Exhibit 16

ADDENDUM

To the

April 01, 2013 Report on the Examination

of

Consumer Health Coalition of Vermont, Inc.

by the

Vermont Department of Financial Regulation

Division of Insurance

BACKGROUND & SCOPE

On April 1, 2013 the Department of Financial Regulation issued a Report on the Examination of the Consumer Health Coalition of Vermont, Inc. (Applicant). The Report identified several risks related to the pro-forma assumptions used by the applicant. On April 5, 2013, pursuant to Title 8 V.S.A. §3574, the Applicant elected to issue responses to that Report. The Applicant's responses to several of the risks made reference to actual rates submitted to the Department of Vermont Health Access (DVHA).

The Applicant stated the following in their April 5th responses to the Report:

- *Proposed rates were submitted to the Department of Vermont Health Access ("DVHA") for approval and use on the Exchange on March 25, 2013. (excerpt from Risk #2.1 Applicant response)*
- *The CO-OP believes its rates are more in-line with other carriers in the Vermont marketplace which will reduce the risk that the CO-OP will experience operating losses. (excerpt from Risk #2.1 Applicant response)*
- *The CO-OP developed rates to be competitive in the Vermont marketplace. (excerpt from Risk #2.2 Applicant response)*
- *As explained in response to Risk #2.1, the CO-OP submitted proposed rates to DVHA. These rates are different from the rates assumed in the CO-OP's pro-formas. Once the Department has the opportunity to review the proposed rates it will see that they are aligned with other carriers in the market. (excerpt from Risk #2.3 Applicant response)*
- *As discussed above in response to Risk #2.3, when the Department has the opportunity to review the CO-OP's proposed rates it will find that they are in line with rates proposed by the other carriers in the market. (excerpt from Risk #6 Applicant response)*

In light of the Applicant's responses, the Commissioner directed the Examiners to consider the impact of the rates submitted to DVHA on the pro-formas filed by the Applicant and on the overall assessment of the financial viability of the Applicant.

Additionally, the Commissioner directed the Examiners to conduct interviews of the remaining Board members, as the initial management and director assessment focused on the board chair and the management team.

WORK PERFORMED AND RESULTING FINDINGS

Rate Submission and Pro-Forma Financial Statements

The Examiners obtained the Applicant's rate submission from DVHA and submitted several inquiries to the Applicant regarding the administrative costs in the rates as well as the pro-forma impact of the filed rates. The Applicant submitted a workbook containing the administrative costs used in the rates, as well as updated pro-formas prepared by its actuarial firm. The Department engaged Oliver Wyman to prepare a comparison of the Applicant's rates for standard plans with those filed by other companies seeking to participate in the Exchange.

Additionally, Oliver Wyman was engaged to review updated pro-formas submitted to the Department by the Applicant; as well as to estimate the change to the financial results in those pro-formas based on different enrollment scenarios.

Submitted Rates

The Department's and Oliver Wyman's review of the rates and revised pro-formas identified the following:

- The Applicant projects approximately half of enrollment will come from Standard plans, and the remainder from Choice plans. (*for a description of Standard and Choice plans, see the Vermont Health Connect website: http://healthconnect.vermont.gov/about_us/faq*)
- Unlike Choice plans, the nature of Standard plans provides an opportunity for "apples to apples" price comparisons. Of note, the Applicant's submitted rates for Standard plans are almost universally higher than the two other insurers who have filed rates for the exchange, as seen below:

	Projected enrollment as % of total "Standard" Plan enrollment	BCBSVT	MVP	CHCVT	CHCVT Rates vs. BCBSVT	CHCVT Rates vs. MVP
Platinum	7%	$ 604.17	$ 614.77	$ 629.57	4%	2%
Gold	7%	524.23	531.66	567.34	8%	7%
Silver Non-HDHP	9%	453.52	441.38	532.89	18%	21%
Silver HDHP	33%	427.00	442.45	505.06	18%	14%
Bronze Non-HDHP	2%	368.60	346.08	413.12	12%	19%
Bronze HDHP	33%	371.19	377.16	441.41	19%	17%
Catastrophic	10%	328.91	201.70	305.00	-7%	51%

Note: projected enrollment by plan is that of the Applicant, not the other insurers

The unique benefit variations implicit in Choice plans do not allow for clear comparison between competitors on the Exchange. However, to the extent that choice plan pricing is based on similar medical, administrative and other cost trends as standard plan pricing, it is reasonable to assume that the Applicant's choice plan pricing will be similarly disadvantaged from a cost competitiveness point of view.

