August 12, 2008

CERTIFIED MAIL
RETURN RECEIPT REQUESTED

Sister Mary Dorothea Sondgeroth, President
PhysiciansPlus Baptist & St. Dominic, Inc.
969 Lakeland Drive
Jackson MS 39216

RE: Report of Examination as of December 31, 2007

Dear Sister Sondgeroth:

In accordance with Miss. Code Ann. § 83-5-201 et seq. and 83-41-337(1) (Rev. 1999), an examination of your Company has been completed. Enclosed herewith is the Order adopting the report and a copy of the final report as adopted.

Pursuant to Miss. Code Ann. § 83-5-209(6)(a) (Rev. 1999), the Mississippi Department of Insurance shall continue to hold the content of said report as private and confidential for a period of ten (10) days from the date of the Order. After the expiration of the aforementioned 10-day period, the Department will open the report for public inspection.

If you have any questions or comments, please feel free to contact me.

Sincerely,

MKE CHANEY
COMMISSIONER OF INSURANCE

BY J. Mark Haire
Special Assistant Attorney General

GD/JMH/bs
Encls. Order w/exhibit
BEFORE THE COMMISSIONER OF INSURANCE
OF THE STATE OF MISSISSIPPI

IN RE: REPORT OF EXAMINATION OF
PHYSICIANSPLUS BAPTIST & ST. DOMINIC, INC.

CAUSE NO. 08-5785

ORDER

THIS CAUSE came on for consideration before the Commissioner of Insurance of the State of Mississippi ("Commissioner"), or his designated appointee, in the Offices of the Commissioner, 1001 Woolfolk Building, 501 North West Street, 10th Floor, Jackson, Hinds County, Mississippi, pursuant to Miss. Code Ann. § 83-5-201 et seq. and 83-41-337(1) (Rev. 1999). The Commissioner, having fully considered and reviewed the Report of Examination together with any submissions or rebuttals and any relevant portions of the examiner's work papers, makes the following findings of fact and conclusions of law, to-wit:

JURISDICTION

I.

That the Commissioner has jurisdiction over this matter pursuant to the provisions of Miss. Code Ann. § 83-5-201 et seq. and 83-41-337(1) (Rev. 1999).

II.

That PhysiciansPlus Baptist & St. Dominic, Inc. is a Mississippi-domiciled HMO which was licensed by the Mississippi Department of Insurance on December 1, 1996.
FINDINGS OF FACT

III.

That the Commissioner, or his appointee, pursuant to Miss. Code Ann. § 83-5-201 et seq. and 83-41-337(1) (Rev. 1999), called for an examination of PhysiciansPlus Baptist & St. Dominic, Inc. and appointed Mitch Rayborn, Examiner-In-Charge, to conduct said examination.

IV.

That on or about May 7, 2008, the draft Report of Examination concerning PhysiciansPlus Baptist & St. Dominic, Inc. for the period of January 1, 2004 through December 31, 2007, was submitted to the Department by the Examiner-In-Charge, Mitch Rayborn.

V.

That on or about June 16, 2008, pursuant to Miss. Code Ann. § 83-5-209(2) (Rev. 1999), the Department forwarded to the Company a copy of the draft report and allowed the Company a 30-day period to submit any rebuttal to the draft report. The Company did not submit a written response or rebuttal to the Department.

CONCLUSIONS OF LAW

VI.

The Commissioner, pursuant to Miss. Code Ann. § 83-5-209(3) (Rev. 1999), must consider and review the report along with any submissions or rebuttals and all relevant portions of examiner work papers and enter an Order: (1) adopting the Report of Examination as final or with modifications or corrections; (2) rejecting the Report of Examination with directions to reopen; or (3) calling for an investigatory hearing.
IT IS, THEREFORE, ORDERED, after reviewing the Report of Examination and all relevant examiner work papers, that the Report of Examination of PhysiciansPlus Baptist & St. Dominic, Inc., attached hereto as Exhibit "A", should be and same is hereby adopted as final.

