

**Amended Explanation Page****Page  
March**

	<b>Adjustment</b>
2 Assets	Tax provision adjustment
3 Liabilities, Capital and Surplus	Tax provision and IBNR adjustment
4 Statement of Revenue and Expenses	Tax provision and IBNR adjustment
5 Statement of Revenue and Expenses (con't)	Tax provision and IBNR adjustment
6 Cash Flow	Tax provision and IBNR adjustment
7 Analysis of Operations	IBNR adjustment
9 Underwriting Invest Exh Pt 2-Claims Incurred	IBNR adjustment
10 Underwriting Invest Exh Pt 2A-Claim Liab.	IBNR adjustment
11 Underwriting Invest Exh Pt 2B-Claims Unpaid	IBNR adjustment
12 U&I Exh Pt 2C Sn B	IBNR adjustment
12 U&I Exh Pt 2C Sn C	IBNR adjustment
20 Exhibit 4-Claims Unpaid	IBNR adjustment
23 Exhibit 7 - Pt1-Summary Trans With Prov	Reclass payments
25 Notes To Financial Statements #1, #9, #10, electronic notes #1 & #9	Tax provision and IBNR adjustment
27 General Interrogatory Part 2	IBNR adjustment
28 Five Year Historical Data	Tax provision and IBNR adjustment
29 State Page	IBNR adjustment
35 Schedule S-Part 6	Tax provision and IBNR adjustment
SAO Statement of Actuarial Opinion	IBNR adjustment

**April**

Supp2 Supp. Inv Risk Interr. Pt A	Tax provision and IBNR adjustment
Supp10 A H Policy Experience Exhibit (Group)	IBNR adjustment
Supp11 A H Policy Experience Exhibit Part 2 Summary	IBNR adjustment
Supp11 A H Policy Experience Exhibit Part 4 Summary	IBNR adjustment
Supp80 Supp Health Care Exhibit-Part 1	Tax provision and IBNR adjustment
Supp81 Supp Health Care Exhibit-Part 2	IBNR adjustment

**RBC**

XR012 Underwriting Risk-Experience Fluctuation	IBNR adjustment
XR017 Underwriting Risk-Managed Care	Reclass payments
XR021 Business Risk	IBNR adjustment
XR022 Calculation of Total RBC After Covariance-A	Tax provision and IBNR adjustment
XR023 Calculation of Total RBC After Covariance-B	Tax provision and IBNR adjustment
XR024 Calculation of Total Adjusted Capital	Tax provision and IBNR adjustment
XR025 Comparison of Total Adjusted Capital to RBC	Tax provision and IBNR adjustment
XR025 Trend Test	Tax provision and IBNR adjustment
ScenAdj Scenario Adj. of XR022-23 Calc. of RBC After Cov	Tax provision and IBNR adjustment
ScenAdj Scenario Adj. of XR024 Calc. of Total Adj. Cap.	Tax provision and IBNR adjustment

**Adjustment** IBNR adjustment

Tax provision adjustment



11518201120100105

2011

Document Code: 201

11516201120100705

**ANNUAL STATEMENT**

For the Year Ending December 31, 2011

OF THE CONDITION AND AFFAIRS OF THE

**PARAMOUNT INSURANCE COMPANY**

NAIC Group Code	1212 (Current Period)	1212 (Prior Period)	NAIC Company Code	11518	Employer's ID Number	010580404
Organized under the Laws of		Ohio	State of Domicile or Port of Entry		Ohio	
Country of Domicile		United States of America				
Licensed as business type:	Life, Accident & Health <input checked="" type="checkbox"/>	Property/Casualty <input type="checkbox"/>	Hospital, Medical & Dental Service or Indemnity <input type="checkbox"/>			
	Dental Service Corporation <input type="checkbox"/>	Vision Service Corporation <input type="checkbox"/>	Health Maintenance Organization <input type="checkbox"/>			
	Other <input type="checkbox"/>	Is HMO Federally Qualified? Yes <input type="checkbox"/> No <input checked="" type="checkbox"/> N/A <input type="checkbox"/>				
Incorporated/Organized	04/19/2002		Commenced Business	09/26/2002		
Statutory Home Office	1901 Indian Wood Circle (Street and Number)				Maumee, OH 43537 (City or Town, State and Zip Code)	
Main Administrative Office			1901 Indian Wood Circle (Street and Number)		Maumee, OH 43537 (419)887-2500 (Area Code) (Telephone Number)	
Mail Address	1901 Indian Wood Circle (Street and Number or P.O. Box)				Maumee, OH 43537 (City or Town, State and Zip Code)	
Primary Location of Books and Records			1901 Indian Wood Circle (Street and Number)		Maumee, OH 43537 (419)887-2500 (Area Code) (Telephone Number)	
Internet Website Address	www.paramounthealthcare.com					
Statutory Statement Contact	Mary Kathereen Siefke, Mrs. (Name) mary.siefke@promedica.org (E-Mail Address)				(419)887-2909 (Area Code)(Telephone Number)(Extension) (419)887-2020 (Fax Number)	

## OFFICERS

Name	Title
Harold Lee Dunn Mr.	Chairman
John Charles Randolph Mr.	President
Kathleen Sheline Hanley Ms.	Treasurer
Jeffrey Craig Kuhn Mr.	Secretary

## OTHERS

Jeffrey William Martin Mr.  
John David Meier M.D.

Mark Henry Moser Mr.

## **DIRECTORS OR TRUSTEES**

Garry Walter Roberts Mr.  
Richard Dean Heltzel Mr.  
John Charles Randolph Mr.  
Russell Leo Dempsey Mr.  
Timothy Ingraham Martindale Mr.

James Fredrick Weber Mr.  
Thomas Philip Cox M.D.  
Harold Lee Dunn Mr.  
Steven R. Zirkel Mr.  
Calvin Joseph Lawshe Mr.

State of Ohio  
County of Lucas ss

The officers of this reporting entity being duly sworn, each depose and say that they are the described officers of the said reporting entity, and that on the reporting period stated above, all of the herein described assets were the absolute property of the said reporting entity, free and clear from any liens or claims thereon, except as herein stated, and that this statement, together with related exhibits, schedules and explanations therein contained, annexed or referred to, is a full and true statement of all the assets and liabilities and of the condition and affairs of the said reporting entity as of the reporting period stated above, and of its income and deductions therefrom for the period ended, and have been completed in accordance with the NAIC Annual Statement Instructions and Accounting Practices and Procedures manual except to the extent that: (1) state law may differ; or, (2) that state rules or regulations require differences in reporting not related to accounting practices and procedures, according to the best of their information, knowledge and belief, respectively. Furthermore, the scope of this attestation by the described officers also includes the related corresponding electronic filing with the NAIC, when required, that is an exact copy (except for formatting differences due to electronic filing) of the enclosed statement. The electronic filing may be requested by various regulators in lieu of or in addition to the enclosed statement.

(Signature)  
John Charles Randolph  
(Printed Name)  
1.  
President  
(Title)

\_\_\_\_\_  
(Signature)  
Jeffrey William Martin  
(Printed Name)  
2.  
VP, Operations & Finance  
(Title)

---

(Signature)  
Jeffrey Craig Kuhn  
(Printed Name)  
3.  
Secretary  
(Title)

---

Subscribed and sworn to before me this  
\_\_\_\_ day of \_\_\_\_\_, 2012

- a. Is this an original filing?
- b. If no,
  - 1. State the amendment number
  - 2. Date filed
  - 3. Number of pages attached

Yes [ ] No [X]  
1

---

40

(Notary Public Signature)

**DIRECTORS OR TRUSTEES (continued)**

Richard Lawrence Munk M.D.  
Cathy Lynn Cantor M.D. #  
David Scott Hickman Mr. #  
Dale Joseph Seymour Mr. #

Deborah Anne Dickenson Peters Ms.  
Timothy Bublick Mr. #  
Mark Leslie Ferris Mr. #

## ASSETS

	Current Year			Prior Year
	1 Assets	2 Nonadmitted Assets	3 Net Admitted Assets (Cols.1-2)	4 Net Admitted Assets
1. Bonds (Schedule D) .....	350,219		350,219	350,000
2. Stocks (Schedule D)				
2.1 Preferred stocks .....				
2.2 Common Stocks .....				
3. Mortgage loans on real estate (Schedule B):				
3.1 First liens .....				
3.2 Other than first liens .....				
4. Real estate (Schedule A):				
4.1 Properties occupied by the company (less \$.....0 encumbrances) .....				
4.2 Properties held for the production of income (less \$.....0 encumbrances) .....				
4.3 Properties held for sale (less \$.....0 encumbrances) .....				
5. Cash (\$.....12,368,917 Schedule E Part 1), cash equivalents (\$.....0 Schedule E Part 2) and short-term investments (\$.....5,453,310 Schedule DA) .....	17,822,227		17,822,227	14,239,525
6. Contract loans (including \$.....0 premium notes) .....				
7. Derivatives (Schedule DB) .....				
8. Other invested assets (Schedule BA) .....				
9. Receivables for securities .....				
10. Securities Lending Reinvested Collateral Assets (Schedule DL) .....				
11. Aggregate write-ins for invested assets .....				
12. Subtotals, cash and invested assets (Lines 1 to 11) .....	18,172,446		18,172,446	14,589,525
13. Title plants less \$.....0 charged off (for Title insurers only) .....				
14. Investment income due and accrued .....	246		246	
15. Premiums and considerations:				
15.1 Uncollected premiums and agents' balances in the course of collection .....	67,379	4,294	63,085	200,980
15.2 Deferred premiums, agents' balances and installments booked but deferred and not yet due (Including \$.....0 earned but unbilled premiums) .....				
15.3 Accrued retrospective premiums .....				
16. Reinsurance:				
16.1 Amounts recoverable from reinsurers .....				
16.2 Funds held by or deposited with reinsured companies .....				
16.3 Other amounts receivable under reinsurance contracts .....				
17. Amounts receivable relating to uninsured plans .....	153,079		153,079	80,397
18.1 Current federal and foreign income tax recoverable and interest thereon .....	544,156		544,156	1,330,910
18.2 Net deferred tax asset .....	120,371	1,608	118,763	
19. Guaranty funds receivable or on deposit .....				
20. Electronic data processing equipment and software .....				
21. Furniture and equipment, including health care delivery assets (\$.....0) .....				
22. Net adjustment in assets and liabilities due to foreign exchange rates .....				
23. Receivables from parent, subsidiaries and affiliates .....	426,491	50	426,441	3,340,255
24. Health care (\$.....87,797) and other amounts receivable .....	139,064	51,267	87,797	65,615
25. Aggregate write-ins for other than invested assets .....	8,000	8,000		
26. Total assets excluding Separate Accounts, Segregated Accounts and Protected Cell Accounts (Lines 12 to 25) .....	19,631,232	65,219	19,566,013	19,607,682
27. From Separate Accounts, Segregated Accounts and Protected Cell Accounts .....				
28. Total (Lines 26 and 27) .....	19,631,232	65,219	19,566,013	19,607,682
<b>DETAILS OF WRITE-INS</b>				
1101. ....				
1102. ....				
1103. ....				
1198. Summary of remaining write-ins for Line 11 from overflow page .....				
1199. <b>TOTALS</b> (Lines 1101 through 1103 plus 1198) (Line 11 above) .....				
2501. Prepays .....	8,000	8,000		
2502. ....				
2503. ....				
2598. Summary of remaining write-ins for Line 25 from overflow page .....				
2599. <b>TOTALS</b> (Lines 2501 through 2503 plus 2598) (Line 25 above) .....		8,000	8,000	

