

**EXAMINATION REPORT**  
**of**  
**VIRGINIA PREMIER HEALTH PLAN, INC.**  
**Richmond, Virginia**  
**as of**  
**December 31, 2010**

# COMMONWEALTH OF VIRGINIA

JACQUELINE K. CUNNINGHAM  
COMMISSIONER OF INSURANCE  
STATE CORPORATION COMMISSION  
BUREAU OF INSURANCE



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I, Jacqueline K. Cunningham, Commissioner of Insurance of the Commonwealth of Virginia, do hereby certify that the annexed copy of the Examination Report of Virginia Premier Health Plan, Inc. as of December 31, 2010, is a true copy of the original report on file with this Bureau.

IN WITNESS WHEREOF, I have hereunto set my hand  
and affixed to the original the seal of the Bureau at the City  
of Richmond, Virginia this 15th day of February, 2012

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Jacqueline K. Cunningham  
Commissioner of Insurance

(SEAL)

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Richmond, Virginia  
November 11, 2011

Honorable Jacqueline K. Cunningham  
Commissioner of Insurance  
Richmond, Virginia

Dear Madam:

Pursuant to your instructions and by the authority of Section 38.2-4315 of the Code of Virginia, an examination of the records and affairs of

**VIRGINIA PREMIER HEALTH PLAN, INC.**

Richmond, Virginia

hereinafter referred to as the Corporation, has been completed. The report thereon is submitted for your consideration.

**DESCRIPTION**

The Corporation became licensed in Virginia as a health maintenance organization ("HMO") pursuant to Chapter 43 of Title 38.2 of the Code of Virginia on August 2, 1995. The Corporation was last examined by representatives from the State Corporation Commission's (the "Commission") Bureau of Insurance (the "Bureau") as of December 31, 2007. This examination covers the period from January 1, 2008 through December 31, 2010.

**HISTORY**

The Corporation was incorporated in the Commonwealth of Virginia on January 31, 1994. The Corporation was organized as a wholly-owned subsidiary of PHP Healthcare Corporation ("PHP"). On January 31, 1996, PHP sold a 30% interest in the Corporation to University Health Services Managed Care, Inc. ("UHSMC"), an affiliate of the Virginia Commonwealth University Health System Authority ("VCUHSA"). On December 22, 1998, UHSMC purchased PHP's remaining shares in the Corporation and UHSMC became the 100% owner of the Corporation. On December 15, 2000, the Corporation changed its name from Virginia Chartered Health Plan, Inc. to Virginia Premier Health Plan, Inc.

Effective July 1, 2010, UHSMC and the Corporation merged with the Corporation remaining as the surviving entity. At the effective date of the merger, each issued and outstanding share of common stock and each issued and outstanding share of convertible preferred stock of the Corporation owned by UHSMC were cancelled and retired. 1,000 shares of no par, common stock were issued to University Health Services, Inc. ("UHS") which, in turn, transferred these shares to VCUHSA. As a result, VCUHSA became the sole shareholder of the Corporation.

### **CAPITAL AND SURPLUS**

At December 31, 2010, the Corporation's capital and surplus was \$61,834,229. According to the restated Articles of Incorporation, the Corporation has the authority to issue 1,000 shares of no par, common stock. At December 31, 2010, 1,000 shares of common stock valued at \$10,000 were issued and outstanding with gross paid in and contributed surplus of \$9,261,977, surplus notes of \$14,000,000 and unassigned funds (surplus) of \$38,562,252.

On June 4, 2009 and April 1, 2010, VCUHSA issued subordinated surplus notes to the Corporation in the amount of \$9,000,000 and \$5,000,000, respectively. Interest on the surplus notes is stated at the Libor Market Index Rate plus one percent. At December 31, 2010, accrued interest on the surplus notes totaled \$231,927.

### **NET WORTH REQUIREMENT**

Section 38.2-4302 of the Code of Virginia states that a HMO licensed in Virginia shall maintain a minimum net worth in an amount at least equal to the sum of uncovered expenses, but not less than \$600,000, up to a maximum of \$4,000,000. 14 VAC 5-210-60 A requires that an HMO report the sum of its uncovered expenses for each three-month period ending December 31, March 31, June 30 or September 30. Because the sum of the Corporation's uncovered expenses for the three-month period ending December 31, 2010 was \$54,246,777, the Corporation's minimum net worth requirement at December 31, 2010 was \$4,000,000.