IT IS FURTHER ORDERED that a copy of the adopted Report of Examination, accompanied with this Order, shall be served upon the Company by certified mail, postage pre-paid, return receipt requested.

IT IS FURTHER ORDERED that the Mississippi Department of Insurance shall continue to hold the content of this report as private and confidential for a period of ten (10) days from the date of this Order, pursuant to Miss. Code Ann. § 83-5-209(6)(a) (Rev. 1999).

IT IS FURTHER ORDERED, pursuant to Miss. Code Ann. § 83-5-209(4) (Rev. 1999), that within thirty (30) days of the issuance of the adopted report, PhysiciansPlus Baptist & St. Dominic, Inc. shall file affidavits executed by each of its directors stating under oath that they have received a copy of the adopted report and related orders.

IT IS FURTHER ORDERED that PhysiciansPlus Baptist & St. Dominic, Inc. take the necessary actions and implement the necessary procedures to ensure that all recommendations contained in the Report of Examination are properly and promptly complied with.

SO ORDERED, this the ___ day of August, 2008.

MIKE CHANEY
COMMISSIONER OF INSURANCE
STATE OF MISSISSIPPI
CERTIFICATE OF MAILING

I hereby certify that a true and correct copy of the above and foregoing Order and a copy of the final Report of Examination, as adopted by the Mississippi Department of Insurance, was sent by certified mail, postage pre-paid, return receipt requested, on this the 18th day of August, 2008, to:

Sister Mary Dorothea Sondgeroth, President
PhysiciansPlus Baptist & St. Dominic, Inc.
969 Lakeland Drive
Jackson MS 39216

[Signature]
J. Mark Haire
Special Assistant Attorney General

J. Mark Haire
Special Assistant Attorney General
Counsel for the Mississippi Department of Insurance
Post Office Box 79
Jackson, MS 39205-0079
(601) 359-3577
Miss. Bar No. 2065
Mississippi Insurance Department

Report of Examination

of

PHYSICIANSPLUS BAPTIST & ST. DOMINIC, INC.

969 Lakeland Drive
Jackson, Mississippi 39216

As of December 31, 2007

NAIC Company Code 95686
NAIC ETS No. MS029-C42
STATE OF MISSISSIPPI  
COUNTY OF HINDS

Mitch Rayborn, CFE, CIE, FLMI, being duly sworn, states as follows:

1. I have authority to represent the Commissioner of Insurance of the State of Mississippi in the examination of PhysiciansPlus Baptist & St. Dominic, Inc.

2. The Mississippi Insurance Department is accredited under the National Association of Insurance Commissioners Financial Regulation Accreditation Standards.

3. I have prepared the examination work papers and examination report, and the examination of PhysiciansPlus Baptist & St. Dominic, Inc. as of December 31, 2007, was performed in a manner consistent with the standards and procedures required by the Commissioner of Insurance of the State of Mississippi.

The affidavit says nothing further.

[Signature]
Mitch Rayborn, CFE, CIE, FLMI  
Examiner

Subscribed and sworn before me this 7th day of May, 2008.

(SEAL)

[Signature]
Notary Public

My commission expires ________________________.
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May 5, 2008

Honorable Mike Chaney  
Commissioner of Insurance  
State Fire Marshal  
Mississippi Insurance Department  
501 N. West Street  
1001 Woolfolk Building (39201)  
Post Office Box 79  
Jackson, Mississippi 39205-0079

Dear Commissioner Chaney:

Pursuant to your instructions and authorization and in compliance with statutory provisions, an examination has been conducted, as of December 31, 2007, of the affairs and financial condition of:

**PHYSICIANSPLUS BAPTIST & ST. DOMINIC, INC.**  
(NAIC COMPANY CODE 95686)  
969 Lakeland Drive  
Jackson, Mississippi 39216

This examination was commenced in accordance with Miss. Code Ann. § 83-5-201 et seq. and was performed in Jackson, Mississippi at the statutory home office of the Company. The report of examination is herewith submitted.
INTRODUCTION

This examination was performed by examiners representing the Mississippi Insurance Department ("MID") and covered PhysiciansPlus Baptist & St. Dominic, Inc. ("PhysiciansPlus" or "the Company") operations and financial condition from January 1, 2004, through December 31, 2007, including material transactions and/or events occurring subsequent to the examination date and noted during the course of this examination.

