IN THE CIRCUIT COURT OF THE SECOND JUDICIAL CIRCUIT,
IN AND FOR LEON COUNTY, FLORIDA

State Of Florida, ex rel., The
Department Of Financial Services Of
The State Of Florida,

Relator,

v.

QUALITY HEALTH PLANS, INC.,

Respondent.
_____/

CASE NO.: 2011-CA-002245

FILED
2011 AUG 17 P 4:
CLERK CIRCUIT COURT
LEON COUNTY, FLORIDA

COPY - not verified against original

FLORIDA DEPARTMENT OF FINANCIAL SERVICES PETITION FOR ORDER TO SHOW CAUSE, INJUNCTION, AND NOTICE OF AUTOMATIC STAY FOR PURPOSES OF LIQUIDATION AND REQUEST FOR EXPEDITED HEARING

The Florida Department of Financial Services (hereinafter the "Department") hereby petitions this Court pursuant to Sections 631.031 and 631.061, Florida Statutes, for the entry of an Order to Show Cause, Injunction, and Notice of Automatic Stay on the appointment of the Department as Receiver of Quality Health Plans, Inc., (hereinafter "Quality" or "Respondent") for purposes of liquidation. In support of its Petition, the Department states:

1. This Court has jurisdiction pursuant to Section 631.021(1), Florida Statutes, and venue is proper pursuant to Section 631.021(2), Florida Statutes.

2. Respondent is a corporation authorized pursuant to the Florida Insurance Code to transact business in the state of Florida as a health maintenance organization with approximately 10,000 policyholders. Respondent's principal place of business is located at 4010 Gunn Highway, Suite 220, Tampa, Florida 33618.

3. Section 631.021(3), Florida Statutes, provides that a delinquency proceeding pursuant to Chapter 631, Florida Statutes, constitutes the sole and

exclusive method of liquidating, rehabilitating, reorganizing, or conserving a Florida domiciled health maintenance organization.

4. Pursuant to Section 631.031 and 631.061, Florida Statutes, the Department is empowered to apply to this Court for an Order directing the Respondent to show cause why the Department should not be appointed Receiver of Respondent for purposes of liquidation under any of the following grounds set out in Section 631.061, Florida Statutes.

5. Pursuant to Section 631.031(1), Florida Statutes, Kevin McCarty, the Commissioner of the Office of Insurance Regulation ("Office"), has written a letter to the Chief Financial Officer Jeff Atwater stating grounds for the initiation of delinquency proceedings against Respondent. A copy of the letter is attached as Composite Exhibit "A1."

6. Based on the documentation received from the Office, the Department has determined that grounds for Respondent's liquidation exist pursuant to Section 631.061, Florida Statutes. The basis for the determination is summarized as follows:

a. On January 25, 2011, Quality filed its monthly financial statement for the month ending December 31, 2010 (hereinafter referred to as "December Monthly Statement" or Exhibit "A").

b. On May 6, 2011, Quality submitted its 2010 Audited Financial Statement (hereinafter referred to as "2010 Audited Statement" or Exhibit "B") to the Office which stands in sharp contrast to its December Monthly Statement (Exhibit A). In its 2010 Audited Financial Statement, Quality was insolvent by $5,139,674.

c. Quality indicated in an April 29, 2011 email that it had received an additional capital infusion of $10,165,836 in the form of an account set up with Lincoln Reserve Group (Exhibit C).

d. As part of the normal course of business, the Office verifies that monetary accounts in financial institutions are free from any hypothecations, pledges or other encumbrances, and that the funds are available for the payment of those losses and claims.

e. On May 10, 2011, the Office notified Quality that it would need written confirmation from Lincoln Reserve Group regarding the account balance and whether there were any hypothecations, pledges or other encumbrances to the account (Exhibit D).

f. After several communications with Quality, the Office was never able to satisfactorily confirm that the funds existed unencumbered.

g. On July 22, 2011, the Office told Quality to move the $10,165,836 to an account in a Florida bank (Exhibit E).

h. On August 1, 2011, the Office received a fax that was purported to be from Bank of America confirming that these funds were free from hypothecations, pledges or other encumbrances (Exhibit F).

i. The office was unable to confirm the authenticity of the confirmation, and has since referred the matter to the Division of Insurance Fraud.

j. On August 11, 2011, a subpoena was issued to Bank of America requiring Bank of America to provide a response as to the authenticity of the August 1, 2011 communication (Exhibit G).

k. The Office has reason to believe that the $10,165,836 is a falsified asset, and therefore the $10,165,836 is a non-admitted asset and renders Quality insolvent.

l. The Office informed Quality, by letter dated July 15, 2011, that it must non-admit certain assets totaling $5,242,746, because these assets were not available to pay claims and losses (Exhibit H). As of the date of this affidavit, Quality has failed to replace the majority of these assets, rendering Quality further insolvent.

m. In a meeting with the Office on August 10, 2011, Quality provided financial statements for its Parent QHP Group which reflected that QHP Group has negative equity (Exhibit I).

n. Based on the above findings, the Office has determined that Quality Health Plans is an unsound financial condition and has insufficient capital to assure prompt payment of losses and claims in this state in the future. Thus, grounds for issuing an Order for entry into receivership exist under Sections 631.051(1) and 631.051(3), Florida Statutes.

7. In addition, the Department has determined that grounds for Respondent's liquidation exist under Section 631.061, Florida Statutes, in that Respondent is found by the Department to be in such condition, as to render its further transaction of insurance hazardous to its policyholders, creditors, stockholders, or the public. The basis for this determination is summarized as follows:

a. The Respondent is insolvent as detailed in Paragraph 6 above.

b. Respondent has materially misrepresented its financial condition to the Office of Insurance Regulation. See Exhibit A1 and composite Exhibits A-I attached hereto.

c. In contravention of applicable law, assets held and reported by Respondent were falsified, rendering $10,165,836 as a non-admitted asset and Respondent insolvent. See Exhibit A1 and composite Exhibits A-I attached hereto.

d. Respondent has further failed to replace certain non-admitted assets totaling $5,242,746 rendering Respondent further insolvent. See Exhibit A1 and composite Exhibits A-I attached hereto.

e. Respondent provided financial statements for its Parent QHP Group which reflected that QHP Group has negative equity. See Exhibit A1 and composite Exhibit I attached hereto.

8. Section 631.041, (1), Florida Statutes, provides that the Department's Petition for an Order to Show Cause operates as an automatic stay of certain actions. Notice of the automatic stay should be contained within the order to show cause. However, the Court order should provide that regulatory actions against Respondent by any regulatory body shall not be stayed. Section 631.041(3) and 63.041(4), Florida Statutes, authorize this Court to enter certain injunctions to preserve the remaining assets of the insurer.

9. It is in the best interest of Respondent, its creditors and insureds that the relief requested in this Petition be granted.

10. **Due to the time sensitive nature of the filing of this Petition and the imperative need for uninterrupted healthcare coverage of the Respondent's estimated 10,000 current members, the Department requests that this Court consider this an emergency matter and set the appropriate hearing as expeditiously as possible to avoid further delay. If the allegations herein are ultimately confirmed by the Court, Respondent is insolvent by an amount in**

excess of ten million dollars. Delay in reaching this determination and the appointment of a Receiver could potentially adversely affect Respondent insureds' ability to obtain treatment and to schedule necessary surgeries, as well as payments to providers. In the event that the Department is appointed Receiver, prompt action will be necessary to protect the interests of Respondent's insureds. To that effect, the Department has attached a proposed Order to Show Cause, Injunction and Notice of Automatic Stay to this Petition for this Court's consideration as Exhibit "B." The Department requests that consideration of this Petition be expedited, and if an Order to Show Cause is entered, to schedule the hearing on same no more than forty-five (45) days from entry of the Order.

WHEREFORE, the Florida Department of Financial Services respectfully moves this Court for an Order:

A. Directing Respondent to appear before this Court on a day certain and show good cause, if any, as to why the Department should not be appointed Receiver of Respondent for purposes of liquidation under the provisions of Chapter 631, Florida Statutes.

B. Requiring Respondent to file a written response along with any defenses it may have to the Department's allegations no later than twenty (20) days after the service of any Order to Show Cause issued by this Court and at least fifteen (15) days prior to hearing.

C. Directing that in order to protect the interests of policyholders, creditors, and the public generally, pending the adjudication of this matter and to protect and preserve the assets, books, and records of Respondent pending hearing on the Department's petition pursuant to Section 631.041(3) and 631.041(4), Florida Statutes,

all persons, firms, corporations, associations and Respondent's affiliates as defined by Section 631.011, Florida Statutes, all persons, and all other persons or entities within the jurisdiction of this Court, including, but not limited to, Respondent and its officers, directors, stockholders, trustees, members, agents, and employees to be enjoined and restrained from removing, destroying, or otherwise disposing of any documents, books, records, or assets of Respondent (or pertaining to Respondent), from doing, through acts of commission or omission, or permitting to be done any action which might waste or otherwise dispose of the books, records, and assets of, or directly or indirectly relating to, the Respondent; from denying the Department access to the books, records, and assets of, or directly or indirectly relating to, the Respondent; from in any manner interfering with the Department or the conduct of these proceedings, from the removal, concealment or other disposition of the property, books, records, and accounts of, or directly or indirectly relating to, the Respondent; from commencement or prosecution of any actions against the Respondent, or the obtaining of preferences, judgments, writs of attachment or execution against Respondent or its property or assets. However, regulatory actions against Respondent by any regulatory body should not be stayed or enjoined;

D. Directing that the Department be given authorization to conduct, at its discretion, either an investigation authorized by Section 631.391, Florida Statutes, of Respondent and its affiliates, as defined above, to uncover and make fully available to the Court the true state of Respondent's financial affairs. In furtherance of this investigation, Respondent and its parent corporation, its subsidiaries, affiliates including but not limited to the Respondent's affiliates as set out above, should be required to make all books, documents, accounts, records, and affairs, which either belong to or

pertain to the Respondent, wherever located, available for full, free and unhindered inspection and examination by the Department during normal business hours (8:00 a.m. to 5:00 p.m.) Monday through Friday, from the date of this Order. This investigation should include a full complete examination of any and all reviews, compilations, audits or any other work of whatever nature performed by any accounting firm to include all work papers, on behalf of, related to or in any way connected with Respondent, its affiliates and/or Respondent's corporate structure and affiliations. Respondent and its affiliates should be ordered and enjoined to cooperate with the Department to the fullest extent required by Section 631.391, Florida Statutes. Such cooperation should include, but not be limited to, the taking of oral testimony under oath of Respondent's officers, directors, managers, trustees, agents, adjusters, employees, or independent contractor of Respondent is affiliates and any other person who possesses any executive authority over, or who exercises any control over, any segment of the affairs of Respondent in both their official , representative and individual capacities and the production of all documents that are calculated to disclose the true state of Respondent's affairs.

E. Directing that any officer, director, manager, trustee, agent, accountants, adjuster, employee, or independent contractor of Respondent and any other person who possess any executive authority over, or who exercises any control over, any segment of the affairs of Respondent to fully cooperate with the Department as required by Section 631.391, Florida Statutes, and as set out in the preceding paragraph.

F. Directing that the failure of Respondent and its affiliates and all other persons or entities within the jurisdiction of this Court, to cooperate with the Department's investigations as required by Section 631.391, Florida Statutes, and that

failure to comply with any Order to Show Cause issued by this Court shall result in the immediate entry of an order of liquidation.

G. Giving notice of the automatic stay provisions of Section 631.041(1), Florida Statutes.

H. Directing the Officers and Directors of Respondent to comply with the provisions of Section 626.9541(1)(w), Florida Statutes; and

I. Granting such other relief as the Court deems appropriate.

AND FURTHER, at hearing or on consent of Respondent, if this Court determines that a receiver should be appointed, the Department moves this Court for entry of its Order of Liquidation attached to this Petition as Exhibit "C".

RESPECTFULLY SUBMITTED on this 17th day of August, 2011.

WILLIAM A. SPILLIAS, CHIEF ATTORNEY
Florida Bar No. 909769
ROBERT V. ELIAS,
DEPUTY CHIEF ATTORNEY
Florida Bar No. 530107
Steven G. Brangaccio
SENIOR ATTORNEY
Florida Bar No. 71773
Jennifer M. Ferris
SENIOR ATTORNEY
Florida Bar No. 58576
Florida Department of Financial Services
Division of Rehabilitation and Liquidation
2020 Capital Circle SE, Suite 310
Tallahassee, Florida 32301
(850) 413-4413 – Telephone
(850) 413-3992 – Facsimile

FINANCIAL SERVICES COMMISSION

RICK SCOTT
GOVERNOR

JEFF ATWATER
CHIEF FINANCIAL OFFICER

PAM BONDI
ATTORNEY GENERAL

ADAM PUTNAM
COMMISSIONER OF AGRICULTURE

OFFICE OF INSURANCE REGULATION

KEVIN M. MCCARTY
COMMISSIONER

August 16, 2011

Via Email

The Honorable Jeff Atwater
Chief Financial Officer
Department of Financial Services
The Capitol, PL-11
Tallahassee, FL 32399

Re: Quality Health Plans

Dear Chief Financial Officer Atwater:

Please be advised that the Office of Insurance Regulation (hereinafter referred to as the "OFFICE") has determined that one or more grounds exist for the initiation of delinquency proceedings, pursuant to Chapter 631, Florida Statutes, against Quality Health Plans (hereinafter referred to as "QUALITY"). QUALITY is a health-maintenance organization licensed in the State of Florida, and is authorized to sell Medicare HMO products. As specified in Section 631.051, Florida Statutes, among the grounds that allow a petition for an order appointing the Department of Financial Services (hereinafter referred to as the "DEPARTMENT") as receiver;

(1) Is impaired or insolvent.

The OFFICE finds for the reasons set forth in the attached documents that QUALITY has insufficient assets to pay all outstanding obligations and therefore, is insolvent.

(2) Is found by the OFFICE to be in such condition or is using or has been subject to such methods or practices in the conduct of its business, as to render its further transaction of insurance presently or prospectively hazardous to its policyholders, creditors, stockholders, or the public;

QUALITY's insolvency poses a serious danger to the financial safety of the policyholders, subscribers, claimants, creditors and citizens of the State of Florida.

Af

COMPOSITE EXHIBIT "A1"

The OFFICE has determined that QUALITY is currently insolvent. As such, I am advising you of that determination so that delinquency proceedings can be initiated by the Division of Rehabilitation and Liquidation. The following documents are attached in support of such determination:

Exhibit 1 – Affidavit of Toma Wilkerson, Acting Director Life & Health Financial Oversight, with Exhibits A - I.

As always, the OFFICE stands ready to provide any additional information or assistance the DEPARTMENT needs in order for this matter to proceed as expeditiously as possible. Thank you for your attention to this matter.

Sincerely,

Kevin M. McCarty

cc: PK Jameson, General Counsel
Department of Financial Services

Sha'Ron James, Division Director
Division of Rehabilitation and Liquidation
Department of Financial Services

AFFIDAVIT OF TOMA L. WILKERSON

BEFORE ME, the undersigned authority, personally appeared Toma L. Wilkerson, Acting Director of Life & Health Financial Oversight, Office of Insurance Regulation, who after being duly sworn, deposes and says:

1. I, Toma L. Wilkerson, am over the age of eighteen (18), sui juris, and I am competent to testify to and have personal knowledge of the facts contained herein.

2. I, Toma L. Wilkerson, currently hold the position of Acting Director with Life & Health Financial Oversight, Office of Insurance Regulation (hereinafter referred to as the "Office"). I graduated from the University of West Florida in 1995 with a Bachelor of Science degree in Management. I have been employed by the Office for approximately 14 years.

3. Quality Health Plans, Inc. (hereinafter referred to as "Quality") was licensed on October 11, 2002 in the State of Florida as a health maintenance organization and was authorized to sell the Medicare HMO product. Quality has only sold Medicare since it began writing business in 2003.

4. The Office has determined that grounds exist for the Department of Financial Services (hereinafter referred to as the "Department") to petition for an order, under Section 631.051(1), Florida Statutes, directing the Department to initiate delinquency proceedings against Quality. The basis for this determination is summarized as follows:

(a) On January 25, 2011, Quality filed its monthly financial statement for the month ending December 31, 2010 (hereinafter referred to as "December Monthly Statement" or Exhibit A). Quality reported in its December Monthly Statement that it had $3,762,198 in capital and surplus. The aforementioned capital and surplus was $53,612 in excess of the statutorily required minimum level of surplus that health maintenance organizations are required to have on hand by Section 641.225, Florida Statutes.

(b) On May 6, 2011, Quality submitted its 2010 Audited Financial Statement (hereinafter referred to as "2010 Audited Statement" or Exhibit B) to the Office which stands in sharp contrast to its December Monthly Statement (Exhibit A). In its 2010 Audited Financial Statement, Quality was insolvent by $5,139,674.

(c) Quality indicated in an April 29, 2011 Email that it had received an additional capital infusion of $10,165,836 in the form of an account set up with Lincoln Reserve Group (Exhibit C).

(d) As part of the normal course of business, the Office verifies that monetary accounts in financial institutions are free from any hypothecations, pledges or other encumbrances, and that the funds are available for the payment of losses and claims.

(e) On May 10, 2011, the Office notified Quality that it would need written confirmation from Lincoln Reserve Group regarding the account balance and whether there were any hypothecations, pledges or other encumbrances to the account (Exhibit D).

(f) After several communications with Quality, the Office was never able to satisfactorily confirm that the funds existed unencumbered.

(g) On July 22, 2011, the Office told Quality to move the $10,165,836 to an account in a Florida bank (Exhibit E).

(h) On August 1, 2011, the Office received a fax that was purported to be from Bank of America confirming that an account had been opened for Quality in an amount of $10,165,836, and that these funds were free from hypothecations, pledges or other encumbrances (Exhibit F).