### **MANAGEMENT AND CONTROL**

The bylaws of the Corporation provide that the Board of Directors shall be responsible for the business and affairs of the Corporation. The Board shall consist of seven Directors. The Directors shall be elected each year at the annual meeting of the shareholders. A majority of the Board of Directors shall constitute a quorum for the transaction of business.

The officers of the Corporation shall consist of a President, a Chief Executive Officer, a Secretary, a Treasurer, and such other officers as the Board of Directors may from time to time elect. Each such officer shall hold office at the pleasure of the Board of Directors and until their successors are elected.

At December 31, 2010, the Board of Directors and Officers were as follows:

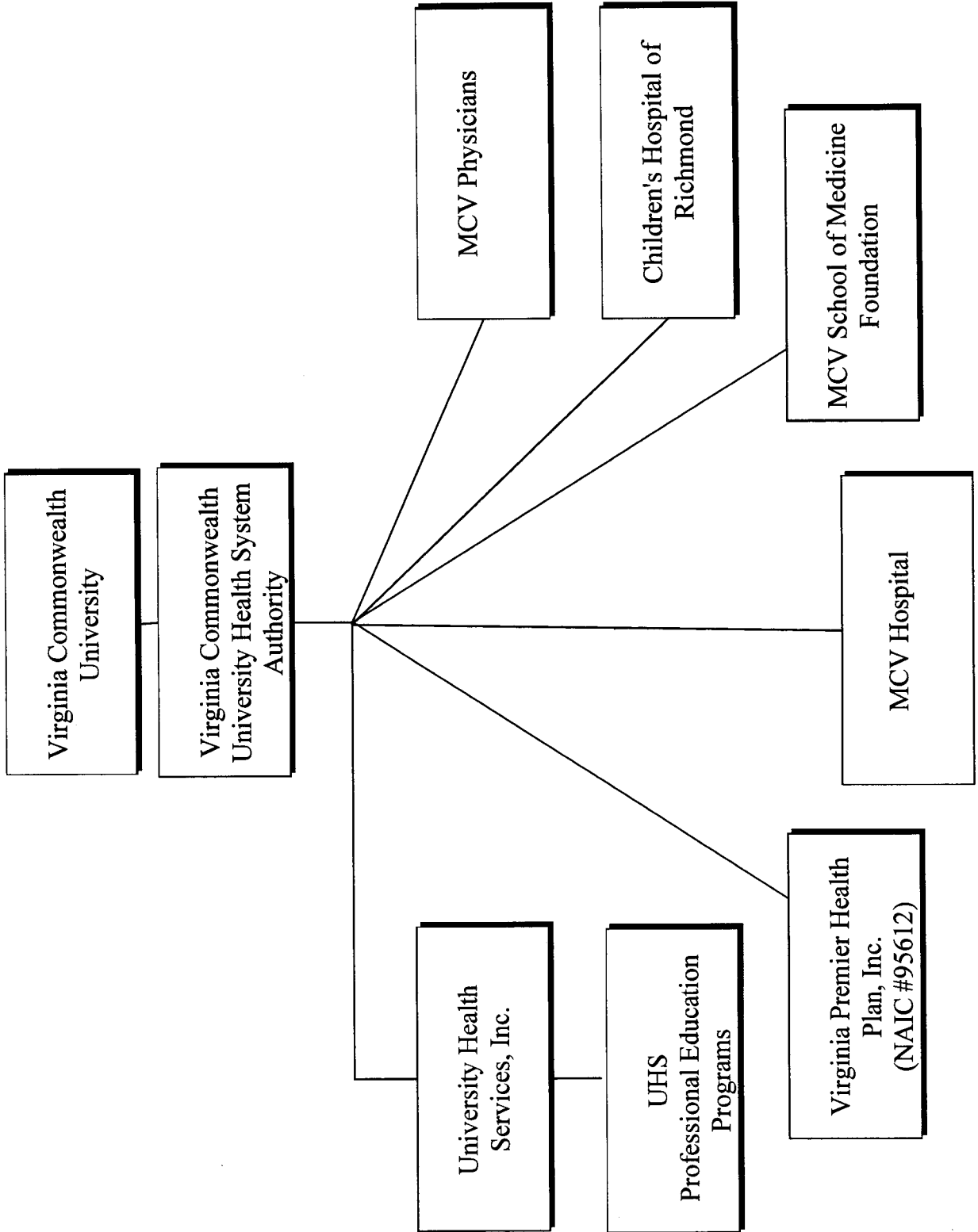
<u>Directors</u>	<u>Principal Occupation</u>
Leonard L. Edloe, PharmD	Pharmacist Richmond, Virginia
Sheryl L. Garland	Vice President – Clinical Enterprise Administration VCU Health System Authority Richmond, Virginia
Donald C. Gehring	Vice President – Government Relations Virginia Commonwealth University Richmond, Virginia
Susan G. Kornstein, M.D.	Professor of Psychiatry VCU Health System Authority Richmond, Virginia
James S. Parrot	Chief Executive Officer Virginia Premier Health Plan, Inc. Richmond, Virginia
Dominic J. Puleo	Chief Financial Officer VCU Health System Authority Richmond, Virginia
Sheldon M. Retchin, M.D.	Chief Executive Officer VCU Health System Authority Richmond, Virginia

