



Paul R. LePage  
GOVERNOR

STATE OF MAINE  
DEPARTMENT OF PROFESSIONAL  
AND FINANCIAL REGULATION  
BUREAU OF INSURANCE  
34 STATE HOUSE STATION  
AUGUSTA, MAINE  
04333-0034

Eric A. Cioppa  
SUPERINTENDENT

September 21, 2012

Eric A. Cioppa, Superintendent  
Maine Bureau of Insurance  
34 State House Station  
Augusta, ME 04333-0034

Dear Superintendent:

Pursuant to the provisions of 24-A M.R.S.A. §4215 and in conformity with your instructions, a financial examination has been made of

**Martin's Point Generations, LLC**

The following report is respectfully submitted.



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**REPORT OF EXAMINATION**  
**MARTIN'S POINT GENERATIONS, LLC**  
**AS OF**  
**DECEMBER 31, 2011**

## ACCEPTANCE OF REPORT OF EXAMINATION

WHEREAS a verified Report of Examination of Martin's Point Generations, LLC dated September 21, 2012, was delivered to that insurer on September 26, 2012, and

WHEREAS Martin's Point Generations, LLC and Bureau of Insurance staff have agreed to certain modifications with respect to the Report of Examination, and

WHEREAS I find such modifications proper, and

WHEREAS no hearing with respect to the Report of Examination has been requested by Martin's Point Generations, LLC

NOW THEREFORE, I accept the Report of Examination as modified and hereby order it placed on file in the Bureau of Insurance as provided for by 24-A M.R.S.A. §226(3).

Dated:

12/7/12

  
Eric A. Cioppa, Superintendent

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## SCOPE OF EXAMINATION

This examination of Martin's Point Generations, LLC (hereinafter, "Company") was performed pursuant to the risk-focused approach promulgated by the National Association of Insurance Commissioners (hereinafter, "NAIC"), and consisted of a review of the Company's operations, administrative practices, valuation of assets, and determination of liabilities at December 31, 2011, in conformity with statutory accounting practices, NAIC guidelines including the 2011 Financial Condition Examiners Handbook (hereinafter "FCEH"), and the laws, rules, and regulations prescribed or permitted by the State of Maine.

Areas reviewed in this examination included board of directors meeting minutes, committee meeting minutes, claims administration and loss reserves, underwriting and premium policies, reinsurance, investments, accruals, related party transactions, and risk-based-capital requirements. To the extent deemed necessary, transactions occurring subsequent to the examination date were reviewed.

The results of this examination present the financial condition of the Company as of December 31, 2011. Comments on various balance sheet items, for purposes of this report, may be limited to matters involving clarification, departures from laws, rules and regulations, and/or significant changes in amounts.

## SUMMARY OF SIGNIFICANT FINDINGS

### **PRIOR EXAMINATION**

None noted.

### **CURRENT EXAMINATION**

#### **Comment 1:**

The December 31, 2011, loss reserve of \$11,085,843, as reported by the Company, was determined to be understated by \$1,189,986. The understatement was primarily due to unfavorable loss development.

## SUBSEQUENT EVENTS

On January 1, 2012, affiliated entities Evergreen Woods Primary Care, LLC, Martin's Point Medical Group, LLC, and Bowdoin Medical Group, LLC were consolidated into Martin's Point Health Care, Inc. Prospective activities of the LLCs will be limited to the conclusion of business affairs and eventual dissolution in accordance with the applicable provisions of Maine law.

In the first quarter of 2012, Martin's Point Health Care, Inc., a Maine non-profit corporation, (hereinafter, "MPHC") contributed \$1,200,000 to gross paid in surplus. In the second quarter of 2012, MPHC contributed \$3,000,000 to gross paid in surplus.

The State of New Hampshire granted the Company a health maintenance organization (hereinafter, HMO") license, restricted to Medicare Advantage, on May 3, 2012.

