

Report of Examination of  
**PHA Group Benefit Association**  
Miamisburg, Ohio  
As of December 31, 2009

## Table of Contents

<b>Subject</b>	<b>Page</b>
Salutation.....	1
Description of Company.....	1
Management and Control:	
Board of Directors.....	1
Officers.....	2
Reinsurance.....	2
Territory and Plan of Operations.....	2
Scope of Examination.....	2
Financial Statements:	
Statement of Assets, Liabilities, Surplus and Other Funds.....	4
Statement of Operations.....	5
Statement of Changes in the Surplus Account.....	6
Summary of Examination Changes.....	6
Notes to Financial Statements:	
Investments.....	6
Aggregate Reserve for Life Certificates and Claims.....	6
Conclusion.....	7
Acknowledgement.....	7

Columbus, Ohio  
April 12, 2010

Honorable Mary Jo Hudson  
Director  
State of Ohio  
Department of Insurance (“Department”)  
50 West Town Street  
3<sup>rd</sup> Floor – Suite 300  
Columbus, Ohio 43215

Dear Madam:

In accordance with Section 3901.07 of the Ohio Revised Code (“ORC”), an examination was made of the

**PHA Group Benefit Association**

an Ohio domiciled, multiple employer welfare arrangement, hereinafter referred to as the “Company.” The examination was conducted at the Company’s home office located at 2115 Leiter Road, Suite 400, Miamisburg, Ohio.

A report of this examination is hereby respectfully submitted.

The Company’s qualifying examination was as of February 28, 2005 and was conducted by the Department. Representatives of the Department conducted the current examination covering the intervening period to and including December 31, 2009.

**Management and Control**

**Board of Directors**

The following comprised the members as of the examination date:

<b>Name and Address</b>	<b>Principal Occupation</b>
Michael C. Albert, MD	Physician, Private Practice
Steven L. Dona, DO	Physician, Private Practice
Rick W. Gebhart, DO	Physician, Private Practice
Carl F. Hoyng, DO	Physician, Private Practice
Patrick Jonas, MD	Physician, Private Practice
Ronald S. Klein, MD	Physician, Private Practice
Lawrence G. Ratcliff, MD	Physician, Private Practice
R. Randall Schaffer, MD	Physician, Private Practice

Debra K. Sowald, Psy. D.	Psychologist, Private Practice
Susan K. Toole, Ph. D.	Psychologist, Private Practice
Kimberly A. Warren, DO	Physician, Private Practice
Charles C. Watson, DO	Physician, Private Practice

**Officers**

As of the examination date, the following officers were elected and serving in accordance with the Company’s Bylaws:

<b>Name</b>	<b>Title</b>
Patrick Jonas, MD	Chairman
Ronald Klein, MD	Vice-Chairman
Patrick J. Kenrick	President
Carl F. Hoyng, DO	Secretary/Treasurer

**Reinsurance**

**Ceded**

The Company has a stop-loss reinsurance agreement that provides per participant coverage of \$950,000 above a retention of \$50,000. An aggregate excess of loss provides coverage above a retention of \$2,150,127. The reinsurance contracts require claims to be incurred and paid in the same year to be covered. In 2010, the Company increased its per participant retention to \$75,000.

**Assumed**

The Company does not assume any reinsurance

**Territory and Plan of Operations**

The Company is authorized to transact business in the State of Ohio.

**Scope of Examination**

The purpose of the examination was to make an assessment of the financial condition of the Company as of December 31, 2009. To substantiate the various items, tests were made either by complete audits of accounts or by sampling methods prescribed by the National Association of Insurance Commissioners (“NAIC”) Examiner's Handbook, in importance of each account to overall solvency. Transactions occurring subsequent to the date of the examination were reviewed to the extent deemed necessary.

For the period ended December 31, 2009, the Certified Public Accounting (“CPA”) firm of Hammerman, Graf, Hughes and Company, Inc. issued an opinion that the Company’s financial statements are presented fairly in all material respects based on statutory

accounting principles. Relevant work performed by the CPA firm, during its annual audit of the Company, was reviewed during the examination and incorporated into the examination workpapers where applicable.

