Examination Warrant Number 08-LH-390

Report of Examination of

Significa Insurance Group, Inc.
Wilkes Barre, Pennsylvania

As of December 31, 2008

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Harrisburg, Pennsylvania
December 24, 2009

Honorable Stephen J. Johnson, CPA
Deputy Insurance Commissioner
Commonwealth of Pennsylvania
Insurance Department
Harrisburg, Pennsylvania

Dear Sir:

In accordance with instructions contained in Examination Warrant Number 08-LH-390, dated, February 29, 2008, an examination was made of

Significa Insurance Group, Inc., NAIC Code: 67636,

a Pennsylvania domiciled life insurance company, hereinafter referred to as "Company." The examination was conducted at the Company's compliance and information technology center. located at 169 North Pennsylvania Avenue, Wilkes Barre, Pennsylvania 18711.

A report of this examination is hereby respectfully submitted.

SCOPE OF EXAMINATION

An organizational examination by the Pennsylvania Insurance Department was performed on Significa Insurance Group, Inc. as of August 31, 2005. An examination by the Florida Office of Insurance Regulation was last performed on Peninsular Life Insurance Company (k/n/a Significa Insurance Group), for the three year period ending December 31, 2005.

This Pennsylvania Insurance Department examination of Significa Insurance Group, Inc. covers the period from September 1, 2005 through December 31, 2008, and consisted of a general survey of the Company's business practices, management, and operations, and an evaluation of the Company's financial condition as of the latter date. Material subsequent events were also reviewed.

Work programs employed in the performance of this examination were designed to comply with the standards promulgated by the Pennsylvania Insurance Department ("Department") and the National Association of Insurance Commissioners ("NAIC").

The format of this report is consistent with the current practices of the Department and the examination format prescribed by the NAIC. It is limited to a description of the Company, a discussion of financial items that are of specific regulatory concern, and a disclosure of other significant regulatory information.

For each year during the period under examination, the Certified Public Accounting ("CPA") firm of PricewaterhouseCoopers, LLP. ("PWC") provided an unqualified audit opinion on Significa Insurance Group, Inc.'s year-end financial statements based on statutory accounting principles. Relevant work performed by PWC, during its annual audit of the Company, was reviewed during the examination and incorporated into the examination workpapers.

CONCURRENT EXAMINATIONS

Concurrent financial condition examinations were conducted, as of December 31, 2008, for the following affiliated Companies:

Company	NAIC Code
Hospital Service Association of Northeastern Pennsylvania	54747
First Priority Life Insurance Company, Inc.	60147
HMO of Northeastern Pennsylvania, Inc.	96601

HISTORY

Articles of Incorporation were filed with the Department of State on February 18, 2005, entity number 3284864, microfilm number 2005018, with Hospital Service Association of Northeastern Pennsylvania (HSA) as the sole incorporator.

On April 19, 2005, the Company made application to the Pennsylvania Insurance Department for a Certificate of Authority to transact the business of a life, accident and health insurance company selling accident and health insurance in the Commonwealth of Pennsylvania. Specifically, the Company requested authorization to transact the following classes of insurance described in the Pennsylvania Insurance Company Law, 40 P.S. § 382, subsection (a), paragraph (1) life and annuities and subsection (a), paragraph (2) accident and health.

On April 19, 2005, the Company issued 100 shares of no par common stock to its parent, HSA at a cost of $1,650,000 of which $1,100,000 was allocated to the common capital stock of the corporation and $550,000 was allocated to paid-in or contributed capital of the Company.

Since organizing in 2005, the Company has introduced and ratified several resolutions for changes to the Company's Corporate Structure, By-laws and the Articles of Incorporation. The changes primarily focused on modifying and updating the Company's corporate governance structure, documentation and functions as a result of mergers and acquisitions.

On January 19, 2007, AllOne Health Group, Inc. purchased Florida domiciled life, accident and health insurer, Peninsular Life Insurance Company, incurring acquisition costs. On April 19, 2007, the Pennsylvania Insurance Department approved the redomestication of Peninsular Life Insurance Company. On May 2, 2007, the Pennsylvania Insurance Department and the Pennsylvania Department of State granted regulatory approval for the merger of Peninsular Life Insurance Company and Significa Insurance Group, Inc. Subsequent to the merger, HSA transferred the investment in Significa Insurance Group, Inc. as an investment in AllOne Health Group, Inc. Peninsular Life Insurance Company became the surviving entity and was subsequently renamed Significa Insurance Group, Inc.

As of December 31, 2008, the Company is licensed in 41 states and territories, with operations primarily concentrated in Pennsylvania, Ohio and Arizona. The Company is currently authorized to transact those classes of insurance described in the Pennsylvania Insurance Company Law, 40 P.S. § 382, subsection (a), paragraph (1) life and annuities and subsection (a), paragraph (2) accident and health.

MANAGEMENT AND CONTROL

CAPITALIZATION

On April 19, 2005, the Company issued 100 shares of no par common stock to its parent, HSA at a cost of $1,650,000 of which $1,100,000 was allocated to the common capital stock of the corporation and $550,000 was allocated to paid-in or contributed capital of the Company.

During 2005 and 2006, AllOne Health Group, Inc. contributed additional paid in capital of $500,000 each year to Significa Insurance Group, Inc.

Upon completion of the merger, Peninsular Life Insurance Company's additional paid in capital of $3,028,495 survived the merger. Subsequent to the merger, the common capital stock of former Significa Insurance Group, Inc. of $1,100,000 and the additional paid in capital of $1,550,000 was recorded as additional paid in capital on the newly merged Company.

During 2007 and 2008, AllOne Health Group, Inc. contributed additional paid in capital of $2,695,105 and $3,450,000, respectively to Significa Insurance Group, Inc.

The common capital stock of Peninsular Life Insurance Company of $2,719,348, survived the merger.

As of the examination date, December 31, 2008, the Company's total capital and surplus was $7,689,052 consisting of 7,200,000 common capital stock shares authorized, of which 1,208,599 shares of $2.25 par common capital stock are issued and outstanding, amounting to $2,719,348; $11,823,600 in paid in and contributed surplus; and ($6,853,896) in unassigned funds (surplus).

Subsequent to completion of the examination, the Company made a request of the Pennsylvania Insurance Department to infuse a cash surplus contribution of $18,000,000. The Pennsylvania Insurance Department subsequently approved the request.

The Company's minimum capital and minimum surplus requirements for the types of business for which it is licensed, pursuant to 40 P. S. § 386.1, is $1,100,000 in capital and

$550,000 in surplus. The Company has met all governing requirements throughout the examination period.