For purposes of this examination report, the examination period is defined as January 1, 2004, through December 31, 2007, and the examination date is defined as December 31, 2007.

SCOPE OF EXAMINATION

This examination was a full scope financial examination that included assessing the Company's financial condition, its ability to fulfill and manner of fulfillment of its obligations, the nature of its operations, and compliance with the law. A full scope market conduct examination was not performed; however, limited procedures were performed on specific areas of the Company's market conduct.

This examination was conducted in accordance with procedures recommended by the National Association of Insurance Commissioners ("NAIC") Financial Condition Examiners Handbook.

Reporting in the comment and recommendation section of this report was by exception; therefore, items that were tested and deemed acceptable by the examiners without material change receive little or no comment.

HISTORY OF THE COMPANY

The Company was incorporated on January 24, 1996, under the laws of the State of Mississippi, as St. Dominic Health Maintenance Organization as a non-profit corporation.

In December 1996, the Company amended its Articles of Incorporation to reflect its purpose to operate as a health maintenance organization pursuant to Mississippi. Code Ann § 83-41-301 et. seq. and to establish it address as 969 Lakeland Drive, Jackson, Mississippi 39216.

On February 11, 1998, the Company amended its Articles of Incorporation to reflect a name change to PhysiciansPlus Baptist & St. Dominic, Inc.
HOLDING COMPANY STRUCTURE

During the examination period, the Company was a member of an insurance holding company system as defined within Miss. Code Ann. § 83-6-1. Holding Company Registration Statements were filed during the examination period with the Mississippi Insurance Department in accordance with Miss. Code Ann. § 83-6-5 and § 83-6-9. The statements and applicable amendments that were filed with the Mississippi Insurance Department during the examination period were reviewed and it appeared that any changes and material transactions by and between the Company and its affiliates were disclosed appropriately.

Organizational Chart

The following chart displays the Company’s organizational structure. In addition, a brief description of the Company’s affiliates follows the organizational chart.

[Diagram of organizational structure]

St. Dominic Health Services, Inc. ("SDHS")

This company, incorporated on May 28, 1985, under the laws of the State of Mississippi, is a non-profit multi-dimensional provider of healthcare services that owned a 50% membership interest in PhysiciansPlus Baptist & St. Dominic Holding Company. This situation provides SDHS with indirect control of 50% of the Company.
Mississippi Baptist Health Systems, Inc. ("MBHS")

This company, incorporated in 1911, under the laws of the State of Mississippi, is a non-profit multi-dimensional provider of healthcare services that owned a 50% membership interest in PhysiciansPlus Baptist & St. Dominic Holding Company. This situation provides MDHS with indirect control of 50% of the Company.

PhysiciansPlus Baptist & St. Dominic Holding Company, Inc. ("PPHC")

This company, incorporated on December 16, 1997, under the laws of the State of Mississippi, is a non-profit corporation with the sole purpose of serving as the holding company for PhysiciansPlus.

PhysiciansPlus Baptist & St. Dominic, Inc.

This company, incorporated on January 24, 1996, under the laws of the State of Mississippi, is a wholly-owned subsidiary of PPHC and is a non-profit health maintenance organization.

RELATED PARTY TRANSACTIONS

The Company reimbursed its ultimate controlling entities, "SDHS" and "MBHS", for their share of expenses incurred with the maintenance of the Company in compliance with an Administrative Services and Management Agreement. These related party transactions were reviewed with no exceptions noted.