## LIABILITIES, CAPITAL AND SURPLUS

	Current Year			Prior Year
	1 Covered	2 Uncovered	3 Total	4 Total
1. Claims unpaid (less \$.....0 reinsurance ceded) .....	3,389,130		3,389,130	4,172,877
2. Accrued medical incentive pool and bonus amounts .....				
3. Unpaid claims adjustment expenses .....	106,000		106,000	170,971
4. Aggregate health policy reserves, including the liability of \$.....0 for medical loss ratio rebate per the Public Health Service Act .....	97,069		97,069	1,092,601
5. Aggregate life policy reserves .....				
6. Property/casualty unearned premium reserves .....				
7. Aggregate health claim reserves .....				
8. Premiums received in advance .....	593,634		593,634	584,758
9. General expenses due or accrued .....	1,714,472		1,714,472	1,585,590
10.1 Current federal and foreign income tax payable and interest thereon (including \$.....0 on realized capital gains (losses)) .....				
10.2 Net deferred tax liability .....				
11. Ceded reinsurance premiums payable .....				
12. Amounts withheld or retained for the account of others .....				
13. Remittances and items not allocated .....				
14. Borrowed money (including \$.....0 current) and interest thereon \$.....0 (including \$.....0 current) .....				
15. Amounts due to parent, subsidiaries and affiliates .....				
16. Derivatives .....				
17. Payable for securities .....				
18. Payable for securities lending .....				
19. Funds held under reinsurance treaties with (\$.....0 authorized reinsurers and \$.....0 unauthorized reinsurers) .....				
20. Reinsurance in unauthorized companies .....				
21. Net adjustments in assets and liabilities due to foreign exchange rates .....				
22. Liability for amounts held under uninsured plans .....	14,420		14,420	
23. Aggregate write-ins for other liabilities (including \$.....0 current) .....				
24. TOTAL Liabilities (Lines 1 to 23) .....	5,914,725		5,914,725	7,606,797
25. Aggregate write-ins for special surplus funds .....	XXX	XXX		
26. Common capital stock .....	XXX	XXX	1,000,000	1,000,000
27. Preferred capital stock .....	XXX	XXX		
28. Gross paid in and contributed surplus .....	XXX	XXX	26,000,000	26,000,000
29. Surplus notes .....	XXX	XXX		
30. Aggregate write-ins for other than special surplus funds .....	XXX	XXX		
31. Unassigned funds (surplus) .....	XXX	XXX	(13,348,712)	(14,999,115)
32. Less treasury stock, at cost:				
32.1 .....0 shares common (value included in Line 26 \$.....0) .....	XXX	XXX		
32.2 .....0 shares preferred (value included in Line 27 \$.....0) .....	XXX	XXX		
33. TOTAL Capital and Surplus (Lines 25 to 31 minus Line 32) .....	XXX	XXX	13,651,288	12,000,885
34. TOTAL Liabilities, Capital and Surplus (Lines 24 and 33) .....	XXX	XXX	19,566,013	19,607,682
<b>DETAILS OF WRITE-INS</b>				
2301. ....				
2302. ....				
2303. ....				
2398. Summary of remaining write-ins for Line 23 from overflow page .....				
2399. TOTALS (Lines 2301 through 2303 plus 2398) (Line 23 above) .....				
2501. ....	XXX	XXX		
2502. ....	XXX	XXX		
2503. ....	XXX	XXX		
2598. Summary of remaining write-ins for Line 25 from overflow page .....	XXX	XXX		
2599. TOTALS (Lines 2501 through 2503 plus 2598) (Line 25 above) .....	XXX	XXX		
3001. ....	XXX	XXX		
3002. ....	XXX	XXX		
3003. ....	XXX	XXX		
3098. Summary of remaining write-ins for Line 30 from overflow page .....	XXX	XXX		
3099. TOTALS (Lines 3001 through 3003 plus 3098) (Line 30 above) .....	XXX	XXX		

## STATEMENT OF REVENUE AND EXPENSES

	Current Year		Prior Year
	1 Uncovered	2 Total	3 Total
	XXX	106,094	174,450
1. Member Months .....	XXX	106,094	174,450
2. Net premium income (including \$.....0 non-health premium income) .....	XXX	23,015,623	37,287,327
3. Change in unearned premium reserves and reserve for rate credits .....	XXX		
4. Fee-for-service (net of \$.....0 medical expenses) .....	XXX		
5. Risk revenue .....	XXX		
6. Aggregate write-ins for other health care related revenues .....	XXX		
7. Aggregate write-ins for other non-health revenues .....	XXX		
8. TOTAL Revenues (Lines 2 to 7) .....	XXX	23,015,623	37,287,327
<b>Hospital and Medical:</b>			
9. Hospital/medical benefits .....		15,711,102	30,085,267
10. Other professional services .....		31,686	84,893
11. Outside referrals .....			
12. Emergency room and out-of-area .....		336,474	2,319,092
13. Prescription drugs .....		3,445,877	5,642,021
14. Aggregate write-ins for other hospital and medical .....			
15. Incentive pool, withhold adjustments and bonus amounts .....			
16. Subtotal (Lines 9 to 15) .....		19,525,139	38,131,273
<b>Less:</b>			
17. Net reinsurance recoveries .....		38,898	359,941
18. TOTAL Hospital and Medical (Lines 16 minus 17) .....		19,486,241	37,771,332
19. Non-health claims (net) .....			
20. Claims adjustment expenses, including \$.....181,055 cost containment expenses .....		251,163	260,719
21. General administrative expenses .....		2,624,750	5,014,231
22. Increase in reserves for life and accident and health contracts (including \$.....0 increase in reserves for life only) .....		(1,092,601)	(2,705,137)
23. TOTAL Underwriting Deductions (Lines 18 through 22) .....		21,269,553	40,341,145
24. Net underwriting gain or (loss) (Lines 8 minus 23) .....	XXX	1,746,070	(3,053,818)
25. Net investment income earned (Exhibit of Net Investment Income, Line 17) .....		(674)	1,735
26. Net realized capital gains (losses) less capital gains tax of \$.....0 .....			
27. Net investment gains (losses) (Lines 25 plus 26) .....		(674)	1,735
28. Net gain or (loss) from agents' or premium balances charged off [(amount recovered \$.....0) (amount charged off \$.....0)] .....			
29. Aggregate write-ins for other income or expenses .....			
30. Net income or (loss) after capital gains tax and before all other federal income taxes (Lines 24 plus 27 plus 28 plus 29) .....	XXX	1,745,396	(3,052,083)
31. Federal and foreign income taxes incurred .....	XXX	255,983	(2,035,501)
32. Net income (loss) (Lines 30 minus 31) .....	XXX	1,489,413	(1,016,582)
<b>DETAILS OF WRITE-INS</b>			
0601. ....	XXX		
0602. ....	XXX		
0603. ....	XXX		
0698. Summary of remaining write-ins for Line 6 from overflow page .....	XXX		
0699. TOTALS (Lines 0601 through 0603 plus 0698) (Line 6 above) .....	XXX		
0701. ....	XXX		
0702. ....	XXX		
0703. ....	XXX		
0798. Summary of remaining write-ins for Line 7 from overflow page .....	XXX		
0799. TOTALS (Line 0701 through 0703 plus 0798) (Line 7 above) .....	XXX		
1401. ....			
1402. ....			
1403. ....			
1498. Summary of remaining write-ins for Line 14 from overflow page .....			
1499. TOTALS (Lines 1401 through 1403 plus 1498) (Line 14 above) .....			
2901. ....			
2902. ....			
2903. ....			
2998. Summary of remaining write-ins for Line 29 from overflow page .....			
2999. TOTALS (Line 2901 through 2903 plus 2998) (Line 29 above) .....			

## STATEMENT OF REVENUE AND EXPENSES (Continued)

	1 Current Year	2 Prior Year
<b>CAPITAL &amp; SURPLUS ACCOUNT</b>		
33. Capital and surplus prior reporting year .....	12,000,885	6,072,235
34. Net income or (loss) from Line 32 .....	1,489,413	(1,016,582)
35. Change in valuation basis of aggregate policy and claim reserves .....		
36. Change in net unrealized capital gains (losses) less capital gains tax of \$.....0	(220)	
37. Change in net unrealized foreign exchange capital gain or (loss) .....		
38. Change in net deferred income tax .....	(368,252)	(970,726)
39. Change in nonadmitted assets .....	529,462	915,773
40. Change in unauthorized reinsurance .....		
41. Change in treasury stock .....		
42. Change in surplus notes .....		
43. Cumulative effect of changes in accounting principles .....		
44. Capital Changes:		
44.1 Paid in .....		
44.2 Transferred from surplus (Stock Dividend) .....		
44.3 Transferred to surplus .....		
45. Surplus adjustments:		
45.1 Paid in .....		7,000,000
45.2 Transferred to capital (Stock Dividend) .....		
45.3 Transferred from capital .....		
46. Dividends to stockholders .....		
47. Aggregate write-ins for gains or (losses) in surplus .....		185
48. Net change in capital and surplus (Lines 34 to 47) .....	1,650,403	5,928,650
49. Capital and surplus end of reporting year (Line 33 plus 48) .....	13,651,288	12,000,885
<b>DETAILS OF WRITE-INS</b>		
4701. Transfer .....		185
4702. .....		
4703. .....		
4798. Summary of remaining write-ins for Line 47 from overflow page .....		
4799. TOTALS (Lines 4701 through 4703 plus 4798) (Line 47 above) .....		185

ANNUAL STATEMENT FOR THE YEAR 2011 OF THE **PARAMOUNT INSURANCE COMPANY**  
**CASH FLOW**

		1 Current Year	2 Prior Year
<b>Cash from Operations</b>			
1.	Premiums collected net of reinsurance .....	22,238,266	34,180,389
2.	Net investment income .....	(701)	2,137
3.	Miscellaneous income .....		
4.	Total (Lines 1 through 3) .....	22,237,565	34,182,526
5.	Benefit and loss related payments .....	19,228,584	36,530,343
6.	Net transfers to Separate Accounts, Segregated Accounts and Protected Cell Accounts .....		
7.	Commissions, expenses paid and aggregate write-ins for deductions .....	2,870,264	5,105,402
8.	Dividends paid to policyholders .....		
9.	Federal and foreign income taxes paid (recovered) net of \$.....0 tax on capital gains (losses) .....	(530,771)	(3,760,910)
10.	Total (Lines 5 through 9) .....	21,568,077	37,874,835
11.	Net cash from operations (Line 4 minus Line 10) .....	669,488	(3,692,309)
<b>Cash from Investments</b>			
12.	Proceeds from investments sold, matured or repaid:		
12.1	Bonds .....	350,000	
12.2	Stocks .....		5,423,054
12.3	Mortgage loans .....		
12.4	Real estate .....		
12.5	Other invested assets .....		
12.6	Net gains or (losses) on cash, cash equivalents and short-term investments .....		
12.7	Miscellaneous proceeds .....		
12.8	Total investment proceeds (Lines 12.1 to 12.7) .....	350,000	5,423,054
13.	Cost of investments acquired (long-term only):		
13.1	Bonds .....	350,438	
13.2	Stocks .....		5,423,054
13.3	Mortgage loans .....		
13.4	Real estate .....		
13.5	Other invested assets .....		
13.6	Miscellaneous applications .....	219	
13.7	Total investments acquired (Lines 13.1 to 13.6) .....	350,657	5,423,054
14.	Net increase (decrease) in contract loans and premium notes .....		
15.	Net cash from investments (Line 12.8 minus Line 13.7 minus Line 14) .....	(657)	
<b>Cash from Financing and Miscellaneous Sources</b>			
16.	Cash provided (applied):		
16.1	Surplus notes, capital notes .....		
16.2	Capital and paid in surplus, less treasury stock .....		7,000,000
16.3	Borrowed funds .....		
16.4	Net deposits on deposit-type contracts and other insurance liabilities .....		
16.5	Dividends to stockholders .....		
16.6	Other cash provided (applied) .....	2,913,871	(1,992,423)
17.	Net cash from financing and miscellaneous sources (Lines 16.1 to 16.4 minus Line 16.5 plus Line 16.6) .....	2,913,871	5,007,577
<b>RECONCILIATION OF CASH, CASH EQUIVALENTS AND SHORT-TERM INVESTMENTS</b>			
18.	Net change in cash, cash equivalents and short-term investments (Line 11, plus Lines 15 and 17) .....	3,582,702	1,315,268
19.	Cash, cash equivalents and short-term investments:		
19.1	Beginning of year .....	14,239,525	12,924,257
19.2	End of year (Line 18 plus Line 19.1) .....	17,822,227	14,239,525