#### Officers

Sheldon M. Retchin, MD	President
James S. Parrot	Chief Executive Officer
Sheryl L. Garland	Secretary
Dominic J. Puleo	Treasurer

**AFFILIATED COMPANIES**

At December 31, 2010, the Corporation is a wholly owned subsidiary of VCUHSA. The chart on the following page illustrates the organizational structure of the Corporation and selected affiliated entities at December 31, 2010.





## **TRANSACTIONS WITH AFFILIATES**

### **Administrative Service Agreement**

Effective January 1, 2002, the Corporation entered into an Administrative Service Agreement with VCUHSA. Pursuant to the agreement, the Corporation and VCUHSA shall perform certain administrative services for each other to include executive management reporting, treasury management services, information system services and regulatory and financial management. For these services, the Corporation and VCUHSA shall reimburse each other all direct costs and indirect allocable costs incurred. The agreement shall remain in effect unless terminated for cause by the Corporation with immediate effect or until terminated by either party upon thirty days written notice. The Corporation and VCUHSA charged \$298,524 and \$4,587,708 in fees, respectively, related to this agreement during 2010.

## **CONFLICT OF INTEREST**

The Corporation has adopted a conflict of interest policy. The objective of this policy is to ensure that each director, officer, and employee faithfully serve the Corporation and refrain from doing anything which is adverse or prejudicial to the Corporation's interest. To ensure compliance with the policies, the Corporation has established procedures which require directors, officers and certain employees to sign a conflict of interest disclosure form annually.

## **FIDELITY BOND AND OTHER INSURANCE**

At December 31, 2010, the Corporation was listed as a named insured on a commercial crime policy with a \$5,000,000 limit of liability, subject to a \$100,000 deductible, to insure against losses arising from dishonest acts of its officers and employees. Additionally, the Corporation was listed as a named insured on a managed care policy, a fiduciary liability policy, a commercial property policy, a commercial general liability policy, a commercial business automobile policy, a workers' compensation and employers liability policy, and an umbrella liability policy.

## **TERRITORY AND PLAN OF OPERATION**

At December 31, 2010, the Corporation's service area, as reported in its 2010 Annual Statement, included the Virginia counties and cities of Accomack, Albemarle, Alexandria, Allegheny, Amelia, Amherst, Appomattox, Arlington, Augusta, Bath, Bedford, Bland, Botetourt, Bristol, Brunswick, Buchanan, Buckingham, Buena Vista, Campbell, Carroll, Charles City, Charlotte, Charlottesville, Chesapeake, Clarke, Clifton Forge, Colonial Heights, Covington, Craig, Cumberland, Danville, Emporia, Essex,