STOCKHOLDERS

The Company as of the date of the examination, was 100% owned by HSA through its 100 % ownership of AllOne Health Group, Inc.

There were no dividends paid to stockholders or policyholders during the examination period.

INSURANCE HOLDING COMPANY SYSTEM

The Company is a member of an insurance holding company system by virtue of HSA owning a 100% interest in AllOne Health Group, Inc., who, in turn, holds a 100% ownership interest in Significa Insurance Group, Inc.

Pursuant to Pennsylvania Insurance Company Law 40 P.S. § 991.1401-991.1413, the Company meets the requirements for filing an insurance holding company system registration statement. The Company's requisite Form B Insurance Holding Company System Annual Registration Statement's for the examination period have been filed in a timely and proper manner on behalf of the Company, HMO of Northeastern Pennsylvania, Inc., First Priority Life Insurance Company, Inc. and HSA.

HSA is named as the ultimate controlling person in the system. Members of the holding company system include the following entities briefly described below:

Hospital Service Association of Northeastern Pennsylvania

Doing business as Blue Cross of Northeastern Pennsylvania. HSA is a Pennsylvania non-profit Hospital Plan Corporation and independent licensee of the Blue Cross and Blue Shield Association (BCBSA) serving members in thirteen counties in Northeastern and North Central Pennsylvania.

HMO of Northeastern Pennsylvania, Inc

Doing business as First Priority Health (FPH). FPH is a Pennsylvania non-profit Health Maintenance Organization operating as a BCBSA licensed controlled affiliate of HSA serving members within the same thirteen counties as HSA. HSA owns 60% of FPH and Highmark Inc. owns the remaining 40%.

First Priority Life Insurance Company, Inc.

Doing business as First Priority Life (FPL). FPL was formed in Pennsylvania in 1997 to administer a non-gatekeeper PPO product in the same thirteen counties as HSA. This is a for profit corporation licensed as a controlled affiliate by BCBSA. HSA owns 60% and Highmark Inc. owns 40% of FPL.

Hospital Service Association of Northeastern Pennsylvania Foundation

Doing business as The Blue Ribbon Foundation of Blue Cross of Northeastern Pennsylvania. It is a 501(c)(3) organization formed to receive and maintain funds exclusively for charitable, religious, scientific, literary or educational purposes either directly or by contributions to organizations that qualify as exempt organizations. The Blue Ribbon Foundation is domiciled in Pennsylvania.

AllOne Health Group, Inc.

Formed as a for profit corporation in Pennsylvania to provide utilization review and discharge planning services under the name of Universal Managed Care (UMC) in 1985. Universal Managed Care, Inc. changed its name to AllOne Health Group, Inc. in 2007 and has changed its focus to business diversification activities.

Erin Group Administrators, Inc.

Erin Group Administrators, Inc. is a domestic Pennsylvania corporation that provides Third Party Administrator services.

Significa Insurance Group, Inc.

A for-profit corporation originally formed in 1910 as a Florida domestic insurer to sell life and health insurance coverage as Peninsular Life Insurance Company. It is licensed in 41 states. Peninsular Life Insurance Company was acquired by UMC January 19, 2007 and subsequently redomesticated to Pennsylvania, merged with Significa Insurance Group, Inc. and assumed the Significa name as the surviving company.

AllOne Health Management Solutions, Inc.

A for-profit corporation formed in 2006 as a Pennsylvania domestic corporation that offers wellness, utilization management, disease management and other services.

AllOne Mobile Corporation

A for-profit corporation formed in 2008 as a Pennsylvania domestic corporation for the purpose of providing mobile health solutions through secure mobile access to personal and health related information.

AllOne Health Inc.

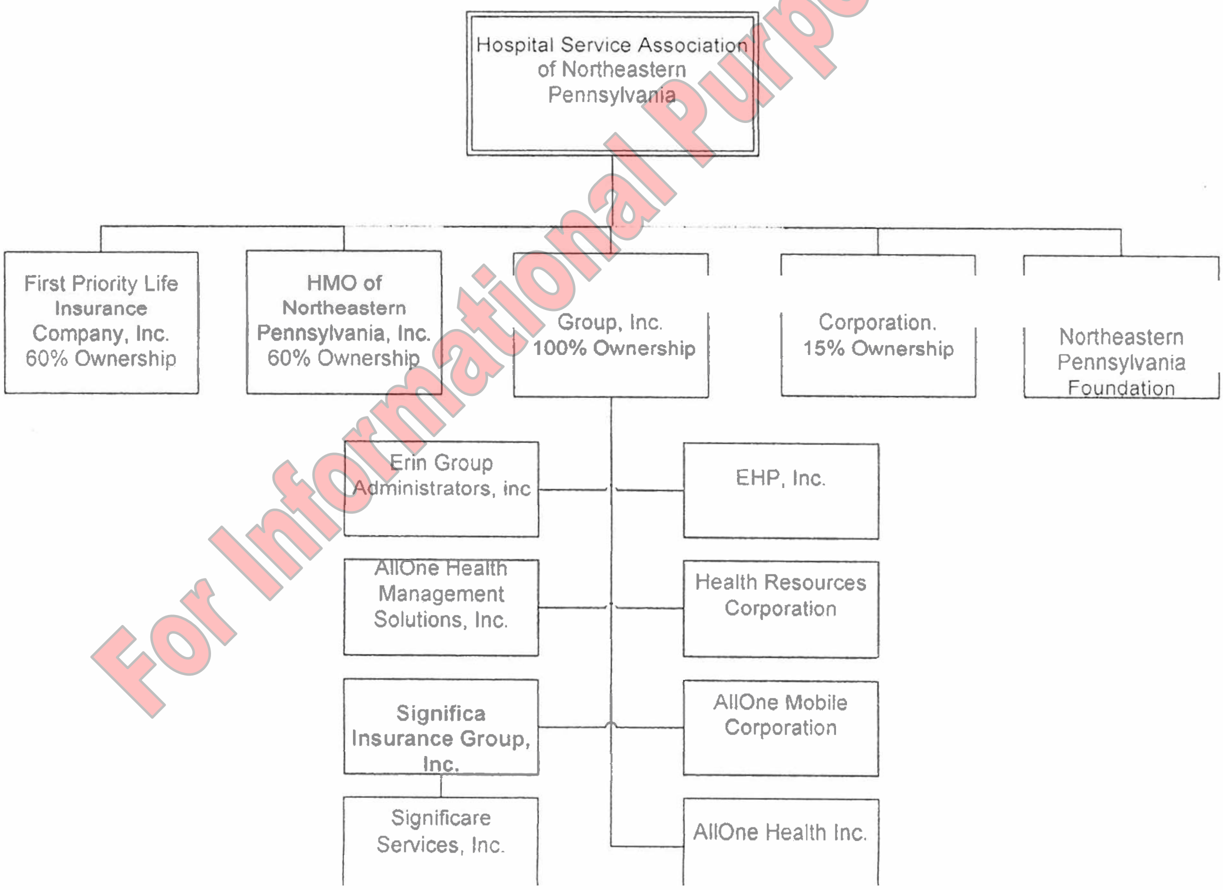
A for-profit corporation formed in November 2008 as a Pennsylvania domestic corporation that provides business marketing services and management services to its affiliates.