## THE COMPANY

### **HISTORY**

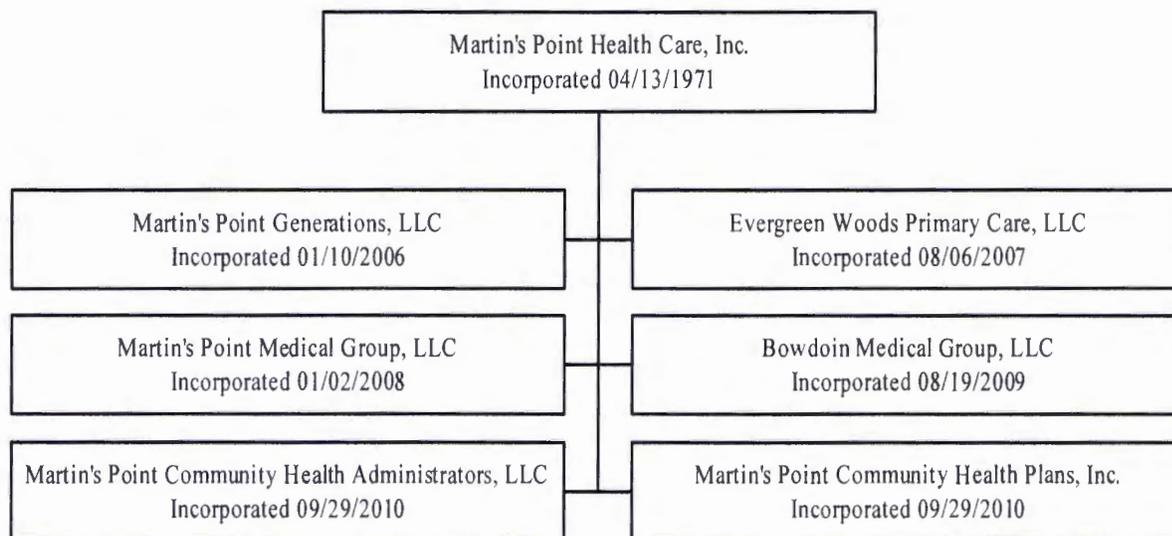
The Company was organized in the State of Maine on January 11, 2006, as a Maine Limited Liability Company and commenced business on January 1, 2007. The State of Maine granted the Company an HMO license, restricted to Medicare Advantage, on April 6, 2006.

### **CORPORATE RECORDS**

The Company's articles of incorporation, bylaws, and minutes of the board of directors meetings held during the period under examination were reviewed.

### **CORPORATE OWNERSHIP**

The Company is a wholly-owned subsidiary of MPHC, a Maine non-profit corporation. An abbreviated corporate ownership diagram follows:



## **CORPORATE GOVERNANCE**

The Company is governed and overseen by its board of directors and its management team.

As of December 31, 2011, the board of directors of the Company consisted of the following members:

<b><u>Name</u></b>	<b><u>Title</u></b>
Michael Eric Thomas	Chairman
Warren Deems Alpern, M.D.	Vice Chairman
Robert Adair Moore	Secretary
George Nelson Campbell, Jr.	Treasurer
Karen Loeb Lifford, M.D.	Director
Marylou Buyse, M.D.	Director
Raymond Eldon Durkee	Director
Daniel Kent Onion, M.D.	Director
Edward Charles Dupont, Jr.	Director
James Alexander Hester, Jr., PhD	Director
Ronald Fitzjohn Dixon, M.D.	Director
David Hermon Howes, M.D.	Director

As of December 31, 2011, the officers of the Company consisted of the following individuals:

<b><u>Name</u></b>	<b><u>Title</u></b>
David Hermon Howes, M.D.	President & Chief Executive Officer
Jane Elizabeth Rollinson	Interim Chief Financial Officer
Dale Hansen Bradford	Chief Operating Officer
Sandra Lynn Monfiletto	Chief Administrative Officer
Elizabeth Hartley Johnson, M.D.	Chief Medical Officer
Daniel Bruce Chojnowski	Corporate Controller

## **CODE OF CONDUCT AND CONFLICT OF INTEREST**

Title 24-A M.R.S.A. §3413 identifies potential conflict of interest areas. The Company has a conflict of interest policy whereby directors and officers complete a conflict of interest statement annually to disclose material interest or affiliation which conflicts with his/her official duties and responsibilities.

## **FIDELITY BOND INSURANCE**

A health organization is required by 24-A M.R.S.A. §4204 (2-A) (H), to maintain fidelity insurance on employees and officers in an amount not less \$250,000. The Company maintains a commercial crime policy with a single limit of \$500,000 for employee theft.