(i) The Office was unable to confirm the authenticity of the confirmation, and has since referred the matter to the Division of Insurance Fraud.

(j) On August 11, 2011, a subpoena was issued to Bank of America requiring Bank of America to provide a response as to the authenticity of the August 1, 2011 communication (Exhibit G).

(k) The Office has reason to believe that the $10,165,836 is a falsified asset, and therefore the $10,165,836 is a non-admitted asset and renders Quality insolvent.

(l) The Office informed Quality, by letter dated July 15, 2011, that it must non-admit certain assets totaling $5,242,746, because these assets were not available to pay claims and losses (Exhibit H). As of the date of this affidavit, Quality has failed to replace the majority of these assets, rendering Quality further insolvent.

(m) In a meeting with the Office on August 10, 2011, Quality provided financial statements for its Parent QHP Group which reflected that QHP Group has negative equity (Exhibit I).

5. Based on the above findings, the Office has determined that Quality Health Plans is in an unsound financial condition and has insufficient capital to assure prompt payment of losses of claims in this state in the future. Thus, grounds for issuing an Order for entry into receivership exist under Sections 631.051(1) and 631.051(3), Florida Statutes.

FURTHER AFFIANT SAYETH NOT.

Toma L. Wilkerson, Acting Director
Life & Health Financial Oversight
Office of Insurance Regulation

STATE OF Florida
COUNTY OF Leon

The foregoing instrument was acknowledged before me this 16th day of Aug 2011,
by Toma L. Wilkerson as Acting Director
(name of person) (type of authority
..... e.g. officer, trustee attorney in fact)
for OIR Life and Health Financial Oversight
(company name)

Debra L Seymour
(Signature of the Notary)

DEBRA L. SEYMOUR
MY COMMISSION # DD 878693
EXPIRES: August 8, 2013
Bonded Thru Notary Public Underwriters

(Print, Type or Stamp Commissioned Name of Notary)

Personally Known ✓ OR Produced Identification _____
Type of Identification Produced _____

Exhibit A

MONTHLY

~~QUARTERLY~~ STATEMENT

AS OF DECEMBER 31, 2010
OF THE CONDITION AND AFFAIRS OF THE

QUALITY HEALTH PLANS, INC.

NAIC Group Code 0000 (Current Period) 0000 (Prior Period) NAIC Company Code 11519 Employer's ID Number 59-3751408

Organized under the Laws of Florida, State of Domicile or Port of Entry Florida

Country of Domicile United States

Licensed as business type: Life, Accident & Health [ ] Property/Casualty [ ] Hospital, Medical & Dental Service or Indemnity [ ]
Dental Service Corporation [ ] Vision Service Corporation [ ] Health Maintenance Organization [X]
Other [ ] Is HMO, Federally Qualified? Yes [X] No [ ]

Incorporated/Organized 08/27/2001 Commenced Business 01/01/2003

Statutory Home Office 4010 Gunn Highway, Suite 220 (Street and Number), Tampa, FL 33618-8744 (City, State and Zip Code)

Main Administrative Office 4010 Gunn Highway, Suite 220 (Street and Number), Tampa, FL 33618-8744 (City or Town, State and Zip Code), 813-574-1840-102 (Area Code) (Telephone Number)

Mail Address 4010 Gunn Highway, Suite 220 (Street and Number or P.O. Box), Tampa, FL 33618-8744 (City or Town, State and Zip Code)

Primary Location of Books and Records 4010 Gunn Highway, Suite 220 (Street and Number), Tampa, FL 33618-8744 (City, State and Zip Code), 813-574-1840-104 (Area Code) (Telephone Number)

Internet Web Site Address www.qualityhealthplans.com

Statutory Statement Contact SABIHA H KHAN (Name), 813-574-1840-104 (Area Code) (Telephone Number) (Extension)
skhan@qualityhealthplans.com (E-Mail Address), 813-961-3154 (Fax Number)

OFFICERS

Name	Title	Name	Title
SABIHA HAIDER KHAN	VICE PRESIDENT	NAZEER HAIDER KHAN	CHIEF EXECUTIVE OFFICER
HAIDER ALI KHAN	PRESIDENT		

OTHER OFFICERS

DIRECTORS OR TRUSTEES

SABIHA HAIDER KHAN, HAIDER ALI KHAN, NAZEER HAIDER KHAN

State of FLORIDA
County of HILLSBOROUGH ss

The officers of this reporting entity being duly sworn, each depose and say that they are the described officers of said reporting entity, and that on the reporting period stated above, all of the herein described assets were the absolute property of the said reporting entity, free and clear from any liens or claims thereon, except as herein stated, and that this statement, together with related exhibits, schedules and explanations therein contained, annexed or referred to, is a full and true statement of all the assets and liabilities and of the condition and affairs of the said reporting entity as of the reporting period stated above, and of its income and deductions therefrom for the period ended, and have been completed in accordance with the NAIC Annual Statement Instructions and Accounting Practices and Procedures manual except to the extent that: (1) state law may differ; or, (2) that state rules or regulations require differences in reporting not related to accounting practices and procedures, according to the best of their information, knowledge and belief, respectively. Furthermore, the scope of this attestation by the described officers also includes the related corresponding electronic filing with the NAIC, when required, that is an exact copy (except for formatting differences due to electronic filing) of the enclosed statement. The electronic filing may be requested by various regulators in lieu of or in addition to the enclosed statement.

HAIDER ALI KHAN
PRESIDENT

NAZEER HAIDER KHAN
CHIEF EXECUTIVE OFFICER

a. Is this an original filing? Yes [X] No [ ]

b. If no,
1. State the amendment number
2. Date filed
3. Number of pages attached

Subscribed and sworn to before me this
25 day of JANUARY, 2011

HEATHER LINTHICUM, NOTARY PUBLIC
4/2011

Notary Public State of Florida
Heather A Linthicum
My Commission DD685611
Expires 04/22/2011

ASSETS

	Current Statement Date			4
	1 Assets	2 Nonadmitted Assets	3 Net Admitted Assets (Cols. 1 - 2)	December 31 Prior Year Net Admitted Assets
1. Bonds			0	0
2. Stocks:				
2.1 Preferred stocks			0	0
2.2 Common stocks			0	0
3. Mortgage loans on real estate:				
3.1 First liens			0	0
3.2 Other than first liens			0	0
4. Real estate:				
4.1 Properties occupied by the company (less $ ..... encumbrances)			0	0
4.2 Properties held for the production of income (less $ ..... encumbrances)			0	0
4.3 Properties held for sale (less $ ..... encumbrances)			0	0
5. Cash ($ 14,248,548), cash equivalents ($ 0) and short-term investments ($ 0)	14,248,548		14,248,548	23,253,003
6. Contract loans (including $ ..... premium notes)			0	0
7. Derivatives			0	0
8. Other invested assets	0		0	0
9. Receivables for securities			0	0
10. Aggregate write-ins for invested assets	0	0	0	0
11. Subtotals, cash and invested assets (Lines 1 to 10)	14,248,548	0	14,248,548	23,253,003
12. Title plants less $ ..... charged off (for Title insurers only)			0	0
13. Investment income due and accrued	10,969		10,969	8,931
14. Premiums and considerations:				
14.1 Uncollected premiums and agents' balances in the course of collection	1,375,660	808,819	566,841	756,973
14.2 Deferred premiums, agents' balances and installments booked but deferred and not yet due (including $ ..... earned but unbilled premiums)			0	0
14.3 Accrued retrospective premiums	9,059,226		9,059,226	8,544,610
15. Reinsurance:				
15.1 Amounts recoverable from reinsurers	911,207		911,207	2,272,360
15.2 Funds held by or deposited with reinsured companies	5,348,065	129,162	5,218,903	1,071,911
15.3 Other amounts receivable under reinsurance contracts			0	0
16. Amounts receivable relating to uninsured plans	499,723		499,723	0
17.1 Current federal and foreign income tax recoverable and interest thereon	1,126,000		1,126,000	0
17.2 Net deferred tax asset			0	1,265,000
18. Guaranty funds receivable or on deposit			0	0
19. Electronic data processing equipment and software	50,334	50,334	0	0
20. Furniture and equipment, including health care delivery assets ($ .....)	3,572	3,572	0	0
21. Net adjustment in assets and liabilities due to foreign exchange rates			0	0
22. Receivables from parent, subsidiaries and affiliates	724	724	0	0
23. Health care ($ 9,206,640) and other amounts receivable	15,830,887	6,624,247	9,206,640	1,786,642
24. Aggregate write-ins for other than invested assets	1,175,213	1,175,213	0	0
25. Total assets excluding Separate Accounts, Segregated Accounts and Protected Cell Accounts (Lines 11 to 24)	49,640,128	8,792,071	40,848,057	38,969,430
26. From Separate Accounts, Segregated Accounts and Protected Cell Accounts			0	0
27. Total (Lines 25 and 26)	49,640,128	8,792,071	40,848,057	38,969,430
DETAILS OF WRITE-INS				
1001.				
1002.				
1003.				
1098. Summary of remaining write-ins for Line 10 from overflow page	0	0	0	0
1099. Totals (Lines 1001 through 1003 plus 1098)(Line 10 above)	0	0	0	0
2401. Deposits	10,656	10,656	0	0
2402. Prepaid Expenses	156,933	156,933	0	0
2403. AR - Misc	1,604	1,604	0	0
2498. Summary of remaining write-ins for Line 24 from overflow page	1,006,020	1,006,020	0	0
2499. Totals (Lines 2401 through 2403 plus 2498)(Line 24 above)	1,175,213	1,175,213	0	0

LIABILITIES, CAPITAL AND SURPLUS

		Current Period			Prior Year
		1 Covered	2 Uncovered	3 Total	4 Total
1.	Claims unpaid (less $ ..... reinsurance ceded)	31,993,398		31,993,398	29,108,286
2.	Accrued medical incentive pool and bonus amounts			0	0
3.	Unpaid claims adjustment expenses			0	0
4.	Aggregate health policy reserves	940,105		940,105	1,057,968
5.	Aggregate life policy reserves			0	0
6.	Property/casualty unearned premium reserve			0	0
7.	Aggregate health claim reserves			0	0
8.	Premiums received in advance			0	0
9.	General expenses due or accrued	1,861,844		1,861,844	985,619
10.1	Current federal and foreign income tax payable and interest thereon (including $ ..... on realized gains (losses))			0	0
10.2	Net deferred tax liability			0	0
11.	Ceded reinsurance premiums payable	2,290,512		2,290,512	34,679
12.	Amounts withheld or retained for the account of others			0	0
13.	Remittances and items not allocated			0	0
14.	Borrowed money (including $ ..... current) and interest thereon $ ..... (including $ ..... current)			0	0
15.	Amounts due to parent, subsidiaries and affiliates			0	(10,015)
16.	Derivatives			0	
17.	Payable for securities			0	0
18.	Funds held under reinsurance treaties (with $ ..... authorized reinsurers and $ ..... unauthorized reinsurers)			0	0
19.	Reinsurance in unauthorized companies			0	0
20.	Net adjustments in assets and liabilities due to foreign exchange rates			0	0
21.	Liability for amounts held under uninsured plans			0	1,720,491
22.	Aggregate write-ins for other liabilities (including $ ..... current)	0	0	0	0
23.	Total liabilities (Lines 1 to 22)	37,085,859	0	37,085,859	32,895,028
24.	Aggregate write-ins for special surplus funds	XXX	XXX	0	0
25.	Common capital stock	XXX	XXX	100	100
26.	Preferred capital stock	XXX	XXX		0
27.	Gross paid in and contributed surplus	XXX	XXX	30,124,900	24,824,900
28.	Surplus notes	XXX	XXX	6,039,532	6,039,532
29.	Aggregate write-ins for other than special surplus funds	XXX	XXX	0	0
30.	Unassigned funds (surplus)	XXX	XXX	(32,402,334)	(24,790,130)
31	Less treasury stock, at cost: 31.1 ..... shares common (value included in Line 25) $ .....) 31.2 ..... shares preferred (value included in Line 26) $ .....)	XXX XXX	XXX XXX		0 0
32.	Total capital and surplus (Lines 24 to 30 minus Line 31)	XXX	XXX	3,782,198	6,074,402
33.	Total liabilities, capital and surplus (Lines 23 and 32)	XXX	XXX	40,846,057	38,969,430
	DETAILS OF WRITE-INS				
2201.					
2202.					
2203.					
2298.	Summary of remaining write-ins for Line 22 from overflow page	0	0	0	0
2299.	Totals (Lines 2201 through 2203 plus 2298) (Line 22 above)	0	0	0	0
2401.		XXX	XXX		
2402.		XXX	XXX		
2403.		XXX	XXX		
2498.	Summary of remaining write-ins for Line 24 from overflow page	XXX	XXX	0	0
2499.	Totals (Lines 2401 through 2403 plus 2498) (Line 24 above)	XXX	XXX	0	0
2901.		XXX	XXX		
2902.		XXX	XXX		
2903.		XXX	XXX		
2998.	Summary of remaining write-ins for Line 29 from overflow page	XXX	XXX	0	0
2999.	Totals (Lines 2901 through 2903 plus 2998) (Line 29 above)	XXX	XXX	0	0

STATEMENT OF REVENUE AND EXPENSES

		Current Year To Date		Prior Year To Date	Prior Year Ended December 31
		1 Uncovered	2 Total	3 Total	4 Total
1.	Member Months	XXX	204,817	222,271	222,271
2.	Net premium income (including $ ..... non-health premium income)	XXX	154,419,628	140,097,969	142,804,713
3.	Change in unearned premium reserves and reserve for rate credits	XXX		0	0
4.	Fee-for-service (net of $ ..... medical expenses)	XXX		0	0
5.	Risk revenue	XXX		0	0
6.	Aggregate write-ins for other health care related revenues	XXX	0	0	0
7.	Aggregate write-ins for other non-health revenues	XXX	0	0	0
8	Total revenues (Lines 2 to 7)	XXX	154,419,628	140,097,969	142,804,713
	Hospital and Medical:				
9.	Hospital/medical benefits		85,859,450	78,898,380	84,515,715
10.	Other professional services		11,226,561	7,953,287	10,227,947
11.	Outside referrals		7,679,722	6,395,619	6,949,612
12.	Emergency room and out-of-area		13,359,760	11,279,487	12,256,524
13.	Prescription drugs		24,765,214	26,215,577	24,953,849
14.	Aggregate write-ins for other hospital and medical	0	0	0	0
15.	Incentive pool, withhold adjustments and bonus amounts		1,740,010	1,585,740	0
16.	Subtotal (Lines 9 to 15)	0	144,630,717	132,128,090	138,903,647
	Less:				
17.	Net reinsurance recoveries		6,660,755	11,693,566	12,002,128
18.	Total hospital and medical (Lines 16 minus 17)	0	137,969,962	120,434,524	126,901,519
19.	Non-health claims (net)			0	0
20.	Claims adjustment expenses, including $ 1,578,514 ..... cost containment expenses		8,450,568	6,708,694	8,708,694
21.	General administrative expenses		15,974,392	15,093,244	15,190,810
22.	Increase in reserves for life and accident and health contracts (including $ ..... increase in reserves for life only)			0	0
23.	Total underwriting deductions (Lines 18 through 22)	0	160,394,922	142,236,462	148,801,023
24.	Net underwriting gain or (loss) (Lines 8 minus 23)	XXX	(5,975,294)	(2,138,493)	(5,996,310)
25.	Net investment income earned		101,020	104,262	104,262
26.	Net realized capital gains (losses) less capital gains tax of $			0	0
27.	Net investment gains (losses) (Lines 25 plus 26)	0	101,020	104,262	104,262
28.	Net gain or (loss) from agents' or premium balances charged off [(amount recovered $ .....) (amount charged off $ .....]			0	0
29.	Aggregate write-ins for other income or expenses	0	0	0	0
30.	Net income or (loss) after capital gains tax and before all other federal income taxes (Lines 24 plus 27 plus 28 plus 29)	XXX	(5,874,274)	(2,034,231)	(5,892,048)
31.	Federal and foreign income taxes incurred	XXX	(1,146,713)	0	(1,265,000)
32.	Net income (loss) (Lines 30 minus 31)	XXX	(4,727,561)	(2,034,231)	(4,627,048)
	DETAILS OF WRITE-INS				
0601.	Other Income	XXX		0	0
0602.		XXX			
0603.		XXX			
0698.	Summary of remaining write-ins for Line 6 from overflow page	XXX	0	0	0
0699.	Totals (Lines 0601 through 0603 plus 0698) (Line 6 above)	XXX	0	0	0
0701.		XXX			
0702.		XXX			
0703.		XXX			
0798.	Summary of remaining write-ins for Line 7 from overflow page	XXX	0	0	0
0799.	Totals (Lines 0701 through 0703 plus 0798) (Line 7 above)	XXX	0	0	0
1401.	Reinsurance Expense			0	0
1402.					
1403.					
1498.	Summary of remaining write-ins for Line 14 from overflow page	0	0	0	0
1499.	Totals (Lines 1401 through 1403 plus 1498) (Line 14 above)	0	0	0	0
2901.					
2902.					
2903.					
2998.	Summary of remaining write-ins for Line 29 from overflow page	0	0	0	0
2999.	Totals (Lines 2901 through 2903 plus 2998) (Line 29 above)	0	0	0	0

STATEMENT OF REVENUE AND EXPENSES (Continued)