Health Resources Corporation

A for-profit corporation acquired in 2006. Health Resources is domiciled in Massachusetts. Health Resources is a leading provider of occupational health, work/life, and medical management services in the United States. It implements and manages high quality programs for business, industry, government agencies, and commercial insurance carriers worldwide.

Significare Services, Inc. – Currently inactive.

The members of the Holding Company System are shown in the following organizational chart, as of December 31, 2008.



BOARD OF DIRECTORS

Management of the Company is vested in its Board of Directors ("Board"), which was comprised of the following members as of the examination date, December 31, 2008:

Name and Address	Principal Occupation
Frank E. Apostolico Clarks Summit, Pennsylvania	President American Assets, Inc
Denise S. Cesare Moosic, Pennsylvania	President and CEO HSA of Northeastern Pennsylvania
John H. Graham Shavertown, Pennsylvania	Private Investor
Gary F. Lamont Sugarloaf, Pennsylvania	Principal Conyngham Pass Company
Richard K. Mangan Clarks Summit, Pennsylvania	Chairman Craft Oil Corporation
John J. Menapace Clarks Summit, Pennsylvania	President Menapace Business Consulting, Inc.
John P. Moses Wilkes Barre, Pennsylvania	Chief Executive Officer ALSAC/St Jude Children's Research Hospital
William C. Reed Moosic, Pennsylvania	Executive Vice President HSA of Northeastern Pennsylvania
J. Kenneth Suchoski Wilkes Barre, Pennsylvania	Senior Vice President – Finance and CFO HSA of Northeastern Pennsylvania

The Board of Director's shall consist of at least seven (7) members and may be changed by resolution of the shareholders. As of December 31, 2008, the Board of Directors consisted of nine (9) members.

The President of the Corporation shall be named as a director. The directors are not required to be residents of Pennsylvania or a stockholder of the Corporation. The term for each director is one year and they are elected by the Shareholders at the Annual Meeting. Each Board of Director member shall be entitled to one (1) vote.

The Company maintains a conflict of interest policy that requires all Officers and the Board of Directors to annually disclose any conflict of interest. A review of the signed conflicts of interest disclosed that the Company maintained support for this process for the period under examination.

The Board may create one (1) or more committees, consisting of one (1) or more directors of the corporation, to serve at the pleasure of the Board of Directors. Each committee shall have a quorum to transact business and is to keep regular minutes of its meetings. The Committee shall report to the Board at each regular meeting of the Board.

COMMITTEES

The following Directors and/or Officers were assigned to serve on the following Committees as of December 31, 2008:

AUDIT COMMITTEE
Gary F. Lamont, Chair
Richard K. Mangan
John J. Menapace

NOMINATING COMMITTEE
Frank E. Apostolico, Chair
John H. Graham
Gary F. Lamont
John J. Menapace

Pennsylvania Insurance Company Law 40 P.S.§ 991.1405(c)(3) Standards of management of an insurer within a holding company system, states: "not less than one-third of the directors of a domestic insurer and not less than one-third of the members of each committee of the board of directors of any domestic insurer shall be persons who are not officers or employees of such insurer or of any entity controlling, controlled by or under common control with such insurer and who are not beneficial owners of a controlling interest in the voting stock of such insurer of any such entity. At least one such person must be included in any quorum for the transaction of business of business at any meeting of the board of directors or any committee thereof."

Likewise, Pennsylvania Insurance Company Law 40 P.S.§ 991.1405(c)(4), Standards of management of an insurer within a holding company system states: "The board of directors of a domestic insurer shall establish one or more committees comprised solely of directors who are not officers or employees of the insurer or of any entity controlling, controlled by or under common control with the insurer and who are not beneficial owners of a controlling interest in the voting stock of the insurer or any such entity. The committee or committees shall have the responsibility for recommending the selection of independent certified public accountants, reviewing the insurer's financial condition, the scope and results of the independent audit and any internal audit, nominating committees for director for election by shareholders or policyholders, evaluating the performance of officers deemed to be principal officers of the insurer and recommending to the board of directors the selection and compensation of the principal officers."

Upon review of the committees listed above and their responsibilities, it appears that the Company's Audit and Nominating committee's were in compliance with the Pennsylvania Insurance Company Laws mentioned in the above paragraphs.

OFFICERS

As of the examination date, December 31, 2008, the following officers were appointed and serving in accordance with the Company's By-laws:

Name	Title
John P. Moses	Chairperson of the Board of Directors
Denise S. Cesare	Vice Chairperson of the Board
Lucille M. Connors	President and CEO
J. Kenneth Suchoski	Vice President – Finance and CFO
Karen Kaminskas	Vice President – Insurance Operations
Edwin R. Goodlander, Esq.	Vice President, General Counsel and Secretary
Bruce E. Sickel	Treasurer

Subsequent to the examination period ending December 31, 2008 and effective January 2, 2009, Edwin R Goodlander, Esq. submitted a letter of resignation from the office of Vice President - General Counsel and Secretary, dated December 30, 2008. Gertrude C. McGowan, Esquire was nominated to act as Vice President –Interim General Counsel & Secretary upon Edwin R Goodlander, Esq.'s resignation.

In May, 2009, several of the Officer positions were revised as follows: Denise S. Cesare became CEO, William C. Reed became President, Lucille M. Connors became Senior Vice President – Operations and the Vice Chairman Position was eliminated.

Effective May 31, 2009, J. Kenneth Suchoski, Senior Vice President - Finance and Chief Financial Officer submitted a letter of resignation. Suzanne Fletcher, Vice President - Finance was nominated and resolved to replace and serve as Interim Chief Financial Officer until a replacement is duly selected. Effective August 3, 2009, William J. Farrell, was nominated and resolved to serve as Vice President - Finance and Enterprise Chief Financial Officer for a period of 1 year and until his successor is duly qualified and elected.