Pro-Forma Review

The Applicant submitted revised pro-formas showing estimated forecasted financial results based on actual rates submitted to DVHA. The pro-formas used the same target enrollment assumption as prior submissions. The Department engaged Oliver Wyman to review these pro-formas and to provide estimates of how the forecasted results might change in different enrollment scenarios. We made the following observations:

- The Applicant's forecast results in sustained profitability beginning in 2017, after a cumulative loss of approximately $0.8 million through 2016.
- The Applicant's forecast results in combined start-up and solvency loan spending of approximately $7 million through 2016. As indicated in the accompanying report, start-up loan repayment begins in 2017 and solvency loan repayment begins in 2021.
- Given the pricing disadvantage observed above, the Department investigated the sensitivity of the financial forecasts to enrollment levels. Highlighting that sensitivity, we noted that if the Applicant achieves 50% of its target enrollment, we estimate losses

will average approximately $3 million per year, resulting in total borrowed money spent of over $15 million through 2016.

Addendum Finding #1: Enrollment Assumptions

Risk #2.2 in the accompanying Report discussed the risk of the Applicant not achieving its enrollment assumptions. Failure to reach target enrollment threatens the ability of the Applicant to sustain profitable operations. Based on the assessment of the Applicant's rates, it appears that Risk #2.2 is exacerbated, and that due to pricing disadvantage there is a significant risk that the Applicant will fail to reach the enrollment targets necessary to be viable.

Addendum Finding #2: Financial Viability

In supplemental information submitted to the Department on November 30, 2012, the Applicant indicated that even if the State of Vermont transitions to a single-payer system in 2017, they would be able to repay their loans to CMS in full. The assumptions used to arrive at the required profitability to make repayment possible by 2017 have now been replaced by actual submitted rates. This leads to the following findings:

- The Applicant's financial forecast indicates it will begin operations in 2014 with a Start-up loan payable of approximately $6 million. Because it is projecting a cumulative net loss for the first 3 years, the Applicant will be unable to repay its Start-up loans in 2017 if unable to continue operations due to Vermont's transition to a single-payer system. In fact, the Applicant's projections indicate it will not generate cumulative profits in excess of the cumulative start-up and solvency loan spending until 2020. Furthermore, it should be noted that this is based on projections that are very sensitive to enrollment; an area where we have identified significant risk.
- If the Applicant only enrolls 50% of its target, we estimate approximately $9 million in losses prior to 2017. Assuming CMS does not intervene as presented in Risk #1 of the accompanying Report, Solvency Loan funds exists to allow the Applicant to remain solvent under certain conditions if the commercial market persists after 2017. However the repayment obligation would present a significant burden on the Company as it attempts to generate sufficient operating profit through rates to maintain adequate surplus as it pays off the Solvency Loan beginning in 2021. This is of particular concern as it is

not expected that competitors would require that level of profit in their rates, since they operate with significant "unassigned" surplus that does not carry repayment obligation like a surplus note.

The combinations of the above findings present a significant risk that the Applicant will be unable to operate profitably and repay its loans.

Board of Director Interviews

The examination and accompanying Report assessed the Applicant's Management and Board of Directors through a review of biographical affidavits and resumes of all senior management and all five directors. Additionally, interviews were conducted of the board chair and all senior management. After issuance of the accompanying Report the Commissioner requested that interviews be conducted of the remaining four directors. These interviews were performed between April 12th and April 16th 2013. Directors were asked questions consistent with guidance provided in the NAIC Financial Condition Examiners Handbook (FCEH) to aid in the assessment of the background and qualifications of the directors as well as the governance approach and level of oversight and engagement by the Board as a whole.

Risk #4 in the accompanying Report raised concerns related to the lack of insurance company experience among management. One potential mitigating factor for this type of risk would be compensating experience and proactive engagement and oversight by the Board of Directors.

Examiners made the following observations of the Board as a whole based on the interviews conducted:

- Regarding their oversight responsibilities over strategy, internal control and material contracting and other decisions, the Board appears to rely heavily on the vetting process performed by CMS in the initial application for loan funding and in the continuing CMS program oversight.
- Directors rely heavily on the expertise and competence of the Board Chair, CEO and outside professionals; and have a great amount of confidence that risks and uncertainties are being identified and properly addressed by those parties.

Addendum Finding #3: Board of Directors

The Board as a whole does not possess the level of understanding of the business plan, strategy and risks to the organization that we typically see in Vermont insurance companies. As such, we did not find that the Applicant's Board of Directors possesses compensating experience or are actively engaged in the operations or oversight of the Applicant to the extent necessary to mitigate Risk #4 in the accompanying Report.

CONCLUSION

This Addendum and its findings are an integral part of the April 01, 2013 Report on the Examination of the Consumer Health Coalition of Vermont, Inc.

Respectfully submitted,

Kaj Samsom, CFE
Chief Examiner, Division of Insurance
Vermont Department of Financial Regulation

STATE OF VERMONT
COUNTY OF WASHINGTON

Kaj Samsom, being duly sworn, deposes and says that the foregoing report submitted by him is true to the best of his knowledge and belief.

Subscribed and sworn to before me

This 3 day of May, 2013

Notary Public

Fredrick M. Barrett
Notary Public State of Vermont at Large
My Commission Expires February 10, 2015