Fairfax, Fairfax County, Falls Church, Fauquier, Floyd, Fluvanna, Franklin, Franklin County, Frederick, Fredericksburg, Galax, Giles, Gloucester, Goochland, Grayson, Greene, Greensville, Halifax, Hampton, Hanover, Harrisonburg, Henrico, Henry, Highland, Hopewell, Isle of Wight, James City, King and Queen, King George, King William, Lancaster, Lee, Lexington, Loudoun, Louisa, Lunenburg, Lynchburg, Manassas, Manassas Park, Martinsville, Mathew, Mecklenberg, Middlesex, Montgomery, Nelson, New Kent, Newport News, Norfolk, Northampton, Northumberland, Norton, Nottoway, Page, Patrick, Petersburg, Pittsylvania, Poquoson, Portsmouth, Powhatan, Prince Edward, Prince George, Prince William, Pulaski, Radford, Richmond, Richmond County, Roanoke, Roanoke County, Rockbridge, Rockingham, Russell, Salem, Scott, Shenandoah, Smyth, South Boston, Southhampton, Spotsylvania, Stafford, Staunton, Suffolk, Surry, Sussex, Tazewell, Virginia Beach, Washington, Waynesboro, Westmoreland, Williamsburg, Winchester, Wise, and Wythe.

Physician services are provided by physicians in independent practice in the Corporation's service area. Each member selects a Primary Care Physician ("PCP") from the list of the Corporation's primary providers. The PCP is the coordinator for all of the member's health care needs. All specialty services and all hospital admissions and outpatient surgery require a prior written referral (except in emergencies) from a PCP.

#### **DEPARTMENT OF MEDICAL ASSISTANCE SERVICES AGREEMENT**

At December 31, 2010, the Corporation has a prepaid Medicaid agreement with the Department of Medical Assistance Services ("DMAS"). DMAS is an agency of the Commonwealth of Virginia that administers the State Plan for Medicaid Assistance. Pursuant to this agreement, the Corporation is responsible for directly providing, arranging, purchasing, or otherwise making available the full scope of services to which persons are entitled under the State Plan for Medicaid Assistance.

As compensation for these services, DMAS shall pay the Corporation a monthly capitation fee for each Medicaid recipient enrolled in the Corporation. The monthly capitation payment is based on the number, the age, and the sex of the Medicaid recipient. The agreement with DMAS accounts for 100% of the Corporation's enrollment at December 31, 2010.

## **PROVIDER AGREEMENTS**

### **Medical Services**

The Corporation has entered into agreements with numerous PCPs and specialist physicians to render, provide or arrange for the provision of covered health care services to members. The Corporation compensates physicians either on a capitated basis or a fee-for-service arrangement. Specialist physicians are compensated on a fee-for-service basis in accordance with the Corporation's fee schedule for the particular covered service.

### **Hospital Care**

The Corporation has entered into agreements with a number of hospitals in its service area to provide covered hospital services to its members. Charges for services rendered are in accordance with compensation schedules attached to each individual agreement.

### **Other Health Care Services**

The Corporation has entered into various ancillary service agreements. These agreements provide home health care services, pharmacy services, laboratory services, durable medical equipment and other related covered health care services. Compensation is based on arrangements set forth in each agreement.

## **BENEFITS**

The general benefits available to the Corporation's Medicaid enrollees when provided by PCPs, specialist physicians and other professional providers and approved by the Corporation are as follows:

1. Inpatient Hospital Services
2. Outpatient Medical Care
3. Physician Services
4. Maternity Care
5. Maternal and Infant Care Coordination
6. Women's Wellness Program
7. Well Child Program
8. Rehabilitation Services
9. Home Health Services
10. Family Planning
11. Vision Care
12. Mental Health Services
13. Disease Management

14. Prescription Drugs
15. Durable Medical and Prosthetic Devices
16. Transportation Services
17. Health Education Programs

Exclusions generally consist of services obtained without prior written referral by the member's PCP; inpatient care in a long-term care institution; chiropractic services; experimental or investigational procedures; private duty nursing; and substance abuse services. The above are general summaries of coverages and exclusions and are not intended to be all inclusive.

## GROWTH OF THE CORPORATION

The following data represents the growth of the Corporation since its inception. The data is compiled from the Corporation's filed Annual Statements, the previous examination report, and the current examination report.