		1 Current Year to Date	2 Prior Year to Date	3 Prior Year
	CAPITAL AND SURPLUS ACCOUNT:			
33.	Capital and surplus prior reporting year	8,074,402	3,157,859	3,157,859
34.	Net income or (loss) from Line 32	(4,727,561)	(2,034,231)	(4,827,048)
35.	Change in valuation basis of aggregate policy and claim reserves	0	0	0
36.	Change in net unrealized capital gains (losses) less capital gains tax of $	0	0	0
37.	Change in net unrealized foreign exchange capital gain or (loss)	0	0	0
38.	Change in net deferred income tax	0	0	0
39.	Change in nonadmitted assets	(2,884,643)	(548,624)	2,434,062
40.	Change in unauthorized reinsurance	0	0	0
41.	Change in treasury stock	0	0	0
42.	Change in surplus notes	0	4,384,532	4,384,532
43.	Cumulative effect of changes in accounting principles	0	0	0
44.	Capital Changes:			
	44.1 Paid in	0	0	0
	44.2 Transferred from surplus (Stock Dividend)	0	0	0
	44.3 Transferred to surplus	0	0	0
45.	Surplus adjustments:			
	45.1 Paid in	5,300,000	725,000	725,000
	45.2 Transferred to capital (Stock Dividend)	0	0	0
	45.3 Transferred from capital	0	0	0
46.	Dividends to stockholders	0	0	0
47.	Aggregate write-ins for gains or (losses) in surplus	0	(4)	(3)
48.	Net change in capital and surplus (Lines 34 to 47)	(2,312,204)	5,528,673	5,016,543
49.	Capital and surplus end of reporting period (Line 33 plus 48)	5,762,198	5,686,532	8,074,402
	DETAILS OF WRITE-INS			
4701.	Other gains in surplus		(4)	(3)
4702.				
4703.				
4798.	Summary of remaining write-ins for Line 47 from overflow page	0	0	0
4799.	Totals (Lines 4701 through 4703 plus 4798) (Line 47 above)	0	(4)	(3)

CASH FLOW

	1 Current Year To Date	2 Prior Year To Date	3 Prior Year Ended December 31
Cash from Operations			
1. Premiums collected net of reinsurance	156,233,114	144,919,473	144,488,656
2. Net investment income	98,982	102,406	102,406
3. Miscellaneous income	0	0	0
4. Total (Lines 1 to 3)	156,332,096	145,021,879	144,571,062
5. Benefit and loss related payments	147,498,901	111,367,530	113,506,038
6. Net transfers to Separate Accounts, Segregated Accounts and Protected Cell Accounts		0	0
7. Commissions, expenses paid and aggregate write-ins for deductions	21,538,720	22,316,531	22,312,094
8. Dividends paid to policyholders		0	0
9. Federal and foreign income taxes paid (recovered) net of $ tax on capital gains (losses)	(1,285,713)	(1,091,000)	(1,091,000)
10. Total (Lines 6 through 9)	167,751,908	132,595,061	134,727,132
11. Net cash from operations (Line 4 minus Line 10)	(11,419,812)	12,426,818	9,843,930
Cash from Investments			
12. Proceeds from investments sold, matured or repaid:			
12.1 Bonds	0	0	0
12.2 Stocks	0	0	0
12.3 Mortgage loans	0	0	0
12.4 Real estate	0	0	0
12.5 Other invested assets	0	0	0
12.6 Net gains or (losses) on cash, cash equivalents and short-term investments	0	0	0
12.7 Miscellaneous proceeds	0	0	0
12.8 Total investment proceeds (Lines 12.1 to 12.7)	0	0	0
13. Cost of investments acquired (long-term only):			
13.1 Bonds	0	0	0
13.2 Stocks	0	0	0
13.3 Mortgage loans	0	0	0
13.4 Real estate	0	0	0
13.5 Other invested assets	0	0	0
13.6 Miscellaneous applications	0	0	0
13.7 Total investments acquired (Lines 13.1 to 13.6)	0	0	0
14. Net increase (or decrease) in contract loans and premium notes	0	0	0
15. Net cash from investments (Line 12.8 minus Line 13.7 and Line 14)	0	0	0
Cash from Financing and Miscellaneous Sources			
16. Cash provided (applied):			
16.1 Surplus notes, capital notes	0	4,384,532	4,384,532
16.2 Capital and paid in surplus, less treasury stock	5,300,000	725,000	725,000
16.3 Borrowed funds	0	0	0
16.4 Net deposits on deposit-type contracts and other insurance liabilities		0	0
16.5 Dividends to stockholders	0	0	0
16.6 Other cash provided (applied)	(2,884,643)	(148,528)	2,434,061
17. Net cash from financing and miscellaneous sources (Line 16.1 through Line 16.4 minus Line 16.5 plus Line 16.6)	2,415,357	4,960,704	7,543,593
RECONCILIATION OF CASH, CASH EQUIVALENTS AND SHORT-TERM INVESTMENTS			
18. Net change in cash, cash equivalents and short-term investments (Line 11, plus Lines 15 and 17)	(9,004,455)	17,387,522	17,387,523
19. Cash, cash equivalents and short-term investments:			
19.1 Beginning of year	23,253,003	5,865,480	5,865,480
19.2 End of period (Line 18 plus Line 19.1)	14,248,548	23,253,002	23,253,003

EXHIBIT OF PREMIUMS, ENROLLMENT AND UTILIZATION

	1	Comprehensive (Hospital & Medical)		4	5	6	7	8	9	10
	Total	2 Individual	3 Group	Medicare Supplement	Vision Only	Dental Only	Federal Employees Health Benefit Plan	Title XVIII Medicare	Title XIX Medicaid	Other
Total Members at end of:										
1. Prior Year	38,659	0	0	0	0	0	0	14,047	0	4,612
2. First Quarter	37,638	0	0	0	0	0	0	14,680	0	2,958
3. Second Quarter	37,506	0	0	0	0	0	0	14,842	0	2,664
4. Third Quarter	36,794							14,374		2,420
5. Current Year	36,175							13,940		2,235
6. Current Year Member Months	204,817							173,098		31,719
Total Member Ambulatory Encounters for Period:										
7. Physician	481,964							481,964		
8. Non-Physician	16,440							16,440		
9. Total	498,404	0	0	0	0	0	0	498,404	0	0
10. Hospital Patient Days Incurred	21,656							21,656		
11. Number of Inpatient Admissions	4,528							4,528		
12. Health Premiums Written(a)	158,097,874							153,144,743		4,953,131
13. Life Premiums Direct	0									
14. Property/Casualty Premiums Written	0									
15. Health Premiums Earned	158,097,874							153,144,743		4,953,131
16. Property/Casualty Premiums Earned	0									
17. Amount Paid for Provision of Health Care Services	147,498,901							140,976,131		6,522,770
18. Amount Incurred for Provision of Health Care Services	144,630,717							137,630,134		7,000,583

(a) For health premiums written: amount of Medicare Title XVIII exempt from state taxes or fees $ 158,097,874

OVERFLOW PAGE FOR WRITE-INS

MQ002 Additional Aggregate Lines for Page 02 Line 24.
*ASSETS

	1 Assets	2 Nonadmitted Assets	3 Net Admitted Assets (Cols. 1 - 2)	4 Prior Year Net Admitted Assets
2404. Note Receivable	76,020	76,020	0	0
2405. AR - Other	930,000	930,000	0	0
2497. Summary of remaining write-ins for Line 24 from Page 02	1,006,020	1,006,020	0	0

SCHEDULE E - PART 1 - CASH

Month End Depository Balances

1 Depository	2 Code	3 Rate of Interest	4 Amount of Interest Received During Current Quarter	5 Amount of Interest Accrued at Current Statement Date	Book Balance at End of Each Month During Current Quarter 6 First Month	7 Second Month	8 Third Month	9 *
BANK OF AMERICA FLORIDA							885	XXX
FIFTH THIRD BANK FLORIDA							2,116,486	XXX
FIFTH THIRD BANK FLORIDA							100,000	XXX
HERALD BANK NEW YORK							6,149,955	XXX
BANK OF AMERICA FLORIDA							581	XXX
BANK OF AMERICA FLORIDA		0.200		86			504,419	XXX
FIFTH THIRD BANK FLORIDA							106	XXX
FIFTH THIRD BANK FLORIDA							432	XXX
FIFTH THIRD BANK FLORIDA							105	XXX
STATE OF FLORIDA FLORIDA		2.264		10,969			2,310,000	XXX
MERRILL LYNCH FLORIDA							27,000	XXX
FIFTH THIRD BANK FLORIDA							3,008,202	XXX
0199998 Deposits in ... depositories that do not exceed the allowable limit in any one depository (see instructions) - Open Depositories	XXX	XXX						XXX
0199999 Totals - Open Depositories	XXX	XXX	86	10,969			14,248,048	XXX
0599999 Total Cash on Deposit	XXX	XXX	86	10,969			14,248,048	XXX
0499999 Cash in Company's Office	XXX	XXX	XXX	XXX			500	XXX
0599999 Total	XXX	XXX	86	10,969			14,248,548	XXX

SCHEDULE E - PART 2 - CASH EQUIVALENTS

Show Investments Owned End of Current Quarter

1 Description	2 Code	3 Date Acquired	4 Rate of Interest	5 Maturity Date	6 Book/Adjusted Carrying Value	7 Amount of Interest Due & Accrued	8 Amount Received During Year
8999999 Totals					0	0	0

NONE

SUPPLEMENT FOR THE ~~QUARTER~~ MONTH ENDING DECEMBER 31, 2010 OF THE
QUALITY HEALTH PLANS, INC.

MEDICARE PART D COVERAGE SUPPLEMENT

(Net of Reinsurance)

NAIC Group Code .....0000 NAIC Company Code 11519

	Individual Coverage		Group Coverage		6
	1 Insured	2 Uninsured	3 Insured	4 Uninsured	Total Cash
1. Premiums Collected	4,355,717	XXX		XXX	4,355,717
2. Earned Premiums	4,853,131	XXX		XXX	XXX
3. Claims Paid	6,522,770	XXX		XXX	6,522,770
4. Claims Incurred	7,000,563	XXX		XXX	XXX
5. Reinsurance Coverage and Low Income Cost Sharing - Claims Paid Net of Reimbursements Applied (a)	XXX	970,057	XXX		970,057
6. Aggregate Policy Reserves - Change		XXX		XXX	XXX
7 Expenses Paid	17,245	XXX		XXX	17,245
8. Expenses Incurred	17,245	XXX		XXX	XXX
9. Underwriting Gain or Loss	(2,664,697)	XXX	0	XXX	XXX
10. Cash Flow Results	XXX	XXX	XXX	XXX	(3,144,355)

(a) Uninsured Receivable/Payable with CMS at End of Quarter: $ .....499,723 due from CMS or $ ..... due to CMS

SCHEDULE E PART 3 - SPECIAL DEPOSITS

States, Etc.	1 Type of Deposit	2 Purpose of Deposit	Deposits For The Benefit of All Policyholders		All Other Special Deposits	
			3 Book/Adjusted Carrying Value	4 Fair Value	5 Book/Adjusted Carrying Value	6 Fair Value
1. Alabama AL						
2. Alaska AK						
3. Arizona AZ						
4. Arkansas AR						
5. California CA						
6. Colorado CO						
7. Connecticut CT						
8. Delaware DE						
9. District of Columbia DC						
10. Florida FL	ST	STATUTORY INSOLVENCY FUND AND REHABILITATION ADMIN EXPENSE FUND	2,300,000	2,300,000	10,000	10,000
11. Georgia GA						
12. Hawaii HI						
13. Idaho ID						
14. Illinois IL						
15. Indiana IN						
16. Iowa IA						
17. Kansas KS						
18. Kentucky KY						
19. Louisiana LA						
20. Maine ME						
21. Maryland MD						
22. Massachusetts MA						
23. Michigan MI						
24. Minnesota MN						
25. Mississippi MS						
26. Missouri MO						
27. Montana MT						
28. Nebraska NE						
29. Nevada NV						
30. New Hampshire NH						
31. New Jersey NJ						
32. New Mexico NM						
33. New York NY						
34. North Carolina NC						
35. North Dakota ND						
36. Ohio OH						
37. Oklahoma OK						
38. Oregon OR						
39. Pennsylvania PA						
40. Rhode Island RI						
41. South Carolina SC						
42. South Dakota SD						
43. Tennessee TN						
44. Texas TX						
45. Utah UT						
46. Vermont VT						
47. Virginia VA						
48. Washington WA						
49. West Virginia WV						
50. Wisconsin WI						
51. Wyoming WY						
52. American Samoa AS						
53. Guam GU						
54. Puerto Rico PR						
55. US Virgin Islands VI						
56. Northern Mariana Islands MP						
57. Canada CN						
58. Aggregate Other Alien OT	XXX	XXX	0	0	0	0
59. Total	XXX	XXX	2,300,000	2,300,000	10,000	10,000
DETAILS OF WRITE-INS						
5801						
5802.						
5803						
5898 Summary of remaining write-ins for Line 58 from overflow page	XXX	XXX	0	0	0	0
5899 Totals (Lines 5801 - 5803 + 5898)(Line 58 above)	XXX	XXX	0	0	0	0

EXHIBIT 2 - ACCIDENT AND HEALTH PREMIUMS DUE AND UNPAID

1 Name of Debtor	2 1 - 30 Days	3 31 - 60 Days	4 61 - 90 Days	5 Over 90 Days	6 Nonadmitted	7 Admitted
0199999 Total individuals	72,507	51,378	53,202	808,819	808,819	177,087
Group subscribers:						
0299997 Group subscriber subtotal	0	0	0	0	0	0
0299998 Premiums due and unpaid not individually listed	0	0	0	0	0	0
0299999 Total group	0	0	0	0	0	0
0399999 Premiums due and unpaid from Medicare entities	609,484	712,677	754,559	7,372,250	0	9,448,980
0499999 Premiums due and unpaid from Medicaid entities						
0599999 Accident and health premiums due and unpaid (Page 2, Line 13)	681,991	764,055	807,761	8,181,069	808,819	9,626,067

DEC 31, 2010
ANNUAL STATEMENT FOR ~~THE YEAR 2009~~ OF THE QUALITY HEALTH PLANS, INC.

EXHIBIT 3 - HEALTH CARE RECEIVABLES

1 Name of Debtor	2 1 - 30 Days	3 31 - 60 Days	4 61 - 90 Days	5 Over 90 Days	6 Nonadmitted	7 Admitted
Individually Listed Receivables:						
PRESCRIPTION SOLUTIONS, INC.	220,789	233,820	231,811	718,882	26,473	1,378,829
0199999 - Totals - Pharmaceutical rebate receivables	220,789	233,820	231,811	718,882	26,473	1,378,829
0299998 - Aggregate of amounts not individually listed above.	4,061	780	20,411	698,014	152,772	570,494
0299999 - Totals - Claim Overpayment Receivables	4,061	780	20,411	698,014	152,772	570,494
PRIMECARE CORPORATION				2,844,837	2,844,837	0
UNIVERSITY MEDICAL CLINICS INC.				1,245,538	1,246,538	0
WELLMED MEDICAL MANAGEMENT OF FLORIDA				1,750,383	1,750,383	0
HEALTHY NETWORK INC.	266,570	820,108	0	2,653,882	302,876	3,437,685
FLORIDA HEALTH NETWORK	0	48,223	0	250,505	0	298,726
FLORIDA PRACTICE & BENEFITS GROUP	11,734	0	0	3,810,744	301,358	3,521,120
0599999 - Totals - Risk sharing Receivables	278,304	868,331	0	12,555,884	6,445,002	7,257,517
CENTERS FOR MEDICARE AND MEDICAID SERVIC						
0699999 - Totals - Other Receivables	0	0		0		0
0799999 Gross health care receivables	503,154	1,102,931	252,222	13,972,780	6,624,247	9,206,840

Amounts owed from CMS, if any, represent estimated risk corridor receivable.

EXHIBIT 7 PART 1 - SUMMARY OF TRANSACTIONS WITH PROVIDERS

Payment Method	1 Direct Medical Expense Payment	2 Column 1 as a % of Total Payments	3 Total Members Covered	4 Column 3 as a % of Total Members	5 Column 1 Expenses Paid to Affiliated Providers	6 Column 1 Expenses Paid to Non-Affiliated Providers
Capitation Payments:						
1. Medical groups	5,324,408	3.6	5,855	31.4		5,324,408
2. Intermediaries	0	0.0		0.0		
3. All other providers	6,634,597	4.5	10,320	55.3		6,634,597
4. Total capitation payments	11,959,005	8.1	16,175	86.7	0	11,959,005
Other Payments:						
5. Fee-for-service	131,861,650	89.4	XXX	XXX		131,861,650
6. Contractual fee payments	0	0.0	XXX	XXX		
7. Bonus/Withhold arrangements - fee-for-service	0	0.0	XXX	XXX		
8. Bonus/Withhold arrangements - contractual fee payments	0	0.0	XXX	XXX		
9. Non-contingent salaries	0	0.0	XXX	XXX		
10. Aggregate cost arrangements	0	0.0	XXX	XXX		
11. All other payments	3,678,246	2.5	XXX	XXX		3,678,246
12. Total other payments	135,539,896	91.9	XXX	XXX	0	135,539,896
13. Total (Line 4 plus Line 12)	147,498,901	100.0	XXX	XXX	0	147,498,901

EXHIBIT 7 - PART 2 - SUMMARY OF TRANSACTIONS WITH INTERMEDIARIES

1 NAIC Code	2 Name of Intermediary	3 Capitation Paid	4 Average Monthly Capitation	5 Intermediary's Total Adjusted Capital	6 Intermediary's Authorized Control Level RBC
	NONE				
9999999 Totals			XXX	XXX	XXX

Exhibit B

QUALITY HEALTH PLANS, INC.

Statutory Financial Statements
December 31, 2010 and 2009

QUALITY HEALTH PLANS, INC.