CORPORATE RECORDS

MINUTES

A compliance review of the Company's corporate minutes was conducted. The compliance review indicates that the annual meeting of the Company's shareholders, or in lieu of the Annual Meeting, the Joint Action by Unanimous Consent in Writing of the Board of Director's and Sole Shareholder, appears to be in compliance with its By-laws. Directors and Officers were elected at the annual meeting of the Shareholders, in compliance with the Company's By-laws and the actions of the Company's directors and officers were ratified by the Company's sole shareholder. Meetings were regularly attended by board and committee members and quorums were present at all stockholders, directors and committee meetings and adequately documented. The Company's investment transactions are approved by the Board of

Directors or a committee thereof. The Company's Board meeting minutes do not address review and approval of the reinsurance contracts, reinsurance transactions or reinsurance intermediaries, including transfer of risk.

Subsequent to completion of the examination, and prior to the issuance of the report of examination the Company has filed a Plan of Withdrawal with the Pennsylvania Insurance Department (see Subsequent Events). Given the Company's intention to withdraw from the insurance business in Pennsylvania a recommendation addressing the above reinsurance findings was not deemed necessary.

Upon completion of our compliance review of the corporate board and committee minutes, it appears that the Company's minutes are generally well maintained, the Company appears to be operating within the confines of it's Articles and By-laws and the minutes appear to be in compliance with Pennsylvania Business Corporation Law 15 Pa. C.S.A. § 1508(a).

CORPORATE DOCUMENTATION - ARTICLES OF INCORPORATION, DOMESTICATION AND MERGER

As a result of the AllOne Health Group Inc.'s purchase of Peninsular Life Insurance Company, several regulatory filings to the Pennsylvania Insurance Department and the Pennsylvania Department of State have been submitted. These amendments were made to align the Company's corporate documents with the revised structure and operations of the merged entities.

On January 19, 2007, AllOne Health Group, Inc. purchased Florida domiciled life, accident and health insurer, Peninsular Life Insurance Company.

On behalf of the Company, Articles of Domestication were prepared and filed. On April 19, 2007, the Pennsylvania Insurance Department approved the Articles of Domestication of Peninsular Life Insurance Company.

On May 2, 2007, the Pennsylvania Insurance Department and the Pennsylvania Department of State granted regulatory approval for the Articles of Merger of Peninsular Life Insurance Company and Significa Insurance Group, Inc. Upon regulatory approval of the Articles of Domestication and Merger, Peninsular Life Insurance Company became the surviving entity. The Company requested and was approved for a name change to Significa Insurance Group, Inc.

Subsequent to the examination period, on January 1, 2009, the Company filed Articles of Merger with EHP, Inc., a non-insurance entity. The merger will be accounted for as a statutory merger and will become part of Significa Insurance Group, Inc.

BY-LAWS

On May 2, 2007, the Company made changes or amendments to its By-laws. These amendments were made to align the Company's corporate documents with the revised structure and operations as a result of the merger.

The amendments were approved by the Board of Directors in accordance with the Company's By-laws and reported to the Pennsylvania Insurance Department.

Subsequent to December 31, 2008, the Company amended the By-laws of the corporation to require that the Annual Meeting occur no later then five (5) months after the end of the fiscal year, to include adding the Chief Executive Officer position to use consistent language in all AllOne Health Group, Inc. companies regarding the Chief Executive Officer and Ex-Officio Board and Committee Member and remove language regarding President as Director of the Corporation.

SERVICE AND OPERATING AGREEMENTS

The Company's ultimate parent and direct parent, HSA and AllOne Health Group, Inc., provide the majority of the facilities and equipment, staffing, bookkeeping and administrative services to all or a majority of the subsidiaries, described in the Insurance Holding Company System Section. As a result, the Company is a party to several written, executed service and operating agreements. These agreements outline the items and services provided, as well as the responsibilities, terms and conditions of each party. The Company has submitted the agreements and subsequent amendments to the Pennsylvania Insurance Department and the examination team, for review.

Subsequent to the examination period ending December 31, 2008, the Company entered into several new service and operating agreements, as well as recommending, executing and resolving several other agreements and amendments.

ADMINISTRATIVE SERVICE AGREEMENTS

The Company maintains Administrative Service Agreements with several of its subsidiaries and affiliates including HSA, Erin Group Administrators, Inc., EHP, Inc. and AllOne Health Management Solutions, Inc. In general, under the terms of the agreements, the subsidiaries and affiliates are to provide administrative, management, case and disease management, health risk assessments and lifestyle coaching services, to support and supplement the operations of the subsidiaries and affiliates.

Throughout the examination period, new administrative service agreements have been added and existing administrative service agreements have been renewed and amended. There were various reasons for amending the agreements, including adding new subsidiaries, changes in company strategy, corporate structure or ownership, modification of services provided, costing methodology or billing terms.

Specific subsidiary and enterprise allocated costs for the direct benefit of the subsidiary are charged to the subsidiary and allocated in the subsidiary's financial records in accordance with SSAP #70, Allocation of Expenses. Settlement in full for the costs is to be made by the subsidiaries monthly, by the end of the month after the services were rendered, in accordance with the terms of the agreement.

TAX ALLOCATION AGREEMENT

The Company is party to a Tax Allocation Agreement between HSA and the majority of its subsidiaries. The Company has a written election, approved by the Board of Directors, setting forth the manner in which the total combined federal income tax is allocated to each entity which is party to the consolidation.

HEALTH CHOICES PROGRAM AGREEMENT

On July 1, 2007, the Company entered into contracts with Behavioral Health Services of Somerset and Bedford Counties, Inc., County of Blair, Tuscarora Managed Care Alliance and Lycoming/Clinton Joinder Board to assume all operational and financial risks associated with providing the HealthChoices Program, behavioral healthcare services, to Medical Assistance recipients residing in Bedford, Blair, Clinton, Franklin, Fulton, Lycoming and Somerset Counties of the Commonwealth of Pennsylvania. On the same date, the Company entered into a contract with Community Behavioral Health Network of Pennsylvania to provide all program services and to indemnify the Company from operational and financial risk. The Company will be paid, on a monthly basis, a fee for its participation in the agreement, based on a percentage of the net premium payments and applicable expenses incurred on a monthly basis.