<u>Year</u>	Total Admitted <u>Assets</u>	Total <u>Liabilities</u>	Capital And <u>Surplus</u>
2001	\$8,553,295	\$13,820,249	\$(5,266,954)
2002	36,421,140	24,607,211	11,813,929
2003	48,458,068	32,319,814	16,138,254
2004	60,358,072	35,505,496	24,852,576
2005	68,732,830	35,297,476	33,435,354
2006	83,460,175	36,799,205	46,660,970
2007	88,059,190	48,318,193	39,740,997
2008	79,160,360	47,144,108	32,016,252
2009	90,674,621	53,292,879	37,381,742
2010	131,958,119	70,123,890	61,834,229

<u>Year</u>	Total <u>Revenue</u>	Net Investment <u>Gain</u>	Medical & Hospital <u>Expenses</u>	Administrative <u>Expenses</u>	Pre-Tax Income <u>(Loss)</u>
2001	\$77,058,029	\$387,792	\$68,495,576	\$7,737,472	\$1,212,773
2002	175,761,563	492,255	158,780,378	11,054,740	6,418,700
2003	207,070,482	856,367	188,532,647	13,350,767	6,043,435
2004	249,100,548	818,888	217,366,476	18,496,022	14,056,938
2005	292,714,722	1,925,201	249,047,012	26,725,755	18,867,156
2006	335,171,662	3,759,365	282,246,391	33,446,306	23,238,330
2007	363,010,712	4,197,989	339,584,097	32,063,197	(4,438,593)
2008	413,542,130	1,776,387	403,149,883	28,318,572	(16,149,938)
2009	471,897,175	648,720	443,209,664	33,427,936	(4,091,705)
2010	531,288,281	339,769	457,657,514	46,781,033	27,189,503

The Corporation's enrollment data at year-end is illustrated as follows:

<u>Year</u>	<u>Number of Members</u>
2001	65,923
2002	67,616
2003	78,612
2004	89,515
2005	102,926
2006	109,603
2007	122,727
2008	133,767
2009	144,933
2010	155,575

#### **EXCESS LOSS INSURANCE**

At December 31, 2010, the Corporation had an Excess Risk Agreement in force with ING Reinsurance ("ING"). Under the terms of the agreement, the deductible is \$300,000 per member per agreement year. Once the deductible has been reached, ING will indemnify the Corporation 90% of the lesser of billed charges or amount paid by the Corporation for inpatient hospital services, inpatient rehabilitation services, skilled nursing facility services, outpatient health services, physician services and drug related services. The maximum insurance coverage payable under the agreement for each member during any agreement year shall be \$2,000,000. The maximum lifetime insurance coverage payable for each member shall be \$5,000,000.

#### **SPECIAL RESERVES AND DEPOSITS**

At December 31, 2010, the Bureau required that the Corporation maintain a \$586,190 minimum deposit with the Treasurer of Virginia.

**SCOPE**

This is a full scope financial condition examination initiated and conducted under the provisions of Article 4, Chapter 13 of Title 38.2 of the Code of Virginia. The examination covers the period from January 1, 2008 through December 31, 2010. Assets were verified and liabilities established at December 31, 2010.

The examination was conducted in accordance with the NAIC Financial Condition Examiners Handbook. The Handbook requires that the Bureau plan and perform the examination to evaluate the financial condition and identify prospective risks of the Corporation, assess corporate governance, identify and assess inherent risks within the Corporation, and evaluate 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 Corporation were considered in accordance with the risk-focused examination process.

**FINANCIAL STATEMENTS**

There follows a statement of financial condition as of December 31, 2010, a statement of revenue and expenses for the year ending December 31, 2010, a reconciliation of capital and surplus for the period under review, a statement of cash flow for the year ending December 31, 2010, and a statement of Examiners' changes in capital and surplus at December 31, 2010. The financial statements are presented in accordance with Statutory Accounting Principles.



**ASSETS**

	<u>Assets</u>	Nonadmitted <u>Assets</u>	Net Admitted <u>Assets</u>
Properties held for the production of income	\$303,075		\$303,075
Cash, cash equivalents and short-term investments	76,891,813		76,891,813
Other invested assets	1,319,908		1,319,908
Aggregate write-ins for invested assets	<u>876,450</u>	<u>834,052</u>	<u>42,398</u>
Subtotals, cash and invested assets	\$79,391,246	\$834,052	\$78,557,194
Investment income due and accrued	64		64
Uncollected premiums and agents' balances in the course of collection	50,334,771		50,334,771
Amounts recoverable from reinsurers	300,274		300,274
Net deferred tax asset	1,551,335		1,551,335
Electronic data processing equipment and software	346,735	188,156	158,579
Furniture and equipment, including health care delivery assets	1,193,689	1,193,689	0
Receivables from parent, subsidiaries and affiliates	97,282		97,282
Health care and other amounts receivable	<u>2,273,796</u>	<u>1,315,176</u>	<u>958,620</u>
Total assets	<u><u>\$135,489,192</u></u>	<u><u>\$3,531,073</u></u>	<u><u>\$131,958,119</u></u>