**Note: Supplemental Disclosures of Cash Flow Information for Non-Cash Transactions:**

20.0001	.....	.....	.....
---------	-------	-------	-------

## ANALYSIS OF OPERATIONS BY LINES OF BUSINESS

	1 Total	2 Comprehensive (Hospital & Medical)	3 Medicare Supplement	4 Dental Only	5 Vision Only	6 Federal Employees Health Benefit Plan	7	8	9	10
1. Net premium income .....	23,015,623	19,981,292	2,567,947						466,384	
2. Change in unearned premium reserves and reserve for rate credit .....										
3. Fee-for-service (net of \$.....0 medical expenses) .....									XXX	
4. Risk revenue .....									XXX	
5. Aggregate write-ins for other health care related revenues .....									XXX	
6. Aggregate write-ins for other non-health care related revenues .....		XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	
7. TOTAL Revenues (Lines 1 to 6) .....	23,015,623	19,981,292	2,567,947						466,384	
8. Hospital/medical benefits .....	15,711,102	13,828,513	1,816,114						66,475	XXX
9. Other professional services .....	31,686	6,688	24,998							XXX
10. Outside referrals .....										XXX
11. Emergency room and out-of-area .....	336,474	32,812	303,662							XXX
12. Prescription drugs .....	3,445,877	3,229,736							216,141	XXX
13. Aggregate write-ins for other hospital and medical .....										XXX
14. Incentive pool, withhold adjustments and bonus amounts .....										XXX
15. Subtotal (Lines 8 to 14) .....	19,525,139	17,097,749	2,144,774						282,616	XXX
16. Net reinsurance recoveries .....	38,898	38,898								XXX
17. TOTAL Hospital and Medical (Lines 15 minus 16) .....	19,486,241	17,058,851	2,144,774						282,616	XXX
18. Non-health claims (net) .....		XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	
19. Claims adjustment expenses including \$.....181,055 cost containment expenses .....	251,163	233,555	13,448						4,160	
20. General administrative expenses .....	2,624,750	2,440,745	140,533						43,472	
21. Increase in reserves for accident and health contracts .....	(1,092,601)	(1,092,601)								XXX
22. Increase in reserves for life contracts .....		XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	
23. TOTAL Underwriting Deductions (Lines 17 to 22) .....	21,269,553	18,640,550	2,298,755						330,248	
24. Net underwriting gain or (loss) (Line 7 minus Line 23) .....	1,746,070	1,340,742	269,192						136,136	
<b>DETAILS OF WRITE-INS</b>										
0501. ....										XXX
0502. ....										XXX
0503. ....										XXX
0598. Summary of remaining write-ins for Line 5 from overflow page .....										XXX
0599. TOTALS (Lines 0501 through 0503 plus 0598) (Line 5 above) .....										XXX
0601. ....		XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	
0602. ....		XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	
0603. ....		XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	
0698. Summary of remaining write-ins for Line 6 from overflow page .....		XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	
0699. TOTALS (Lines 0601 through 0603 plus 0698) (Line 6 above) .....		XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	
1301. ....										XXX
1302. ....										XXX
1303. ....										XXX
1398. Summary of remaining write-ins for Line 13 from overflow page .....										XXX
1399. TOTALS (Lines 1301 through 1303 plus 1398) (Line 13 above) .....										XXX

# UNDERWRITING AND INVESTMENT EXHIBIT

## PART 2 - CLAIMS INCURRED DURING THE YEAR

	1 Total	2 Comprehensive (Hospital & Medical)	3 Medicare Supplement	4 Dental Only	5 Vision Only	6 Federal Employees Health Benefits Plan	7 Title XVIII Medicare	8 Title XIX Medicaid	9 Other Health	10 Other Non-Health
1. Payments during the year:										
1.1 Direct	20,447,604	18,061,719	2,120,522						265,363	
1.2 Reinsurance assumed										
1.3 Reinsurance ceded	126,419	126,419								
1.4 Net	20,321,185	17,935,300	2,120,522						265,363	
2. Paid medical incentive pools and bonuses										
3. Claim liability December 31, current year from Part 2A:										
3.1 Direct	3,389,130	2,853,771	465,323						70,036	
3.2 Reinsurance assumed										
3.3 Reinsurance ceded										
3.4 Net	3,389,130	2,853,771	465,323						70,036	
4. Claim reserve December 31, current year from Part 2D:										
4.1 Direct										
4.2 Reinsurance assumed										
4.3 Reinsurance ceded										
4.4 Net										
5. Accrued medical incentive pools and bonuses, current year										
6. Net healthcare receivables (a)	51,197	51,304	(4)						(103)	
7. Amounts recoverable from reinsurers December 31, current year										
8. Claim liability December 31, prior year from Part 2A:										
8.1 Direct	4,260,398	3,766,437	441,075						52,886	
8.2 Reinsurance assumed										
8.3 Reinsurance ceded	87,521	87,521								
8.4 Net	4,172,877	3,678,916	441,075						52,886	
9. Claim reserve December 31, prior year from Part 2D:										
9.1 Direct										
9.2 Reinsurance assumed										
9.3 Reinsurance ceded										
9.4 Net										
10. Accrued medical incentive pools and bonuses, prior year										
11. Amounts recoverable from reinsurers December 31, prior year										
12. Incurred benefits:										
12.1 Direct	19,525,139	17,097,749	2,144,774						282,616	
12.2 Reinsurance assumed										
12.3 Reinsurance ceded	38,898	38,898								
12.4 Net	19,486,241	17,058,851	2,144,774						282,616	
13. Incurred medical incentive pools and bonuses										

(a) Excludes \$.....0 loans or advances to providers not yet expensed.

# UNDERWRITING AND INVESTMENT EXHIBIT

## PART 2A - CLAIMS LIABILITY END OF CURRENT YEAR

	1 Total	2 Compre- hensive (Hospital & Medical)	3 Medicare Supplement	4 Dental Only	5 Vision Only	6 Federal Employees Health Benefits Plan	7 Title XVIII Medicare	8 Title XIX Medicaid	9 Other Health	10 Other Non-Health
1. Reported in Process of Adjustment:										
1.1 Direct .....	775,695	724,417	51,278							
1.2 Reinsurance assumed .....										
1.3 Reinsurance ceded .....										
1.4 Net .....	775,695	724,417	51,278							
2. Incurred but Unreported:										
2.1 Direct .....	2,613,435	2,129,354	414,045						70,036	
2.2 Reinsurance assumed .....										
2.3 Reinsurance ceded .....										
2.4 Net .....	2,613,435	2,129,354	414,045						70,036	
3. Amounts Withheld from Paid Claims and Capitations:										
3.1 Direct .....										
3.2 Reinsurance assumed .....										
3.3 Reinsurance ceded .....										
3.4 Net .....										
4. TOTALS										
4.1 Direct .....	3,389,130	2,853,771	465,323						70,036	
4.2 Reinsurance assumed .....										
4.3 Reinsurance ceded .....										
4.4 Net .....	3,389,130	2,853,771	465,323						70,036	

# UNDERWRITING AND INVESTMENT EXHIBIT

## PART 2B - ANALYSIS OF CLAIMS UNPAID-PRIOR YEAR-NET OF REINSURANCE

Line of Business	Claims Paid During the Year		Claim Reserve and Claim Liability December 31 of Current Year		5	6
	1 On Claims Incurred Prior to January 1 of Current Year	2 On Claims Incurred During the Year	3	4 On Claims Incurred During the Year		
1. Comprehensive (hospital and medical) .....	2,247,283	15,688,017	3,578	2,850,193	2,250,861	3,678,916
2. Medicare Supplement .....	316,569	1,803,953	418	464,905	316,987	441,075
3. Dental only .....						
4. Vision only .....						
5. Federal Employees Health Benefits Plan .....						
6. Title XVIII - Medicare .....						
7. Title XIX - Medicaid .....						
8. Other health .....	42,072	223,291	70,036	42,072	52,886	
9. Health subtotal (Lines 1 to 8) .....	2,605,924	17,715,261	3,996	3,385,134	2,609,920	4,172,877
10. Healthcare receivables (a) .....		139,064				87,867
11. Other non-health .....						
12. Medical incentive pool and bonus amounts .....						
13. TOTALS (Lines 9 - 10 + 11 + 12) .....	2,605,924	17,576,197	3,996	3,385,134	2,609,920	4,085,010

(a) Excludes \$.....0 loans or advances to providers not yet expensed.

# UNDERWRITING AND INVESTMENT EXHIBIT

## PART 2C - DEVELOPMENT OF PAID AND INCURRED HEALTH CLAIMS (000 Omitted)

### Grand Total

#### Section A - Paid Health Claims

Year in Which Losses Were Incurred	Cumulative Net Amounts Paid				
	1 2007	2 2008	3 2009	4 2010	5 2011
1. Prior .....	2,344	2,359	2,345	2,352	2,354
2. 2007 .....	13,687	16,666	16,661	16,687	16,687
3. 2008 .....	XXX	30,087	34,421	34,430	34,409
4. 2009 .....	XXX	XXX	32,315	37,339	37,333
5. 2010 .....	XXX	XXX	XXX	34,170	36,800
6. 2011 .....	XXX	XXX	XXX	XXX	17,715

#### Section B - Incurred Health Claims

Year in Which Losses Were Incurred	Sum of Cumulative Net Amount Paid and Claim Liability, Claim Reserve and Medical Incentive Pool and Bonuses Outstanding at End of Year				
	1 2007	2 2008	3 2009	4 2010	5 2011
1. Prior .....	2,366	2,359	2,345	2,352	2,354
2. 2007 .....	16,883	16,723	16,661	16,687	16,687
3. 2008 .....	XXX	37,397	34,470	34,430	34,409
4. 2009 .....	XXX	XXX	37,943	37,370	37,333
5. 2010 .....	XXX	XXX	XXX	38,312	36,804
6. 2011 .....	XXX	XXX	XXX	XXX	21,100

#### Section C - Incurred Year Health Claims and Claims Adjustment Expense Ratio

Years in Which Premiums were Earned and Claims were Incurred	1	2	3	4	5	6	7	8	9	10
	Premiums Earned	Claims Payments	Claim Adjustment Expense Payments	(Col. 3/2) Percent	Claim and Claim Adjustment Expense Payments (Col. 2 + 3)	(Col. 5/1) Percent	Claims Unpaid	Unpaid Claims Adjustment Expenses	Total Claims and Claims Adjustment Expense Incurred (Col. 5 + 7 + 8)	(Col. 9/1) Percent
1. 2007 .....	20,717	16,687	485	2.907	17,172	82.889			17,172	82.889
2. 2008 .....	35,950	34,409	744	2.162	35,153	97.783			35,153	97.783
3. 2009 .....	34,306	37,333	414	1.108	37,747	110.029			37,747	110.029
4. 2010 .....	37,287	36,800	333	0.905	37,133	99.587	4		37,137	99.598
5. 2011 .....	23,016	17,715	268	1.515	17,983	78.134	3,385	106	21,474	93.302

**UNDERWRITING AND INVESTMENT EXHIBIT**  
**PART 2C - DEVELOPMENT OF PAID AND INCURRED HEALTH CLAIMS (000 Omitted)**  
**Hospital and Medical**

**Section A - Paid Health Claims**

Year in Which Losses Were Incurred	Cumulative Net Amounts Paid				
	1 2007	2 2008	3 2009	4 2010	5 2011
1. Prior .....	2,051	2,064	2,051	2,058	2,060
2. 2007 .....	11,914	14,445	14,442	14,468	14,468
3. 2008 .....	XXX	21,863	25,782	25,790	25,769
4. 2009 .....	XXX	XXX	30,132	34,840	34,833
5. 2010 .....	XXX	XXX	XXX	32,051	34,324
6. 2011 .....	XXX	XXX	XXX	XXX	15,688

**Section B - Incurred Health Claims**

Year in Which Losses Were Incurred	Sum of Cumulative Net Amount Paid and Claim Liability, Claim Reserve and Medical Incentive Pool and Bonuses Outstanding at End of Year				
	1 2007	2 2008	3 2009	4 2010	5 2011
1. Prior .....	2,070	2,064	2,051	2,058	2,060
2. 2007 .....	14,627	14,473	14,442	14,468	14,468
3. 2008 .....	XXX	27,629	25,829	25,790	25,769
4. 2009 .....	XXX	XXX	35,366	34,869	34,833
5. 2010 .....	XXX	XXX	XXX	35,701	34,328
6. 2011 .....	XXX	XXX	XXX	XXX	18,538