Subsequent to the examination period on June 10, 2009, Community Behavioral Health Network of Pennsylvania's subsidiary CBHNP Services, Inc. received it's Certificate of Authority. On the same date, under the terms of the agreement, all of the Company's rights, responsibilities and obligations under these Agreements were transferred, conveyed and novated to CBHNP Services, Inc.

BEHAVIORAL HEALTH GUARANTEE AGREEMENT

On behalf of the Company, HSA entered into guarantee agreements with Behavioral Health Services of Somerset and Bedford Counties, Inc., County of Blair, Tuscarora Managed Care Alliance and Lycoming/Clinton Joinder Board.

In the event that the Company is unable to fulfill its obligations under the agreements with the Counties, HSA guarantees the payment of the Company's obligations, not to exceed the equivalent of the most recent two months worth of paid claims for each of the Counties, when determinable, or the most recent two months of actual "Health Care Payment" capitation revenue for each of the Counties.

Subsequent to the examination period on June 10, 2009, Community Behavioral Health Network of Pennsylvania's subsidiary CBHNP Services, Inc. received a Certificate of Authority. On the same date, under the terms of the agreement; all of the Company's rights, responsibilities and obligations under these Agreements were transferred, conveyed and novated to CBHNP Services, Inc. Also, under the terms of the agreement HSA's guarantee obligation remains in effect for CBHNP Services, Inc.

ANNUAL COMMUNITY HEALTH REINVESTMENT AGREEMENT

On February 2, 2005, HSA entered into a six year agreement with the Pennsylvania Insurance Department for a commitment to an Annual Community Health Reinvestment. The Annual Community Health Reinvestment is a fully-insured direct written health premium assessment on not-for-profit Blue Cross and Blue Shield Plans with sixty percent of the assessment dedicated to providing health insurance through state approved programs for persons of low income. The remainder is directed by Blue Cross and spent directly on other specified Commonwealth-approved health-related programs. The Annual Community Health Reinvestment assessment associated with the Company's fully-insured direct written health premiums will be borne by HSA.

PRESCRIPTION DRUG PROGRAM AGREEMENT

The Company maintains a Prescription Drug Program Agreement ("Agreement"). It sets forth the terms on which Express Scripts, Inc will provide discounted drugs and prescription drug benefit management services to the Company. Express Scripts, Inc.'s 3-tier design encourages usage of generic equivalents through lower co-pays, while still providing access and coverage for brand name drugs.

Express Scripts, Inc. will invoice the Company every other week based on the fees set forth in the agreement. The invoice will encompass dispensed covered drugs and member submitted claims less deductibles and co-pays, as well as applicable administrative fees. Payment for all fees is required by electronic methods within two business days from receipt.

The agreement was subsequently amended primarily to reflect addition and deletion of terms, responsibilities of each party for compliance with the law and changes in the law, including fiduciary laws and replacement of the original contract Exhibit J, Delegation of Pharmaceutical Management Services.

Upon completion of our review of the service and operating agreements, it appears that, where applicable, the agreements appear to comply and meet the fair and reasonable standards in the Pennsylvania Insurance Company Law, 40 P.S. §991.1405(a)(1).

REINSURANCE

CEDED

The Company is a party to two (2) reinsurance agreements and one administrative service and assumption agreement as of December 31, 2008.

The first contract to which the Company is party, is a reinsurance and administrative service and assumption agreement with Occidental Life Insurance Company (Occidental).

As a result of the redomestication and merger, the Company inherited the remaining run-off reinsurance activity of Peninsular Life Insurance Company. Peninsular Life Insurance Company had ceased insurance business prior to the acquisition by AllOne Health Group, Inc. and was essentially a licensed insurer "shell". Most of the prior Peninsular Life Insurance Company business had been sold off or novated to new insurance companies, but a handful of policyholders did not convert their policies to the acquiring entities and Peninsular Life Insurance Company continued to have the primary liability under these few policies. Peninsular Life Insurance Company has reinsured 100% of the old non-converted life policies with Occidental and Swiss Re, whose business was also 100% assumed by Occidental. Accordingly, Occidental provides 100% reinsurance for these few remaining policies and handles all of the administrative efforts regarding the policies, to include collecting premiums, paying claims, statutory reporting and GAAP liability calculations. The Company ultimately remains responsible for the run-off business placed and managed with Occidental, if Occidental, cannot fulfill its obligations to the policyholders. As of the examination date, December 31, 2008, the total amount of direct premiums ceded is $486,166 which represents 0.55% of total direct written premium by the Company in 2008.

<u>Second Contract</u>

Type of contract:	Group Medical Excess of Loss
Reinsurer:	Munich Reinsurance America, Inc
Intermediary:	No Reinsurance Broker/Intermediary
Effective date:	January 1, 2008
Term:	January 1, 2008 through December 31, 2008
Business covered:	Fully Insured Group Health Policies and associated Extra Contractual Obligations
Company retention:	$400,000 ultimate net loss, each covered person
Reinsurance limits:	As respects all states except Arizona and Ohio, the ultimate net loss, any one covered person shall not exceed $1,600,000. As respects the states of Arizona and Ohio, the ultimate net loss, any one covered person shall not exceed $4,600,000. Extra Contractual Obligations arising from claims incurred are subject to maximum limit of $1,000,000 any one covered person and $5,000,000 in the aggregate.

The Company has not exceeded retention under the Group Medical Excess of Loss agreement with Munich Reinsurance America, Inc.

The Company has maintained its reinsurance contracts with companies that have been properly licensed as reinsurers by the Commonwealth of Pennsylvania Insurance Department or have been approved and placed on the Qualified Unlicensed Reinsurer List updated and published in the Pennsylvania Bulletin as of January 12, 2008.

The Company does not utilize the services of a reinsurance intermediary. The reinsurance contracts described above contain the appropriate arbitration and insolvency clauses and all contracts appear to transfer risk, although the Company has not prepared or maintained formal documentation regarding transfer of risk or cash flow analysis of reinsurance transactions.

Subsequent to the examination period, effective January 1, 2009, the Company has replaced the Munich Reinsurance America, Inc. with American Fidelity Assurance Company for their group and individual health business.

Subsequent to completion of the examination, and prior to the issuance of the report of examination the Company has filed a Plan of Withdrawal with the Pennsylvania Insurance Department (see Subsequent Events). Given the Company's intention to withdraw from the insurance business in Pennsylvania a recommendation addressing the above reinsurance findings was not deemed necessary.

ASSUMED

The Company had no assumed reinsurance during the period under examination.