**LIABILITIES, CAPITAL AND SURPLUS**

	<u>Covered</u>	<u>Uncovered</u>	<u>Total</u>
Claims unpaid	\$39,486,767	\$3,433,632	\$42,920,399
Unpaid claims adjustment expenses	1,239,803	107,809	1,347,612
General expenses due or accrued		5,186,694	5,186,694
Current federal income tax payable and interest thereon		5,954,882	5,954,882
Amounts due to parent, subsidiaries and affiliates		12,088,125	12,088,125
Aggregate write-ins for other liabilities		2,626,178	2,626,178
	<hr/>	<hr/>	<hr/>
Total liabilities	<u>\$40,726,570</u>	<u>\$29,397,320</u>	<u>\$70,123,890</u>
Common capital stock			\$10,000
Preferred capital stock			0
Gross paid in and contributed surplus			9,261,977
Surplus notes			14,000,000
Unassigned funds (surplus)			38,562,252
			<hr/>
Total capital and surplus			<u>\$61,834,229</u>
			<hr/>
Total liabilities, capital and surplus			<u><u>\$131,958,119</u></u>

**STATEMENT OF REVENUE AND EXPENSES**

	<u>Uncovered</u>	<u>Total</u>
Net premium income	XXX	\$531,288,281
Total revenues	XXX	\$531,288,281
<b>Hospital and Medical</b>		
Hospital/medical benefits	\$12,703,345	\$227,733,737
Other professional services	5,371,865	93,989,189
Outside referrals	14,071,106	14,071,106
Emergency room and out-of-area	480,064	30,710,697
Prescription drugs	92,252,906	92,952,906
Subtotal	\$124,879,286	\$459,457,635
<b>Less:</b>		
Net reinsurance recoveries	1,800,121	1,800,121
Total hospital and medical	\$123,079,165	\$457,657,514
Claims adjustment expenses	704,490	704,490
General administrative expenses	46,076,543	46,076,543
Total underwriting deductions	\$169,860,198	\$504,438,547
Net underwriting gain	XXX	\$26,849,734
Net investment income earned		\$339,769
Net investment gains		\$339,769
Net income before federal income taxes	XXX	\$27,189,503
Federal income taxes incurred	XXX	7,803,262
Net income	XXX	\$19,386,241

**RECONCILIATION OF CAPITAL AND SURPLUS**

	<u>2008</u>	<u>2009</u>	<u>2010</u>
Capital and surplus prior reporting year	* <u>\$39,740,997</u>	<u>\$32,016,252</u>	<u>\$37,381,742</u>
<b>GAINS AND LOSSES TO CAPITAL AND SURPLUS</b>			
Adjustment for previous examination change	\$1,849,464		
Net income (loss)	(11,100,198)	(2,498,928)	19,386,241
Change in net deferred income tax	(706,395)	(772,294)	1,551,335
Change in nonadmitted assets	2,232,384	(363,288)	(1,485,089)
Change in surplus notes		<u>9,000,000</u>	<u>5,000,000</u>
Net change in capital and surplus	<u>(\$7,724,745)</u>	<u>\$5,365,490</u>	<u>\$24,452,487</u>
Capital and surplus end of reporting year	<u><u>\$32,016,252</u></u>	<u><u>\$37,381,742</u></u>	<u><u>\$61,834,229</u></u>

\* Adjusted Capital and surplus from previous examination

**CASH FLOW****Cash from Operations**

Premiums collected net of reinsurance	\$530,121,731
Net investment income	339,896
Total	<u>\$530,461,627</u>
Benefit and loss related payments	\$457,892,060
Commissions, expenses paid and aggregate write-ins for deductions	36,815,398
Federal income taxes paid	1,848,380
Total	<u>\$496,555,838</u>
Net cash from operations	<u>\$33,905,789</u>