Table of Contents

Report of Independent Certified Public Accountants

Board of Directors
Quality Health Plans, Inc.
Tampa, Florida

We have audited the accompanying statutory statements of admitted assets, liabilities, and capital and surplus of Quality Health Plans, Inc. (the "Company") as of December 31, 2010 and 2009 and the related statutory statements of revenues and expenses, changes in capital and surplus (deficit), and cash flows for the years then ended. These statutory financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these statutory financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform our audits to obtain reasonable assurance about whether the statutory financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the statutory financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall statutory financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

As described more fully in Note 1, these statutory financial statements were prepared in conformity with the accounting practices prescribed or permitted by the Florida Department of Financial Services, Office of Insurance Regulation, which practices differ from accounting principles generally accepted in the United States of America. The effects on the statutory financial statements of the variances between statutory accounting practices and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

In our opinion, because of the significance of the matter discussed in the preceding paragraph, the statutory financial statements referred to above do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of Quality Health Plans, Inc. as of December 31, 2010 and 2009, or the results of its operations or its cash flows for the years then ended.

However, in our opinion, the statutory financial statements referred to above present fairly, in all material respects, the admitted assets, liabilities and capital and surplus (deficit) of Quality Health Plans, Inc. as of December 31, 2010 and 2009, and the results of its operations and its cash flows for the years then ended in conformity with accounting practices prescribed or permitted by the Florida Department of Financial Services, Office of Insurance Regulation.

Cherry, Bekaert & Holland, L.L.P.

Tampa, Florida
May 6, 2011

QUALITY HEALTH PLANS, INC.

Statutory Statements of Admitted Assets, Liabilities, and Capital and Surplus (Deficit)

	December 31, 2010	December 31, 2009
ADMITTED ASSETS		
Admitted assets		
Cash and cash equivalents, including restricted cash of $2,310,000 (2010) and $1,310,000 (2009)	$ 14,450,148	$ 23,253,002
Reinsurance balances recoverable	911,207	2,272,360
Health care and other amounts receivable	17,214,722	12,170,137
Tax sharing receivable	1,400,000	1,265,000
Other current assets	10,969	8,931
Total admitted assets	$ 33,987,046	$ 38,969,430
LIABILITIES AND CAPITAL AND SURPLUS (DEFICIT)		
Covered liabilities		
Health care costs payable	$ 32,904,398	$ 29,106,286
Aggregated health policy reserves	1,776,935	1,057,968
Liability for amounts held under uninsured plans	359,366	1,720,491
Accounts payable and accrued expenses	4,086,021	1,010,282
Total covered liabilities	39,126,720	32,895,027
Commitments and contingencies (Note 12)	-	-
Capital and surplus (deficit)		
Common stock, $1 par value; 700,000 shares authorized, 100 shares issued and outstanding at December 31, 2010 and 2009	100	100
Additional paid-in capital	30,124,900	24,824,900
Surplus notes	6,039,532	6,039,532
Unassigned deficit	(41,304,206)	(24,790,129)
Total capital and surplus (deficit)	(5,139,674)	6,074,403
Total liabilities and capital and surplus (deficit)	$ 33,987,046	$ 38,969,430

See notes to statutory financial statements.

QUALITY HEALTH PLANS, INC.

Statutory Statements of Revenues and Expenses

	Years Ended December 31,	
	2010	2009
Revenues:		
Premiums earned, net	$ 142,580,112	$ 142,804,713
Net investment income	101,020	104,262
Total revenues	142,681,132	142,908,975
Operating expenses:		
Physician and provider services	135,290,127	126,901,520
General and administrative expenses	27,430,115	21,899,502
Total operating expenses	162,720,242	148,801,022
Loss before income tax benefit	(20,039,110)	(5,892,047)
Income tax benefit associated with tax sharing receivable	1,420,713	1,265,000
Net loss	$ (18,618,397)	$ (4,627,047)

See notes to statutory financial statements.

QUALITY HEALTH PLANS, INC.

Statutory Statements of Changes in Capital and Surplus (Deficit)
Years Ended December 31, 2010 and 2009

	Common Stock Shares	Common Stock Amount	Additional Paid-in Capital	Surplus Notes	Unassigned Deficit	Total
Capital and surplus, January 1, 2009	100	$ 100	$ 24,099,900	$ 1,655,000	$ (22,597,141)	$ 3,157,859
Capital, paid-in	-	-	725,000	-	-	725,000
Net loss for the year	-	-	-	-	(4,627,047)	(4,627,047)
Issuance of Surplus Notes	-	-	-	4,384,532	-	4,384,532
Change in non-admitted assets	-	-	-	-	2,434,059	2,434,059
Capital and surplus, December 31, 2009	100	100	24,824,900	6,039,532	(24,790,129)	6,074,403
Capital, paid-in	-	-	5,300,000	-	-	5,300,000
Net loss for the year	-	-	-	-	(18,618,397)	(18,618,397)
Change in non-admitted assets	-	-	-	-	2,104,320	2,104,320
Capital and deficit, December 31, 2010	100	$ 100	$ 30,124,900	$ 6,039,532	$ (41,304,206)	$ (5,139,674)

See notes to statutory financial statements.

QUALITY HEALTH PLANS, INC.

Statutory Statements of Cash Flows

	Years Ended December 31,	
	2010	2009
Operating activities:		
Premiums and revenues collected, net	$ 151,509,043	$ 144,468,656
Physician and provider services paid	(142,490,703)	(113,506,038)
General and administrative expenses paid	(26,540,056)	(22,221,338)
Cash flows from underwriting	(17,521,716)	8,741,280
Federal income taxes, tax sharing receipts	1,285,713	1,091,000
Net interest income	98,982	102,406
Net cash flows from operating activities	(16,137,021)	9,934,686
Financing and miscellaneous activities:		
Decrease in health care and other receivables (non-admitted)	2,450,300	2,317,336
Decrease (increase) in prepaid assets (non-admitted)	(22,552)	68,912
Purchase of furniture and equipment (non-admitted)	(18,121)	(42,944)
Increase in due from related party (non-admitted)	(375,460)	-
Proceeds from capital, paid-in	5,300,000	725,000
Proceeds from surplus notes	-	4,384,532
Net cash flows from financing and miscellaneous activities:	7,334,167	7,452,836
Net change in cash and cash equivalents	(8,802,854)	17,387,522
Cash and cash equivalents, beginning of year	23,253,002	5,865,480
Cash and cash equivalents, end of year	$ 14,450,148	$ 23,253,002

See notes to statutory financial statements.

Notes to Statutory Financial Statements
Years Ended December 31, 2010 and 2009

Note 1 – Organization and Summary of Significant Accounting Policies

Organization and Description of Company – Quality Health Plans, Inc. (the "Company") was incorporated in the state of Florida in August 2001. The Company received its Certificate of Authority issued by the Florida Office of Insurance Regulation in October 2002 to operate as a health maintenance organization ("HMO") pursuant to Chapter 641, Part 1, Florida Statutes, for the limited purpose of providing Medicare Advantage program services as authorized by the United States Department of Health and Human Services, Centers for Medicare and Medicaid Services ("CMS"), pursuant to Chapter 42 CFR, Part 422, Code of Federal Regulations.

The Company provides comprehensive health care services on a prepaid basis for Medicare Parts A, B and D approved members in Florida. On December 31, 2008, the Company sold its Medicare PDP Part D line of business (See Note 8). During the year ended December 31, 2010 the sale of the Company's Part D line of business was rescinded and canceled. The Company is subject to competition from other HMOs and other entities providing similar services. Additionally, the Company is subject to oversight by certain regulatory agencies and undergoes periodic examinations by those regulatory agencies.

Basis of Presentation – The accompanying statutory basis financial statements have been prepared in accordance with statements of statutory accounting principles ("SSAP") prescribed or permitted by the Florida Office of Insurance Regulation (the "Office"). Such statutory practices require preparation of the statutory financial statements in accordance with the National Association of Insurance Commissioners' ("NAIC") Accounting Practices and Procedures Manual subject to deviations prescribed by the Office. SSAP is a comprehensive basis of accounting other than generally accepted accounting principles in the United States of America ("GAAP"). Such practices vary in certain respects from those under GAAP. The Company's significant accounting practices and the variances from GAAP are summarized below:

- Certain assets designated as "nonadmitted," principally billed receivables in excess of three months past due, prepaid expenses, furniture and equipment, leasehold improvements, and other assets not specifically identified as an admitted asset within the NAIC Accounting Practices and Procedures Manual, are excluded from the accompanying statements of admitted assets, liabilities, and capital and surplus and are charged directly to unassigned deficit. Under GAAP, such assets are included in the balance sheet at net realizable values.
- Cash in the statements of cash flows represent cash and cash equivalents with remaining maturities of one year or less. Under GAAP, the corresponding caption of cash and cash equivalents includes cash balances and investments with initial maturities of three months or less. Additionally, the statements of cash flows are presented using the direct method of reporting; however, these statements omit the reconciliation of net loss to net cash flows from operating activities and the separate section of investing activities which is a requirement under GAAP.
- Surplus notes issued by the Company to related parties are classified as capital and surplus on a statutory basis if the surplus notes are in a form acceptable to the Office. Additionally, accrued interest on surplus notes are not recorded until payment is approved by the Office. Under GAAP, such notes payable would be classified as liabilities and accrued interest would be recorded as incurred.

Note 1 – Organization and Summary of Significant Accounting Policies (continued)

- Recoverable amounts receivable, if any, on unpaid claims under reinsurance agreements are netted against health care costs payable and not reported as an asset.

- Certain other reported amounts are classified or presented differently in the statutory financial statements prepared on the basis of SSAP than they would be under GAAP. Statutory requirements require that the statutory financial statements of the Company be filed with the state regulatory authorities. Accordingly, the statutory financial statements are presented in a format similar to the filed annual statement, which differs from the format of financial statements presented under GAAP. Required statutory disclosures that are not applicable to the Company are not included in the notes to these statutory financial statements.

Other significant accounting polic ies are as follows:

Cash and Cash Equivalents – Cash and cash equivalents include cash or demand deposits with financial institutions and deposits in highly liquid money market securities with original maturities of three months or less, and certificates of deposit with remaining maturities of one year or less.

Health Care and Other Amounts Receivable – Health care and other amounts receivable primarily represent the following amounts:

- *CMS Receivables* – CMS receivables are amounts due from CMS for (1) retroactive enrollment and (2) risk adjustment amounts. Retroactive enrollment receivables are amounts due from CMS related to unfunded premiums for enrollment applications which are in process or sent back to the Company for additional documentation or clarification. Risk adjustment amounts receivable are based on the Company's assessment of estimated retroactive CMS risk adjustment factors not included in previous premium payments from CMS. The retroactive enrollment and risk adjustment amounts receivable represent significant estimates established by management. The amount ultimately collected may differ from this estimate and that difference could be material.

- *Provider Receivables* – Provider receivables are amounts due from various doctors, networks and servicers of the Company's members and include (1) claim overpayments, (2) risk sharing receivables, and (3) pharmaceutical rebates receivables. Claim overpayment receivables may occur as a result of several events, including but not limited to claim payments made in error to the provider. Risk sharing receivables are based on contractual terms due from health care providers ("risk providers"). Under contractual terms, the risk providers receive an allocation of covered members' premiums. On a quarterly basis the Company is required to calculate the operating profit or loss related to the members enrolled through the risk providers. If the Company incurs an operating deficit, the risk provider is required to pay the Company the full amount of the deficit. If the Company recognizes a surplus, the Company is required to pay the risk providers the full amount of the surplus. Pharmaceutical rebates receivable include amounts due according to arrangements with pharmaceutical companies based on drug utilization of the Company's subscribers at participating pharmacies. These receivables represent significant estimates established by management. While management believes the amounts to be fully collectable, the amount ultimately collected may differ from this estimate and that difference could be material.

Note 1 – Organization and Summary of Significant Accounting Policies (continued)

- *Other Receivables* – Other receivables are amounts due from (1) members for their portion of insurance premiums and (2) amounts due from a former Medicare Part D servicer (see Note 8). While management believes the amounts to be fully collectable, the amount ultimately collected may differ from this estimate and that difference could be material.

Health Care Costs Payable – Health care costs payable includes the accrual for claims and contracted medical services incurred but not paid and the estimated liability for claims incurred but not reported. The liability for claims incurred but not reported is determined based on historical evaluations and statistical analysis of paid claims and represents an estimate of the unpaid liabilities incurred through December 31, 2010 and 2009. The liability is determined by an independent actuary. Although considerable variability is inherent in such estimates, management believes that the liability for unpaid claims is adequate. The estimate is continually reviewed and adjusted, as necessary, as experience develops or new information becomes known; such adjustments are included in current operations. Actual results may differ from management's estimates and such differences may be significant.

Recognition of Premium Revenues – Premiums are billed monthly and are recognized as revenue over the period in which the Company is obligated to provide services to members. Premiums collected in advance are recorded as unearned premiums liability until earned. The premium is a predetermined amount on a per member per month basis. CMS determines the amount based on the county in which the member resides and other factors. Member census is subject to audit and retroactive adjustment and such adjustments, when determinable, are included in current operations. Retroactive adjustments are accrued on an estimated basis in the period the related services are provided and adjusted in future periods as final settlements are determined. Premium revenue is reported net of the cost of stop loss reinsurance premiums.

Physician and Provider Services – Physician and provider services expense includes amounts paid to health care providers, claims reported but not paid and estimated costs of claims incurred but not reported. The Company contracts with related parties (see Note 9) and certain physicians and health care facilities on a capitated, fee for service, or other basis to provide health care services to members. Capitated agreements are paid on a per member per month basis and capitation expense is accrued in the period in which the member is entitled to services. The cost of the noncapitated services provided or contracted for is accrued in the period in which the member receives the services. Physician and provider services expense is recorded net of stop loss reinsurance recoverable and includes prescription drug costs.

Advertising Expense – Advertising costs are expensed as incurred. For the years ended December 31, 2010 and 2009, advertising expense was approximately $158,000 and $845,000, respectively, and is included in general and administrative expenses in the accompanying statutory statements of revenues and expenses.

Income Taxes – On January 1, 2008, in connection with all of the Company's issued and outstanding shares being contributed to QHP Group, Inc. ("QHPG") by the former sole shareholder, the Company no longer qualified as an S corporation under the Internal Revenue Code and began being taxed as a C corporation.

Note 1 – Organization and Summary of Significant Accounting Policies (continued)

Effective January 1, 2008, the Company elected to memorialize its tax sharing arrangement by participating in an Intercompany Tax Sharing Agreement (the "Agreement") with QHPG, Health Management Services of America, Inc. ("HMS"), QHP Insurance Co., Inc. ("QHPI"), and Mid-America IPA, Inc. ("Mid-America"). HMS, QHPI, and Mid-America are entities also owned 100 percent by QHPG. Beginning with the 2008 tax year, QHPG filed a consolidated federal tax return that includes the operations of the Company, QHPG, HMS, QHPI, and Mid-America.

Under terms of the Agreement, each company shall be responsible for and shall reimburse, or be reimbursed by, QHPG for its separately calculated share of the consolidated tax expense or benefit, respectively. Further, per the Agreement, each company shall pay promptly to QHPG estimated quarterly tax payments and any final adjustments to payments within five days following a statement furnished by QHPG. Alternatively, tax benefits utilized by QHPG and profitable subsidiaries which are attributable to losses generated by the Company are reimbursed to the Company within 90 days of QHPG filing its annual consolidated federal income tax return. These amounts are recognized in the statutory statement of admitted assets, liabilities and capital and surplus as "tax sharing receivable".

Deferred income tax assets and liabilities are determined based on differences between the financial statement and tax bases of assets and liabilities as measured by the enacted tax laws and rates applicable to the periods in which the differences are expected to affect taxable income.

Concentrations of Credit Risk – The Company's financial instruments exposed to concentrations of credit risk consist primarily of its cash and cash equivalents, restricted cash, health care and other amounts receivable, and reinsurance balances recoverable.

The Company maintains its cash and cash equivalents and short-term investments with institutions in the United States. The Federal Deposit Insurance Corporation ("FDIC") provides deposit insurance of $250,000 for substantially all depository accounts and temporarily provides unlimited coverage through December 31, 2012 for certain qualifying and participating non-interest bearing transaction accounts. As of December 31, 2010, the Company had approximately $12,656,000 in cash and cash equivalents and restricted cash that exceeded amounts covered by FDIC insurance.

Membership is concentrated in geographic locations in the state of Florida. The Company's membership base consists exclusively of qualified Medicare Parts A, B, and D members in 32 counties, and 99% of premium revenue was obtained from CMS in both 2010 and 2009. The Company has a contract with CMS, which expires each December and automatically renews for successive one-year periods. The contract was renewed by CMS for 2011. See Note 3 for receivable concentrations.

Use of Estimates – The preparation of statutory basis financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the statutory basis financial statements and the reported amounts of revenues and expenses during the reporting period. Such estimates and assumptions could change in the future as more information becomes known, which could materially impact the amounts reported and described in the statutory financial statements.

Subsequent Events – Management has considered subsequent events through May 6, 2011 in connection with the preparation of these statutory basis financial statements, which is the date the statutory basis financial statements were available to be issued.

Note 2 – Regulatory Requirements

As an HMO licensed in Florida, the Company is required under Florida Statutes, Section 641.225, to maintain minimum net worth of the greater of $1,500,000, 10% of total liabilities, or 2% of annualized premiums. As of December 31, 2010 and 2009, the minimum surplus requirement was approximately $3,900,000 and $3,290,000, respectively. The Company's statutory surplus was approximately $6,074,000 as of December 31, 2009. The Company had a statutory deficit in the amount of approximately $5,140,000 as of December 31, 2010. In April 2011, the Company received a capital contribution from the Company's parent of approximately $10,166,000.

The Company is required to maintain a deposit pursuant to Florida Statutes to help secure payment of claims. As of December 31, 2010 and 2009, cash and cash equivalents of $2,310,000 and $1,310,000, respectively, have been assigned to the Office to satisfy this requirement (classified as Restricted cash in the statutory statements of admitted assets, liabilities and capital and surplus).

