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September 22, 2020

Florida Department of Financial Services
Division of Rehabilitation & Liquidation
Ms. Toma Wilkerson, Division Director
325 John Knox Road, Suite 101
Tallahassee, FL 32303

RE: Quality Health Plans, Inc. and Related Entities

Dear Ms. Wilkerson:

Pursuant to your instructions, we have reviewed selected records in the possession of the Receiver and based on these records in accordance with Florida Statute 631.398 (3), we provide the attached summary report relative to the history and causes of the captioned Company's insolvency.

We wish to thank you for retaining us to assist in this endeavor. Kindly advise if you have any questions or comments regarding the enclosed report.

Very truly yours,

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By:

A. Roger Infante

A. Roger Infante, CPA

Name of Receivership	Quality Health Plans, Inc.
Receivership Number	535
Date of Conservation	N/A
Date of Rehabilitation	November 16, 2011
Date of Liquidation	December 1, 2011

SCOPE

Pursuant to Ms. Sha'Ron James (former division director) instructions, during August – October 2012, we reviewed records in the possession of the Receiver at our office in Hollywood, Florida. A. Roger Infante, Ronald Weinbaum, Martin Weinbaum and Svetlana Rozova conducted this review. In accordance with Florida Statute 631.398(3), we provide below a summary report based on these records supplemented by information generated from other sources (i.e. Company's annual and quarterly statements), relative to the history and causes of the Company's insolvency.

BUSINESS

Quality Health Plans, Inc. (the Company), a wholly-owned subsidiary of QHP Group, Inc., was incorporated on August 27, 2001 in the state of Florida. The Company received its Certificate of Authority in late 2002 and commenced insurance operations on January 1, 2003.

The Company provided comprehensive health care services on a prepaid basis for Medicare Parts A, B and D to approved members in Florida 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 was a provider-sponsored health maintenance organization that obtained its Florida license in 2002 and began operations in January 2003. Headquartered in Tampa, Florida, the Company is a Medicare only HMO of approximately 10,000 Medicare subscribers. Medicare premiums and contracts are administered through a federal agency, the Centers for Medicare and Medicaid Services ("CMS").

The Company attempted to mitigate its exposure to losses by the purchase of reinsurance coverage that generally provides for reimbursement of 90% of "eligible expenses" in excess of $175,000 and $100,000 per member per year for the year. The maximum reinsurance coverage provided under the agreement for all eligible services is $1,500,000 per member per policy period. However, such impact of medical claims paid for coverage could result in losses to the Company exceeding its reinsurance protection, and could have a material adverse effect on the financial condition and results of operations of the Company.

NAIC Company Code	Federal ID Number	Names of Insurers and Parent, Subsidiaries or Affiliates
	20-8943396	QHP Group, Inc. (parent)
11519	59-3751408	Quality Health Plans, Inc (insurance company)
	62-1682422	MidAmerica IPA, Inc. (affiliate)
	26-1416666	Health Management Services, of America Inc. (affiliate)
	26-2800255	Ex Rx Pharmacy, LLC (affiliate)
	20-8572241	Quality Health Plans Insurance Company, Inc. (affiliate)

MANAGEMENT

At the time of the receivership, the affairs of the Company were under the direction of Nazeer Haider Khan, Sabiha Haider Khan, Haider Ali Khan. Nazeer Haider Khan was Chief Excecutive Officer, Haider Ali Khan was President and Sabiha Haider Khan was Vice President and all three officers were directors of the Company as well.

BACKGROUND/EVENTS OF IMPACT

The Company was placed into Liquidation on December 1, 2011. The Department found the Company was insolvent under Chapter 631 of the Florida Statutes. The specific cause of the Company's insolvency could not be determined from the records provided, though insufficient capitalization, poor claims handling, and inadequate reinsurance coverage may have been the reasons for its insolvency. Included at the end of this report is an order appointing the Florida Department of Financial Services as Receiver for purposes of rehabilitation, injunction and automatic stay as well as an order appointing the Florida Department of Financial Services as Receiver for purposes of liquidation, injunction and automatic stay.

UNDERWRITING RESULTS

For each year since 2008, The Company reported a net underwriting loss. The investment income mitigated the operating results to some extent.