MANAGEMENT AND CONTROL

Board of Directors

The Articles of Incorporation and Bylaws vest the management and control of the Company’s business affairs with the Board of Directors (the “Board”). The members of the duly elected Board, along with their place of residence and principal occupation, as of December 31, 2007, were:

<table>
<thead>
<tr>
<th>Name and Place of Residence</th>
<th>Principal Occupation or Affiliation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Deidra Bell, Jackson, Mississippi</td>
<td>Treasurer and Chief Financial Officer</td>
</tr>
<tr>
<td></td>
<td>St. Dominic Health Services, Inc.</td>
</tr>
<tr>
<td>Claude W. Harbarger, Jackson, Mississippi</td>
<td>President</td>
</tr>
<tr>
<td></td>
<td>St. Dominic-Jackson Memorial Hospital</td>
</tr>
<tr>
<td>Kurt W. Metzner, Tupelo, Mississippi</td>
<td>President &amp; Chief Executive Officer</td>
</tr>
<tr>
<td></td>
<td>Mississippi Baptist Health Systems, Inc.</td>
</tr>
</tbody>
</table>
Eric McVey, III, MD  
Jackson, Mississippi  

Vice President and Chief Medical Officer  
Mississippi Baptist Health Systems, Inc.

Sister Mary Dorothea Sondgeroth  
Jackson, Mississippi  

President  
St. Dominic Health Services, Inc.

Russell W. York  
Jackson, Mississippi  

Vice President and Chief Financial Officer  
Mississippi Baptist Health Systems, Inc.

**Officers**

The officers holding the following positions as of December 31, 2007, were:

<table>
<thead>
<tr>
<th>Name</th>
<th>Position</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sister Mary Dorothea Sondgeroth</td>
<td>President</td>
</tr>
<tr>
<td>Kurt W. Metzner</td>
<td>Vice President</td>
</tr>
<tr>
<td>Eric McVey, III, MD</td>
<td>Secretary</td>
</tr>
<tr>
<td>Deidra Bell</td>
<td>Treasurer</td>
</tr>
</tbody>
</table>

**Conflict of Interest**

The officers and directors of the Company are subject to a conflict of interest policy of the two parent companies. The parent company’s conflict of interest policies require disclosure on any potential interest that might impair or appear to impair their independence. The Company did not have or maintain a separate written conflict of interest policy whereby disclosure was made to the Board of any potential financial or other interests that impair or appear to impair their independence in their responsibilities to the Company. It is recommended that the Company draft and implement a conflict of interest policy specific to the Company’s interest whereby all officers and directors disclose any conflict of interest on an annual basis.

**CORPORATE RECORDS**

The minutes of the meetings of the Stockholder and Board of Directors, taken during the period covered by the examination, were reviewed and appeared to be complete and in order with regard to recording action on matters brought up at these meetings for deliberation.
FIDELITY BOND AND OTHER INSURANCE

Pursuant to Miss. Code Ann. § 83-41-311(2), a health maintenance organization is required to maintain a fidelity bond or fidelity insurance on employees, officers, directors and partners in an amount not less than $250,000 for each health maintenance organization or a maximum of $5,000,000 in aggregate maintained on behalf of health organizations owned by a common parent corporation. The Company was included on a blanket crime policy owned by St. Dominic Health Services, Inc., in the amount of $1,000,000 and appeared to meet the requirements of Miss. Code Ann. § 83-41-311(2).

DIRECTORS’, OFFICERS’, EMPLOYEES’, AND AGENTS’ WELFARE

The Company did not have any employees of its own during the examination period. As previously mentioned, the company reimbursed its ultimate controlling entities, for their share of expenses incurred in the maintenance of the Company. Since the Company did not have any employees, no provision for benefits was included in the financial statements.

TERRITORY AND PLAN OF OPERATION

As of December 31, 2007, the Company was authorized to transact business associated with that of a health maintenance organization (HMO) in the State of Mississippi. The Company did not have any enrolled members and did not provide any medical services during the examination period.

ACCOUNTS AND RECORDS

The 2007 trial balance of the Company’s accounts was traced to the balance sheet of the Company’s statutory annual statement filed with the Mississippi Insurance Department, with no exceptions noted. The Company was audited annually by an independent CPA firm.