**Cash from Investments**

Cost of investments acquired:	
Other invested assets	\$277,107
Total investments acquired	<u>\$277,107</u>
Net cash from investments	<u>(\$277,107)</u>

**Cash from Financing and Miscellaneous Sources**

Cash provided (applied):	
Surplus notes	\$5,000,000
Other cash applied	<u>(385,312)</u>
Net cash from financing and miscellaneous sources	<u>\$4,614,688</u>

**RECONCILIATION OF CASH AND SHORT-TERM INVESTMENTS**

Net change in cash and short-term investments	\$38,243,370
Cash and short-term investments:	
Beginning of the year	<u>38,648,443</u>
End of the year	<u><u>\$76,891,813</u></u>

**EXAMINERS' CHANGES IN CAPITAL AND SURPLUS**

	<u>Corporation</u>	<u>Examiners</u>	Increase (Decrease)
<u>Capital:</u>			
Common capital stock	\$8,640	\$10,000	\$1,360
Preferred capital stock	<u>1,360</u>	<u>0</u>	<u>(1,360)</u>
Examiners' change in capital and surplus			<u>\$0</u>
Total capital and surplus per the Corporation			\$61,834,229
Total capital and surplus per the Examiners			<u>61,834,229</u>
Net change in capital and surplus			<u>\$0</u>

**RECOMMENDATIONS FOR CORRECTIVE ACTION****Accounts and Records**

1. Common capital stock \$10,000

The above capital account is \$1,360 more than the amount reported by the Corporation in its 2010 Annual Statement. The increase is a result of the Corporation misstating the number of shares of common capital stock outstanding at December 31, 2010.

2. Preferred capital stock \$0

The above capital account is \$1,360 less than the amount reported by the Corporation in its 2010 Annual Statement. The decrease is a result of the Corporation misstating the number of shares of preferred capital stock outstanding at December 31, 2010.

**SUBSEQUENT EVENTS**

In May 2011, the Corporation applied with the Internal Revenue Service to convert to not-for-profit status with an effective date of July 1, 2010.

On July 18, 2011, the Bureau granted approval for the Corporation to repay \$14,000,000 in principal on its outstanding subordinated surplus notes. This amount was paid to VCUHSA on July 29, 2011.

**CONCLUSION**

The courteous cooperation extended by the Corporation's officers and employees during the course of the examination is gratefully acknowledged.

In addition to the undersigned, Darrin Bailey, CFE, George Morgan, CFE, and Milton Parker participated in the work of the examination.

Respectfully submitted,

A handwritten signature in black ink that reads "Kenneth G. Campbell". The signature is written in a cursive style with a large initial 'K' and a stylized 'M' at the end.

Kenneth G. Campbell, CFE  
Assistant Chief Examiner





**February 8, 2012**

**David H. Smith, CFE, CPA, CPCU  
Chief Examiner  
State Corporation Commission  
Bureau of Insurance  
P O Box 1157  
Richmond, Virginia 23218**

**Re: Response to Examination Report**

**Dear Mr Smith:**

**Please find attached Virginia Premier Health Plan's response to the Bureau of Insurance's recommendations for corrective action included in the Examination report for the period ending December 31, 2010.**

**Please feel free to contact Tim Carpenter (819 – 5164) if you should have any questions or concerns.**

**Sincerely,**

A handwritten signature in black ink, appearing to read 'James S. Parrott', is written over the word 'Sincerely,'. The signature is fluid and cursive, with a large initial 'J' and 'P'.

**James S. Parrott  
Chief Executive Officer**

**VIRGINIA PREMIER HEALTH PLAN, INC  
RESPONSE TO BOI EXAMINATION REPORT  
AS OF DECEMBER 31, 2010**

**1. ACCOUNTS and RECORDS**

Common capital stock \$10,000

The amount reported by the Corporation (\$8,640) in the 2010 Annual Statement was inadvertently reported. Effective July 1, 2010, 1,000 shares were issued to University Health Services, Inc which, in turn, transferred these shares to Virginia Commonwealth University Health System Authority. The Common Capital stock of \$10,000 will be reported on all future reports.

Preferred capital stock \$0

The amount reported by the Corporation (\$1,360) in the 2010 Annual Statement was inadvertently reported. Effective July 1, 2010, there no issued and outstanding shares of Preferred stock. All future reports will reflect this.