## **TERRITORY & PLAN OF OPERATION**

MPG is licensed in the State of Maine to write health insurance, restricted to Medicare Advantage.

**TRANSACTIONS WITH AFFILIATES**

The Company purchases certain marketing, administrative, and managerial services from MPHC under an operating agreement in accordance with the terms as defined in a management services agreement.

The Company has primary care physician service relationships with various affiliated limited liability corporations.

**ACCOUNTS AND RECORDS**

Accounts and records were reviewed and tested in order to assess the impact on financial condition and conformity with related laws.

**STATUTORY DEPOSITS**

Pursuant to 24-A M.R.S.A. §412, the Company reported the following security deposit as of December 31, 2011:

<u>State</u>	<u>Asset Description</u>	<u>Fair Value</u>
Maine	US Treasury Bill 07/26/2012	\$109,967

**REINSURANCE**

The Company maintains an excess-of-loss reinsurance agreement with a non-affiliate. The reinsurance covers 90% of the loss amount in excess of \$400,000 limited to \$1,000,000 per member per policy period.

**LITIGATION**

The Company is not aware of potential lawsuits or legal action beyond the ordinary course of business which would be considered material in relation to the financial position of the Company.

**FINANCIAL STATEMENTS**

The accompanying financial statements fairly present, in all material respects, the Company's statutory financial position as of December 31, 2011, and statutory results of operations for the period then ended. The financial statements as of December 31, 2010, 2009, and 2008 are unexamined and are presented for comparative purposes only.

**STATEMENT OF ADMITTED ASSETS, LIABILITIES, AND SURPLUS  
AS OF DECEMBER 31, 2011, 2010, 2009, AND 2008**

	<u>2011</u> (adjusted)	<u>2010</u> (unexamined)	<u>2009</u> (unexamined)	<u>2008</u> (unexamined)
<b>Assets</b>				
Cash and short term investments	\$ 21,352,978	\$ 17,048,601	\$ 5,902,693	\$ 3,939,020
Investment income due and accrued	-	-	-	423
Premiums receivable	222,321	145,991	133,001	64,797
Reinsurance - amount recoverable		61,963	10,000	20,063
Reinsurance - other amounts receivable	6,709			
Health Care - other receivables	784,033	324,470	14,467	24,824
<b>Total assets</b>	<u>\$ 22,366,041</u>	<u>\$ 17,581,025</u>	<u>\$ 6,060,161</u>	<u>\$ 4,049,127</u>
<b>Liabilities</b>				
Claims unpaid	\$ 12,275,829	\$ 10,298,378	\$ 2,582,112	\$ 956,756
Accrued medical incentive pool	175,000	199,371	-	-
Unpaid claims adjustment expenses	251,921	196,841	81,338	34,103
Premiums received in advance	264,636	138,169	171,763	69,912
General expenses due or accrued	789,721	143,919	252,928	358,222
Amounts withheld	-	-	522,212	331,778
Amounts due to affiliates	388,144	1,346,555	239,423	494,280
<b>Total liabilities</b>	<u>14,145,251</u>	<u>12,323,233</u>	<u>3,849,776</u>	<u>2,245,051</u>
<b>Surplus</b>				
Gross paid in and contributed surplus	30,500,000	14,500,000	6,000,000	5,000,000
Unassigned funds	<u>(22,279,210)</u>	<u>(9,242,208)</u>	<u>(3,789,615)</u>	<u>(3,195,924)</u>
<b>Surplus</b>	<u>8,220,790</u>	<u>5,257,792</u>	<u>2,210,385</u>	<u>1,804,076</u>
<b>Liabilities and surplus</b>	<u>\$ 22,366,041</u>	<u>\$ 17,581,025</u>	<u>\$ 6,060,161</u>	<u>\$ 4,049,127</u>

**STATEMENT OF OPERATIONS**  
**YEARS ENDED DECEMBER 31, 2011, 2010, 2009, AND 2008**

	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>
	(adjusted)	(unexamined)	(unexamined)	(unexamined)
Total revenues	\$ 86,989,481	\$ 43,018,578	\$ 16,407,224	\$ 6,550,791
Total underwriting deductions	<u>100,032,584</u>	<u>48,455,072</u>	<u>17,017,900</u>	<u>7,706,439</u>
Net underwriting gain/(loss)	(13,043,103)	(5,436,494)	(610,676)	(1,155,648)
Net investment income earned	35,566	16,932	25,299	82,340
Net realized capital gains /(losses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net investment gain/(loss)	35,566	16,932	25,299	82,340
Net income before federal income taxes	(13,007,537)	(5,419,562)	(585,377)	(1,073,308)
Federal income taxes	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net income	<u>\$ (13,007,537)</u>	<u>\$ (5,419,562)</u>	<u>\$ (585,377)</u>	<u>\$ (1,073,308)</u>