**Section C - Incurred Year Health Claims and Claims Adjustment Expense Ratio**

Years in Which Premiums were Earned and Claims were Incurred	1	2	3	4	5	6	7	8	9	10
	Premiums Earned	Claims Payments	Claim Adjustment Expense Payments	(Col. 3/2) Percent	Claim and Claim Adjustment Expense Payments (Col. 2 + 3)	(Col. 5/1) Percent	Claims Unpaid	Unpaid Claims Adjustment Expenses	Total Claims and Claims Adjustment Expense Incurred (Col. 5 + 7 + 8)	(Col. 9/1) Percent
1. 2007 .....	17,721	14,468	421	2.910	14,889	84.019			14,889	84.019
2. 2008 .....	26,729	25,769	643	2.495	26,412	98.814			26,412	98.814
3. 2009 .....	31,109	34,833	369	1.060	35,202	113.158			35,202	113.158
4. 2010 .....	34,236	34,324	315	0.918	34,639	101.178	4		34,643	101.190
5. 2011 .....	19,981	15,688	252	1.604	15,940	79.774	2,850	90	18,880	94.488

**UNDERWRITING AND INVESTMENT EXHIBIT**  
**PART 2C - DEVELOPMENT OF PAID AND INCURRED HEALTH CLAIMS (000 Omitted)**  
**Medicare Supplement**  
**Section A - Paid Health Claims**

Year in Which Losses Were Incurred	Cumulative Net Amounts Paid				
	1 2007	2 2008	3 2009	4 2010	5 2011
1. Prior .....	290	292	291	291	291
2. 2007 .....	1,275	1,712	1,710	1,710	1,710
3. 2008 .....	XXX	1,405	1,699	1,700	1,700
4. 2009 .....	XXX	XXX	1,760	2,023	2,024
5. 2010 .....	XXX	XXX	XXX	1,832	2,147
6. 2011 .....	XXX	XXX	XXX	XXX	1,804

**Section B - Incurred Health Claims**

Year in Which Losses Were Incurred	Sum of Cumulative Net Amount Paid and Claim Liability, Claim Reserve and Medical Incentive Pool and Bonuses Outstanding at End of Year				
	1 2007	2 2008	3 2009	4 2010	5 2011
1. Prior .....	293	292	291	291	291
2. 2007 .....	1,747	1,741	1,710	1,710	1,710
3. 2008 .....	XXX	1,927	1,701	1,700	1,700
4. 2009 .....	XXX	XXX	2,061	2,025	2,024
5. 2010 .....	XXX	XXX	XXX	2,271	2,147
6. 2011 .....	XXX	XXX	XXX	XXX	2,269

**Section C - Incurred Year Health Claims and Claims Adjustment Expense Ratio**

Years in Which Premiums were Earned and Claims were Incurred	1	2	3	4	5	6	7	8	9	10
	Premiums Earned	Claims Payments	Claim Adjustment Expense Payments	(Col. 3/2) Percent	Claim and Claim Adjustment Expense Payments (Col. 2 + 3)	(Col. 5/1) Percent	Claims Unpaid	Unpaid Claims Adjustment Expenses	Total Claims and Claims Adjustment Expense Incurred (Col. 5 + 7 + 8)	(Col. 9/1) Percent
1. 2007 .....	1,798	1,710	48	2.807	1,758	97.775			1,758	97.775
2. 2008 .....	2,183	1,700	43	2.530	1,743	79.844			1,743	79.844
3. 2009 .....	2,403	2,024	26	1.305	2,050	85.327			2,050	85.327
4. 2010 .....	2,488	2,147	16	0.759	2,163	86.950			2,163	86.950
5. 2011 .....	2,568	1,804	14	0.792	1,818	70.806	465	14	2,297	89.458

12 Underwriting Invest Exh Pt 2C Sn A - Paid Claims - Dental Only ..... NONE

12 Underwriting Invest Exh Pt 2C Sn B - Incur. Claims - Dental Only ..... NONE

12 Underwriting Invest Exh Pt 2C Sn C - Expns Ratios - Dental Only ..... NONE

12 Underwriting Invest Exh Pt 2C Sn A - Paid Claims - Vision Only ..... NONE

12 Underwriting Invest Exh Pt 2C Sn B - Incur. Claims - Vision Only ..... NONE

12 Underwriting Invest Exh Pt 2C Sn C - Expns Ratios - Vision Only ..... NONE

**UNDERWRITING AND INVESTMENT EXHIBIT**  
**PART 2C - DEVELOPMENT OF PAID AND INCURRED HEALTH CLAIMS (000 Omitted)**  
**Federal Employees Health Benefits Plan Premiums**

**Section A - Paid Health Claims**

Year in Which Losses Were Incurred	Cumulative Net Amounts Paid				
	1 2007	2 2008	3 2009	4 2010	5 2011
1. Prior .....	.....	.....	.....	.....	.....
2. 2007 .....	.....	.....	.....	.....	.....
3. 2008 .....	XXX	.....	.....	.....	.....
4. 2009 .....	XXX	XXX	.....	166	209
5. 2010 .....	XXX	XXX	XXX	.....	209
6. 2011 .....	XXX	XXX	XXX	XXX	.....

**Section B - Incurred Health Claims**

Year in Which Losses Were Incurred	Sum of Cumulative Net Amount Paid and Claim Liability, Claim Reserve and Medical Incentive Pool and Bonuses Outstanding at End of Year				
	1 2007	2 2008	3 2009	4 2010	5 2011
1. Prior .....	.....	.....	.....	.....	.....
2. 2007 .....	.....	.....	.....	.....	.....
3. 2008 .....	XXX	.....	.....	.....	.....
4. 2009 .....	XXX	XXX	.....	209	209
5. 2010 .....	XXX	XXX	XXX	XXX	209
6. 2011 .....	XXX	XXX	XXX	XXX	.....

**Section C - Incurred Year Health Claims and Claims Adjustment Expense Ratio**

Years in Which Premiums were Earned and Claims were Incurred	1	2	3	4	5	6	7	8	9	10
	Premiums Earned	Claims Payments	Claim Adjustment Expense Payments	(Col. 3/2) Percent	Claim and Claim Adjustment Expense Payments (Col. 2 + 3)	(Col. 5/1) Percent	Claims Unpaid	Unpaid Claims Adjustment Expenses	Total Claims and Claims Adjustment Expense Incurred (Col. 5 + 7 + 8)	(Col. 9/1) Percent
1. 2007 .....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....
2. 2008 .....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....
3. 2009 .....	249	209	3	1.435	212	85.141	.....	.....	212	85.141
4. 2010 .....	.....	.....	1	.....	1	.....	.....	.....	1	.....
5. 2011 .....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....

12 Underwriting Invest Exh Pt 2C Sn A - Paid Claims - Title XVIII-Medicare . . . . . NONE

12 Underwriting Invest Exh Pt 2C Sn B - Incur. Claims - Title XVIII-Medicare . . . . . NONE

12 Underwriting Invest Exh Pt 2C Sn C - Expns Ratios - Title XVIII-Medicare . . . . . NONE

12 Underwriting Invest Exh Pt 2C Sn A - Paid Claims - Title XIX-Medicaid . . . . . NONE

12 Underwriting Invest Exh Pt 2C Sn B - Incur. Claims - Title XIX-Medicaid . . . . . NONE

12 Underwriting Invest Exh Pt 2C Sn C - Expns Ratios - Title XIX-Medicaid . . . . . NONE

# UNDERWRITING AND INVESTMENT EXHIBIT

## PART 2C - DEVELOPMENT OF PAID AND INCURRED HEALTH CLAIMS (000 Omitted)

### Other

#### Section A - Paid Health Claims

Year in Which Losses Were Incurred	Cumulative Net Amounts Paid				
	1 2007	2 2008	3 2009	4 2010	5 2011
1. Prior .....	3	3	3	3	3
2. 2007 .....	498	509	509	509	509
3. 2008 .....	XXX	6,819	6,940	6,940	6,940
4. 2009 .....	XXX	XXX	257	267	267
5. 2010 .....	XXX	XXX	XXX	287	329
6. 2011 .....	XXX	XXX	XXX	XXX	223

#### Section B - Incurred Health Claims

Year in Which Losses Were Incurred	Sum of Cumulative Net Amount Paid and Claim Liability, Claim Reserve and Medical Incentive Pool and Bonuses Outstanding at End of Year				
	1 2007	2 2008	3 2009	4 2010	5 2011
1. Prior .....	3	3	3	3	3
2. 2007 .....	509	509	509	509	509
3. 2008 .....	XXX	7,841	6,940	6,940	6,940
4. 2009 .....	XXX	XXX	307	267	267
5. 2010 .....	XXX	XXX	XXX	340	329
6. 2011 .....	XXX	XXX	XXX	XXX	293

#### Section C - Incurred Year Health Claims and Claims Adjustment Expense Ratio

Years in Which Premiums were Earned and Claims were Incurred	1	2	3	4	5	6	7	8	9	10
	Premiums Earned	Claims Payments	Claim Adjustment Expense Payments	(Col. 3/2) Percent	Claim and Claim Adjustment Expense Payments (Col. 2 + 3)	(Col. 5/1) Percent	Claims Unpaid	Unpaid Claims Adjustment Expenses	Total Claims and Claims Adjustment Expense Incurred (Col. 5 + 7 + 8)	(Col. 9/1) Percent
1. 2007 .....	1,198	509	16	3.143	525	43.823			525	43.823
2. 2008 .....	7,038	6,940	58	0.836	6,998	99.432			6,998	99.432
3. 2009 .....	545	267	15	5.618	282	51.743			282	51.743
4. 2010 .....	563	329	0	0.149	329	58.524			329	58.524
5. 2011 .....	467	223	3	1.125	226	48.289	70	2	298	63.707

## **Notes to Financial Statements**

### 1. Summary of Significant Accounting Policies

#### A. Accounting Practices

The financial statements of Paramount Insurance Company (the “Company”) are presented on a basis of accounting practices prescribed by the Ohio Department of Insurance.

The Ohio Department of Insurance recognizes only statutory accounting practices prescribed by the State of Ohio for determining and reporting the financial condition and results of operations of an insurance company, for determining its solvency under the Ohio Insurance Law. The National Association of Insurance Commissioners’ (NAIC) Accounting Practices and Procedures Manual, (NAIC SAP) has been adopted as a component of prescribed practices by the State of Ohio.

A reconciliation of the Company’s net income and capital and surplus between NAIC SAP and practices prescribed and permitted by the State of Ohio is shown below:

	State of Domicile	2011	2010
	Ohio		
<b>NET INCOME</b>			
Paramount Insurance Company state basis		1,489,413	(1,016,582)
State Prescribed Practices that increase/(decrease) NAIC SAP		-	-
State Permitted Practices that increase/(decrease) NAIC SAP		-	-
NAIC SAP		1,489,413	(1,016,582)
<b>SURPLUS</b>			
Paramount Insurance Company state basis		13,651,288	12,000,885
State Prescribed Practices that increase/(decrease) NAIC SAP		-	-
State Permitted Practices that increase/(decrease) NAIC SAP		-	-
NAIC SAP		13,651,288	12,000,885

#### B. Use of Estimates in the Preparation of the Financial Statements

The preparation of financial statements in conformity with Statutory Accounting Principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities. It also requires disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the period. Actual results could differ from those estimates.

#### C. Accounting Policy

Health premiums are earned ratably over the terms of the related insurance and reinsurance contracts. Expenses incurred in connection with acquiring new insurance business, including acquisition costs such as sales commissions, are charged to operations as incurred.

In addition, the company uses the following accounting policies:

1. Short-term investments are stated at amortized cost.
2. Bonds are stated at amortized cost.
3. The Company has no common stock investments.
4. The Company has no preferred stock investments.
5. The Company does not invest in mortgage loans.
6. The Company has no investments in loan-backed securities.
7. The Company has no investments in subsidiaries.