In May 2010, the Company was notified by CMS that it was suspended from marketing to or enrolling new members because of deficiencies in the Company's pharmacy benefit administrative and contract management practices and that new member marketing and enrollment would only be permitted when CMS was satisfied that those deficiencies had been remedied. CMS also proposed civil penalties of approximately $587,000. The Company engaged attorneys and consultants with regulatory expertise to assist with responding to CMS regarding issues relating to these sanctions. In December 2010, CMS and the Company entered into a settlement agreement for a reduced civil monetary penalty of $509,000, to be paid in installments through March 2011. The Company believes it has corrected the root causes of the deficiencies and has submitted a corrective action plan to CMS, as well as additional documentation they have requested. The Company anticipates the marketing sanctions will be relieved upon CMS review and approval of the information submitted by the Company.

Note 3 – Health Care and Other Amounts Receivable

Heath Care and Other Amounts Receivable consist of the following:

	December 31,	
	2010	2009
CMS receivables		
Risk adjustments receivable	$ 3,060,117	$ 8,544,610
Retroactive enrollment receivables	276,908	708,029
Provider receivables		
Risk sharing receivables (from three provider networks in 2010)	7,257,517	1,750,393
Claim overpayments	571,523	46,250
Pharmaceutical rebates receivable	1,378,629	-
Other		
Member receivables	10,427	48,944
Due from Envision (Note 8)	4,659,601	1,071,911
Total healthcare and other amount receivable	$ 17,214,722	$ 12,170,137

Note 3 - Health Care and Other Amounts Receivable (continued)

Risk Sharing Receivable – The Company had $7,257,517 in risk sharing receivables as of December 31, 2010. The Company estimates its risk sharing receivables by calculating the surplus or deficits for each provider agreement based on the terms of the respective agreements. None of the risk sharing balances as of December 31, 2010 have been invoiced as of that date or as of May 6, 2011, the date these financial statement were available to be issued, because these receivables are not required by SSAP to be billed until eight months after the end of the annual contract periods, which range from October through December 2010. No amounts have been collected from providers under these risk sharing agreements as of May 6, 2011, the date these financial statement were available to be issued.

Pharmaceutical Rebates Receivable – The Company had $1,378,629 in pharmaceutical rebates receivable as of December 31, 2010. The Company estimates its pharmaceutical rebates receivable based on actual prescriptions filled during the period and the expected rebates earned. Of the total pharmaceutical rebates receivable, $1,157,840 was invoiced as of December 31, 2010.

Note 4 - Health Care Costs Payable

The liability for health care costs payable includes claims received and in process, as well as management's estimate of the cost of claims incurred but not reported, totaling approximately $22,951,000 and $9,953,000, respectively, as of December 31, 2010 and $21,464,000 and $7,642,000, respectively, as of December 31, 2009. The provision for claims incurred but not yet reported is actuarially determined based on historical claims payment experience and other statistics. This liability is subject to the impact of changes in claim severity and frequency, as well as numerous other factors. Management believes that the recorded liability is adequate, but the variance between the estimate and the ultimate net cost of settling this liability could be material.

Changes in the balance of health care cost payable during the periods are as follows:

	Year Ended December 31,	
	2010	2009
Beginning health care costs payable	$ 29,106,286	$ 18,427,872
Health care payments		
Payments related to current year	(99,325,723)	(95,362,155)
Payments related to prior periods	(32,166,291)	(20,860,950)
	(131,492,014)	(116,223,105)
Physician and provider services expense		
Expenses related to current year	132,230,121	124,138,946
Expenses related to prior periods	3,060,005	2,762,573
	135,290,126	126,901,519
Ending health care costs payable	$ 32,904,398	$ 29,106,286

Expenses recorded related to prior year claims is primarily due to the difference in actual experience versus that estimated at the end of the prior year.

Note 5 – Aggregated Health policy Reserves and Liability for Amounts held Under Uninsured Plans

In accordance with CMS regulations, at the end of each contract year, Medicare Part D sponsors settle with CMS the difference in reinsurance costs paid for members in the catastrophic phase of benefits and costs for deductibles, co-payments and other benefits for low income enrollees compared to the amount of subsidies received from CMS. As of December 31, 2010 and 2009, the Company estimates a liability due to CMS of $360,000 and $1,720,000, respectively, which is included in Liability for amounts held under uninsured plans.

Under the Medicare Part D program, the Company participates in risk sharing with CMS to limit the plan's exposure to unexpected expenses not already included in the reinsurance subsidy or taken into account through health status risk adjustment. CMS and the Company share the profits or losses resulting from expenses within predefined risk corridors. The risk sharing payment can be positive, negative or zero. The settlement has been estimated based on an actuarial analysis of Part D membership, prescription drug, and pricing data. At December 31, 2010 and 2009, the Company estimates a liability of approximately $1,777,000 and $1,058,000, respectively, reported within Aggregated health policy reserves in the accompanying statutory statements of admitted assets, liabilities and capital and surplus.

Note 6 – Income Taxes

Deferred income tax benefits are provided for certain income and expenses that are recognized in different periods for tax and financial reporting purposes. Net deferred tax assets as of December 31, 2010 and 2009 are as follows:

	2010	2009
Net deferred tax assets (non-admitted asset)	$ 8,205,000	$ 3,300,000
Net deferred tax assets (admitted portion)	-	-
Deferred tax assets	$ 8,205,000	$ 3,300,000

Deferred tax assets as of December 31, 2010 and 2009 consisted primarily of the tax effects associated with net operating loss carryforwards. The Company's net operating loss carryforward available to offset future taxable income of approximately $17,900,000 will begin to expire in 2027. In accordance with Statement of Statutory Accounting Principle ("SSAP") 10, Income Taxes, the deferred tax assets as of December 31, 2010 and 2009 were accounted for as a nonadmitted asset.

Note 6 - Income Taxes (continued)

The provision for federal income taxes for the years ended December 31, 2010 and 2009 differs from that which would be obtained by applying the statutory Federal income tax rate to income before income taxes. The significant items causing this difference are as follows:

	Year Ended December 31,	
	2010	2009
Benefit computed at statutory rate	$ 6,800,000	$ 2,000,000
State tax benefit, net of federal benefit	725,000	210,000
Permanent differences	(198,000)	(28,000)
Other	352,713	(17,000)
Total deferred tax benefit	7,679,713	2,165,000
Change in net deferred tax asset - non-admitted	(6,259,000)	(900,000)
Total statutory income tax benefit (associated with aggregate write-ins for other than invested assets)	$ 1,420,713	$ 1,265,000

Note 7 - Reinsurance

The Company reinsures certain "excess" risks with a reinsurance company by ceding portions of risks and premiums. Reinsurance does not discharge the Company from its liability to members for defined coverages. In the event that the reinsurance company was unable to meet its obligation under the existing reinsurance agreement, the Company would be liable for such amounts. Management only reinsures with a highly rated reinsurance company. The reinsurer is obligated to the Company for the excess health care costs as defined in the reinsurance agreement.

The reinsurance agreement generally provides for reimbursement of 90% of "eligible expenses" in excess of $175,000 and $100,000 per member per year for the years ended December 31, 2010 and 2009, respectively. The maximum reinsurance coverage provided under the agreement for all eligible services is $1,500,000 per member per policy period. Net reinsurance premiums under the agreement for the years ended December 31, 2010 and 2009 totaled approximately $1,780,000 and $2,255,000, respectively, and are reported as a reduction of premiums earned in the accompanying statutory statements of revenues and expenses.

Losses ceded under the agreement were approximately $2,370,000 and $3,599,000 during the years ended December 31, 2010 and 2009, respectively, and are reported as a reduction of physician and provider services in the accompanying statutory statements of revenues and expenses.

As discussed in Note 8, the Company also had a reinsurance agreement with Envision Insurance Company from January 1, 2009 through May 31, 2010. Net reinsurance premiums under the agreement for the years ended December 31, 2010 and 2009 totaled approximately $1,718,000 and $7,953,000, respectively, and are reported as a reduction of premiums earned in the accompanying statutory statements of revenues and expenses.

Losses ceded under the agreement were approximately $2,189,000 and $8,403,000 during the years ended December 31, 2010 and 2009, respectively, and are reported as a reduction of physician and provider services in the accompanying statutory statements of revenues and expenses.

Note 8 – Discontinued Operations

The Company's Medicare PDP program was acquired in 2008 by Envision Insurance Company ("Envision") however, the transaction required the approval of the Office and novation by CMS. The Company entered into a reinsurance agreement with Envision effective January 1, 2009 that reimburses the Company 100% of all Medicare losses incurred in the Part D program from January 1, 2009 through the date of the Office's approval not to go beyond December 31, 2011. Effective June 1, 2010, Envision Insurance Company terminated their Reinsurance Agreement and Asset Purchase Agreement with QHP. In light of this termination, the Company elected not to renew the stand alone PDP contract with CMS for year 2011.

In accordance with SSAP No. 24, Discontinued Operations and Extraordinary Items, the reporting of discontinued operations shall be included in the reporting of continuing operations in the accompanying statutory statements of revenues and expenses. Admitted assets and liabilities of discontinued operations as of December 31, 2010 and 2009 are summarized below:

	2010	2009
Admitted assets:		
Health care and other amounts receivable	$ 4,994,068	$ 1,071,000
Total admitted assets	$ 4,994,068	$ 1,071,000
Liabilities:		
Health care costs payable	$ 477,705	$ -
Aggregate health policy reserves	368,077	601,578
Liability for amounts held under insured plans	236,227	470,334
Total liabilities	$ 1,082,009	$ 1,071,912

The results of the discontinued operations for the years ended December 31, 2010 and 2009 are summarized below:

	2010	2009
Premiums earned, net	$ 2,508,182	$ 1,129,116
Physician and provider services	(2,567,917)	60,093
General and administrative expenses	(1,926,813)	(3,972,450)
Net loss from discontinued operations	$ (1,986,548)	$ (2,783,241)

Note 9 – Related Party and Affiliated Transactions

Management Fees – The Company has a management agreement with Health Management Services of America, Inc. ("HMS") effective January 1, 2008, whereby HMS provides claim administration, management information systems, and other third party administrative services. HMS's sole shareholder also owns 100% of the Company. Fees pursuant to this agreement are $35 and $5 per member per month for all members in the MAPD and PDP plans, respectively. Expenses under this agreement totaled approximately $6,090,000 and $5,550,000 for the years ended December 31, 2010 and 2009, respectively, and are included in general and administrative expenses in the accompanying statutory statements of revenues and expenses.

Note 9 – Related Party and Affiliated Transactions (continued)

Provider Agreement - The Company also has an agreement with Mid-America IPA, Inc. ("Mid-America"), a physician provider network whereby Mid-America contracts with primary care provider groups (PCP Groups) to provide primary care services to certain Company members. Mid-America is owned 100% by the sole shareholder of the Company. Several of the PCP Groups with whom Mid-America has contracted are related through common control. Under the terms of the agreement, the Company pays the applicable PCP Group based on contractual rates. The PCP Group agreements also include incentive arrangement terms that reward the PCP Groups for achieving certain goals. Total administrative fees paid to Mid-America for managing the PCP groups totaled approximately $1,740,000 and $1,586,000 during the years ended December 31, 2010 and 2009, respectively.

Administrative Fees – The Company has an administrative services agreement with Quality Health Plans of New York, Inc. ("QHPNY") effective January 1, 2010, whereby QHPNY provides certain administrative services to the Company. QHPNY is related to the Company through common control. Management fee income pursuant to this agreement is $8 per member per month, subject to certain adjustments based on actual expenses incurred for all of the Company's enrolled members. The Company recorded approximately $1,007,000 in administrative expenses for the year ended December 31, 2010, which is included in general and administrative expenses in the 2010 statutory statement of revenues and expenses. The management agreement has no stated expiration date.

Other Related Party Transactions – Effective January 1, 2009, the Company entered into a sublease agreement for its facilities with its sole shareholder. The lease requires monthly payments of approximately $26,000 plus sales taxes, includes annual increases and expires on December 31, 2013. Rental expense under this related party sublease was approximately $312,000 in both of the years ended December 31, 2010 and 2009 and is included in general and administrative expenses in the statutory statements of revenues and expenses.

Due from Related Party – Due from related party includes approximately $385,000 due from QHPNY for an overpayment of administrative fees for services performed by QHPNY in accordance with the administrative services agreement noted above. This receivable is a non-admitted asset and therefore is not included in the statutory statement of admitted assets, liabilities, and capital and surplus (deficit) as of December 31, 2010. This receivable was collected from QHPNY in March 2011.

Note 10 – Subordinated Surplus Notes

The Company has issued five subordinated surplus notes payable to QHPG which remained outstanding at December 31, 2010 and 2009.

Any payment of interest or repayment of principal, as determined by the Company's Board of Directors, is subject to approval by the Office. Interest expense on the surplus notes is not charged to operations until the Office approves its payment. As of December 31, 2010, the Office has not approved repayment of the surplus notes, and the accompanying statutory financial statements do not include the effects of interest expense or accrued interest on these surplus notes. Payment of interest or repayment of principal may be paid only if the Company meets its minimum surplus requirements.

Note 10 - Subordinated Surplus Notes (continued)

A summary of the terms and balances of the surplus notes follows:

Surplus Note	Date Issued	Interest Rate	Par Value (Face Amount of Notes)	Principal Amount of Note Outstanding	Unapproved Interest
I	9/12/2005	8%	$ 1,200,000	$ 1,200,000	$ 514,000
II	10/27/2005	8%	75,000	75,000	31,000
III	12/22/2005	8%	380,000	380,000	154,000
IV	11/2/2009	8%	3,384,532	3,384,532	315,000
V	12/31/2009	8%	1,000,000	1,000,000	80,000
Total			$ 6,039,532	$ 6,039,532	$ 1,094,000

The repayment of the principal and any interest accrued is subject, and is subordinate, to the prior payment in full of all other liabilities of the Company, and no payment of any kind shall be made until any claims of subscribers or general creditors of the Company have been paid or otherwise discharged (unless approved by the Office). The Company has not pledged any assets or otherwise provided any collateral to support the repayment of the surplus notes.

Note 11 - Employee Benefits

The Company established a salary deferral plan ("the Plan") under Section 401(k) of the Internal Revenue Code which allows eligible employees to defer a portion of their compensation, ranging from 1% to 100%. Such deferrals accumulate on a tax deferred basis until the employee withdraws the funds. The Company may, at its sole discretion, match a portion of the employees' contribution. The employer contributions to the Plan were approximately $104,000 and $96,000 for the years ended December 31, 2010 and 2009, respectively.

Note 12 - Commitments and Contingencies

Operating Lease - The Company has entered into operating leases for office space and certain office equipment rentals that expire through 2014.

The total future commitments under these operating leases at December 31, 2010 are as follows:

Year 2011	$ 360,278
Year 2012	343,157
Year 2013	6,979
	$ 710,414

Rent expense was approximately $475,000 and $505,000 for the years ended December 31, 2010 and 2009, respectively, and is included in general and administrative expenses in the accompanying statutory statements of revenues and expenses.

Regulatory - The Company has a $3,000,000 outstanding bank letter of credit that expires in July 2011. This letter of credit is for the benefit of a provider subject to a related provider agreement, and subsequent to December 31, 2010, $750,000 was drawn on the letter of credit by the provider.

Note 12 – Commitments and Contingencies (continued)

Regulatory - The Company is subject to extensive federal and state health care and insurance regulations designed primarily to protect enrollees, particularly with respect to government-sponsored enrollees. Such regulations govern many aspects of the Company's business affairs and typically empower state agencies to review management agreements with health care plans for, among other things, reasonableness of charges. Among the other areas regulated by federal and state law are licensure requirements, premium rate increases, new product offerings, procedures for quality assurance, and the financial condition, including cash reserve requirements. Changes in federal or state governmental regulation could affect the Company's operations, cash flows, and business prospects. There can be no assurances that the Company will maintain federal qualifications or state licensure.

Litigation – As of December 31, 2010, the Company is a respondent and plaintiff in legal matters with a former primary care service provider. The Company and the service provider entered into a risk assuming agreement on April 1, 2008 and terminated the agreement effective June 30, 2009. In July 2009, the service provider filed suit against the Company claiming damages of approximately $4,400,000 plus a currently undetermined amount of attorney fees and punitive damages. In August 2009, the Company filed a counterclaim against the service provider seeking damages related to the service provider's breach of the agreement, attorney fees and injunctive relief. During 2010, the Company's motion for injunctive relief was granted, and the service provider's March 2010 appeal of that decision was denied by the Florida District Court of Appeals in January 2011. Additionally, in March 2010, the service provider sought to amend its damage complaint by asserting conspiracy against the Company, seeking to add a new third party defendant and reserving their right to add a punitive damage claim. The service provider's motion to amend was denied without prejudice by the Court in July 2010. The Company intends to vigorously defend these claims and pursue its counterclaim against the service provider and believes the ultimate outcome of the matter will be favorable to the Company. However, there can be no assurance to that effect. No liability, if any, that might result from the outcome of this litigation has been recorded in the statutory financial statements.

Arbitration Proceeding – During 2010, the Company received a notice of default and demand for approximately $2,311,000 from its Medicare Part D program reinsurer, Envision Insurance Company ("Envision"), wherein Envision alleged certain breaches of the reinsurance contract by the Company. Subsequently, Envision sought to have the matter submitted to arbitration and further asserted certain claims of offset of funds held by Envision that belonged to the Company and claimed aggregate damages of $3,000,000. The Company responded to the arbitration demand by denying that Envision was entitled to the amounts sought and counterclaimed that Envision had wrongfully converted certain funds rightfully belonging to the Company, had not paid certain arrearages in unpaid Part D settlements and other damages for a total damage counterclaim of $5,000,000 against Envision. In December 2010, the Company initiated arbitration proceedings with the American Arbitration Association ("AAA") against Envision wherein it claimed damages in excess of $40,000,000. Envision has counterclaimed for compensatory damages of $65,700,000. In January 2011, the Company sought to consolidate all claims and counterclaims of the respective parties before the AAA. In addition to claims for damages, all parties have also asserted claims for attorney fees.

