190
Cash, cash equivalents and short-term investments	23,338,977		23,338,977
Subtotals, cash and invested assets	<u>80,318,163</u>		<u>80,318,163</u>
Investment income due and accrued	1,094		1,094
Premiums and considerations:			
Uncollected premiums and agents' balances in the course of collection	896,569		896,569
Accrued Retrospective Premium	2,705,159		2,705,159
Receivables from parent, subsidiaries and affiliates	5,685		5,685
Health care and other amounts receivable	2,148,678		2,148,678
Total Assets	<u>\$ 86,075,348</u>	<u>\$ -</u>	<u>\$ 86,075,348</u>
Liabilities			
Claims unpaid	\$ 23,009,500		\$ 23,009,500
Aggregate health policy reserves	5,401,084		5,401,084
Premiums received in advance	3,634,483		3,634,483
General expenses due or accrued	900,405		900,405
Amounts due to parent, subsidiaries and affiliates	5,731,700		5,731,700
Total Liabilities	<u>\$ 38,677,172</u>		<u>\$ 38,677,172</u>
Capital and Surplus			
Common capital stock	3,000,000		3,000,000
Gross paid in and contributed surplus	92,500,000		92,500,000
Unassigned funds (surplus)	(48,101,824)		(48,101,824)
Total Capital and Surplus	<u>47,398,176</u>	<u>-</u>	<u>47,398,176</u>
Total Liabilities, Capital and Surplus	<u>\$ 86,075,348</u>	<u>\$ -</u>	<u>\$ 86,075,348</u>

Tufts Insurance Company
Statement of Income
For the Year Ended December 31, 2011

	<u>As Reported by the Company</u>	<u>Examination Changes</u>	<u>Per Statutory Examination</u>
Member Months	408,417		408,417
Net premium income	\$ 163,937,682		\$ 163,937,682
Hospital and medical:			
Hospital/medical benefits	122,843,936		122,843,936
Prescription drugs	25,925,671		25,925,671
Other hospital and medical	1,413,869		1,413,869
Total hospital and medical	<u>150,183,476</u>		<u>150,183,476</u>
Claims adjustment expenses	4,468,082		4,468,082
Increase in reserves for life and accident and health contracts	(562,000)		(562,000)
General administrative expenses	17,287,818		17,287,818
Total underwriting deductions	<u>171,377,376</u>		<u>171,377,376</u>
Net underwriting loss	<u>(7,439,694)</u>		<u>(7,439,694)</u>
Net investment income earned	900,286		900,286
Net realized capital losses	(254,200)		(254,200)
Net investment gains	646,086		646,086
Net loss after capital gains tax and before all other federal income taxes	(6,793,608)		(6,793,608)
Federal and foreign income taxes incurred	(1,818,709)		(1,818,709)
Net loss	<u>\$ (4,974,889)</u>	<u>\$ -</u>	<u>\$ (4,974,889)</u>

Tufts Insurance Company
Capital & Surplus
For the Year Ended December 31, 2011

	<u>As Reported by the Company</u>	<u>Examination Changes</u>	<u>Per Statutory Examination</u>
Capital and Surplus, December 31, 2010	\$ 33,054,218		\$ 33,054,218
Net loss	(4,974,899)		(4,974,899)
Change in nonadmitted assets	(132,704)		(132,704)
Change in net unrealized Capital losses	(548,439)		(548,439)
Paid in surplus	20,000,000		20,000,000
Change in surplus	14,343,958		14,343,958
Capital and Surplus, December 31, 2011	<u>\$ 47,398,176</u>	<u>\$ -</u>	<u>\$ 47,398,176</u>

Tufts Insurance Company
Reconciliation of Capital & Surplus
For the Three Year Period Ended December 31, 2011

	<u>2011</u>	<u>2010</u>	<u>2009</u>
Capital and Surplus, December 31, prior year	\$ 33,054,218	\$ 23,651,507	\$ 15,006,495
Net loss	(4,974,899)	(10,486,655)	(10,426,925)
Change in nonadmitted assets	(132,704)	(67,278)	(302,955)
Change in net unrealized capital gains (losses) less capital gains tax	(548,439)	(43,492)	-
Cumulative effect of changes in accounting principles			1,374,892
Aggregate write-ins for gains or (losses) in surplus		136	
Surplus adjustments			
Paid in	20,00,000	20,000,000	18,000,000
Net change in capital and surplus	<u>14,343,958</u>	<u>9,402,711</u>	<u>8,645,012</u>
Capital and Surplus, December 31, current year	<u>\$ 47,398,176</u>	<u>\$ 33,054,218</u>	<u>\$ 23,651,507</u>

ACKNOWLEDGMENT

This is to certify that the undersigned is a duly qualified Certified Financial Examiner (CFE) and that, in conjunction with PwC LLP, the undersigned applied certain agreed-upon procedures to the accounting and corporate records of Tufts Insurance Company in order for the Division of Insurance to fulfill the Commonwealth's requirements regarding periodic Statutory Examinations of Massachusetts domiciled insurers.

The undersigned's participation in this Statutory Examination as the Examiner-in-Charge encompassed responsibility for the coordination and direction of the statutory examination performed which was in accordance with, and substantially complied with, those standards established by the *NAIC Financial Condition Examiners' Handbook*, the examination standards of the Division and MGL. This participation consisted of involvement in the planning administration, and review of work papers and preparation of the statutory examination report.

The cooperation and assistance of the officers and personnel of Tufts Insurance Company extended to all examiners during the course of the examination is hereby acknowledged.



Raffaele Ciaramella, Jr., CFE

Supervising Examiner and Examiner-in-Charge
Commonwealth of Massachusetts
Division of Insurance