REINSURANCE

The Company reinsured 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 reinsured 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 were reported as a reduction of premiums earned in the 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 were reported as a reduction of physician and provider services in the accompanying statutory statements of revenues and expenses.

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 were reported as a reduction of premiums earned in the 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 were reported as a reduction of physician and provider services in the statutory statements of revenues and expenses.

FINANCIAL

A loan agreement, effective September 24, 2009, between Herald National Bank and QHP Group, Inc. (parent) was for $5,000,000. The loan was guaranteed by Quality Health Plans, Inc. and Dr. Haider A. Khan and Dr. Nazeer H. Khan. The Loan Agreement was also subject to a Security Agreement effective September 24, 2009. The Security Agreement stated that QHP Group, Inc. pledged 100 shares (all issued and outstanding shares) of Quality Health Plans, Inc. common stock as equity collateral. On December 20, 2010, the Account Pledge Agreement between Herald National Bank and Quality Health Plans, Inc. was effective whereby a collateral account was under the sole dominion and control of Herald National Bank and was to at all times maintain at least a $5 million balance. As a result of the account pledge agreement, in May 2011, the guarantees and financial covenant clauses were no longer applicable to the loan as they were removed by a Herald Bank employee. This $5 million in encumbered cash was never disclosed in the 2010 annual statement or the audited financial statements. Ultimately, in the later part of 2011, Herald Bank took the $5 million in cash to repay the loan thereby creating a cash and surplus shortfall in Quality Health Plans, Inc.

At December 31, 2010, the Company had issued 100 shares of common stock to its Parent for $12,099,900. During 2008, 2009 and 2010, the Parent contributed additional paid-in capital of $12,000,000, $725,000 and $5,300,000, respectively, for a total of $18,025,000. Total paid in capital amounted to $30,124,900. Additionally, the Company issued various surplus notes as noted below:

Note #	Date issued	Amount
I	9/12/2005	$1,200,000
II	10/27/2005	$ 75,000
III	12/22/2005	$ 380,000
IV	11/02/2009	$3,384,532
V	12/22/2009	$1,000,000
Total Surplus Notes		$6,039,532

The total Capital and Surplus Notes totaled $36,164,432. These notes had an interest rate of 8% interest, but were not accrued on the Company's books since those amounts were not approved by the State of Florida. These Capital and Surplus notes were provided for the Company to write additional premium and retain adequate leverage ratios.

The Company's surplus as regards to policyholders at December 31, 2010 was $(5,139,674) deficit, which was below the required minimum surplus.

During the year ended December 31, 2010, the Company incurred a net loss of $(18,618,397) as noted in the 2010 audited financial statements.

For the year ended December 31, 2010, total premium revenue and investment income amounted to $142,681,132. Physician and provider services expense was $135,290,197 and general and administrative were $27,430,155 leading to total operating expenses of $162,720,242. There was an income tax benefit of $1,420,713 which resulted in a net loss of $(18,618,397), as indicated above. The capital and surplus (deficit) amounted to $(5,139,674) at December 31, 2010.

In April 2011, the Company stated that they received a capital contribution of approximately $10,166,000 from its Parent. During November 2011, it was determined by the Office of Insurance Regulation that the $10,166,000 was a fraudulent transaction and the money was never received by the Company.

On November 16, 2011, the Company was placed into rehabilitation. On December 1, 2011, the Company was liquidated.

CONCLUSION

Based on our review of the business history of Quality Health Plans, Inc., as provided in the documents available for our review, we indicate below the potential causes of the failure of this Company, which may have led to its insolvency:

1. Mismanagement by the officers of the Company
2. Inadequate capital and surplus
3. Inability to collect risk sharing receivables
4. $5 million of the Company's cash was pledged as collateral for a loan issued to the Parent, recorded as an admitted asset by the Company and subsequently was taken by a bank to satisfy the Parent's loan.
5. Underwriting losses from adverse loss development

REFERENCES

We relied on various documents that were provided by the Receiver, which included annual and quarterly statements, reinsurance agreements and loan documents. We believe that all documents provided are in the Receivers electronically maintained master files.

Infante + Company

Prepared by: Infante & Company
Date: September 22, 2020