
A.M. BEST COMPANY

Ambest Road
Oldwick, New Jersey 08858-0700
908-439-2200
Fax 908-439-2237
WWW.AMBEST.COM

June 7, 2010

Ms. Sheila A. Jenkins, President
Network Health Plan
P.O. Box 120
Menasha, WI 54952

Dear Ms. Jenkins:

This letter serves as a formal notice of your organization's Best's Rating after an analysis of all current information shared with us. The rating assignments, public financial strength rating rationale, non-public rating commentary and rating release procedures are detailed below. We encourage you to visit our online **Rating Center**, located at <http://www.ambest.com/ratings>, for the latest Best's Ratings, an overview of our rating process and rating methodologies.

The following public rating assignments will be published and are associated with **Network Health Plan**:

AMB#	Company Name	Financial Strength Rating		Issuer Credit Rating	
		Rating	Outlook/Implication	Rating	Outlook/Implication
68627	Network Health Plan	B++ g	Stable	bbb+ g	Stable
64708	Network Health Insurance Corporation	B++ g	Stable	bbb+ g	Stable

Public Financial Strength Rating Rationale (Network Health Plan)

The rating of Network Health Plan (NHP) and its insurance subsidiary, Network Health Insurance Corporation (NHIC), reflects the explicit capital support and risk share agreement with its ultimate parent, Affinity Health System (Affinity). The rating also reflects its improved absolute level of capital, favorable operating performance at NHP, as well as its strong market presence in its core service counties. Offsetting factors include the moderate level of guaranteed risk-adjusted capital for the rating, significant premium leverage, a concentration of membership within a few large groups and a geographic concentration within a limited operating area.

NHP's rating is supported by an explicit guarantee to maintain risk-based capital at 275% of the authorized control level. The guarantee minimizes business and operational risks at NHP. Historically, NHP has operated profitably despite incentive payments paid to AMG, based on effective medical care of its members. Due to a capitation adjustment made directly to capital and surplus resulting in an income tax overstatement of approximately \$4 million, NHP experienced a net loss in 2008. However, NHP continues to grow membership through 2009 resulting in improvement in earning and capital. Additionally, there were significant increase in the Medicare membership due to its expanded product offerings and a new reimbursement agreement with Affinity Health System, and management anticipates continued membership growth through 2010. The company competes against national carriers, but still maintains to approximately 20% of the market share in its core service area.

A.M. Best recognizes the explicit guarantee to maintain NHP's risk-based capital above required minimum levels, however, the guaranteed level of capital is low for the current rating. While the company experienced significant capital growth through 2009, capital levels may be pressured if its parent requests dividend payments. The companies low risk-adjusted capital, combined with significant premium leverage, which is between 6 and 8 times its capital in NHP and NHIC respectively, poses a concern for A. M. Best as the company continues its aggressive growth strategy. In addition, continued member growth in the Medicare Advantage PPO product could pressure the capitalization of NHIC which underwrites the product, if a dividend is requested from the subsidiary. A.M. Best will continue to monitor the plans capital adequacy at both entities over the near-term future. The company's limited service area, coupled with the fact that approximately two-fifths of its membership is concentrated within its top ten largest employer groups increases the revenue concentration risk for the health plan. A.M. Best recognizes, however, that NHP is taking initiatives to penetrate and grow its small and mid-market group and will be expanding into new regions and possibly expanding its Medicare service area into two additional regions to increase membership.

Public Financial Strength Rating Rationale (Network Health Insurance Company - NHIC) Lead in Paragraph
The company is assigned the group's rating as it is an important part of NHP's current and future business



strategy. Network Health Insurance Company (NHIC) operates same as NHP, with NHIC providing individual PPO products. They both share management team, administrative duties, investment portfolio and overall business strategies. They both also have a moderate level of explicit financial support from the ultimate parent, AHS, which is evidenced in capital infusions from the system in order to meet the state required minimum capital levels.

Non-Public Rating Commentary

The rating committee acknowledged the strong integration between the health plan and the health system. However, despite a significant increase in capitalization through 2009, the committee was quite concerned that a majority of the growth came from the Medicare line of business, where there could be potential funding changes in the future leading to need for a capital infusion from the parent. Moreover, capital levels has been very low at both companies, which A. M. Best considers low for the current rating.

The stand-alone rating of "bbb" with a stable outlook was affirmed for NHP and a 1 notch rating lift from AHS. Additionally, NHIC's stand-alone rating of "bbb" was also affirmed, however NHIC was assigned a negative outlook on its stand-alone rating due to losses through 1Q10 and decline in risk-adjusted capital levels and Best's Capital Adequacy Ratio (BCAR) in 2009. NHIC received a 1 notch rating lift from its parent, as well as a stable outlook on its published rating. Please note that there was significant negative sentiment about the growth, premium leverage and low risk-adjusted capital levels, and a downgrade is possible if operating results and/or capitalization deteriorate further.

We would like to thank you and your management team for taking the time to meet with us on March 12, 2010 for our annual review meeting. We would appreciate it if you would keep us updated on any material events that occur during the year.

Rating Release Procedures

Given your request of a rating from A.M. Best, we will evaluate all relevant risks within your business and financial operations. In conducting this analysis, A.M. Best analyzes all pertinent operating companies, holding companies, and any other financial obligations of the organization, including debt securities issued by such companies. Upon completing the analysis of the organization, A.M. Best reserves the right to publish our opinion of your organization's ability to meet financial obligations issued by insurance-related companies, including the assignment of Financial Strength Ratings, Issuer Credit Ratings, or Debt Ratings.

To acknowledge the assigned Best's Ratings and the above commentary, **we request that you sign and date this letter in the space provided below and return it via fax.** Our fax number is 908-439-2237. If you prefer, a signed copy may be scanned, saved as a PDF and returned via e-mail to LHPresLetters@ambest.com. The ratings and corresponding rationale will be publicly available via Best's Internet site immediately upon our release of the rating. While A.M. Best retains absolute control over the timing of the release of its rating opinions, we encourage acknowledgement of ratings within **1 business days** (unless a shorter time period has been communicated), after which, the ratings will be released automatically. We respectfully ask that you do not publicly release the rating assignments prior to their public release by A.M. Best Company.

In addition to our subscription and Internet products, your organization's Best's Ratings and corresponding Best's Company Reports will appear in the next edition of Best's Insurance Reports. Draft copies of your Best's Company Reports have been sent to your designated rating contact for review. **Please submit any suggested revisions to these reports within 10 business days.**

In closing, we sincerely appreciate the valuable assistance that you and your staff have given us. Should you have any questions concerning this matter, please feel free to contact the analyst responsible for your company's rating, Jennifer O. Afriyie, Financial Analyst at 908-439-2200 extension 5203.

Sincerely,

Joseph R. Zazzera


Joseph R. Zazzera
Managing Senior Financial Analyst
908-439-2200 x5797
Joseph.Zazzera@ambest.com

Jennifer O. Afriyie

Jennifer O. Afriyie
Financial Analyst
908-439-2200 x5203
Jennifer.Afriyie@ambest.com

Network Health Plan, AMB # 68627

Date: 12 / 18 /2010

Acknowledged:  Title: President