TERRITORY AND PLAN OF OPERATION

The Company markets PPO products primarily through brokers in all Pennsylvania Counties. The products include high-deductible options and contain a wide degree of flexibility in the cost-sharing features of the program, including the ability to pair the program with Health Reimbursement Accounts or Flexible Spending Accounts. The programs are marketed as being affordable and compatible with products offered by other health insurers. The Company pays commissions to its brokers based on primary contract counts or direct premium and the state where the premium is written.

The Company's products include individual medically underwritten products, medically underwritten small groups with 2 to 50 eligible members, simplified medically underwritten groups of 50 to 99 eligible members and experienced rated groups of 100 plus eligible members. As part of the Company's focus on wellness, they offer access to health and wellness information thru its website along with self-help tools, programs and on-line health and wellness coaching.

In Pennsylvania, the Company utilizes the EHP-Significa network which is statewide and can be augmented to provide access to care outside of the state through arrangements with PHCS-MultiPlan. Utilization review and medical management is provided by Sentinel.

Total direct premiums written, reinsurance ceded and net premium income were $87,656,799, $486,166 and $87,170,633 for 2008 as compared to the prior year, $41,046,837, $101,615 and $40,945,222. The Company has shown an increase in the direct premiums written, reinsurance ceded and net premium income from the prior year under the examination. The reason for the increases in both direct premiums written, reinsurance ceded and net premium income is primarily due to the Company's product marketing efforts and their participation in the Behavioral Health Program with Community Behavioral Health Network of Pennsylvania. The Company had minimal written premiums in the years prior to 2007 and the merger with Peninsular Life Insurance Company.

Line of Business	Direct and Assumed Premium	Ceded Premium	Net Premium	Percentage of Total
December 31, 2008				
Comprehensive (hospital and medical)	$ 15,218,357	$ 484,628	$ 14,733,729	16.9 %
Title xix - medicaid	72,436,904	0	72,436,904	83.1 %
Other health	425	425	0	0.0 %
Health subtotal	87,655,686	485,053	87,170,633	100.0 %
Life	1,113	1,113	0	0.0 %
Totals	$ 87,656,799	$ 486,166	$ 87,170,633	100.0 %

SIGNIFICANT OPERATING RATIOS AND TRENDS

The Company reported the following net underwriting, investment and other gains or losses during the period under examination:

	2008	2007	2006	2005
Admitted Assets	$ 31,022,706	$ 22,989,335	$ 8,382,741	$ 2,105,143
Liabilities	$ 23,333,654	$ 16,332,522	$ 369,144	$ 42,427
Capital and Surplus Funds	$ 7,689,052	$ 6,656,813	$ 8,013,597	$ 2,062,716
Net Premium Income	$ 87,170,633	$ 40,945,222	$ 358,171	$ 0
Benefits to Members	$ 77,976,513	$ 37,533,781	$ 346,944	$ 0
Net Investment Income	$ 342,354	$ 383,529	$ 296,160	$ (28)
Net Income	$ (2,472,909)	$ (1,286,084)	$ (402,255)	$ (87,284)

ACCOUNTS AND RECORDS

The Company's home office and primary location of its books and records is located at 19 North Main Street, Wilkes-Barre, Pennsylvania 18711. The Company's accounting and investment records are maintained on site at the Company's home office. The Company's main administrative office is located at 1871 Santa Barbara Drive, Lancaster, Pennsylvania 17601.

The Company's policy and claim records are maintained on site at the Company's main administrative office.

The Company primarily maintains their accounting records in the main administrative office in Lancaster, Pennsylvania on an integrated USS914e CHARMS System that was purchased customized from United Systems and Software, Inc. This software resides on a IBM iSeries Model 520 hardware platform. The USS914e CHARMS System is utilized to process the transactional data for premiums and policy management, losses and benefits, including tracking and reserving, reinsurance, agents' balances and commissions, general ledger, financial reporting and accounting functions.

The Company's ultimate controlling entity, HSA, obtains data from the USS914e CHARMS system and through the use of Excel templates, uploads the summarized transactional data to the Sage MAS 500 General Ledger System that was purchased from Sage Software, Inc. and not modified by the Company. The Excel templates are populated by both automatic and manual processes and entered into MAS 500 by staff accountants from accounting & financial services.

The Company's GAAP financial reporting package is from FRx Reporting. This system is a vendor packaged system developed by Microsoft. FRx Reporting utilizes the MAS 500 data to produce the GAAP financial statements. In order to arrive at the SAP financial reporting results, the MAS 500 General Ledger data is downloaded to an Excel template that automatically populates grouping schedules that are then adjusted accordingly. The Excel template is manually input into a software package, SunGard EFS, by which statutory financial statements are generated.

The Company uses a number of less financially significant supporting software packages and outside service organizations to provide information, process electronic medical related transactions and perform custodial, investment management advisory services, processing and accounting.

The Company appointed BNY Mellon as custodian and Blackrock and Wellington as managers with respect to certain types of investments. The Company utilizes SunGard for investment recordkeeping, providing securities valuation services in accordance with statutory accounting practices, assisting the Company in the preparation of schedule D, calculating amortized cost for fixed income securities, as well as discount accretion and premium amortization, and performing other investment accounting services.

PENDING LITIGATION

Based on a review of the Company's representation letters from the various legal firms representing the Company as well as the Company's General Counsel, it appears that there are several suits pending as of the examination date. It is the opinion of the Company and its legal counsel that the pending suits are without merit and therefore, will have no material financial impact on the Company.

FINANCIAL STATEMENTS

AllOne Health Group, Inc. purchased Peninsular Life Insurance Company on January 19, 2007. Significa Insurance Group, Inc. and Peninsular Life Insurance Company were subsequently merged. The December 31, 2006 annual statement results have been restated by the Company.