## Notes to Financial Statements

8. The Company has no investments in joint ventures.
9. The Company does not invest in derivatives.
10. The Company anticipates investment income as a factor in the premium deficiency calculation, in accordance with SSAP No. 54, Individual and Group Accident and Health Contracts.
11. The Company began operations on November 2, 2002. Unpaid losses and loss adjustment expenses include an amount from individual case estimates and loss reports and an amount, based on limited past experience, for losses incurred but not reported. Such liabilities are necessarily based on assumptions and estimates and while management believes the amount is adequate, the ultimate liability may be in excess of or less than the amount provided. The methods for making such estimates and for establishing the resulting liability is continually reviewed and any adjustments are reflected in the period determined.
12. The Company modified its capitalization policy in the current year to those qualifying expenses over \$2,500.
13. The Company estimates its pharmaceutical rebate receivables based on historical cash payments.

2. Accounting Changes and Corrections of Errors

**-NOT APPLICABLE**

3. Business Combinations and Goodwill

**-NOT APPLICABLE**

4. Discontinued Operations

**-NOT APPLICABLE**

5. Investments

- A. The company does not have any Mortgage Loan investments.
- B. The company is not a creditor for any Restructured Debt.
- C. The company does not have any reverse mortgages.
- D. The company does not have any loan-backed securities.
- E. The company does not have any re-purchase agreements.
- F. The company does not have any real estate investments.

6. Joint ventures, Partnerships and Limited Liability Companies

**-NOT APPLICABLE**

7. Investment Income

The Company does not have any nonadmitted accrued investment income.

8. Derivative Instruments

**-NOT APPLICABLE**

9. Income Taxes

The application of SSAP No. 10R requires a company to evaluate the recoverability of deferred tax assets and to establish a valuation allowance if necessary to reduce the deferred tax asset to an amount which is more likely than not to be realized.

## Notes to Financial Statements

Considerable judgment is required in determining whether a valuation allowance is necessary, and if so, the amount of such valuation allowance. In evaluating the need for a valuation allowance the Company considers many factors, including: (1) the nature of the deferred tax assets and liabilities; (2) whether they are ordinary or capital; (3) the timing of reversal; (4) taxable income in prior carry back years as well as projected taxable earnings exclusive of reversing temporary differences and carry forwards; (5) the length of time that carryovers can be used; (6) unique tax rules that would impact the utilization of the deferred tax assets; and (7) any tax planning strategies that the Company would employ to avoid a tax benefit expiring unused. Although the realization is not assured, the Company believes it is more likely than not that the deferred tax assets, net of valuation allowances, will be realized. The Company has not recorded a valuation allowance as of December 31, 2011.

A. Components of Deferred Tax Assets (“DTA’s”) and Deferred Tax Liabilities (“DTL’s”) as of December 31, 2011 and 2010 are as follows:

	12/31/2011			12/31/2010			Change		
	Ordinary	Capital	Total	Ordinary	Capital	Total	Ordinary	Capital	Total
Gross deferred tax assets	\$ 120,409	\$ 1,608	\$ 122,017	\$ 488,623		\$ 488,623	\$ (368,214)	\$ 1,608	\$ (366,606)
Statutory valuation allowance	-	-	-	-	-	-	-	-	-
Adjusted gross deferred tax assets	120,409	1,608	122,017	488,623	-	488,623	(368,214)	1,608	(366,606)
Gross deferred tax liabilities	1,646	-	1,646	-	-	-	1,646	-	1,646
Net deferred tax asset	118,763	1,608	120,371	488,623	-	488,623	(369,860)	1,608	(368,252)
Total Deferred tax assets nonadmitted	1,608	1,608	488,623	-	488,623	(488,623)	1,608	1,608	(487,015)
Net admitted deferred tax assets	\$ 118,763	\$ -	\$ 118,763	\$ -	\$ -	\$ -	118,763	\$ -	118,763

The Company has not elected to admit DTA's pursuant to SSAP 10R, paragraph 10.e in 2011 or 2010.

The amount of admitted adjusted gross deferred tax assets admitted under each component of SSAP 10R:

	2011			2010			Change		
	Ordinary	Capital	Total	Ordinary	Capital	Total	Ordinary	Capital	Total
SSAP No. 10R, Paragraph 10.a.	\$ 120,409		120,409				120,409		120,409
SSAP No. 10R, Paragraph 10.b.	-	-	-	-	-	-	-	-	-
(the lesser of paragraph 10.b.i and 10.b.ii. below)									
SSAP No. 10R, Paragraph 10.b.i.	-	-	-	-	-	-	-	-	-
SSAP No. 10R, Paragraph 10.b.ii.	-	-	1,329,961	-	-	1,060,400	-	-	269,561
SSAP No. 10R, Paragraph 10.c.	-	-	-	-	-	-	-	-	-
Total	\$ 120,409	\$ -	\$ 120,409	\$ -	\$ -	\$ -	\$ 120,409	\$ -	\$ 120,409
SSAP No. 10R, Paragraph 10.e.i..			-			-	-	-	-
SSAP No. 10R, Paragraph 10.e.ii.	-	-	-	-	-	-	-	-	-
(the lesser of paragraph 10.e.ii.a and 10.e.ii.b below)									
SSAP No. 10R, Paragraph 10.e.ii.a.	-	-	-	-	-	-	-	-	-
SSAP No. 10R, Paragraph 10.e.ii.b.	-	-	-	-	-	-	-	-	-
SSAP No. 10R, Paragraph 10.e.iii.	-	-	-	-	-	-	-	-	-
Total	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

Used in SSAP No. 10R, Paragraph 10.d.

Total Adjusted Capital	\$ 13,651,288	\$ 12,000,885	\$ 1,650,403
Authorized Control Level	\$ 1,368,919	\$ 2,536,662	\$ (1,167,743)

# Notes to Financial Statements

	2011			2010			Change		
	Ordinary	Capital	Total	Ordinary	Capital	Total	Ordinary	Capital	Total
SSAP No.10R, Paragraphs 10.a., 10.b., and 10.c									
Admitted DTAs	\$ 120,409		\$ 120,409	\$ -		\$ -		\$ 120,409	
Admitted Assets			19,566,013			19,607,682			(41,669)
Adjusted Statutory Surplus			13,651,288			12,000,885			1,650,403
Total Adjusted Capital			13,651,288			12,000,885			1,650,403
from DTAs									

Increase due to SSAP No.10R, Paragraph 10.e.

	2011	2010	Change
	Ordinary	Capital	Total
Admitted DTAs	-	-	-
Admitted Assets	-	-	-
Statutory Surplus	-	-	-

	2011	2010	Change
	Ordinary	Capital	Total
Impact of Tax Planning Strategies	-	-	-
Adjusted Gross DTAs	-	-	-
(% Total Adjusted Gross DTAs)			
Net Admitted Adjusted Gross DTAs	-	-	-
(% of Total Net Admitted Adjusted Gross DTAs)			

**B.** -There are no temporary differences for deferred tax liabilities that are not recognized at December 31, 2011 and 2010.

**C.** -Current income taxes incurred consisted of the following major components at December 31, 2011 and 2010 are as follows:

	12/31/2011	12/31/2010	Change
Current Income Tax			
Federal	\$ 252,745	\$ (2,057,530)	\$ 2,310,275
Other	3,238	22,029	(18,791)
Federal income taxes incurred	\$ 255,983	\$ (2,035,501)	\$ 2,291,484
Deferred tax assets:			
Ordinary			
Unearned premiums	\$ 41,554	\$ 40,932	\$ 622
Discounting on claims payable	22,617	28,160	(5,543)
Premium deficiency reserve	-	382,410	(382,410)
Other	56,238	37,121	19,117
Subtotal	120,409	488,623	(368,214)
Nonadmitted	-	488,623	(488,623)
Admitted ordinary deferred tax assets	120,409	-	120,409
Capital			
Other	1,608	-	1,608
Subtotal	1,608	-	1,608
Nonadmitted	1,608	-	1,608
Admitted capital deferred tax assets	-	-	-
Admitted deferred tax assets	120,409	-	120,409
Deferred tax liabilities:			
Ordinary			
Discounted Salvage & Sub	1,646	-	1,646
Subtotal	1,646	-	1,646
Capital			
Unrealized gain	-	-	-
Subtotal	-	-	-
Deferred tax liabilities	\$ 1,646	\$ -	\$ 1,646
Net deferred tax assets/liabilities	\$ 118,763	\$ -	\$ 118,763

## Notes to Financial Statements

### D.-Analysis of Actual Income Tax Expense

The Company's income tax expense differs from the amount obtained by applying the statutory rate of 35% to pretax net income for the following reasons at December 31:

	2011	%	2010	%
Provision computed at statutory rate	\$ 610,889	35 %	\$ (1,068,229)	35 %
Other	<u>98</u>	<u> </u>	<u>3,454</u>	<u> </u>
<b>Total</b>	<b><u>\$ 610,987</u></b>	<b><u>35 %</u></b>	<b><u>\$ (1,064,775)</u></b>	<b><u>35 %</u></b>
Federal income taxes incurred	\$ 255,983	15 %	\$ (2,035,501)	67 %
Change in net deferred income taxes	368,252	21	970,726	(32)
Other	<u>(13,248)</u>	<u>(1)</u>	<u> </u>	<u> </u>
<b>Total statutory income taxes</b>	<b><u>\$ 610,987</u></b>	<b><u>35 %</u></b>	<b><u>\$ (1,064,775)</u></b>	<b><u>35 %</u></b>

**E.-At December 31, 2011 and 2010, the Company had no operating loss carryforwards to utilize in future years.**

No income tax incurred for 2009, 2010 and 2011 is available for recoupment in the event of future net losses.

<b>Year</b>	<b>Ordinary</b>	<b>Capital</b>	<b>Total</b>
2009			
2010			
2011	\$ 232,515	-	\$ 232,515

**F.-The Company is a party to a tax sharing agreement with the parent company, PIC, and the affiliated entities as follows: Paramount Preferred Options (PPO), Paramount Care of Michigan, Inc. (PCM), Paramount Care, Inc. (PCI), Paramount Benefits Agency (PBA), Paramount Insurance Company (PICO) and Paramount Enhanced Care Management (PECM). Tax returns are completed on a consolidated basis. However, allocation is based upon separate return calculations with current credit for net losses. The method of allocation between the companies is subject to a written agreement approved by the Board of Directors. Intercompany tax balances are settled through the holding company, PIC.**

### G.-Accounting for tax contingencies

For the years ended December 31, 2011 and 2010, the Company did not have tax contingencies under the principles of SSAP No. 5, *Liabilities, Contingencies and Impairment of Assets*.

The Company is primarily subject to U.S. federal and various U.S. state and local tax authorities. Tax years subsequent to 2007 remain open to examination by the Internal Revenue Service, and 2006 remains open to other state and local tax authorities. As of December 31, 2011, there are no U.S. federal or state returns under examination.

### 10. Information Concerning Parent, Subsidiaries and Affiliates

The Company is ultimately controlled by ProMedica Health System, Inc. ("ProMedica"), a nonprofit holding company exempt from federal taxation under Section 501(c)(3) and 509(a)(3) of the Internal Revenue Code. The Company's affiliates include PCM, PPO, PCI, PBA, PECM and PA. The Company also has many area hospitals as affiliates such as Toledo Hospital, Toledo Children's Hospital, Flower Hospital, Bay Park Hospital, Emma L. Bixby Hospital, Defiance Hospital, Fostoria Hospital, Herrick Memorial Hospital and St. Luke's Hospital. ProMedica Physician Group, a group of physicians owned by ProMedica, is also an affiliate of the Company.

The Company shares employees, services and assets pursuant to a Management Services Sharing Agreement with PCI. The shared services include member services, sales, accounting, information systems, medical direction and management, claims

## Notes to Financial Statements

processing, provider relations and community relations. The cost of shared services is allocated between the Company and PCI based upon the percentage of subscribers at the end of each calendar month. For the years ended December 31, 2011 and 2010 the Company was allocated general administrative expenses of \$1,345,496 and \$2,456,189, respectively.