While the Company's management believes these matters will be successfully resolved in the Company's favor, there can be no assurance to that effect. No liability, if any, which might result from the outcome of this matter has been recorded in the statutory financial statements.

Report of Independent Certified Public Accountants on Internal Control

Board of Directors
Quality Health Plans, Inc.
Tampa, Florida

We have audited the statutory-based financial statements of Quality Health Plans, Inc. as of December 31, 2010 and for the year then ended and have issued our report thereon dated May 6, 2011.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the statutory financial statements are free of material misstatement.

The management of Quality Health Plans, Inc. is responsible for establishing and maintaining internal controls. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of internal control. The objectives of internal controls are to provide management with reasonable, but not absolute, assurance that assets are safeguarded against loss from unauthorized use or disposition, and that transactions are executed in accordance with management's authorization and recorded properly to permit preparation of financial statements in accordance with the statutory basis of accounting.

Because of inherent limitations in any internal controls, errors or irregularities, or instances of noncompliance might nevertheless occur and not be detected. Also, projection of any evaluation to future periods is subject to the risk that procedures might become inadequate because of changes in conditions or that the effectiveness of the design and operation of policies and procedures may deteriorate.

In planning and performing our audit of the statutory financial statements of Quality Health Plans, Inc. for the year ended December 31, 2010, we considered its internal controls in order to determine our auditing procedures for the purpose of expressing our opinion on the statutory financial statements and not to provide assurance on the internal controls of the Company. Accordingly, we do not express an opinion on the effectiveness of the Company's internal control.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably such that there is more than a remote likelihood that a misstatement of the entity's statutory financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the statutory financial statements will not be prevented or detected by the entity's internal control.

Our consideration of the Company's internal controls would not necessarily disclose all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control that we consider to be material weaknesses, as defined above.

This report is intended solely for the Board of Directors and management of Quality Health Plans, Inc. and the Florida Department of Financial Services, Office of Insurance Regulation. We sincerely appreciate the courtesy and cooperation the Company's management and employees extended to us during the audit.

Cherry, Bekaert & Holland, L.L.P.

Tampa, Florida
May 6, 2011

Exhibit C

Joe Erhart

From: Toma Wilkerson
Sent: Friday, April 29, 2011 5:08 PM
To: Frances Tay
Cc: Joe Erhart
Subject: RE: QHP Amended filing and capital contribution

We need to ask questions. Let's get together on Monday morning.

From: Frances Tay
Sent: Friday, April 29, 2011 4:56 PM
To: Toma Wilkerson
Cc: Joe Erhart
Subject: FW: QHP Amended filing and capital contribution

Toma:

Is this acceptable? If not, let me know what you need to show capital infusion to QHP. Thanks

Frances

From: David Sherwin [mailto:dsherwin@qualityhealthplans.com]
Sent: Friday, April 29, 2011 4:53 PM
To: Frances Tay
Cc: Sabiha Khan; Nazeer Khan; Leslie Donovan
Subject: QHP Amended filing and capital contribution

Frances – I filed an amended Annual health blank to NAIC today and I am attaching to this e-mail a document showing QHP's recent receipt of additional capital contribution of $10,165,836. Thank you Frances and have a great week-end!

David Sherwin, C.P.A.
Director of Finance
Quality Health Plans, Inc.
4010 Gunn Hwy, Ste.220
Tampa, FL. 33618-8744
☎: 813-574-1640 Ext. 104
: 813-402-1911
✉: dsherwin@qualityhealthplans.com

Secure Members Area

Quality Health Plans, Inc		150-251-7331		As of: April 22, 2011
Opening Amount	Account Rep	YTD Interest	Closing Amount	YTD Deposits
$10,165,836.00	L. Perez	$0.00	$10,165,836.00	$0.00

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Exhibit D

Joe Erhart

From: Frances Tay
Sent: Tuesday, May 10, 2011 4:23 PM
To: 'David Sherwin'
Cc: Sabiha Khan; Nazeer Khan; Leslie Donovan; Joe Erhart; Toma Wilkerson
Subject: RE: QHP Amended filing and capital contribution

David,

In furtherance of this morning conference call, the Office would like to understand more about the investment account which shows an amount of $10,165,836 that was being used as a capital contribution from Quality Health Plan of New York, Inc. (see e-mail below) to Quality Health Plans, Inc.

Please note that the Office will draft a letter to Lincoln Reserve Group to provide the account balance and a description of the hypothecation, pledges or compensating balances for this investment account. This letter will need the signature of a representative of the Office and a signature of an officer of Quality Health Plans in order to request that the bank provide the above mentioned information. In order to draft this letter, please provide the following information:

1) Please confirm that Lincoln Reserve Group (LRG) is where QHPNY has the new investment account.
2) Please provide the mailing address of Lincoln Reserve Group.
3) The contact person at LRG in order for the Office to verify the account balance, and also, request a description of the hypothecation, pledges, or compensating balances.

Please let me know by tomorrow afternoon if possible. Your help in this matter is much appreciated.

Frances Tay
Frances S. L. Tay, MBA
Financial Examiner/Analyst II
Office of Insurance Regulation
L & H Financial Oversight
Tel: 850-413-2462
Fax: 850-488-7061
e-mail: frances.tay@floir.com
website: www.floir.com

From: David Sherwin [mailto:dsherwin@qualityhealthplans.com]
Sent: Thursday, May 05, 2011 8:43 AM
To: Frances Tay

Cc: Sabiha Khan; Nazeer Khan; Leslie Donovan
Subject: RE: QHP Amended filing and capital contribution

Frances – I've been out for a few days. I believe Sabiha sent an update to Toma on Monday and Tuesday of this week. Please let me know if you need anything else in this regard. Thanks!!

David Sherwin, C.P.A.
Director of Finance
Quality Health Plans, Inc.
4010 Gunn Hwy, Ste.220
Tampa, FL. 33618-8744
☎: 813-574-1640 Ext. 104
🖷 : 813-402-1911
✉: dsherwin@qualityhealthplans.com

From: Frances Tay [mailto:Frances.Tay@floir.com]
Sent: Friday, April 29, 2011 5:11 PM
To: David Sherwin
Cc: Sabiha Khan; Nazeer Khan; Leslie Donovan
Subject: RE: QHP Amended filing and capital contribution

David,

Can you give me a summary as to why the annual statement needs to be amended? Also, can you explain the reason(s) for this infusion. I am sure when I forward it to management, there will be some questions. Your help in this area will be much appreciated. Thanks David.

Frances Tay
Frances S. L. Tay, MBA
Financial Examiner/Analyst II
Office of Insurance Regulation
L & H Financial Oversight
Tel: 850-413-2462
Fax: 850-488-7061
e-mail: frances.tay@floir.com
website: www.floir.com

From: David Sherwin [mailto:dsherwin@qualityhealthplans.com]
Sent: Friday, April 29, 2011 4:53 PM
To: Frances Tay
Cc: Sabiha Khan; Nazeer Khan; Leslie Donovan
Subject: QHP Amended filing and capital contribution

Exhibit E

Joe Erhart

From: Joe Erhart
Sent: Friday, July 22, 2011 5:21 PM
To: Nazeer Khan
Cc: Sabiha Khan; Toma Wilkerson; Frances Tay
Subject: Quality Health Plans
Attachments: Lincoln Reserve. Letter.pdf; 4-2011 Capital Contribution Lincoln Reserve 10 166M.pdf; QHP May2011 FinItr.sent to company.pdf

Importance: High

Dear Dr. Nazeer Khan,

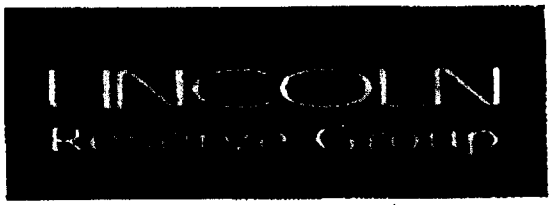
The Florida Office of Insurance Regulation (Office) has received the documentation sent by fax yesterday (attachment included) from Lincoln Reserve Group after months of attempting to secure confirmation from Lincoln Reserve Group regarding the account established in the name of Quality Health Plans on April 22, 2011 (attachment included) that said account was unencumbered and available for Quality Health Plans to access to pay claims and losses. However, as of the date of this e-mail the Office has not been able to authenticate that the account with Lincoln Reserve Group is in actuality unencumbered and that Quality Health Plans can access said funds to pay its claims and losses.

Without this asset Quality Health Plans is insolvent, in unsound financial condition and is using such methods and practices in the conduct of its business as to render its further transaction of insurance in this state hazardous or injurious to its policyholders or to the public. Therefore, the Office is hereby providing Quality Health Plans notice that within five (5) business days you must move the funds held at Lincoln Reserve Group to a bank located in Florida and provide verification that the asset is unencumbered and available for Quality Health Plans to access to pay claims and losses or the Office will be forced to take further action.

Furthermore, the Office has expressed concerns over several receivables that Quality Health Plans has been reporting as admitted assets and has recently sent a letter dated July 15, 2011 (attachment included), that these receivables are not available for the payment of claims and losses and are therefore not admissible as assets. The Office must have confirmation that these assets have been replaced by acceptable assets by August 15, 2011, or the Office will be forced to take further action.

Joe Erhart
Florida Office of Insurance Regulation
(850) 413-5066

Lincoln Reserve Group Inc.
888.318.6167 | www.lincolnreservegroup.com



fax

TO: Ms. Frances Tay	**FROM:** Accounts
FAX: 850-488-7061	**PAGES:** 2
PHONE:	**DATE:** 7/21/2011
RE: Quality Health Plans Inc.	**CC:**

☐ Urgent ☐ For Review ☐ Please Comment ☐ Please Reply ☐ Please Recycle

Comments:

Lincoln Reserve Group, Inc.
2831 St. Rose Parkway, Henderson, NV 89052-4840
Tel. (888) 318-6167 Fax (702) 499-2331 www.lincolnreservegroup.com

July 20, 2011

Account Holder Name: Quality Health Plans, Inc.
Account Holder Address: 4010 Gunn Hwy., Suite 220, Tampa, FL 33618
Account Number: 150-251-7331

To Frances S. L. Tay, Office of Insurance Regulation, State of Florida:

Regarding our account holder listed above, this letter confirms that they are a customer in good standing with Lincoln Reserve Group, Inc., and we further confirm that as of the above date that there is currently a balance of $10,166,838.00 (Ten million one hundred sixty five thousand eight hundred thirty six dollars) in their account.

Lincoln Reserve Group Inc., has no knowledge or understanding of Quality Health Plans, Inc. transferring, pledging, hypothecating or otherwise disposing of account number 150-251-7331 as of July 20, 2011.

Signed this 20th day of July, 2011.

By Jennifer Johnson
LINCOLN RESERVE GROUP, Inc.
Jennifer Johnson, Contract Administrator

By James Bartolli
LINCOLN RESERVE GROUP, Inc.
James Bartolli - VP

Contact Information: 888-318-6167
Jennifer Johnson – x708
James Bartolli – x711

JJ: jb

cc: File

Secure Members Area

Quality Health Plans, Inc		150-251-7331		As of: April 27, 2011
Opening Amount	Account Rep	YTD Interest	Closing Amount	YTD Deposits
$10,165,836.00	L. Beracz	$0.00	$10,165,836.00	$0.00

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OFFICE OF INSURANCE REGULATION

KEVIN M. MCCARTY
COMMISSIONER

FINANCIAL SERVICES COMMISSION

RICK SCOTT
GOVERNOR

JEFF ATWATER
CHIEF FINANCIAL OFFICER

PAM BONDI
ATTORNEY GENERAL

ADAM PUTNAM
COMMISSIONER OF AGRICULTURE

July 15, 2011

Ms. Sabiha Haider Khan, Vice President
Quality Health Plans, Inc.
4010 Gunn Highway, Suite 220
Tampa, Florida 33618

RE: **Quality Health Plans, Inc. (QHP)**
May 31, 2011 monthly statements

Dear Ms. Khan:

The Office completed its initial review of the company's letters dated June 15, 2011 and June 22, 2011 regarding the December annual and March quarterly financial statements, respectively, including the May monthly statements. Based on these reviews, the Company needs to address the following issues:

1. Company reported $158,640 under Uncollected premiums and agents' balances in the course of collection, Line 15.1. According to your letter, the above mentioned amount referred only to the 2009 CMS unfunded receivables and will be non admitted in the June monthly statements as indicated in your letter of June 15, 2011, under item no. 1.b. Please confirm that these 2009 CMS unfunded receivables will be non-admitted.

2. The company has been stating that Evergreen is reviewing the 2009 reinsurance receivables; however, no documentation has been submitted to the Office to show collectability from OneBeacon. Therefore, the Office directs the company to non-admit $424,505 relating to the 2009 amount in the June monthly statements as specified in the Office's letter dated June 1, 2011 under item 2.f.

3. The company terminated the agreement with Envision on June 1, 2010. Since the termination, a year has passed and the parties are still waiting to select a final date; therefore, the Office does not consider this receivable to be qualified as an admitted asset and directs the company to non-admit the amount of $4,659,601 in the June quarterly statement.

• FRANCES S. L. TAY • FINANCIAL ANALYST/ EXAMINER II • LIFE & HEALTH FINANCIAL OVERSIGHT •
200 EAST GAINES STREET • TALLAHASSEE, FLORIDA 32399-0327 • (850) 413-2462 • FAX (850)488-7061
website: www.floir.com • frances.tay@floir.com

4. Referencing items no. 1 through 3 noted above, the Office has determined that these receivables do not qualify as an admitted asset per Section 641.35(1)(h), Florida Statutes, since they are not available for payment of losses and claims. Therefore, the Office is directing the company to non-admit the amount of $5,242,746 ($158,640 + $424,505 + $4,659,601). Non-admitting these amounts would cause the company to be insolvent. Therefore, this letter is providing the company with the 30 days notice referenced in Section 641.35(1), Florida Statutes to replace these receivables with admissible assets on or before the filing of the June quarterly statement which is due on August 15, 2011. Noncompliance of this directive would result in the company filing an insolvent financial statement requiring the Office to take administrative action.

Please provide a response via the REFS system using I/D# 128455 no later than **July 25, 2011.** If you have any questions, please call me at (850) 413-2462.

Sincerely,

Frances S. L. Tay

Exhibit F

Joe Erhart

From: Joe Erhart
Sent: Monday, August 01, 2011 4:32 PM
To: Wenceslao Troncoso; Catharine Schoenecker
Cc: Mary Beth Senkewicz; Al Willis; Toma Wilkerson
Subject: FW: [Image File] Joe,KMBT362, #228
Attachments: KMBT36220110801162023.pdf

Importance: High

FYI - we just received this fax from Bank of America.

-----Original Message-----
From: LHFO@FLOIR.COM [mailto:LHFO@FLOIR.COM]
Sent: Monday, August 01, 2011 4:20 PM
To: Joe Erhart
Subject: [Image File] Joe,KMBT362, #228

FROM:
Image data has been attached to
the E-Mail.

Bank of America

BANK OF AMERICA, N.A.
P.O BOX 37176
San Francisco, CA 94137-0176

July 29, 2011

Office of Insurance Regulation
Attn: Tonna L. Wilkerson
Acting Director
Florida Office of Insurance Regulation
Life & Health Financial Oversight
200 East Gaines Street
Tallahassee, FL 32399-0327

Re: Quality Health Plans, Inc. - FEIN 59-3751408

Dear Ms Wilkerson:

This is to confirm Quality Health Plans has opened an account at Bank of America, account number 03517-41034, with an initial deposit of $10,165,856.00. Activity since that time has brought the current balance to $10,167,352.41.

Quality Health Plans has no loans, lines of credit or any other indebtedness as of this date with Bank of America.

There are no hypothecations, pledges or compensating balance on this account or in the name of Quality Health Plans, Inc.

We are unaware of any indebtedness, liens, pledges, guarantees or obligations of any type, future or contingent obligations which have attached or may attach the assets of Quality Health Plans by Bank of America.

Please feel free to call me if you have any questions at (310) 220-6483.

Sincerely,

PATRICK JONES
BRANCH MANAGER
(310) 220-6483 PH
(310) 220-6485 FX

WILLIAM BUCHANAN
FINANCIAL SERVICES SPECIALIST
(310) 220-6483 PH
(310) 220-6485 FX

Exhibit G

Division of Insurance Fraud
200 East Gaines Street
Tallahassee, Florida 32399-0324
(850) 413-3115

FAX TRANSMITTAL
Date: 08/11/2011

Sent 2nd time to:
404/532-3705

To:	Bank of America Legal Order Processing
Fax #:	404/532-3209
From:	Michael G. Smith, Detective
Phone:	(850) 413-4038
Email:	Michael.Smith@myfloridacfo.com
Pages:	Three

Comments:
Please acknowledge receipt by calling or email.

Note the attached letter from BOA which is in question as well as the bank account information. Please advise where to send the original copy of the subpoena and letter.

IN THE COURT OF THE
SECOND JUDICIAL CIRCUIT, IN
AND FOR LEON COUNTY, FLORIDA.

STATE OF FLORIDA

CASE NO. DIF 11-3998
SPN

vs.