The financial condition of the Company, as of December 31, 2008, and the results of its operations for the period under examination, are reflected in the following statements:

Comparative Statement of Assets, Liabilities, Surplus and Other Funds;
Comparative Statement of Income;
Comparative Statement of Capital and Surplus; and
Comparative Statement of Cash Flow

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

	2008	2007	2006	2005
Bonds	$ 2,889,910	$ 2,589,049	$ 3,617,217	$ 0
Cash, cash equivalents and short-term investments	11,515,530	5,790,742	4,653,177	2,058,143
Subtotal, cash and invested assets	14,405,440	8,379,791	8,270,394	2,058,143
Investment income due and accrued	60,788	85,834	98,420	0
Premiums and considerations	15,869,795	14,259,406	0	0
Other amounts receivable under reinsurance contracts	0	0	9	0
Current federal and foreign income tax recoverable and interest thereon	546,000	96,000	13,918	47,000
Net deferred tax asset	134,263	168,304	0	0
Electronic data processing equipment and software	5,920	0	0	0
Receivable from parent, subsidiaries and affiliates	500	0	0	0
Total	$ 31,022,706	$ 22,989,335	$ 8,382,741	$ 2,105,143
Claims unpaid	$ 14,646,986	$ 14,680,913	$ 161,284	$ 0
Unpaid claims adjustment expenses	113,010	16,540	3,645	0
Premiums received in advance	19,951	4,808	0	1,692
General expenses due or accrued	8,150,605	1,352,499	101,296	35,648
Ceded reinsurance premiums payable	69,159	70,611	50,000	0
Amounts due to parent, subsidiaries and affiliates	333,943	207,151	46,570	5,087
Aggregate write-ins for other liabilities	0	0	6,349	0
Total liabilities	23,333,654	16,332,522	369,144	42,427
Common capital stock	2,719,348	2,719,348	2,719,348	1,100,000
Gross paid in and contributed surplus	11,823,600	8,373,600	5,678,495	1,050,000
Unassigned funds (surplus)	(6,853,896)	(4,436,135)	(384,246)	(87,284)
Total capital and surplus	7,689,052	6,656,813	8,013,597	2,062,716
Totals	$ 31,022,706	$ 22,989,335	$ 8,382,741	$ 2,105,143

Comparative Statement of Income
For the Year Ended December 31,

	2008	2007	2006	2005
Member Months	927,273	434,832	2,123	0
Net premium income	$ 87,170,633	$ 40,945,222	$ 358,171	$ 0
Total revenues	87,170,633	40,945,222	358,171	0
Hospital/medical benefits	76,043,868	37,101,574	308,117	0
Prescription drugs	1,932,645	432,207	38,827	0
Total hospital and medical (less)	77,976,513	37,533,781	346,944	0
Non-health claims (less)	0	0	0	0
Claims adjustment expenses (less)	9,012,846	900,576	36,651	0
General administrative expenses (less)	4,328,980	4,721,478	899,076	134,256
Increase in reserves for life accident and health contracts (less)	0	0	0	0
Total underwriting deductions	91,318,339	43,155,835	1,282,671	134,256
Net underwriting gain or (loss)	(4,147,706)	(2,210,613)	(924,500)	(134,256)
Net investment income earned	342,354	383,529	296,160	(28)
Net realized capital gains or (losses)	0	0	0	0
Net investment gains or (losses)	342,354	383,529	296,160	(28)
Net gain or (loss) from agents' or premium balances charged off	0	0	0	0
Aggregate write-ins for other income or expenses	1,943	0	79	0
Net income or (loss) before federal income taxes	(3,803,409)	(1,827,084)	(628,261)	(134,284)
Federal income taxes incurred	(1,330,500)	(541,000)	(226,006)	(47,000)
Net income	$ (2,472,909)	$ (1,286,084)	$ (402,255)	$ (87,284)

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

	2008	2007	2006	2005
Capital and surplus, December 31, previous year	$ 6,656,813	$ 8,013,597	$ 2,062,716	$ 2,150,000
Net income or (loss)	(2,472,909)	(1,286,084)	(402,255)	(87,284)
Change in net deferred income tax	(33,541)	168,304	(16,022)	0
Change in nonadmitted assets	88,689	(2,253,725)	10,322	0
Cumulative effect of changes in accounting principles*	0	0	5,859,299	0
Capital changes:				
Paid in	0	0	0	
Surplus adjustments:				
Paid in	3,450,000	2,695,105	500,000	0
Aggregate write-ins for gains or (losses) in surplus	0	(680,384)	(463)	0
Net change in capital and surplus	1,032,239	(1,356,784)	5,950,881	(87,284)
Capital and surplus, December 31, current year	$ 7,689,052	$ 6,656,813	$ 8,013,597	$ 2,062,716

* This amount is the effect of the Company's Statutory merger with Peninsular Life Insurance Company

Comparative Statement of Cash Flow
For the Year Ended December 31,

	2008	2007	2006	2005
Cash from Operations				
Premiums collected net of reinsurance	$ 85,573,935	$ 26,711,244	$ 406,479	$ 1,692
Net investment income	356,091	407,117	438,759	(28)
Miscellaneous Income	1,943	0	95	0
Total	85,931,969	27,118,361	845,333	1,664
Benefit and loss related payments	78,010,440	23,014,152	185,660	0
Commisions, expenses paid and aggregate write-ins for deductions	6,447,250	4,357,956	940,336	93,521
Federal and foreign income taxes paid (recovered)	(881,000)	(458,918)	(259,000)	0
Total deductions	83,576,690	26,913,190	866,996	93,521
Net cash from operations	2,355,279	205,171	(21,663)	(91,857)
Cash from Investments				
Proceeds from investments sold, matured or repaid:				
Bonds	735,948	2,703,783	399,029	0
Total investment proceeds	735,948	2,703,783	399,029	0
Cost of investments acquired (long-term only):				
Bonds	1,025,500	1,726,827	370,347	0
Total investments acquired	1,025,500	1,726,827	370,347	0
Net cash from investments	(289,552)	976,956	28,682	0
Cash from Financing and Miscellaneous Sources				
Cash provided (applied):				
Capital and paid in surplus, less treasury stock	3,450,000	2,695,105	500,000	2,150,000
Other cash provided or (applied)	209,061	(2,739,667)	2,088,015	0
Net cash from financing and miscellaneous sources	3,659,061	(44,562)	2,588,015	2,150,000
Reconciliation of cash and short-term investments:				
Net change in cash and short-term investments	5,724,788	1,137,565	2,595,034	2,058,143
Cash and short-term investments:				
Beginning of the year	5,790,742	4,653,177	2,058,143	2,150,000
End of the year	$ 11,515,530	$ 5,790,742	$ 4,653,177	$ 2,058,143

SUMMARY OF EXAMINATION CHANGES

There were no examination changes to the preceding financial statements as filed with the regulatory authorities over the review period.

NOTES TO FINANCIAL STATEMENTS

INVESTMENTS

As of December 31, 2008, the Company's invested assets were distributed as follows:

	Amount	Percentage
Bonds	$ 2,889,910	20.1 %
Cash	9,591,632	66.5 %
Short-term investments	1,923,898	13.4 %
Totals	$ 14,405,440	100.0 %

The Company's bond and short-term investment portfolio had the following quality and maturity profiles:

NAIC Designation	Amount	Percentage
1 - highest quality	$ 4,813,808	100.0 %
Totals	$ 4,813,808	100.0 %

Years to Maturity	Amount	Percentage
1 year or less	$ 3,670,690	76.3 %
2 to 5 years	1,021,101	21.2 %
over 20 years	122,017	2.5 %
Totals	$ 4,813,808	100.0 %

As depicted above, the Company is conservatively invested in bonds, cash and short term investments. The Company is in a growth phase and maintains adequate cash and cash equivalents on hand to fund their operational expenses.

Bonds and bonds from short term investments represented 33.5% of the invested assets which consisted of $2,767,893 in U.S. Government Securities, $122,017 in Special Revenue Securities and $1,923,898 in industrial and miscellaneous bonds. 100% of the bond investments were rated with a 1 – highest quality NAIC designation with 97.5% having maturities of less than ten years and 2.5% with maturities of greater than ten years.

As of December 31, 2008, the Company had no investments in common stocks nor any investments in subsidiary and affiliated companies.

The Company's investments are held with Mellon Bank in a custodial account under the terms of a custodial agreement. The custodial agreement was reviewed and determined not to be in compliance with 31 Pa. Code § 148a. Specifically, the agreement lacks the necessary provisions of 31 Pa. Code § 148a 3(b). **It is recommended that the Company amend its custodial agreement to comply with 31 Pa. Code § 148a 3(b).**

The Company has a written investment policy as required by the Pennsylvania Insurance Company Law 40 P.S. § 653 b (b). The investment policy is reviewed and approved on an annual basis by the Board of Directors. The Company, at December 31, 2008, appears to be following its investment policy.

LOSS AND LOSS ADJUSTMENT EXPENSE RESERVES

The loss and loss adjustment expense liabilities were determined by the Company's actuarial department with the statement of actuarial opinion prepared by Jack F. Sulger, FSA, MAAA of PricewaterhouseCoopers, LLP. The Company posted the following loss and loss adjustment expense liabilities as of December 31, 2008: Claims Unpaid $14,646,986, Unpaid Claims Adjustment Expenses $113,010.

The assumptions and methods used by the Company in determining loss reserves, actuarial liabilities and related items have been examined and accepted by Jack F. Sulger, FSA, MAAA of PricewaterhouseCoopers, LLP.

In addition, the Pennsylvania Insurance Department retained the services of SKB & Associates, Inc., to assist the financial examination of the Company. SKB & Associates, Inc. retained the services of Huggins Actuarial Services, Inc. to evaluate the reasonableness of the liabilities posted by the Company for claims unpaid, accrued medical incentive pool & bonus amounts, unpaid claims adjustment expenses, and aggregate policy/claim reserves as of December 31, 2008.

Huggins Actuarial Services, Inc. performed and reported on the following specific procedures:

General
1. Obtain and review Actuarial Opinions & Memoranda
2. Obtain annual statements and review pertinent portions
3. Obtain and review relevant audit workpapers

Unpaid Claims Liability ("UCL")
1. Obtain UCL's for each Company
2. Document approach used by each Company
3. Review approach for validating data

4. Tie schedules to appropriate annual statement
5. Document UCL allocation approach
6. Obtain and review the companies' hindsight re-estimates of the UCL's
7. Make independent hindsight estimates on select categories
8. Review provision for Loss Adjustment Expense ("LAE")
9. Document and evaluate Stop Loss / Reinsurance arrangements
10. Evaluate claim systems/operations issues
11. Determine other liabilities
12. Review cash flow and asset adequacy analysis

Premium Deficiency Reserves ("PDR")

1. Obtain PDR amounts and supporting information for calculations for each Company
2. Review the calculation of PDR by Company
3. Tie PDR to annual statement by Company
4. Obtain line of business medical loss ratios ("MLR") and/or profitability studies

Huggins Actuarial Services, Inc. did not uncover any material issues while performing these procedures.

Based on their review, Huggins Actuarial Services, Inc. found the actuarial methods used and results obtained to be reasonable and consistent with the best practices used in health insurance companies.

SUBSEQUENT EVENTS

Subsequent to the examination date of December 31, 2008, and in addition to subsequent events noted in other sections of this report, the Company is party to the following events:

The volatility in the financial markets has caused the need to review investment portfolios for potential adjustments in 2008 values of securities held by the Company. There has been no material potential adjustments to the December 31, 2008 reported surplus as a result of the subsequent review of the investment portfolio.

Subsequent to completion of the examination, the Company has filed a Plan of Withdrawal with the Pennsylvania Insurance Department. The plan calls for a complete withdrawal from the health insurance market in Pennsylvania beginning February 1, 2010. Under the Plan of Withdrawal, services to employers and members will be complete by July 31, 2010. The Company is withdrawing from the marketplace because it did not meet profitability and membership goals.

RECOMMENDATIONS

PRIOR EXAMINATION

The prior Pennsylvania Insurance Department organizational examination report contained the following recommendations:

1). It is recommended that the Applicant be issued a Certificate of Authority to conduct the business of a life, accident and health insurance Company selling accident and health insurance within the Commonwealth of Pennsylvania subject to the representations described above.

As a result of the recommendation, the Company has been issued a Certificate of Authority to conduct the business of a life, accident and health insurance Company selling accident and health insurance within the Commonwealth of Pennsylvania.

CURRENT EXAMINATION

As a result of the current examination, the following recommendation is being made:

1). It is recommended the Company amend its custodial agreement to comply with the requirements of custodial agreements 31 Pa. Code § 148a 3(b). (See Investments, page 23)

CONCLUSION

As a result of this examination, the financial condition of Significa Insurance Group, Inc., as of December 31, 2008, was determined to be as follows:

	Amount	Percentage
Admitted assets	$ 31,022,706	100.0 %
Liabilities	$ 23,333,654	75.2 %
Captial and Surplus	7,689,052	24.8 %
Total liabilities, capital and surplus	$ 31,022,706	100.0 %

Since the previous examination, made as of August 31, 2005, the Company's assets increased by $28,872,706, its liabilities increased by $23,333,654, and its surplus increased by $5,539,052.

This examination was conducted by SKB and Associates, Edward Skorupa, Barbara Kowalski and Joseph Evans, CFE, with the latter in charge.

Respectfully

David G. DelBiondo, CPA
Director, Bureau of Financial Examinations

William M. Fedak, CFE
Examination Manager

Joseph Evans, CFE
Examiner-in-Charge

The CFE designation has been conferred by an organization not affiliated with the federal or any state government. However the CFE designation is the only designation recognized by the NAIC for the purposes of directing statutory Association examinations of insurance companies.