ProMedica allocates corporate overhead to all ProMedica entities pursuant to a Cost Allocation Agreement. The Company was allocated \$763,629 and \$1,090,663 of overhead expense in 2011 and 2010, respectively. The amount is to compensate ProMedica for the services provided to the Company for corporate staff primarily in management, legal services, information services and investment management.

### Balances outstanding with affiliated entities at December 31, 2011 and 2010

	Due from	Due from	Due to	Due to
	2011	2010	2011	2010
Paramount Care, Inc.	\$ 424,556	\$ 3,159,326		
Paramount Care of Michigan	1,611	177,121		
Paramount Advantage			2,871	
Other	274		937	

### Claims paid to affiliated entities during fiscal year 2011 and 2010

	2011		2010	
	Paid	Paid	Paid	Paid
Bay Park Community Hospital	\$ 473,863	\$ 476,554		
Defiance Hospital	139,099	447,752		
ProMedica North Region	187,736	189,820		
Flower Hospital	951,003	1,074,670		
Fostoria Hospital	173,249	243,810		
Lima Memorial Hospital	128,776	589,587		
ProMedica Continuing Care Services	68,600	176,131		
ProMedica Physicians Group	623,958	675,533		
St. Lukes Hospital	545,213	337,707		
The Toledo Hospital	2,273,693	3,581,172		
	<u>\$ 5,565,190</u>	<u>\$ 7,792,736</u>		

### Tax payable/receivable amounts to affiliated entities as of 2011 and 2010:

	2011	2010
Paramount Health Care	\$ 1,423,232	\$ 365,316
Paramount Care of Michigan	88,957	(303,656)
Paramount Benefits Agency	(48)	(397)
Paramount Preferred Options	(4,868)	(109,029)
Paramount Advantage	(310,660)	(445,537)
Paramount Insurance Company	564,386	1,330,910
Health Management Solutions	2,203	71,253
Paramount Enhanced Care Management	-	1,047
ProMedica Insurance Corporation	(1,763,202)	(909,907)

## **Notes to Financial Statements**

11. Debt

**-NOT APPLICABLE**

12. Retirement Plans, Deferred Compensation, Postemployment Benefits

**-NOT APPLICABLE**

13. Capital and Surplus, Shareholders' Dividend Restrictions and Quasi-Reorganizations

- A. The Company has 1,000 shares authorized and 500 shares issued and outstanding.
- B. The Company has no preferred stock.
- C. Without prior approval of its domiciliary commissioner, dividends to shareholders are limited by the laws of the Company's state of incorporation, to an amount less than 10% of admitted capital (including all dividends within the prior 12 month period). Additionally, the Company must obtain prior approval for dividends not paid from earned surplus.
- D. Within the limitations of [C] above, there are no restrictions placed on the portion of Company profits that may be paid as ordinary dividends to stockholders.
- E. There were no restrictions placed on the Company's surplus.
- F. The Company received \$7,000,000 in capital contributions in 2010 from its parent company, ProMedica Insurance Corp.
- G. There is no stock being held by the Company.
- H. The Company has no special surplus funds.
- I. The portion of unassigned funds (surplus) that has been represented or reduced by cumulative unrealized gains and losses is (0).
- J. The Company has no surplus debentures or other outstanding obligations.
- K. The Company was not involved in a quasi-reorganization during the year.

14. Contingencies

As of the date of this filing, Management is not aware of any contingent commitments, assessments or other contingencies that would materially impact the company.

15. Leases

**-NOT APPLICABLE**

16. Off-Balance Sheet Risk

**-NOT APPLICABLE**

17. Sale, Transfer and Servicing of Financial Assets and Extinguishments of Liabilities

## Notes to Financial Statements

### **-NOT APPLICABLE**

18. Gain or loss to the Reporting Entity from Uninsured A&H Plans and the uninsured Portion of partially Insured Plans

The gain from operations from Administrative Services Only (ASO) uninsured plans was as follows during 2011 and 2010:

	<b>ASO 2011</b>	<b>ASO 2010</b>
Net reimbursement for administrative Expenses (including admin fees) in excess of actual expenses	\$ 313,535	\$ 284,162
Total net other income or expenses including interest paid to or received from plans	\$ (110,866)	\$ (82,367)
Total gain or (loss) from operations	\$ 202,669	\$ 201,795
Claim payments	\$ 18,546,686	\$ 20,380,398

19. Direct Premium Written/Produced by Managing General Agents/Third Party Administrators.

### **-NOT APPLICABLE**

20. Fair Value Measurement

### **-NOT APPLICABLE**

21. Other Items

The Company has no extraordinary items, troubled debt restructuring or other unusual disclosures to make.

22. Subsequent Events

There were no Type I or Type II subsequent events at the time of this filing that would materially alter the financial position of the Company.

23. Reinsurance

#### A. Ceded Reinsurance Report

##### Section 1

1. None of the reinsurers listed in Schedule S as non-affiliated, are owned in excess of 10% or controlled, either directly or indirectly, by the company or by any representative, officer, trustee or director of the company.
2. None of the policies issued by the company have been reinsured with a company chartered in a country other than the United States (excluding U.S. Branches of such companies) that is owned in excess of 10% or controlled directly or indirectly by an insured, a beneficiary, a creditor or an insured or any other person not primarily engaged in the insurance business.

##### Section 2

1. The company does not have any reinsurance agreements in effect under which the reinsurer may unilaterally cancel any reinsurance for reasons other than for nonpayment of premium or other similar credit.
2. The company does not have any reinsurance agreements in effect such that the amount of losses paid or accrued through the statement date may result in a payment to the reinsurer of amounts that, in aggregate and allowing for offset of mutual credits from other reinsurance

## Notes to Financial Statements

agreements with the same reinsurer, exceed the total direct premium collected under the reinsured policies.

### Section 3

1. The aggregate reduction in surplus for termination of all reinsurance agreements, by either party, as of the date of this statement is zero.
2. No new agreements have been executed or existing agreements amended since January 1, 2011 to include policies or contracts that were in force or which had existing reserves established by the company as of the effective date of the agreement.

B. The Company does not have any uncollectible reinsurance recorded on its books.

C. The company had no commutation of reinsurance.

24. Retrospectively Rated Contracts

**-NOT APPLICABLE**

25. Change in Incurred Claims and Claim Adjustment Expenses

Reserves as of December 31, 2010 were \$4,343,848. As of December 31, 2011, \$2,653,603 has been paid for incurred claims and claim adjustment expenses attributable to insured events of prior years. Reserves remaining for prior years are now \$3,996 as a result of re-estimation of unpaid claims and claim adjustment expenses principally on Commercial and Medicare supplement lines of insurance. Therefore, there has been a \$1,686,249 favorable prior-year development since December 31, 2010 to December 31, 2011. The decrease is generally a result of ongoing analysis of recent development trends. Original estimates are increased or decreased, as additional information becomes known regarding individual claims.

26. Intercompany Pooling Arrangements

**-NOT APPLICABLE**

27. Structured Settlements

**-NOT APPLICABLE**

28. Health Care Receivables

The Company estimates its pharmaceutical rebate receivables based on historical cash payments.

## Notes to Financial Statements

Quarter	Estimated Pharmacy Rebates	Pharmacy Rebates as Billed	Actual Rebates Received within 90 days of billing	Actual Rebates Received within 91-180 days of billing	Actual Rebates Received More than 180 days after billing
12/31/2011	116,245	116,245			
9/30/2011	115,155	63,681		35,233	
6/30/2011	104,971	47,069		47,066	3
3/31/2011	51,233	59,435		59,293	142
12/31/2010	87,867	101,239	-	102,580	(1,341)
9/30/2010	154,480	103,692	-	94,523	9,169
6/30/2010	152,186	107,327	-	98,240	9,088
3/13/2010	140,920	134,168	-	127,407	6,761
12/31/2009	127,581	216,582	-	213,666	2,916
9/30/2009	119,955	211,890	-	200,419	11,470
6/30/2009	196,527	213,911	-	199,015	14,896
3/31/2009	254,440	243,339	-	231,679	11,659

## 29. Participating Policies

**-NOT APPLICABLE**

## 30. Premium Deficiency Reserves

Liability carried for premium deficiency reserve :	\$0
Date of most recent evaluation of this liability:	1/20/2012
Was anticipated investment income utilized in the calculation?	Yes

## 31. Anticipated Salvage and Subrogation

The Company took into account estimated anticipated salvage and subrogation in its determination of the liability for unpaid claims/losses and reduced such liability by \$278,860.

## GENERAL INTERROGATORIES

## PART 1 - COMMON INTERROGATORIES

## GENERAL

1.1 Is the reporting entity a member of an Insurance Holding Company System consisting of two or more affiliated persons, one or more of which is an insurer? Yes[X] No[ ]

1.2 If yes, did the reporting entity register and file with its domiciliary State Insurance Commissioner, Director or Superintendent or with such regulatory official of the state of domicile of the principal insurer in the Holding Company System, a registration statement providing disclosure substantially similar to the standards adopted by the National Association of Insurance Commissioners (NAIC) in its Model Insurance Holding Company System Regulatory Act and model regulations pertaining thereto, or is the reporting entity subject to standards and disclosure requirements substantially similar to those required by such Act and regulations? Yes[X] No[ ] N/A[ ]

1.3 State Regulating? Ohio

2.1 Has any change been made during the year of this statement in the charter, by-laws, articles of incorporation, or deed of settlement of the reporting entity? Yes[ ] No[X]

2.2 If yes, date of change: .....

3.1 State as of what date the latest financial examination of the reporting entity was made or is being made. 12/31/2010

3.2 State the as of date that the latest financial examination report became available from either the state of domicile or the reporting entity. This date should be the date of the examined balance sheet and not the date the report was completed or released. 12/31/2010

3.3 State as of what date the latest financial examination report became available to other states or the public from either the state of domicile or the reporting entity. This is the release date or completion date of the examination report and not the date of the examination (balance sheet date). 09/07/2011

3.4 By what department or departments? Ohio Department of Insurance

3.5 Have all financial statement adjustments within the latest financial examination report been accounted for in a subsequent financial statement filed with departments? Yes[ ] No[ ] N/A[X]

3.6 Have all of the recommendations within the latest financial examination report been complied with? Yes[ ] No[ ] N/A[X]

4.1 During the period covered by this statement, did any agent, broker, sales representative, non-affiliated sales/service organization or any combination thereof under common control (other than salaried employees of the reporting entity) receive credit or commissions for or control a substantial part (more than 20 percent of any major line of business measured on direct premiums) of: Yes[ ] No[X]

4.11 sales of new business? Yes[ ] No[X]

4.12 renewals? Yes[ ] No[X]

4.2 During the period covered by this statement, did any sales/service organization owned in whole or in part by the reporting entity or an affiliate, receive credit or commissions for or control a substantial part (more than 20 percent of any major line of business measured on direct premiums) of: Yes[ ] No[X]

4.21 sales of new business? Yes[ ] No[X]

4.22 renewals? Yes[ ] No[X]

5.1 Has the reporting entity been a party to a merger or consolidation during the period covered by this statement? Yes[ ] No[X]

5.2 If yes, provide the name of the entity, NAIC company code, and state of domicile (use two letter state abbreviation) for any entity that has ceased to exist as a result of the merger or consolidation.

1 Name of Entity	2 NAIC Company Code	3 State of Domicile
.....	.....	.....

6.1 Has the reporting entity had any Certificates of Authority, licenses or registrations (including corporate registration, if applicable) suspended or revoked by any governmental entity during the reporting period? Yes[ ] No[X]

6.2 If yes, give full information:

7.1 Does any foreign (non-United States) person or entity directly or indirectly control 10% or more of the reporting entity? Yes[ ] No[X]

7.2 If yes, 0.000%

7.21 State the percentage of foreign control .....

7.22 State the nationality(s) of the foreign person(s) or entity(s); or if the entity is a mutual or reciprocal, the nationality of its manager or attorney-in-fact and identify the type of entity(s) (e.g., individual, corporation, government, manager or attorney-in-fact) .....