SUBPOENA DUCES TECUM

Defendant(s)/

THE STATE OF FLORIDA:

TO: Bank of America
Legal Orders Processing
1425 NW 62nd Street
Ft. Lauderdale, Florida 33309
Fax: 404/532-3209

YOU ARE HEREBY COMMANDED to appear before Honorable State Attorney's Office, Second Judicial Circuit, 301 South Monroe Street, 4th Floor, Leon County Courthouse, Tallahassee to testify in the above-styled cause and to have with you at said time and place the following:

Reference Loan # 03517-41034 for Quality Health Plans, Inc. FEIN 59-3751408; please provide –

1. **any and all information pertaining to account number 03517-41034, to include; authorized signatures, monthly statements from 01/01/2010 thru present, and deposit slips from 01/01/2011 thru present.**
2. **any and all accounts in the name of Quality Health Plans, inc., FEIN 59-37511408**
3. **authenticity of the attached correspondence which was officially provided.**

Please contact Det. Michael G. Smith (850) 413-4038 or Michael.Smith@myfloridacfo.com when records are ready for pick-up

PURSUANT TO AN OFFICIAL CRIMINAL INVESTIGATION OF A SUSPECTED FELONY, YOU ARE NOT TO DISCLOSE THE EXISTENCE OF THIS REQUEST

You are subpoenaed to appear by the following attorneys and unless excused from this subpoena by these attorneys or the Court, you shall respond to this subpoena as directed.

DATED on 8/11/11

Assistant State Attorney For the Court
State Attorney's Office
Jon Fuchs

Exhibit H

OFFICE OF INSURANCE REGULATION

KEVIN M. MCCARTY
COMMISSIONER

FINANCIAL SERVICES COMMISSION

RICK SCOTT
GOVERNOR

JEFF ATWATER
CHIEF FINANCIAL OFFICER

PAM BONDI
ATTORNEY GENERAL

ADAM PUTNAM
COMMISSIONER OF AGRICULTURE

July 15, 2011

Ms. Sabiha Haider Khan, Vice President
Quality Health Plans, Inc.
4010 Gunn Highway, Suite 220
Tampa, Florida 33618

RE: **Quality Health Plans, Inc. (QHP)**
May 31, 2011 monthly statements

Dear Ms. Khan:

The Office completed its initial review of the company's letters dated June 15, 2011 and June 22, 2011 regarding the December annual and March quarterly financial statements, respectively, including the May monthly statements. Based on these reviews, the Company needs to address the following issues:

1. Company reported $158,640 under Uncollected premiums and agents' balances in the course of collection, Line 15.1. According to your letter, the above mentioned amount referred only to the 2009 CMS unfunded receivables and will be non admitted in the June monthly statements as indicated in your letter of June 15, 2011, under item no. 1.b. Please confirm that these 2009 CMS unfunded receivables will be non-admitted.

2. The company has been stating that Evergreen is reviewing the 2009 reinsurance receivables; however, no documentation has been submitted to the Office to show collectability from OneBeacon. Therefore, the Office directs the company to non-admit $424,505 relating to the 2009 amount in the June monthly statements as specified in the Office's letter dated June 1, 2011 under item 2.f.

3. The company terminated the agreement with Envision on June 1, 2010. Since the termination, a year has passed and the parties are still waiting to select a final date; therefore, the Office does not consider this receivable to be qualified as an admitted asset and directs the company to non-admit the amount of $4,659,601 in the June quarterly statement.

• FRANCES S. L. TAY • FINANCIAL ANALYST/ EXAMINER II • LIFE & HEALTH FINANCIAL OVERSIGHT •
200 EAST GAINES STREET • TALLAHASSEE, FLORIDA 32399-0327 • (850) 413-2462 • FAX (850)488-7061
website: www.floir.com • frances.tay @floir.com

4. Referencing items no. 1 through 3 noted above, the Office has determined that these receivables do not qualify as an admitted asset per Section 641.35(1)(h), Florida Statutes, since they are not available for payment of losses and claims. Therefore, the Office is directing the company to non-admit the amount of $5,242,746 ($158,640 + $424,505 + $4,659,601). Non-admitting these amounts would cause the company to be insolvent. Therefore, this letter is providing the company with the 30 days notice referenced in Section 641.35(1), Florida Statutes to replace these receivables with admissible assets on or before the filing of the June quarterly statement which is due on August 15, 2011. Noncompliance of this directive would result in the company filing an insolvent financial statement requiring the Office to take administrative action.

Please provide a response via the REFS system using I/D# 128455 no later than **July 25, 2011.** If you have any questions, please call me at (850) 413-2462.

Sincerely,

Frances S. L. Tay

Exhibit I

QHP
GROUP, INC.

Preliminary Financial Statements
Unaudited
Management Use Only

QHP Group, Inc.
Consolidated Financial Statements
Preliminary Balance Sheet May 31, 2011

	QHP	Mid-America	QHP	HMS	QHP Group	Eliminating Entries				QHP Group Consolidated
ASSETS										
Current Assets										
Cash and Cash Equivalents	15,988,483	101,282	20,456	642,881	213,097					16,844,281
Health Care Receivables	22,775,742	-	-	-	-					22,775,742
Due from QHP Group	-	3,889,475	-	2,209,858	-	-		(5,789,431)	<1>	-
Due from EZRX	-	-	-	20,237	-					29,237
Due from QHP Insurance Company	-	20,800	-	-	-	-		(20,000)	<1>	-
Due from QHP	-	321,880	-	-	-			(321,880)	<1>	-
Due from other related party	-	-	-	2,468,682	-					2,468,182
Prepaid and other current assets	121,113	-	-	7,810	55,799	-		-		184,913
Affiliate Receivable - Tax Sharing Agreement	1,409,000	-	-	-	43,144			(1,443,144)	<a>	-
Total Current Assets	40,293,319	4,002,747	20,456	5,349,668	312,031					42,283,456
Other Assets										-
Statutory Deposit	2,319,000	-	-	-	-					2,319,080
Other Assets	76,020	68,000	-	208,009	76,754					412,774
Property and Equipment (Net)	39,317	-	-	81,476	170,724					290,517
Deferred Financing Costs, Net	-	-	-	-	42,428					42,428
Surplus Note Receivable	-	-	-	-	6,038,532	-		(6,038,532)	<b>	-
Investment in Subsidiary - QHP, Inc.-FL (HMO)	-	-	-	-	28,439,787	-		(28,439,787)	<c>	-
Investment in Sub - HMS	-	-	-	-	1,329,446			(1,329,446)	<c>	-
Investment in Sub - Mid-America	-	-	-	-	1,244,474			(1,244,474)	<c>	-
Investment in Sub - QHP Insurance	-	-	-	-	776			(776)	<c>	-
TOTAL ASSETS	42,687,656	4,002,747	20,456	5,639,602	37,886,947	-		(44,008,474)		46,348,175
LIABILITIES										
Current Liabilities										28,865,886
Health care costs payable	28,865,886	-	-	-	-					2,136,301
Other health care liabilities	2,136,301	-	-	-	-					3,912,950
Accounts Payable and Accrued Expenses	3,819,122	1,500	-	50,339	42,987					27,991
Affiliate Payable - Tax Sharing Agreement	-	548,797	-	321,309	-	(1,443,144)	<a>			17,237
Unearned Premiums	17,237	-	-	-	-					34,980,175
Total Current Liabilities	34,837,355	551,300	-	971,677	42,987					
Other Liabilities										-
Note Payable - HMS	-	-	-	-	2,209,858	(2,209,858)	<1>	-	-	-
Note Payable - Mid-America	-	-	20,000	-	3,559,475	(3,579,475)	<1>	-	-	3,980,000
Due to related party	321,880	-	-	-	3,600,000	(321,880)	<1>			653,000
Surplus Note Payable	6,038,532	-	-	-	655,000	(6,038,532)	<b>	-	-	5,000,000
Note Payable to Herald Bank	-	-	-	-	5,000,000			-	-	19,165,836
Note Payable to National Diversified Equities	-	-	-	-	19,165,836					53,791,911
TOTAL LIABILITIES	41,197,777	551,300	20,000	971,677	34,833,259					
EQUITY										-
Common Stock	100	-	1,000	1	64,370	(1,101)	<d>			61,370
Preferred Stock	-	-	-	-	20,000					20,000
Paid-In Capital	40,230,736	90,765	-	44,883	25,788,195	(40,298,089)	<d>	-	-	25,784,510
Retained Earnings	(37,591,888)	3,069,503	(437)	4,859,839	(13,955,631)	8,364,993	<d>	-	-	(33,598,301)
Net Income (Loss)	(1,350,669)	491,179	(108)	(142,339)	230,758					(891,268)
Total Equity	1,488,578	3,651,447	456	4,858,384	19,022,983					(8,431,537)
TOTAL LIABILITIES AND EQUITY	42,687,656	4,002,747	20,456	5,830,062	37,856,947	(44,008,474)		-		45,348,175

Preliminary May financial statements do not include the adjustment to Health Care Costs Payable to be received from QHP's actuary.

Prepared 7/20/11

Preliminary Financial Statements
Unaudited
Management Use Only

QHP GROUP, INC.

QHP Group, Inc.
Consolidated Financial Statements
Preliminary Income Statement Five Months Ended May 31, 2011

	QHP	MidAmerica	QHPI	HMS	EZRX	QHP Group	Eliminating Entries				QHP Group, Inc. Consolidated
MEMBER MONTHS	54,568										54,568
MAPD											
REVENUES											
Premiums	49,238,069	-		-	-	-					49,238,069
Network Management Fee	-	545,880		-	-	-	(545,680)	<1>			-
Administrative Services Fees	-	-		1,909,880	-	-	(1,909,880)	<2>			-
Pharmaceutical Sales	-	-			1,178,731						1,178,731
Total Gross Revenue	49,238,069	545,880	-	1,909,880	1,178,731	-					50,416,800
Reinsurance Premiums - MAPD	617,529										617,529
TOTAL REVENUES, NET	48,620,540	545,680	-	1,909,880	1,178,731	-					49,799,272
MEDICAL EXPENSES											
Medical Expenses	42,974,050	-		-	-	-			(545,680)	<1>	42,428,370
Pharmaceutical Expenses	-	-		-	992,993	-					992,993
Total Medical Expenses	42,974,050	-	-	-	992,993	-					43,421,363
ADMINISTRATIVE EXPENSES											
Management Fees	2,237,288	-		-	-	-			(1,909,880)	<2>	327,408
Professional Fees	1,145,585	114,501		660,248	-	72,086					1,992,419
Payroll and payroll related	2,284,942	-		474,784	168,408	-					2,908,134
Marketing & Advertising	635,236	-		-	135	-					635,371
Rent	176,825	-		1,840	20,438	-					198,702
Other Administrative Expenses	483,114	-	123	76,729	46,182	411,242					1,017,391
Total Administrative Expenses	6,942,790	114,501	123	1,153,400	235,163	483,328					7,019,428
EBIT	(1,296,300)	431,179	(123)	756,480	(49,425)	(483,328)					(641,517)
Interest Income	-	-	18	6	-	15					38
Interest Expense	4,560	-	-	-	-	155,347					159,907
Net Interest Income (Expense)	(4,560)	-	18	6	-	(155,333)					(159,869)
Intercompany Loan Forgiveness Gain (Loss)		-	-	(898,844)	1,092,844	(194,000)					-
NET INCOME (LOSS) PRIOR TO TAXES	(1,300,860)	431,179	(105)	(142,359)	1,043,420	(832,681)					(801,385)

EZRX, LLC income statement results presented through date of sale, April 26, 2011

Prepared 7/20/11

IN THE CIRCUIT COURT OF THE SECOND JUDICIAL CIRCUIT,
IN AND FOR LEON COUNTY, FLORIDA

State of Florida, ex rel., the
Department of Financial Services of
the State of Florida,

Relator,

v. CASE NO: 2011-CA-_____

QUALITY HEALTH PLANS, INC.,

Respondent,
_____/

ORDER TO SHOW CAUSE, INJUNCTION, AND NOTICE OF AUTOMATIC STAY

THIS CAUSE was considered on the Petition of the State of Florida, Department of Financial Services (hereinafter the "Department") for an Order to Show Cause on the appointment of a Receiver of Quality Health Plans Inc., (hereinafter the "Respondent") for purposes of liquidation. The Court, having considered the matter set forth in said Petition and otherwise being fully informed in the premises, finds as follows:

1. The Department has made a prima facie showing that Respondent meets one or more of the statutory grounds for the appointment of the Florida Department of Financial Services as Receiver by this Court.

2. That Respondent is or is about to become insolvent, in violation of Sections 631.061, Florida Statutes.

2. Respondent shall appear before the Honorable _____, Circuit Court Judge, in Room _____, Leon County Courthouse, Tallahassee, Florida, at _____ on _____, 2011, to show good cause if any, as to why the Florida Department of Financial Services should not be appointed Receiver of

Respondent for the purposes of liquidation in accordance with Chapter 631, Part I, Florida Statutes. Respondent shall file its written response, along with any defenses it may have, to the Department's allegations no later than twenty (20) days after the service of this ORDER. Should the hearing date fall within thirty-five (35) days after the service of this ORDER, then Respondent's defenses are due fifteen (15) days prior to the hearing date set by this ORDER. Said response shall include a list of all witnesses; a summary of the testimony of each witness and dates when those witnesses will be available for deposition by the Department; and any and all evidence and copies of all documents to be presented on behalf of Respondent at the hearing.

3. Pursuant to Sections 631.041(3) and 631.041(4), Florida Statutes, all persons, firms, corporations, associations and Respondent's affiliates as defined by Section 631.011, Florida Statutes, and all other persons or entities within the jurisdiction of this Court, including but not limited to, Respondent and its officers, directors, stockholders, trustees, members, agents, and employees shall be enjoined and restrained from removing, destroying, or otherwise disposing of any documents, books, records, or assets of Respondent (or pertaining to Respondent); from doing, through acts of commission or omission, or permitting to be done any action which might waste or otherwise dispose of the books, records, and assets of, or directly or indirectly relating to the Respondent; from in any manner interfering with the Department or the conduct of these proceedings; from the removal, concealment or other disposition of the property, books, records, and accounts of, or directly or indirectly relating to, the Respondent; and from the commencing or prosecuting of any actions against the Respondent, or the obtaining of preferences, judgments, writs of attachment or

execution against Respondent or its property or assets. However, regulatory actions against Respondent by any regulatory body shall not be stayed or enjoined.

4. The Department is hereby authorized to conduct, at its discretion, an investigation authorized by Section 631.391, Florida Statutes of Respondent and its affiliates, to uncover and make fully available to the Court the true state of Respondent's financial affairs. In furtherance of this investigation, Respondent and its parent corporation(s), its subsidiaries, and affiliates should be required to make all books, documents, accounts, records, and affairs, which either belong to or pertain to the Respondent, wherever located, available for full, free and unhindered inspection and examination by the Department during normal business hours (8:00 a.m. to 5:00 p.m.) Monday through Friday, from the date of this Order. This investigation shall include a full and complete examination of any and all reviews, compilations, audits or any other work of whatever nature performed by any accounting firm to include all work papers, on behalf of, related to or in any way connected with Respondent, its affiliates and/or Respondent's corporate structure and affiliations. Respondent and its affiliates are hereby ordered and enjoined to cooperate with the Department to the fullest extent required by Section 631.391, Florida Statutes. Such cooperation shall include, but not be limited to, the taking of oral testimony under oath of Respondent's officers, directors, managers, trustees, agents, adjusters, employees, or independent contractors of Respondent, its affiliates, and any other person who possesses any executive authority over, or who exercises any control over, any segment of the affairs of Respondent in both their official, representative and individual capacities and the production of all documents that are calculated to disclose the true state of Respondent's affairs.

5. Any officer, director, manager, trustee, agent, accountants, adjuster, employee, or independent contractor of Respondent, and any other person who possesses any executive authority over, or who exercises any control over, any segment of the affairs of Respondent shall fully cooperate with the Department as required by Section 631.391, Florida Statutes, and as set out in the preceding paragraph.

6. The failure of Respondent and its affiliates, and all other persons or entities within the jurisdiction of this Court, to cooperate with the Department's investigations as required by Section 631.391, Florida Statutes, or the failure to comply with this Order to Show Cause issued by this Court, shall result in the immediate entry of an order of rehabilitation.

7. Notice is hereby given that, pursuant to Section 631.041(1), Florida Statutes, the filing of the Department's initial petition herein operates as an automatic stay applicable to all persons and entities, other than the Receiver and other regulatory bodies, which shall be permanent and survive the entry of the order, and which prohibits:

a. The commencement or continuation of judicial, administrative or other action proceeding against the insurer or against its assets or any part thereof;

b. The enforcement of a judgment against the insurer or an affiliate, provided that such affiliate is owned by or constitutes an asset of Respondent, obtained either before or after the commencement of the delinquency proceeding;

c. Any act to obtain possession of property of the insurer;

d. Any act to create, perfect or enforce a lien against property of the insurer, except a secured claim as defined in Section 631.011(21), Florida Statutes.

e. Any action to collect, assess or recover a claim against the insurer, except claims as provided for under Chapter 631; and

f. The set-off for offset of any debt owing to this insurer except offsets as provided in Section 631.281, Florida Statutes.

8. All Sheriffs and all law enforcement officials of this state shall cooperate with and assist the Receiver in the implementation of this Order.

9. The Officers and Directors of Respondent shall comply with the provisions of Section 626.9541(1)(w), Florida Statutes.

DONE and ORDERED in Chambers at the Leon County Courthouse in Tallahassee, Leon County, Florida this _____ day of _____, 2011.