In addition, the following items were reviewed during the course of this examination:

1. Company history;
2. fidelity bonds and other insurance;
3. officers', employees', and agents' welfare and pension plans;
4. loss experience;
5. pending litigation; and
6. Constitution and Bylaws.

### **Financial Statements**

The financial condition of the Company, and the results of its operations for the period since inception, are reflected in the following:

Statement of Assets, Liabilities, Surplus and Other Funds  
Statement of Operations  
Statement of Changes in the Surplus Account

## Statement of Assets, Liabilities, Surplus and Other Funds

December 31, 2009

### Admitted assets

Cash and invested assets:

Cash	\$312,597
Total cash and invested assets	<u>312,597</u>

Uncollected premium	25,155
Amounts recoverable from reinsurers	81,372
Total admitted assets	<u>\$419,124</u>

### Liabilities and unassigned funds

Liabilities:

Claims unpaid	\$294,000
Total liabilities	<u>294,000</u>

Unassigned funds	(244,876)
Gross paid in and contributed surplus	370,000
Total surplus	<u>125,124</u>
Total liabilities and unassigned funds	<u>\$419,124</u>

## Statement of Operations

	<u>December 31, 2009</u>
Premiums and other revenues:	
Net premium income	\$1,667,886
Total premiums and other revenues	<u>1,667,886</u>
Hospital and Medical:	
Hospital/medical benefits	1,775,752
Total hospital and medical	<u>1,775,752</u>
Total hospital and medical	1,775,752
General administrative expenses	141,872
Total underwriting deductions	<u>1,917,624</u>
Net underwriting loss	<u>(249,738)</u>
Net investment gains	<u>4,862</u>
Net Loss	<u><u>\$(244,876)</u></u>

## Statement of Changes in the Surplus Account (in thousands)

	2005	2006	2007	2008	2009
Surplus December 31, previous year	\$0	\$370	\$370	\$370	\$370
Net loss from operations	0	0	0	0	(245)
Capital contribution	<u>370</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Net change in surplus	<u>370</u>	<u>0</u>	<u>0</u>	<u>370</u>	<u>(245)</u>
Surplus December 31, current year	\$370	\$370	\$370	\$370	\$125

## Notes to the Financial Statements

### Investments

At December 31, 2009, the Company's investment were all in cash account and were in compliance with the investment statute, ORC 3925.08.

### Aggregate Reserve for Life Certificates and Claims

Mary Miller, FSA, MAAA, the Department's life actuary examined and evaluated the Company's reserves performed by Timothy P. Berghoff, FSA, MAAA, Consulting Actuary determined that the reserves presented in the December 31, 2009, statutory financial statement made a reasonable provision for future guaranteed benefits and meeting statutory minimum standards. The Company appears to be adequately reserved.

### Conclusion

The balance sheet contained in this Report of Examination reflects the financial condition of the Company as of December 31, 2009, and is summarized as follows:

Total Assets	<u>\$419,124</u>
Liabilities	\$294,000
Surplus	<u>125,124</u>
Total Liabilities and Unassigned Funds	<u>\$419,124</u>

Due to the significant losses and reductions in surplus the Company was in violation of ORC 1739.13.

### Acknowledgement

Appreciation is expressed for the assistance extended by the officers and employees of the Company during the course of this examination.

In addition to the undersigned, the following representatives of the Department participated in this examination: Vicky L. Hugo, CPA, CFE.

Respectfully,



\_\_\_\_\_  
David A. Cook, CFE  
Assistant Chief Examiner  
Ohio Department of Insurance

**Verification**

As required by Section 3901.07 of the Ohio Revised Code, the undersigned hereby attest to the best of their knowledge and belief that the attached is a true Report of Examination as of December 31, 2009.

*[Signature]*      4/27/10  
Assistant Chief Examiner      Date

State of Ohio  
County of Franklin

Personally appeared before me the above named David A. Cook personally known to me, who executed the above instrument and that the statements and answers contained therein are true and correct to the best of his/her knowledge and belief.

Subscribed and sworn to before me this 27 day of April, 2010.

*Elizabeth Chase*  
**ELIZABETH CHASE**  
NOTARY PUBLIC, STATE OF OHIO  
MY COMMISSION EXPIRES MAY 22, 2012  
My Commission Expires