1 Nationality	2 Type of Entity
.....	.....

8.1 Is the company a subsidiary of a bank holding company regulated by the Federal Reserve Board? Yes[ ] No[X]

8.2 If response to 8.1 is yes, please identify the name of the bank holding company. Yes[ ] No[X]

8.3 Is the company affiliated with one or more banks, thrifts or securities firms?

8.4 If response to 8.3 is yes, please provide the names and location (city and state of the main office) of any affiliates regulated by a federal financial regulatory services agency [i.e., the Federal Reserve Board (FRB), the Office of the Comptroller of the Currency (OCC), the Office of Thrift Supervision (OTS), the Federal Deposit Insurance Corporation (FDIC) and the Securities Exchange Commission (SEC) and identify the affiliate's primary federal regulator.

1 Affiliate Name	2 Location (City, State)	3 FRB	4 OCC	5 OTS	6 FDIC	7 SEC
.....	.....	.....	.....	.....	.....	.....

9. What is the name and address of the independent certified public accountant or accounting firm retained to conduct the annual audit? .....

Deloitte & Touche LLP, Suite 900, 600 Renaissance Center, Detroit, MI 48243-1895

10.1 Has the insurer been granted any exemptions to the prohibited non-audit services provided by the certified independent public accountant requirements as allowed in Section 7H of the Annual Financial Reporting Model Regulation (Model Audit Rule), or substantially similar state law or regulation? Yes[ ] No[X]

10.2 If response to 10.1 is "yes," provide information related to this exemption: .....

10.3 Has the insurer been granted any exemptions related to the other requirements of the Annual Financial Reporting Model Regulation as allowed for in Section 17A of the Model Regulation, or substantially similar state law or regulation? Yes[X] No[ ]

10.4 If response to 10.3 is "yes," provide information related to this exemption: .....

Requirements waived as the Company does not meet premium threshold.

10.5 Has the reporting entity established an Audit Committee in compliance with the domiciliary state insurance laws? Yes[X] No[ ] N/A[ ]

10.6 If the answer to 10.5 is "NO" or "N/A" please explain: .....

11. What is the name, address and affiliation (officer/employee of the reporting entity or actuary/consultant associated with an actuarial consulting firm) of the individual providing the statement of actuarial opinion/certification? .....

Timothy Gustafson FSA, MAAA, Deloitte & Touche LLP, 180 N. Stenson Ave., Chicago, IL 60601

**GENERAL INTERROGATORIES (Continued)**

12.1 Does the reporting entity own any securities of a real estate holding company or otherwise hold real estate indirectly?  Yes [ ]  No [X] \$ 0

12.11 Name of real estate holding company  
12.12 Number of parcels involved  
12.13 Total book/adjusted carrying value

12.2 If yes, provide explanation

13. FOR UNITED STATES BRANCHES OF ALIEN REPORTING ENTITIES ONLY:

13.1 What changes have been made during the year in the United States manager or the United States trustees of the reporting entity?  Yes [ ]  No [ ]  N/A [X]

13.2 Does this statement contain all business transacted for the reporting entity through its United States Branch on risks wherever located?  Yes [ ]  No [ ]  N/A [X]

13.3 Have there been any changes made to any of the trust indentures during the year?  Yes [ ]  No [ ]  N/A [X]

13.4 If answer to (13.3) is yes, has the domiciliary or entry state approved the changes?  Yes [ ]  No [ ]  N/A [X]

14.1 Are the senior officers (principal executive officer, principal financial officer, principal accounting officer or controller, or persons performing similar functions) of the reporting entity subject to a code of ethics, which includes the following standards?  Yes [X]  No [ ]

a. Honest and ethical conduct, including the ethical handling of actual or apparent conflicts of interest between personal and professional relationships;

b. Full, fair, accurate, timely and understandable disclosure in the periodic reports required to be filed by the reporting entity;

c. Compliance with applicable governmental laws, rules and regulations;

d. The prompt internal reporting of violations to an appropriate person or persons identified in the code; and

e. Accountability for adherence to the code.

14.11 If the response to 14.1 is no, please explain:

14.2 Has the code of ethics for senior managers been amended?  Yes [ ]  No [X]

14.21 If the response to 14.2 is yes, provide information related to amendment(s).  Yes [ ]  No [X]

14.3 Have any provisions of the code of ethics been waived for any of the specified officers?  Yes [ ]  No [X]

14.31 If the response to 14.3 is yes, provide the nature of any waiver(s).  Yes [ ]  No [X]

15.1 Is the reporting entity the beneficiary of a Letter of Credit that is unrelated to reinsurance with a NAIC rating of 3 or below?  Yes [ ]  No [X]

15.2 If the response to 15.1 is yes, indicate the American Bankers Association (ABA) Routing Number and the name of the issuing or confirming bank of the Letter of Credit and describe the circumstances in which the Letter of Credit is triggered.  Yes [ ]  No [X]

	1 American Bankers Association (ABA) Routing Number	2 Issuing or Confirming Bank Name	3 Circumstances That Can Trigger the Letter of Credit	4 Amount
15.2001	.....	.....	.....	.....

**BOARD OF DIRECTORS**

16. Is the purchase or sale of all investments of the reporting entity passed upon either by the Board of Directors or a subordinate committee thereof?  Yes [ ]  No [X]

17. Does the reporting entity keep a complete permanent record of the proceedings of its Board of Directors and all subordinate committees thereof?  Yes [X]  No [ ]

18. Has the reporting entity an established procedure for disclosure to its board of directors or trustees of any material interest or affiliation on the part of any of its officers, directors, trustees or responsible employees that is in conflict or is likely to conflict with the official duties of such person?  Yes [X]  No [ ]

**FINANCIAL**

19. Has this statement been prepared using a basis of accounting other than Statutory Accounting Principles (e.g., Generally Accepted Accounting Principles)?  Yes [ ]  No [X]

20.1 Total amount loaned during the year (inclusive of Separate Accounts, exclusive of policy loans): \$ 0

20.11 To directors or other officers  
20.12 To stockholders not officers  
20.13 Trustees, supreme or grand (Fraternal only)

20.2 Total amount of loans outstanding at end of year (inclusive of Separate Accounts, exclusive of policy loans): \$ 0

20.21 To directors or other officers  
20.22 To stockholders not officers  
20.23 Trustees, supreme or grand (Fraternal only)

21.1 Were any assets reported in this statement subject to a contractual obligation to transfer to another party without the liability for such obligation being reported in the statement?  Yes [ ]  No [X]

21.2 If yes, state the amount thereof at December 31 of the current year: \$ 0

21.21 Rented from others  
21.22 Borrowed from others  
21.23 Leased from others  
21.24 Other

22.1 Does this statement include payments for assessments as described in the Annual Statement Instructions other than guaranty fund or guaranty association assessments?  Yes [ ]  No [X]

22.2 If answer is yes:

22.21 Amount paid as losses or risk adjustment  
22.22 Amount paid as expenses  
22.23 Other amounts paid

23.1 Does the reporting entity report any amounts due from parent, subsidiaries or affiliates on Page 2 of this statement?  Yes [X]  No [ ]

23.2 If yes, indicate any amounts receivable from parent included in the Page 2 amount: \$ 0

**INVESTMENT**

24.1 Were all the stocks, bonds and other securities owned December 31 of current year, over which the reporting entity has exclusive control, in the actual possession of the reporting entity on said date? (other than securities lending programs addressed in 24.3)  Yes [X]  No [ ]

24.2 If no, give full and complete information, relating thereto:

24.3 For security lending programs, provide a description of the program including value for collateral and amount of loaned securities, and whether collateral is carried on or off-balance sheet, (an alternative is to reference Note 17 where this information is also provided)

24.4 Does the Company's security lending program meet the requirements for a conforming program as outlined in the Risk-Based Capital Instructions?

24.5 If answer to 24.4 is yes, report amount of collateral for conforming programs.

24.6 If answer to 24.4 is no, report amount of collateral for other programs.

24.7 Does your securities lending program require 102% (domestic securities) and 105% (foreign securities) from the counterparty at the outset of the contract?

24.8 Does the reporting entity non-admit when the collateral received from the counterparty falls below 100%?

24.9 Does the reporting entity or the reporting entity's securities lending agent utilize the Master Securities lending Agreement (MSLA) to conduct securities lending?  Yes [ ]  No [ ]  N/A [X]

## GENERAL INTERROGATORIES (Continued)

25.1 Were any of the stocks, bonds or other assets of the reporting entity owned at December 31 of the current year not exclusively under the control of the reporting entity, or has the reporting entity sold or transferred any assets subject to a put option contract that is currently in force? (Exclude securities subject to Interrogatory 21.1 and 24.3).

Yes[X] No[ ]

25.2 If yes, state the amount thereof at December 31 of the current year:

25.21 Subject to repurchase agreements	\$ .....	0
25.22 Subject to reverse repurchase agreements	\$ .....	0
25.23 Subject to dollar repurchase agreements	\$ .....	0
25.24 Subject to reverse dollar repurchase agreements	\$ .....	0
25.25 Pledged as collateral	\$ .....	0
25.26 Placed under option agreements	\$ .....	0
25.27 Letter stock or securities restricted as to sale	\$ .....	0
25.28 On deposit with state or other regulatory body	\$ .....	0
25.29 Other	\$ .....	350,219

25.3 For category (25.27) provide the following:

1 Nature of Restriction	2 Description	3 Amount
.....	.....	.....

26.1 Does the reporting entity have any hedging transactions reported on Schedule DB?

Yes[ ] No[X]

26.2 If yes, has a comprehensive description of the hedging program been made available to the domiciliary state?

If no, attach a description with this statement.

Yes[ ] No[X]

N/A[X]

27.1 Were any preferred stocks or bonds owned as of December 31 of the current year mandatorily convertible into equity, or, at the option of the issuer, convertible into equity?

Yes[ ] No[X]

27.2 If yes, state the amount thereof at December 31 of the current year.

\$ .....

0

28. Excluding items in Schedule E - Part 3 - Special Deposits, real estate, mortgage loans and investments held physically in the reporting entity's offices, vaults or safety deposit boxes, were all stocks, bonds and other securities, owned throughout the current year held pursuant to a custodial agreement with a qualified bank or trust company in accordance with Section I, III - General Examination Considerations, F. Outsourcing of Critical Functions, Custodial or Safekeeping Agreements of the NAIC Financial Condition Examiners Handbook?

Yes[X] No[ ]

28.01 For agreements that comply with the requirements of the NAIC Financial Condition Examiners Handbook, complete the following:

1 Name of Custodian(s)	2 Custodian's Address
The Bank of New York Mellon .....	Three Mellon Center, Suite 153-3925, Pittsburg, PA .....

28.02 For all agreements that do not comply with the requirements of the NAIC Financial Condition Examiners Handbook, provide the name, location and a complete explanation:

1 Name(s)	2 Location(s)	3 Complete Explanation(s)
.....	.....	.....

28.03 Have there been any changes, including name changes, in the custodian(s) identified in 28.01 during the current year?

Yes[ ] No[X]

28.04 If yes, give full and complete information relating thereto:

1 Old Custodian	2 New Custodian	3 Date of Change	4 Reason
.....	.....	.....	.....

28.05 Identify all investment advisers, broker/dealers or individuals acting on behalf of broker/dealers that have access to the investment accounts, handle securities and have authority to make investments on behalf of the reporting entity:

1 Central Registration Depository Number(s)	2 Name	3 Address
.....	.....	.....

29.1 Does the reporting entity have any diversified mutual funds reported in Schedule D, Part 2 (diversified according to the Securities and Exchange Commission (SEC) in the Investment Company Act of 1940 [Section 5 (b)(1)])?

Yes[ ] No[X]

29.2 If yes, complete the following schedule:

1 CUSIP #	2 Name of Mutual Fund	3 Book/Adjusted Carrying Value
29.2999 Total .....	.....	.....

29.3 For each mutual fund listed in the table above, complete the following schedule:

## GENERAL INTERROGATORIES (Continued)

1	2	3 Amount of Mutual Fund's Book/Adjusted Carrying Value Attributable to the Holding	4 Date of Valuation
Name of Mutual Fund (from above table)	Name of Significant Holding of the Mutual Fund		
.....	.....	.....	.....

30. Provide the following information for all short-term and long-term bonds and all preferred stocks. Do not substitute amortized value or statement value for fair value.