_____
CIRCUIT JUDGE

IN THE CIRCUIT COURT OF THE SECOND JUDICIAL CIRCUIT,
IN AND FOR LEON COUNTY, FLORIDA

State of Florida, ex rel., the
Department of Financial Services of
the State of Florida,

Relator,

v. CASE NO: 2011-CA-_____

QUALITY HEALTH PLANS, INC.,

Respondent,

_____/

ORDER APPOINTING THE FLORIDA DEPARTMENT OF FINANCIAL SERVICES AS RECEIVER FOR PURPOSES OF LIQUIDATION, INJUNCTION, AND NOTICE OF AUTOMATIC STAY

THIS CAUSE was considered on the Petition of the State of Florida, Department of Financial Services (hereinafter the "Department") for an Order to Show Cause on the appointment of a Receiver of Quality Health Plans, Inc., (hereinafter the "Respondent") for purposes of liquidation. The Court having reviewed the pleadings of record, having heard presentation and argument of counsel, and otherwise being fully informed in the premises, finds:

1. This Court has jurisdiction pursuant to Section 631.021(1), Florida Statutes, and venue is proper pursuant to Section 631.021(2), Florida Statutes.

2. Respondent is a corporation authorized pursuant to the Florida Insurance Code to transact business in the state of Florida as a health maintenance organization. Respondent's principal place of business is 4010 Gunn Highway, Suite 220, Tampa, Florida 33618.

3. Section 631.021(3), Florida Statutes, provides that a delinquency proceeding pursuant to Chapter 631, Florida Statutes, constitutes the sole and

exclusive method of liquidating, rehabilitating, reorganizing, or conserving a Florida domiciled health maintenance organization.

4. Pursuant to Sections 631.031 and 631.061, Florida Statutes, the Department is authorized to apply to this Court for an Order directing the Respondent to show cause why the Department should not be appointed Receiver of Respondent for purposes of liquidation under any of the grounds set out in Section 631.061, Florida Statues. The Department filed its Petition for Order to Show Cause, Injunction and Automatic Stay for Purposes of Liquidation ("Petition") on August 17, 2011.

5. Pursuant to Section 631.031(1), on August 15, 2011, Kevin McCarty, Commissioner of the Florida Office of Insurance Regulation, advised by letter to Florida's Chief Financial Officer Jeff Atwater that the Office had concluded grounds existed for the initiation of delinquency proceedings against Respondent.

6. Pursuant to Chapter 631 and this Court's Order to Show Cause, Injunction and Automatic Stay, a hearing was conducted on _____, 2011, wherein the Department and Respondent appeared to present evidence and argument related to the Department's allegations contained in its Petition.

7. Respondent is a health maintenance organization and has approximately 10,000 policyholders.

8. Pursuant to Section 631.061, Florida Statutes, this Court finds that it is in the best interests of Respondent, its creditors, and its members that the relief requested in the Petition be granted.

9. Respondent must be liquidated to protect the remaining assets of Respondent for the benefit of its policyholders, creditors and the public.

10. Accordingly, Respondent shall be placed into liquidation effective at _____ a.m./p.m. on _____ __, 2011.

THEREFORE, IT IS ORDERED AND ADJUDGED as follows:

11. The Department of Financial Services of the State of Florida is appointed Receiver of Respondent effective _____ , 2011, at _____a.m./p.m. for purposes of liquidation.

12. The Receiver shall be authorized and directed to:

A. Conduct the business of Respondent and take all steps, as the Court may direct, toward the removal of the causes and conditions which have made this Order of Liquidation necessary and to take such further action, as the Receiver deems necessary or appropriate, to reform and revitalize the Respondent.

B. Take immediate possession of all the property, assets, and estate, and all other property of every kind whatsoever and wherever located, belonging to Respondent, pursuant to Sections 631.101 and 631.141, Florida Statutes, including but not limited to: offices maintained by the Respondent, rights of action, books, papers, evidences of debt, bank accounts, savings accounts, certificates of deposit, stocks, bonds, debentures and other securities, mortgages, furniture, fixtures, office supplies and equipment, and all real property of Respondent, wherever situated, whether in the possession of Respondent or its officers, directors, trustees, employees, consultants, attorneys, agents, affiliates, or other persons.

C. Employ and authorize the compensation of legal counsel, actuaries, accountants, clerks, consultants, and such assistants as it deems necessary, purchase or lease personal or real property as it deems necessary, and authorize the payment of

the expenses of these proceedings and the necessary incidents thereof, as approved by the Court, to be paid out of the funds or assets of the Respondent in the possession of the Receiver or coming into its possession.

D. Reimburse such employees, from the funds of this receivership, for their actual necessary and reasonable expenses incurred while traveling on the business of this receivership.

E. Not defend or accept service of process on legal actions wherein the Respondent, the Receiver, or the insured is a party defendant, commenced either prior to or subsequent to the order, without authorization of this Court; except, however, in actions where Respondent is a nominal party, as in certain foreclosure actions, and the action does not affect a claim against or adversely affect the assets of Respondent, the Receiver may file appropriate pleadings in its discretion.

F. Commence and maintain all legal actions necessary, wherever necessary, for the proper administration of this receivership proceeding.

G. Collect all debts that are economically feasible to collect which are due and owing to the Respondent.

H. Deposit funds and maintain bank accounts in accordance with Section 631.221, Florida Statutes.

I. Take possession of all Respondent's securities and certificates of deposit on deposit with the Chief Financial Officer of Florida, if any, and convert to cash as much as may be necessary, in its judgment, to pay the expenses of administration of this receivership or otherwise best benefit the estate.

J. Apply to this Court for further instructions in the discharge of its duties as may be necessary.

K. For purposes of this Order, the term "affiliate" shall be defined in accordance with Section 631.011(1), Florida Statutes.

IT IS FURTHER ORDERED AND DIRECTED:

13. Any officer, director, manager, trustee, administrator, attorney, agent, accountant, actuary, broker, employee, adjuster, independent contractor, or affiliate of Respondent and any other person who possesses or possessed any executive authority over, or who exercises or exercised any control over, any segment of Respondent's affairs or the affairs of its affiliates is required to fully cooperate with the Receiver, pursuant to Section 631.391, Florida Statutes. Any person who fails to cooperate with the Receiver, interferes with the Receiver, or fails to follow the instructions of the Receiver, may be excluded from the building where the Respondent's offices are located at the Receiver's discretion.

14. Title to all property, real or personal, all contracts, rights of action and all books and records of Respondent, wherever located, is vested in the Receiver pursuant to Section 631.141, Florida Statutes.

15. The Receiver is granted all of the powers of the Respondent's directors, officers, and managers, whose authority shall be suspended, except as such powers are re-delegated in writing by the Receiver. The Receiver has full power to direct and manage the affairs of Respondent, to hire and discharge employees, and to deal with the property and business of the Respondent.

16. All attorneys employed by Respondent as of the date of the Order, within ten (10) days of receiving notice of this Order, are required to report to the Receiver on the name, company claim number and status of each file they are handling on behalf of the Respondent. Said report should also include an accounting of any funds received from or on behalf of the Respondent. All attorneys employed by Respondent are advised that pursuant to Sections 631.011(17) and 631.011(21), Florida Statutes, a claim based on mere possession does not create a secured claim and all attorneys employed by Respondent, pursuant to In Re the Receivership of Syndicate Two, Inc., 538 So.2d 945 (Fla. 1st DCA 1989), who are in possession of litigation files or other material, documents or records belonging to or relating to work performed by the attorney on behalf of Respondent are required to deliver such litigation files, material, documents or records intact and without purging to the Receiver, on request, notwithstanding any claim of a retaining lien which, if otherwise valid, should not be extinguished by the delivery of these documents.

17. All agents, brokers or other persons having sold policies of insurance and/or collected premiums on behalf of the Respondent are required to account for and pay all premiums and commissions unearned due to cancellation of policies in the normal course of business owed to the Respondent directly to the Receiver within thirty (30) days of demand by the Receiver or appear before this Court to show cause, if any they may have, as to why they should not be required to account to the Receiver or be held in contempt of Court for violation of the provisions of the Order. No agent, broker, premium finance company or other person should use premium monies owed to the

Respondent for refund of unearned premium or for any purpose other than payment to the Receiver.

18. Any premium finance company, which has entered into a contract to finance a premium for a policy, which has been issued by the Respondent, is required to pay any premium owed to the Respondent directly to the Receiver.

19. Reinsurance premiums due to or payable by the Respondent shall be remitted to, or disbursed by, the Receiver. The Receiver shall handle reinsurance losses recoverable or payable by the Respondent. All correspondence concerning reinsurance shall be between the Receiver and the reinsuring company or intermediary.

20. Upon request by the Receiver, any company providing telephonic services to the Respondent is directed to provide a reference of calls from the number presently assigned to the Respondent to any such number designated by the Receiver or perform any other services or changes necessary to the conduct of the receivership.

21. Any bank, savings and loan association, financial institution or other person which has on deposit, in its possession, custody or control any funds, accounts and any other assets of the Respondent is directed to immediately transfer title, custody and control of all such funds, accounts and other assets to the Receiver. The Receiver shall be authorized to change the name of such accounts and other assets, withdraw them from such bank, savings and loan association or other financial institution, or take any lesser action necessary for the proper conduct of this receivership. No bank, savings and loan association or other financial institution shall be permitted to exercise any form of set-off, alleged set-off, lien, any form of self-help whatsoever, or refuse to transfer any funds or assets to the Receiver's control without permission of this Court.

22. Any entity furnishing telephone, water, electric, sewage, garbage or trash removal services to the Respondent is required to maintain such service and transfer any such accounts to the Receiver as of the date of the Order, unless instructed to the contrary by the Receiver.

23. Any data processing service, which has custody or control of any data processing information and records including but not limited to source documents, data processing cards, input tapes, all types of storage information, master tapes or any other recorded information relating to the Respondent is directed to transfer custody and control of such records to the Receiver. The Receiver shall be authorized to compensate any such entity for the actual use of hardware and software, which the Receiver finds to be necessary to this proceeding. Compensation should be based upon the monthly rate provided for in contracts or leases with Respondent which was in effect when this proceeding was instituted, or based upon such contract as may be negotiated by the Receiver, for the actual time such equipment and software is used by the Receiver.

24. The United States Postal Service shall be directed to provide any information requested by the Receiver regarding the Respondent and to handle future deliveries of Respondent's mail as directed by the Receiver.

25. All insurance policies, bonds or similar contracts of coverage issued by the Respondent shall remain in full force and effect until they are cancelled.

26. All affiliated companies and associations shall make their books and records available to the Receiver, to include all records located in any premises occupied by said affiliate, whether corporate records or not, and to provide copies of

any records requested by the Receiver whether or not such records are related to Respondent. The Receiver shall have title to all policy files and other records of, and relating to Respondent, whether such documents are kept in offices occupied by an affiliate company or any other person, corporation, or association. The Receiver shall be authorized to take possession of any such records, files, and documents, and to remove them to any location in the Receiver's discretion. Any disputed records shall not be withheld from the Receiver's review, but should be safeguarded and presented to this Court for review prior to removal by the Receiver.

27. The Receiver shall have complete access to and administrative control of all information technology resources of the Respondent and its affiliates at all times including, but not limited to, Respondent's computer hardware, software and peripherals. Each affiliate shall be given reasonable access to such records for the purpose of carrying out its business operations.

28. Any person, firm, corporation or other entity having notice of the Order that fails to abide by its terms is directed to appear before this Court to show good cause, if any they may have, as to why they should not be held in contempt of Court for violation of the provisions of this Order.

29. Pursuant to Sections 631.041(3) and (4), Florida Statutes, all persons, firms, corporations and associations within the jurisdiction of this Court, including, but not limited to, Respondent and its officers, directors, stockholders, members, subscribers, agents and employees, are enjoined and restrained from the further transaction of the insurance business of the Respondent; from doing, doing through omission, or permitting to be done any action which might waste or dispose of the

books, records and assets of the Respondent; from in any means interfering with the Receiver or these proceedings; from the transfer of property and assets of Respondent without the consent of the Receiver; from the removal, concealment, or other disposition of Respondent's property, books, records, and accounts; from the commencement or prosecution of any actions against the Respondent or the Receiver together with its agents or employees, the service of process and subpoenas, or the obtaining of preferences, judgments, writs of attachment or garnishment or other liens; and, from the making of any levy or execution against Respondent or any of its property or assets. Notwithstanding the provisions of this paragraph, the Receivers should be permitted to accept and be subpoenaed for non-party production of claims files in its possession, including medical records, which may be contained therein. In such cases, the requesting party must submit an affidavit to the Receiver stating that notice of the non-party production was appropriately issued and provided to the patient and that the patient was given the opportunity to object and either did not object to the non-party production, or objected and the Court overruled the objection, in which case a copy of the Court's ruling must be attached to the affidavit. The Receiver should be authorized to impose a charge for copies of such claim files pursuant to the provisions of Sections 119.07(1)(a), and 624.501, Florida Statutes.

30. All subsidiaries, affiliates, parent corporations, ultimate parent corporations, and any other business entity affiliated with Respondent agree to fully cooperate with the Receiver in the effort to rehabilitate Respondent.

31. All subsidiaries, affiliates, parent corporations, ultimate parent corporations, and any other business entity affiliated with Respondent having any

interest in the building located at 4010 Gunn Highway, Suite 220, Tampa, Florida 33618 or any other facility in which Respondent may operate, agree to make available, at that location and at no charge to the Receiver or to Respondent, office space, and related facilities (telephone service, copiers, computer equipment and software, office supplies, parking, etc.) to the extent deemed necessary by the Receiver in its sole discretion.

32. All subsidiaries, affiliates, parent corporations, ultimate parent corporations, and any other business entity affiliated with Respondent having any interest in the computer equipment and software currently used by or for Respondent shall make such computer equipment and software available to the Receiver at no charge to the Receiver or Respondent to the extent deemed necessary by the Receiver in its sole discretion.

33. Except for contracts of insurance, all executory contracts to which the Respondent was a party shall be cancelled and stand cancelled unless specifically adopted by the Receiver within ninety (90) days of the date of this Order or from the date of the Receiver's actual knowledge of the existence of such contract, whichever is later. "Actual Knowledge" means the Receiver has in its possession the original of a written contract to which the Respondent is a party, and the Receiver has notified the vendor in writing acknowledging the existence of the contract. **Any vendor, including but not limited to, any and all employees / contractors of insurer, claiming the existence of a contractual relationship with the insurer shall provide notice to the Receiver of such relationship.** This notice shall include any and all documents and information regarding the terms and conditions of the contract, including a copy of the written contract between the vendor and the insurer, if any, what services or goods were

provided pursuant to the contract, any current, future and/or past due amounts owing under the contract, and any supporting documentation for third party services or goods provided. Failure to provide the required information may result in vendors' contractual rights not being recognized by the Receiver. The rights of the parties to any such contracts are fixed as of the date of the Order and any cancellation under this provision shall not be treated as an anticipatory breach of such contracts.

CONTINUATION OF INVESTIGATION

34. The Receiver shall be authorized to conduct an investigation as authorized by Section 631.391, Florida Statutes, of Respondent and its affiliates, as defined above, to uncover and make fully available to the Court the true state of Respondent's financial affairs. In furtherance of this investigation, Respondent's parent corporations, its subsidiaries, and affiliates are required to make all books, documents, accounts, records, and affairs, which either belong to or pertain to the Respondent, available for full, free and unhindered inspection and examination by the Receiver during normal business hours (8:00 a.m. to 5:00 p.m.) Monday through Friday, from the date of the Order. Respondent and the above-specified entities are required to cooperate with the Receiver to the fullest extent required by Section 631.391, Florida Statutes. Such cooperation should include, but not be limited to, the taking of oral testimony under oath of Respondent's officers, directors, managers, trustees, agents, adjusters, employees, or independent contractors of Respondent, its affiliates and any other person who possesses any executive authority over, or who exercises any control over, any segment of the affairs of Respondent in both their official, representative and individual capacities and the production of all documents that are calculated to disclose the true state of Respondent's affairs.

35. Any officer, director, manager, trustee, administrator, attorney, agent, accountant, actuary, broker, employee, adjuster, independent contractor, or affiliate of Respondent and any other person who possesses or possessed any executive authority over, or who exercises or exercised any control over, any segment of the affairs of Respondent or its affiliates is directed to fully cooperate with the Receiver as required by Section 631.391, Florida Statutes, and as set out in the preceding paragraph. Upon receipt of a certified copy of the Order, any bank or financial institution is directed to immediately disclose to the Receiver the existence of any accounts of Respondent and any funds contained therein and any and all documents in its possession relating to Respondent for the Receiver's inspection and copying.

36. All Sheriffs and all law enforcement officials of this state shall cooperate with and assist the Receiver in the implementation of this Order.

37. In the event the Receiver determines that reorganization, consolidation, conversion, reinsurance, merger, or other transformation of the Respondent is appropriate, the Receiver shall prepare a plan to effect such changes and submit the plan to this Court for consideration.

38. Upon petition by the Receiver stating that further efforts to rehabilitate Respondent would be useless, this Court will consider entry of an order of liquidation of Respondent.

NOTICE OF AUTOMATIC STAY

39. Notice is hereby given that, pursuant to Section 631.041(1), Florida Statutes, the filing of the Department's initial petition herein operates as an automatic stay applicable to all persons and entities, other than the Receiver, which shall be permanent and survive the entry of the order, and which prohibits:

A. The commencement or continuation of judicial, administrative or other action or proceeding against the insurer or against its assets or any part thereof;

B. The enforcement of a judgment against the insurer or an affiliate obtained either before or after the commencement of the delinquency proceeding;

C. Any act to obtain possession of property of the insurer;

D. Any act to create, perfect or enforce a lien against property of the insurer, except a secured claim as defined in Section 631.011(21), Florida Statutes;

E. Any action to collect, assess or recover a claim against the insurer, except claims as provided for under Chapter 631;

F. The set-off or offset of any debt owing to the insurer except offsets as provided in Section 631.281, Florida Statutes.

40. This Court retains jurisdiction of this cause for the purpose of granting such other and further relief as from time to time shall be deemed appropriate.

DONE and ORDERED in Chambers at the Leon County Courthouse in Tallahassee, Leon County, Florida this _____ day of _____, 2011.

_____
CIRCUIT JUDGE