**STATEMENT OF CAPITAL AND SURPLUS**  
**YEARS ENDED DECEMBER 31, 2011, 2010, 2009, AND 2008**

	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>
	(adjusted)	(unexamined)	(unexamined)	(unexamined)
Surplus, December 31 prior year	\$ 5,257,792	\$ 2,210,385	\$ 1,804,076	\$ 1,927,591
Net income	(13,007,537)	(5,419,562)	(585,377)	(1,073,308)
Change in nonadmitted assets	(29,465)	(33,031)	(8,314)	(26,414)
Paid in capital	16,000,000	8,500,000	1,000,000	1,000,000
Aggregate write-ins gains/losses in surplus	-	-	-	(23,793)
Change in surplus for the year	<u>2,962,998</u>	<u>3,047,407</u>	<u>406,309</u>	<u>(123,515)</u>
Surplus, December 31 current year	<u>\$ 8,220,790</u>	<u>\$ 5,257,792</u>	<u>\$ 2,210,385</u>	<u>\$ 1,804,076</u>

## COMMENTS ON THE FINANCIAL STATEMENTS

### EXAMINATION ADJUSTMENT

Comment 1 of this report describes the deficiency in loss reserves. As such, the December 31, 2011, loss reserve of \$11,085,843, as reported by the Company, was determined to be understated by \$1,189,986. The understatement was primarily due to unfavorable loss development. The financial statements herein have been adjusted to reflect \$12,275,829 as claims unpaid.

### AS OF DECEMBER 31, 2011

<u>Account</u>	<u>As Reported</u>	<u>Adjusted by</u> <u>Examination</u>
Claims unpaid	\$ 11,085,843	\$ 12,275,829
Unassigned funds	(21,089,224)	(22,279,210)
Total surplus	9,410,776	8,220,790
Total underwriting deductions	98,842,598	100,032,584
Net income	\$ (11,817,551)	\$ (13,007,537)

### CONCLUSION

The Company's financial condition, as reported by management, is reflected in the statements and supporting exhibits contained in this report. The basis of preparation of such statements conforms to laws, rules, and regulations prescribed and/or permitted by the Bureau.

Acknowledgement of cooperation and assistance extended to the examiners by all Company personnel is hereby expressed.

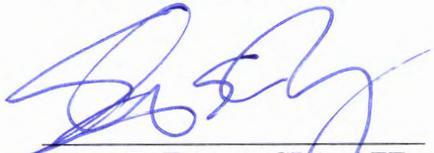
**STATE OF MAINE  
COUNTY OF KENNEBEC, SS**

Stuart E. Turney, being duly sworn according to law deposes and says that, in accordance with authority vested in him by Eric A. Cioppa, Superintendent, pursuant to the Insurance Laws of the State of Maine, he has made an examination of the condition and affairs of the

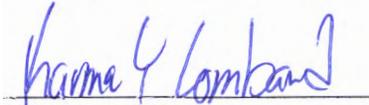
**MARTIN'S POINT GENERATIONS, LLC**

located in Portland, Maine as of December 31, 2011, and that the foregoing report of examination subscribed to by him is true to the best of his knowledge and belief. The following examiners from the Bureau of Insurance assisted:

James C. Williams, CPA, CFE, CIE  
Margaret S. Boghosian, CPA, CFE  
Vanessa J. Leon, CFE  
Audrey L. Wade, CFE, AIE  
Arias Wan, AFE

  
\_\_\_\_\_  
Stuart E. Turney, CPA, AFE

Subscribed and sworn to before me  
This 7<sup>th</sup> day of December, 2012

  
\_\_\_\_\_  
Notary Public

My Commission Expires:

**KARMIA Y. LOMBARD  
Notary Public, Maine  
My Commission Expires June 12, 2016**