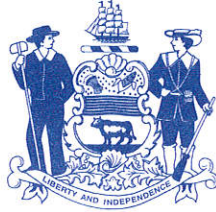


DISSOLUTION REVIEW
OF
HORIZON HEALTHCARE INSURANCE COMPANY OF DELAWARE, Inc.
AS OF
September 30, 2011

Karen Weldin Stewart, CIR-ML
Commissioner



Delaware Department of Insurance

I, Karen Weldin Stewart, Insurance Commissioner of the State of Delaware, do hereby certify that the attached REPORT ON EXAMINATION, made as of September 30, 2011 of the

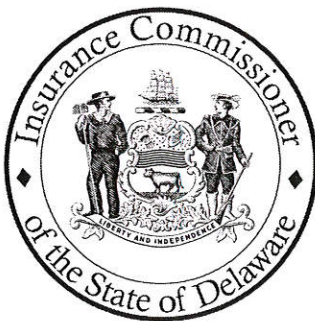
Horizon Healthcare Insurance company of Delaware, Inc.

is a true and correct copy of the document filed with this Department.

Attest By: _____

Sonia C. Harris

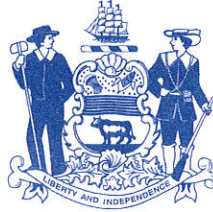
Date: 25 January 2012



In Witness Whereof, I have hereunto set my hand and affixed the official seal of this Department at the City of Dover, this 25th day of January, 2012.

Karen Weldin Stewart, CIR-ML
Insurance Commissioner

Karen Weldin Stewart, CIR-ML
Commissioner



Delaware Department of Insurance

REPORT ON EXAMINATION
OF THE
Horizon Healthcare Insurance Company of Delaware, Inc.
AS OF
September 30, 2011

The above-captioned Report was completed by examiners of the Delaware Department of Insurance.

Consideration has been duly given to the comments, conclusions and recommendations of the examiners regarding the status of the Company as reflected in the Report.

This Report is hereby accepted, adopted and filed as an official record of this Department.



Karen Weldin Stewart, CIR-ML
Insurance Commissioner

Dated this 25th day of January, 2012

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SALUTATION

Honorable Karen Weldin Stewart, CIR-ML
Insurance Commissioner
State of Delaware
Rodney Building
841 Silver Lake Boulevard
Dover, Delaware 19901

Dear Commissioner:

In compliance with instructions contained in Certificate of Authority 11.023, a Dissolution examination has been made of the affairs, financial condition and management of the

Horizon Healthcare Insurance Company of Delaware, Inc.

hereinafter referred to as “HHICDI” or “Company”, incorporated under the laws of the State of Delaware with its home office located at 3 Penn Plaza E Ste PP-150, Newark, New Jersey 07105-2248.

The report of such review is respectfully submitted herewith.

SCOPE OF EXAMINATION

This Dissolution report is a limited-scope examination, and is not intended to communicate all matters of importance for an understanding of the company’s financial condition.

The last examination was completed as of December 31, 2008. This dissolution examination is as of September 30, 2011.

As a result of a management decision, the parent company Horizon Healthcare Services, Inc. (HHS) a New Jersey domestic health service corporation, d/b/a Horizon Blue Cross and Blue

Shield of New Jersey, has determined that the Company would be dissolved. Therefore, this examination was to ascertain the following:

- Verify the remaining investment/cash assets of the Company and determine any immaterial non cash/investment operating receivables that may exist.
- Ascertain and verify that there are not material liabilities other than residual general operating expenses.
- Review any other documents as needed.

HISTORY

The Company was incorporated on February 4, 1998 as the Medigroup Insurance Company (DE). The corporate title was adopted through an amendment to the Certificate of Incorporation effective July 20, 1998. Since inception, the Company's ultimate parent has been Horizon Healthcare Services Inc., (HHS) d/b/a as Horizon Blue Cross Blue Shield of New Jersey. The Company is an inactive life, accident and health insurer that has never written any business.

PROCEDURES PERFORMED

The examination was originally called as of 12/31/10 as part of the multi-state examination of the parent company. This examination is currently in progress. The examiner reviewed examination material available and incorporated that documentation into the review. Examination materials reviewed included procedures through phase 1 of the risk surveillance process. The Company has been inactive since the previous examination and has no reported liabilities during the examination period. Confirmation of assets as of 12-31-10 was obtained.

Procedures performed for the period January 1, 2011 thru September 30, 2011 included:

:

- Review of Quarterly Financial Statements of the Company as of 3/31/11, 6/30/11 and 9/30/11

- A review of the Trial Balance as of 8/31/11 and analytical procedures thru 9/30/11
- A review of all minutes of Company since the last examination
- A review of all other corporate records of Company that is available.
- A review of any related party agreements

SUMMARY CONCLUSIONS

Corporate Records:

The examiner reviewed the minutes and discussed prior examination findings with the Company. The Company had complied with all prior examination recommendations. The Company minutes contain approval of the dissolution and are awaiting the approval of the Form A by Delaware Department of Insurance.

Related Parties:

The Company has the following agreements still in effect as of the dissolution examination:

Management Service Agreement

Effective January 1, 2010 and renewed annually, the Company has entered into a Management Service Agreement with HHS whereby HHS provides administrative services, including executive oversight, financial, legal and the human resources support to the Company. The expenses allocated are allocated according to a defined formula. This agreement has been properly submitted and approved by the Delaware Department of Insurance. The Company incurred \$15,000 for these services during 2010 and 2009.

Tax Allocation Agreement

The Company participates in the consolidated Federal Income Tax return of Horizon Healthcare Services, Inc and its subsidiaries. The arrangement is controlled by a Tax Allocation Agreement which indicates that the Company's federal income tax liability or refund will be calculated as if a separate federal income tax return had been filed.

The Company intends to cancel the agreements upon approval of the Form A by Delaware Department of Insurance.

Financial – Assets and Liabilities:

The examiner reviewed the 2010 and 2009 Annual Statements and Quarterly statements filed during 2011. Additionally a review was performed of a trail balance as of August 31, 2011; bank statements as of August 31, 2011 and the confirmed custodian statements from Bank of New York Mellon for the statutory deposit as of December 31, 2010 were also reviewed.

The financial statement below reflects that the major asset as cash with no reserves and/or material liabilities other than cost sharing/tax related receivables and/or expenses.

BALANCE SHEET
Assets
As of September 30, 2011

	Assets	Non Admitted Assets	Net Admitted Assets	Assets Per Examination
Cash \$0, cash equivalents \$0 and short-term investments \$715,456	\$ 709,337	\$ -0-	\$ 709,337	\$ 709,337
Subtotals, cash and invested assets	\$ 709,337		\$ 709,337	\$ 709,337
Investment income due and accrued	48		48	48
Current federal income tax recoverable	17,953		17,953	17,953
Receivable from parent, subsidiary and affiliate	542		542	542
Totals	\$ 727,880	\$ -0-	\$ 727,880	\$ 727,880

Liabilities, Capital and Surplus

As of September 30, 2011

	Per Company	Per Examination
Other expenses	\$ 10,750	\$ 10,750
Total Liabilities	10,750	10,750
Common capital stock	300,000	300,000
Paid in capital	700,000	700,000
Unassigned surplus	(282,870)	(282,870)
Total capital and surplus	\$ 717,130	\$ 717,130
Total Liabilities, capital and surplus	\$ 727,880	\$ 727,880

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Tony C. Cardone". The signature is fluid and cursive, with a long horizontal stroke at the end.

Tony Cardone, Examiner in Charge
Delaware Insurance Department