STATUTORY DEPOSITS

The Company’s statutory deposits with the State of Mississippi complied with Miss. Code Ann. § 83-19-31 (2). The following chart displays the Company’s deposits as of December 31, 2007:

<table>
<thead>
<tr>
<th>Type of Security</th>
<th>State Deposited</th>
<th>Par Value</th>
<th>Book Value</th>
<th>Fair Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bond</td>
<td>Mississippi</td>
<td>$550,000</td>
<td>$573,030</td>
<td>$590,244</td>
</tr>
</tbody>
</table>

PhysiciansPlus Baptist & St. Dominic, Inc.
MID Examination as of December 31, 2007
INTRODUCTION TO THE FINANCIAL STATEMENTS

The following financial statements consist of a Statement of Assets, Liabilities, Capital and Surplus at December 31, 2007, a Statement of Revenue and Expenses for the year ended December 31, 2007, a Reconciliation of Capital and Surplus for the examination period ended December 31, 2007, and a Reconciliation of Examination Adjustments to Surplus.
PHYSICIANSPLUS BAPTIST & ST. DOMINIC, INC.
STATEMENT OF ASSETS, LIABILITIES, CAPITAL
AND SURPLUS
DECEMBER 31, 2007

ADMITTED ASSETS

Bonds $1,137,668
Cash and short-term investments 142,508
Investment income due and accrued 15,360

Total admitted assets $1,295,536

LIABILITIES, CAPITAL AND SURPLUS

Amounts due to parent, subsidiaries and affiliates $14,000

Total Liabilities $14,000

Gross paid in and contributed surplus 1,223,557
Unassigned funds (surplus) 57,979

Total liabilities, surplus and other funds $1,295,536
<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Premiums income</td>
<td>$ -0-</td>
</tr>
<tr>
<td>Net investment income</td>
<td>$51,227</td>
</tr>
<tr>
<td><strong>Total Income</strong></td>
<td><strong>$51,227</strong></td>
</tr>
<tr>
<td>General administrative expenses</td>
<td>$29,741</td>
</tr>
<tr>
<td><strong>Total expenses</strong></td>
<td><strong>$29,741</strong></td>
</tr>
<tr>
<td><strong>NET INCOME</strong></td>
<td><strong>$21,486</strong></td>
</tr>
<tr>
<td></td>
<td>2004</td>
</tr>
<tr>
<td>-------------------------------</td>
<td>-------</td>
</tr>
<tr>
<td>Capital and surplus, beginning of year</td>
<td>$1,187,650</td>
</tr>
<tr>
<td>Net Income (loss)</td>
<td>43,827</td>
</tr>
<tr>
<td>Change in net unrealized capital gains</td>
<td>(8,475)</td>
</tr>
<tr>
<td>Examination adjustments</td>
<td>-0-</td>
</tr>
<tr>
<td>Capital and surplus, end of the year</td>
<td>$1,223,002</td>
</tr>
</tbody>
</table>
PHYSICIANSPLUS BAPTIST & ST. DOMINIC, INC.
RECONCILIATION OF EXAMINATION ADJUSTMENTS TO SURPLUS
DECEMBER 31, 2007

As a result of this examination, there have been no adjustments affecting the Capital and Surplus reported by the Company in the December 31, 2007 annual statement. The Capital and Surplus reported by the Company of $1,281,536 is accepted as reasonably stated for purposes of the balance sheet per the examination.
COMMENT AND RECOMMENDATION

1. It is recommended that the Company draft and implement a conflict of interest policy specific to the Company’s interest whereby all officers and directors disclose any conflict of interest on an annual basis. (Page 5)
ACKNOWLEDGMENT

The examiners representing the Mississippi Insurance Department and participating in this examination were:

Examiner-in-charge: Mitch Rayborn, CFE, CIE, FLMI
Supervising Examiner: David Browning, CFE

The courteous cooperation of the officers and employees responsible for assisting in the examination is hereby acknowledged and appreciated.

Respectfully submitted,

[Signature]
Mitch Rayborn, CFE, CIE, FLMI
Examiner-in-charge