	1 Statement (Admitted) Value	2 Fair Value	3 Excess of Statement over Fair Value (-), or Fair Value over Statement (+)
30.1 Bonds .....	5,803,528	5,805,742	2,214
30.2 Preferred stocks .....	.....	.....	.....
30.3 Totals .....	5,803,528	5,805,742	2,214

30.4 Describe the sources or methods utilized in determining the fair values  
New York Stock Exchange, American Stock Exchange, NASDAQ, NAIC

31.1 Was the rate used to calculate fair value determined by a broker or custodian for any of the securities in Schedule D? Yes[X] No[ ]  
 31.2 If the answer to 31.1 is yes, does the reporting entity have a copy of the broker's or custodian's pricing policy (hard copy or electronic copy) for all brokers or custodians used as a pricing source? Yes[X] No[ ] N/A[ ]  
 31.3 If the answer to 31.2 is no, describe the reporting entity's process for determining a reliable pricing source for purposes of disclosure of fair value for Schedule D:

32.1 Have all the filing requirements of the Purposes and Procedures Manual of the NAIC Securities Valuation Office been followed? Yes[X] No[ ]  
 32.2 If no, list exceptions:

## OTHER

33.1 Amount of payments to Trade Associations, Service Organizations and Statistical or Rating Bureaus, if any? \$..... 0  
 33.2 List the name of the organization and the amount paid if any such payment represented 25% or more of the total payments to Trade Associations, Service Organizations and Statistical or Rating Bureaus during the period covered by this statement.

1 Name	2 Amount Paid
.....	.....

34.1 Amount of payments for legal expenses, if any? \$..... 30,566  
 34.2 List the name of the firm and the amount paid if any such payments represented 25% or more of the total payments for legal expenses during the period covered by this statement.

1 Name	2 Amount Paid
.....	.....

35.1 Amount of payments for expenditures in connection with matters before legislative bodies, officers or department of government, if any? \$..... 0  
 35.2 List the name of firm and the amount paid if any such payment represented 25% or more of the total payment expenditures in connection with matters before legislative bodies officers or department of government during the period covered by this statement.

1 Name	2 Amount Paid
.....	.....

## GENERAL INTERROGATORIES (Continued)

## PART 2 - HEALTH INTERROGATORIES

1.1 Does the reporting entity have any direct Medicare Supplement Insurance in force?	Yes[X] No[ ]
1.2 If yes, indicate premium earned on U.S. business only:	\$..... 2,567,947
1.3 What portion of Item (1.2) is not reported on the Medicare Supplement Insurance Experience Exhibit?	\$..... 0
1.31 Reason for excluding:	
1.4 Indicate amount of earned premium attributable to Canadian and/or Other Alien not included in Item (1.2) above.	\$..... 0
1.5 Indicate total incurred claims on all Medicare Supplement insurance.	\$..... 2,144,774
1.6 Individual policies - Most current three years:	
1.61 Total premium earned	\$..... 650,240
1.62 Total incurred claims	\$..... 600,831
1.63 Number of covered lives	..... 354
All years prior to most current three years:	
1.64 Total premium earned	\$..... 1,917,707
1.65 Total incurred claims	\$..... 1,543,943
1.66 Number of covered lives	..... 933
1.7 Group policies - Most current three years:	
1.71 Total premium earned	\$..... 0
1.72 Total incurred claims	\$..... 0
1.73 Number of covered lives	..... 0
All years prior to most current three years:	
1.74 Total premium earned	\$..... 0
1.75 Total incurred claims	\$..... 0
1.76 Number of covered lives	..... 0

## 2. Health Test

	1 Current Year	2 Prior Year
2.1 Premium Numerator	..... 23,015,623	..... 37,287,327
2.2 Premium Denominator	..... 23,015,623	..... 37,287,327
2.3 Premium Ratio (2.1 / 2.2)	..... 1.000	..... 1.000
2.4 Reserve Numerator	..... 3,486,199	..... 5,265,478
2.5 Reserve Denominator	..... 3,486,199	..... 5,265,478
2.6 Reserve Ratio (2.4 / 2.5)	..... 1.000	..... 1.000

3.1 Has the reporting entity received any endowment or gift from contracting hospitals, physicians, dentists, or others that is agreed will be returned when, as and if the earnings of the reporting entity permits? Yes[X] No[X]

3.2 If yes, give particulars:

4.1 Have copies of all agreements stating the period and nature of hospitals', physicians', and dentists' care offered to subscribers and dependents been filed with the appropriate regulatory agency? Yes[X] No[X]

4.2 If not previously filed furnish herewith a copy(ies) of such agreement(s). Do these agreements include additional benefits offered? Yes[X] No[X] N/A[ ]

5.1 Does the reporting entity have stop-loss reinsurance?

Yes[X] No[ ]

5.2 If no, explain:

5.3 Maximum retained risk (see instructions):

5.31 Comprehensive Medical	\$..... 435,000
5.32 Medical Only	\$..... 0
5.33 Medicare Supplement	\$..... 0
5.34 Dental & Vision	\$..... 0
5.35 Other Limited Benefit Plan	\$..... 0
5.36 Other	\$..... 0

6. Describe arrangement which the reporting entity may have to protect subscribers and their dependents against the risk of insolvency including hold harmless provisions, conversion privileges with other carriers, agreements with providers to continue rendering services, and any other agreements: The plan has hold harmless provision with network hospitals. Paramount Insurance Company's reinsurance contract provides for payment of certain benefits for 30 days following an event of insolvency.

7.1 Does the reporting entity set up its claim liability for provider services on a service date basis? Yes[X] No[ ]

7.2 If no, give details:

8. Provide the following information regarding participating providers:

8.1 Number of providers at start of reporting year	..... 1,722
8.2 Number of providers at end of reporting year	..... 1,756

9.1 Does the reporting entity have business subject to premium rate guarantees?

Yes[X] No[ ]

9.2 If yes, direct premium earned:

9.21 Business with rate guarantees between 15-36 months	..... 15,101
9.22 Business with rate guarantees over 36 months	..... 0

10.1 Does the reporting entity have Incentive Pool, Withhold or Bonus Arrangements in its provider contracts?

Yes[X] No[ ]

10.2 If yes:

10.21 Maximum amount payable bonuses	\$..... 0
10.22 Amount actually paid for year bonuses	\$..... 0
10.23 Maximum amount payable withholds	\$..... 0
10.24 Amount actually paid for year withholds	\$..... 0

11.1 Is the reporting entity organized as:

11.12 A Medical Group/Staff Model,	Yes[X] No[X]
11.13 An Individual Practice Association (IPA), or,	Yes[X] No[X]
11.14 A Mixed Model (combination of above)?	Yes[X] No[X]

11.2 Is the reporting entity subject to Minimum Net Worth Requirements?

Yes[X] No[ ]

11.3 If yes, show the name of the state requiring such net worth.

Ohio

11.4 If yes, show the amount required.

\$..... 2,500,000
Yes[X] No[X]

11.5 Is this amount included as part of a contingency reserve in stockholder's equity?

11.6 If the amount is calculated, show the calculation.

12. List service areas in which the reporting entity is licensed to operate:

1 Name of Service Area
ALL COUNTIES IN OHIO .....

13.1 Do you act as a custodian for health savings accounts?

Yes[X] No[X]

13.2 If yes, please provide the amount of custodial funds held as of the reporting date:

\$..... 0
Yes[X] No[X]

13.3 Do you act as an administrator for health savings accounts?

Yes[X] No[X]

13.4 If yes, please provide the balance of the funds administered as of the reporting date:

\$..... 0
Yes[X] No[X]

## FIVE-YEAR HISTORICAL DATA

	1 2011	2 2010	3 2009	4 2008	5 2007
<b>BALANCE SHEET (Pages 2 and 3)</b>					
1. TOTAL Admitted Assets (Page 2, Line 28) .....	19,566,013	19,607,682	18,162,633	21,047,753	11,496,097
2. TOTAL Liabilities (Page 3, Line 24) .....	5,914,725	7,606,797	12,090,398	12,377,795	4,574,999
3. Statutory surplus .....	2,500,000	2,500,000	2,500,000	2,500,000	2,500,000
4. TOTAL Capital and Surplus (Page 3, Line 33) .....	13,651,288	12,000,885	6,072,235	8,669,958	6,921,098
<b>INCOME STATEMENT (Page 4)</b>					
5. TOTAL Revenues (Line 8) .....	23,015,623	37,287,327	34,306,195	35,950,212	20,717,552
6. TOTAL Medical and Hospital Expenses (Line 18) .....	19,486,241	37,771,332	35,336,692	36,770,684	16,712,062
7. Claims adjustment expenses (Line 20) .....	251,163	260,719	559,628	766,583	443,183
8. TOTAL Administrative Expenses (Line 21) .....	2,624,750	5,014,231	5,053,440	5,041,999	2,849,836
9. Net underwriting gain (loss) (Line 24) .....	1,746,070	(3,053,818)	(10,441,303)	(6,629,054)	1,612,471
10. Net investment gain (loss) (Line 27) .....	(674)	1,735	21,153	260,951	486,186
11. TOTAL Other Income (Lines 28 plus 29) .....					
12. Net income or (loss) (Line 32) .....	1,489,413	(1,016,582)	(7,883,726)	(4,220,030)	1,576,796
<b>Cash Flow (Page 6)</b>					
13. Net cash from operations (Line 11) .....	669,488	(3,692,309)	(1,292,797)	(6,190,252)	1,446,250
<b>RISK-BASED CAPITAL ANALYSIS</b>					
14. TOTAL Adjusted Capital .....	13,651,288	12,000,885	6,072,235	8,669,958	6,921,098
15. Authorized control level risk-based capital .....	1,368,919	2,536,662	2,416,982	2,680,906	1,180,621
<b>ENROLLMENT (Exhibit 1)</b>					
16. TOTAL Members at End of Period (Column 5, Line 7) .....	8,859	9,480	14,689	19,574	14,502
17. TOTAL Members Months (Column 6, Line 7) .....	106,094	174,450	171,620	254,904	130,733
<b>OPERATING PERCENTAGE (Page 4)</b>					
(Item divided by Page 4, sum of Lines 2, 3 and 5) x 100.0					
18. Premiums earned plus risk revenue (Line 2 plus Lines 3 and 5) .....	100.0	100.0	100.0	100.0	100.0
19. TOTAL Hospital and Medical plus other non-health (Lines 18 plus Line 19) .....	84.7	101.3	103.0	102.3	80.7
20. Cost containment expenses .....	0.8	0.5	1.3	1.2	1.2
21. Other claims adjustment expenses .....	0.3	0.2	0.3	1.0	1.0
22. TOTAL Underwriting Deductions (Line 23) .....	92.4	108.2	130.4	118.4	92.2
23. TOTAL Underwriting Gain (Loss) (Line 24) .....	7.6	(8.2)	(30.4)	(18.4)	7.8
<b>UNPAID CLAIMS ANALYSIS</b>					
(U&I Exhibit, Part 2B)					
24. TOTAL Claims Incurred for Prior Years (Line 13, Column 5) .....	2,609,920	5,096,464	4,363,749	3,051,151	2,365,119
25. Estimated liability of unpaid claims-[prior year (Line 13, Column 6)] .....	4,085,010	5,549,158	6,843,357	3,154,603	2,473,322
<b>INVESTMENTS IN PARENT, SUBSIDIARIES AND AFFILIATES</b>					
26. Affiliated bonds (Sch. D Summary, Line 12, Column 1) .....					
27. Affiliated preferred stocks (Sch. D Summary, Line 18, Column 1) .....					
28. Affiliated common stocks (Sch. D Summary, Line 24, Column 1) .....					
29. Affiliated short-term investments (subtotal included in Sch. DA Verification, Col. 5, Line 10) .....					
30. Affiliated mortgage loans on real estate .....					
31. All other affiliated .....					
32. TOTAL of Above Lines 26 to 31 .....					

NOTE: If a party to a merger, have the two most recent years of this exhibit been restated due to a merger in compliance with the disclosure requirements of SSAP No. 3, Accounting Changes and Correction of Errors? Yes[] No[] N/A[X]

If no, please explain: