



# ANNUAL STATEMENT

For the Year Ended December 31, 2011

of the Condition and Affairs of the

## Medical Mutual of Ohio

NAIC Group Code.....730, 730  
(Current Period) (Prior Period)

Organized under the Laws of Ohio

Licensed as Business Type.....Property/Casualty

Incorporated/Organized..... March 30, 1934

Statutory Home Office

Main Administrative Office

Mail Address

Primary Location of Books and Records

Internet Web Site Address

Statutory Statement Contact

NAIC Company Code..... 29076

State of Domicile or Port of Entry Ohio

Is HMO Federally Qualified? Yes [ ] No [ ]

Commenced Business..... January 1, 1934

2060 East Ninth Street..... Cleveland .... OH ..... 44115-1355  
(Street and Number) (City or Town, State and Zip Code)

2060 East Ninth Street..... Cleveland .... OH ..... 44115-1355  
(Street and Number) (City or Town, State and Zip Code)

2060 East Ninth Street..... Cleveland .... OH ..... 44115-1355  
(Street and Number or P. O. Box) (City or Town, State and Zip Code)

2060 East Ninth Street..... Cleveland .... OH ..... 44115-1355  
(Street and Number) (City or Town, State and Zip Code)

www.MedMutual.com

Sharon Matonis

(Name)

Sharon.Matonis@mmoh.com

(E-Mail Address)

Employer's ID Number..... 34-0648820

Country of Domicile US

216-687-7000

(Area Code) (Telephone Number)

216-687-7000

(Area Code) (Telephone Number)

216-687-6049

(Area Code) (Telephone Number) (Extension)

216-687-1579

(Fax Number)

### OFFICERS

Name	Title	Name	Title
1. Richard A. Chircosta	President	2. Patrick J. Dugan	Secretary
3. Dennis P. Jancsy	Treasurer	4.	

Jared P. Chaney	EVP	Patrick J. Dugan	EVP
Dennis P. Jancsy	EVP	Kevin S. Lauterjung #	EVP
Kenneth Sidon	EVP	Susan M. Tyler	EVP

### OTHER

Name	Title	Name	Title
Charles A. Bryan		Richard A. Chircosta	
James V. Patton		Dennis J. Roche	
		Patrick J. Dugan #	
		Glenna L. Watson	
		Samuel H. Miller	
		David J. Young	

### DIRECTORS OR TRUSTEES

State of..... Ohio  
County of..... Cuyahoga

The officers of this reporting entity being duly sworn, each depose and say that they are the described officers of 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) Richard A. Chircosta	(Signature) Patrick J. Dugan	(Signature) Dennis P. Jancsy
1. (Printed Name) President	2. (Printed Name) Secretary	3. (Printed Name) Treasurer
(Title)	(Title)	(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 [ X ] No [ ] _____ _____ _____

**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).....	766,373,661		766,373,661	762,412,516
2. Stocks (Schedule D):				
2.1 Preferred stocks.....			0	
2.2 Common stocks.....	163,860,467		163,860,467	124,193,357
3. Mortgage loans on real estate (Schedule B):				
3.1 First liens.....			0	
3.2 Other than first liens.....			0	
4. Real estate (Schedule A):				
4.1 Properties occupied by the company (less \$.....0 encumbrances).....			0	
4.2 Properties held for the production of income (less \$.....0 encumbrances).....			0	
4.3 Properties held for sale (less \$.....0 encumbrances).....			0	
5. Cash (\$....6,834,945, Sch. E-Part 1), cash equivalents (\$.....0, Sch. E-Part 2) and short-term investments (\$....78,627,876, Sch. DA).....	85,462,821		85,462,821	98,301,983
6. Contract loans (including \$.....0 premium notes).....			0	
7. Derivatives (Schedule DB).....			0	
8. Other invested assets (Schedule BA).....	450,598,813	36,043,654	414,555,159	427,241,120
9. Receivables for securities.....			0	
10. Securities lending reinvested collateral assets (Schedule DL).....			0	
11. Aggregate write-ins for invested assets.....	0	0	0	0
12. Subtotals, cash and invested assets (Lines 1 to 11).....	1,466,295,762	36,043,654	1,430,252,108	1,412,148,976
13. Title plants less \$.....0 charged off (for Title insurers only).....			0	
14. Investment income due and accrued.....	6,410,658		6,410,658	6,544,383
15. Premiums and considerations:				
15.1 Uncollected premiums and agents' balances in course of collection.....	13,660,142	.58,151	13,601,991	11,751,574
15.2 Deferred premiums, agents' balances and installments booked but deferred and not yet due (including \$.....0 earned but unbilled premiums).....			0	
15.3 Accrued retrospective premiums.....			0	
16. Reinsurance:				
16.1 Amounts recoverable from reinsurers.....			0	
16.2 Funds held by or deposited with reinsured companies.....			0	
16.3 Other amounts receivable under reinsurance contracts.....			0	
17. Amounts receivable relating to uninsured plans.....			0	
18.1 Current federal and foreign income tax recoverable and interest thereon.....	17,281,358		17,281,358	3,449,202
18.2 Net deferred tax asset.....	54,620,000	28,658,000	25,962,000	14,166,800
19. Guaranty funds receivable or on deposit.....	5,852,060		5,852,060	7,536,513
20. Electronic data processing equipment and software.....	7,054,308	7,054,308	0	
21. Furniture and equipment, including health care delivery assets (\$.....0).....	5,054,081	5,054,081	0	
22. Net adjustment in assets and liabilities due to foreign exchange rates.....			0	
23. Receivables from parent, subsidiaries and affiliates.....	39,580,053		39,580,053	20,721,409
24. Health care (\$....3,689,419) and other amounts receivable.....	7,921,461	4,085,557	3,835,904	2,987,314
25. Aggregate write-ins for other than invested assets.....	34,873,520	18,940,120	15,933,400	16,351,766
26. Total assets excluding Separate Accounts, Segregated Accounts and Protected Cell Accounts (Lines 12 to 25).....	1,658,603,403	99,893,871	1,558,709,532	1,495,657,937
27. From Separate Accounts, Segregated Accounts and Protected Cell Accounts.....			0	
28. TOTALS (Lines 26 and 27).....	1,658,603,403	99,893,871	1,558,709,532	1,495,657,937

**DETAILS OF WRITE-INS**

1101.....			0	
1102.....			0	
1103.....			0	
1198. Summary of remaining write-ins for Line 11 from overflow page.....	0	0	0	0
1199. Totals (Lines 1101 thru 1103 plus 1198) (Line 11 above).....	0	0	0	0
2501. Note Receivable - Rose Building.....	7,585,082		7,585,082	8,184,594
2502. Cash Surrender Value - Life Insurance.....	8,080,066		8,080,066	7,864,850
2503. Other Assets.....	10,699,077	10,431,026	268,051	289,992
2598. Summary of remaining write-ins for Line 25 from overflow page.....	8,509,295	8,509,094	201	12,330
2599. Totals (Lines 2501 thru 2503 plus 2598) (Line 25 above).....	34,873,520	18,940,120	15,933,400	16,351,766

**LIABILITIES, CAPITAL AND SURPLUS**

	Current Period			Prior Year
	1 Covered	2 Uncovered	3 Total	4 Total
1. Claims unpaid (less \$.....0 reinsurance ceded).....	195,104,400		195,104,400	203,490,800
2. Accrued medical incentive pool and bonus amounts.....	1,289,899		1,289,899	
3. Unpaid claims adjustment expenses.....	5,721,872		5,721,872	5,971,144
4. Aggregate health policy reserves, including the liability of \$....100,000 for medical loss ratio rebate per the Public Health Service Act.....	3,348,000		3,348,000	1,792,000
5. Aggregate life policy reserves.....			0	
6. Property/casualty unearned premium reserve.....			0	
7. Aggregate health claim reserves.....			0	
8. Premiums received in advance.....	62,828,875		62,828,875	65,720,387
9. General expenses due or accrued.....	88,016,675		88,016,675	83,985,662
10.1 Current federal and foreign income tax payable and interest thereon (including \$.....0 on realized capital gains (losses)).....			0	
10.2 Net deferred tax liability.....			0	
11. Ceded reinsurance premiums payable.....			0	
12. Amounts withheld or retained for the account of others.....			0	365,733
13. Remittances and items not allocated.....	1,218,723		1,218,723	1,089,865
14. Borrowed money (including \$.....0 current) and interest thereon \$.....0 (including \$.....0 current).....			0	
15. Amounts due to parent, subsidiaries and affiliates.....			0	
16. Derivatives.....			0	
17. Payable for securities.....			0	
18. Payable for securities lending.....			0	
19. Funds held under reinsurance treaties with (\$.....0 authorized reinsurers and \$.....0 unauthorized reinsurers).....			0	
20. Reinsurance in unauthorized companies.....			0	
21. Net adjustments in assets and liabilities due to foreign exchange rates.....			0	
22. Liability for amounts held under uninsured plans.....			0	
23. Aggregate write-ins for other liabilities (including \$....20,152,173 current).....	80,279,834	0	80,279,834	67,916,091
24. Total liabilities (Lines 1 to 23).....	437,808,278	0	437,808,278	430,331,682
25. Aggregate write-ins for special surplus funds.....	XXX	XXX	0	0
26. Common capital stock.....	XXX	XXX		
27. Preferred capital stock.....	XXX	XXX		
28. Gross paid in and contributed surplus.....	XXX	XXX		
29. Surplus notes.....	XXX	XXX		
30. Aggregate write-ins for other than special surplus funds.....	XXX	XXX	0	0
31. Unassigned funds (surplus).....	XXX	XXX	1,120,901,254	1,065,326,255
32. Less treasury stock at cost:				
32.1 ....0.000 shares common (value included in Line 26 \$.....0).....	XXX	XXX		
32.2 ....0.000 shares preferred (value included in Line 27 \$.....0).....	XXX	XXX		
33. Total capital and surplus (Lines 25 to 31 minus Line 32).....	XXX	XXX	1,120,901,254	1,065,326,255
34. Total liabilities, capital and surplus (Lines 24 and 33).....	XXX	XXX	1,558,709,532	1,495,657,937

**DETAILS OF WRITE-INS**

2301. Accrued Postemployment Benefits Other Than Pension.....	29,850,233		29,850,233	27,511,821
2302. Building Lease Liability.....	11,693,984		11,693,984	12,617,183
2303. Other Liabilities.....	24,409,050		24,409,050	10,684,872
2398. Summary of remaining write-ins for Line 23 from overflow page.....	14,326,567	0	14,326,567	17,102,215
2399. Totals (Lines 2301 thru 2303 plus 2398) (Line 23 above).....	80,279,834	0	80,279,834	67,916,091
2501. ....	XXX	XXX		
2502. ....	XXX	XXX		
2503. ....	XXX	XXX		
2598. Summary of remaining write-ins for Line 25 from overflow page.....	XXX	XXX	0	0
2599. Totals (Lines 2501 thru 2503 plus 2598) (Line 25 above).....	XXX	XXX	0	0
3001. ....	XXX	XXX		
3002. ....	XXX	XXX		
3003. ....	XXX	XXX		
3098. Summary of remaining write-ins for Line 30 from overflow page.....	XXX	XXX	0	0
3099. Totals (Lines 3001 thru 3003 plus 3098) (Line 30 above).....	XXX	XXX	0	0

**STATEMENT OF REVENUE AND EXPENSES**

	Current Year		Prior Year
	1 Uncovered	2 Total	3 Total
1. Member months.....	XXX.....	12,196,851	12,252,504
2. Net premium income (including \$.....0 non-health premium income).....	XXX.....	2,122,861,380	2,078,659,426
3. Change in unearned premium reserves and reserve for rate credits.....	XXX.....	(100,000)	
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.....	0	0
7. Aggregate write-ins for other non-health revenues.....	XXX.....	0	0
8. Total revenues (Lines 2 to 7).....	XXX.....	2,122,761,380	2,078,659,426
<b>Hospital and Medical:</b>			
9. Hospital/medical benefits.....		1,082,689,040	1,083,863,045
10. Other professional services.....		95,487,004	95,972,132
11. Outside referrals.....		20,746,065	19,821,593
12. Emergency room and out-of-area.....		208,810,630	202,968,508
13. Prescription drugs.....		241,311,968	252,144,200
14. Aggregate write-ins for other hospital and medical.....	0	0	0
15. Incentive pool, withhold adjustments and bonus amounts.....		1,289,899	
16. Subtotal (Lines 9 to 15).....	0	1,650,334,606	1,654,769,478
<b>Less:</b>			
17. Net reinsurance recoveries.....		(63,836,387)	(61,546,331)
18. Total hospital and medical (Lines 16 minus 17).....	0	1,714,170,993	1,716,315,809
19. Non-health claims (net).....			
20. Claims adjustment expenses, including \$....25,916,842 cost containment expenses.....		64,390,278	65,249,879
21. General administrative expenses.....		281,171,936	363,502,527
22. Increase in reserves for life and accident and health contracts including \$.....0 increase in reserves for life only).....		1,456,000	(7,792,000)
23. Total underwriting deductions (Lines 18 through 22).....	0	2,061,189,207	2,137,276,215
24. Net underwriting gain or (loss) (Lines 8 minus 23).....	XXX.....	61,572,173	(58,616,789)
25. Net investment income earned (Exhibit of Net Investment Income, Line 17).....		30,218,056	31,776,835
26. Net realized capital gains or (losses) less capital gains tax of \$....19,500.....		3,064,858	5,080,076
27. Net investment gains or (losses) (Lines 25 plus 26).....	0	33,282,914	36,856,911
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.....	0	58,563	6,151,301
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.....	94,913,650	(15,608,577)
31. Federal and foreign income taxes incurred.....	XXX.....	28,678,512	9,818,554
32. Net income (loss) (Lines 30 minus 31).....	XXX.....	66,235,138	(25,427,131)

**DETAILS OF WRITE-INS**

0601.....	XXX.....		
0602.....	XXX.....		
0603.....	XXX.....		
0698. Summary of remaining write-ins for Line 6 from overflow page.....	XXX.....	0	0
0699. Totals (Lines 0601 thru 0603 plus 0698) (Line 6 above).....	XXX.....	0	0
0701.....	XXX.....		
0702.....	XXX.....		
0703.....	XXX.....		
0798. Summary of remaining write-ins for Line 7 from overflow page.....	XXX.....	0	0
0799. Totals (Lines 0701 thru 0703 plus 0798) (Line 7 above).....	XXX.....	0	0
1401.....			
1402.....			
1403.....			
1498. Summary of remaining write-ins for Line 14 from overflow page.....	0	0	0
1499. Totals (Lines 1401 thru 1403 plus 1498) (Line 14 above).....	0	0	0
2901. Other Income.....		58,563	6,151,301
2902.....			
2903.....			
2998. Summary of remaining write-ins for Line 29 from overflow page.....	0	0	0
2999. Totals (Lines 2901 thru 2903 plus 2998) (Line 29 above).....	0	58,563	6,151,301

**STATEMENT OF REVENUE AND EXPENSES (Continued)**

CAPITAL AND SURPLUS ACCOUNT	1 Current Year	2 Prior Year
33. Capital and surplus prior reporting period.....	1,065,326,255	975,032,091
34. Net income or (loss) from Line 32.....	66,235,138	(25,427,131)
35. Change in valuation basis of aggregate policy and claim reserves.....		
36. Change in net unrealized capital gains and (losses) less capital gains tax of \$.....0	(5,050,948)	12,298,770
37. Change in net unrealized foreign exchange capital gain or (loss).....		21,143
38. Change in net deferred income tax.....	(249,568,000)	(12,386,300)
39. Change in nonadmitted assets.....	243,958,809	75,955,696
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.....		
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.....	0	39,831,986
48. Net change in capital and surplus (Lines 34 to 47).....	55,574,999	90,294,164
49. Capital and surplus end of reporting period (Line 33 plus 48).....	1,120,901,254	1,065,326,255

**DETAILS OF WRITE-INS**

4701. Decrease in Additional Minimum Pension Liability.....		39,831,986
4702. .....		
4703. .....		
4798. Summary of remaining write-ins for Line 47 from overflow page.....	0	0
4799. Totals (Lines 4701 thru 4703 plus 4798) (Line 47 above).....	0	39,831,986

**CASH FLOW**

	1 Current Year	2 Prior Year
<b>CASH FROM OPERATIONS</b>		
1. Premiums collected net of reinsurance.....	2,118,180,507	2,080,280,956
2. Net investment income.....	33,283,443	34,767,048
3. Miscellaneous income.....		3,497,991
4. Total (Lines 1 through 3).....	2,151,463,950	2,118,545,995
5. Benefit and loss related payments.....	1,721,267,494	1,718,076,062
6. Net transfers to Separate Accounts, Segregated Accounts and Protected Cell Accounts.....		
7. Commissions, expenses paid and aggregate write-ins for deductions.....	278,700,615	364,160,873
8. Dividends paid to policyholders.....		
9. Federal and foreign income taxes paid (recovered) net of \$....1,073,300 tax on capital gains (losses).....	42,530,168	5,064,649
10. Total (Lines 5 through 9).....	2,042,498,277	2,087,301,584
11. Net cash from operations (Line 4 minus Line 10).....	108,965,673	31,244,411
<b>CASH FROM INVESTMENTS</b>		
12. Proceeds from investments sold, matured or repaid:		
12.1 Bonds.....	80,767,125	199,721,527
12.2 Stocks.....	105,683	396,653
12.3 Mortgage loans.....		
12.4 Real estate.....		
12.5 Other invested assets.....	975,050	1,843,398
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).....	81,847,858	201,961,578
13. Cost of investments acquired (long-term only):		
13.1 Bonds.....	133,561,574	191,724,992
13.2 Stocks.....	36,019,984	
13.3 Mortgage loans.....		
13.4 Real estate.....		
13.5 Other invested assets.....	2,833,746	3,406,820
13.6 Miscellaneous applications.....		
13.7 Total investments acquired (Lines 13.1 to 13.6).....	172,415,304	195,131,812
14. Net increase (decrease) in contract loans and premium notes.....		
15. Net cash from investments (Line 12.8 minus Lines 13.7 minus Line 14).....	(90,567,446)	6,829,766
<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.....		
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).....	(31,237,389)	(25,655,556)
17. Net cash from financing and miscellaneous sources (Lines 16.1 to 16.4 minus Line 16.5 plus Line 16.6).....	(31,237,389)	(25,655,556)
<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 Line 15 plus Line 17).....	(12,839,162)	12,418,621
19. Cash, cash equivalents and short-term investments:		
19.1 Beginning of year.....	98,301,983	85,883,362
19.2 End of year (Line 18 plus Line 19.1).....	85,462,821	98,301,983

Note: Supplemental disclosures of cash flow information for non-cash transactions:

20.0001 .....		
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**UNDERWRITING AND INVESTMENT EXHIBIT****PART 1 - PREMIUMS**

Line of Business	1 Direct Business	2 Reinsurance Assumed	3 Reinsurance Ceded	4 Net Premium Income (Cols. 1 + 2 - 3)
1. Comprehensive (hospital and medical).....	1,938,136,798	61,133,773		1,999,270,571
2. Medicare supplement.....	26,439,797	492,970		26,932,767
3. Dental only.....	15,630,062	226,476		15,856,538
4. Vision only.....	1,704,993	48,293		1,753,286
5. Federal employees health benefits plan.....				0
6. Title XVIII - Medicare.....	918,110			918,110
7. Title XIX - Medicaid.....				0
8. Other health.....	78,038,353	91,755		78,130,108
9. Health subtotal (Lines 1 through 8).....	2,060,868,113	61,993,267	0	2,122,861,380
10. Life.....				0
11. Property/casualty.....				0
12. Totals (Lines 9 to 11).....	2,060,868,113	61,993,267	0	2,122,861,380

**UNDERWRITING AND INVESTMENT EXHIBIT****PART 2 - CLAIMS INCURRED DURING THE YEAR**

	1	2	3	4	5	6	7	8	9	10
	Total	Comprehensive (Hospital and Medical)	Medicare Supplement	Dental Only	Vision Only	Federal Employees Health Benefits Plan	Title XVIII Medicare	Title XIX Medicaid	Other Health	Other Non-Health
1. Payments during the year:										
1.1 Direct	1,652,309,705	1,575,256,983	19,921,700	8,155,959	1,209,792		4,251,087		43,514,184	
1.2 Reinsurance assumed	66,161,667	65,399,844	426,090	221,666	17,289				.96,778	
1.3 Reinsurance ceded	622,880	622,880								
1.4 Net	1,717,848,492	1,640,033,947	20,347,790	8,377,625	1,227,081	0	4,251,087	0	43,610,962	0
2. Paid medical incentive pools and bonuses	0									
3. Claim liability December 31, current year from Part 2A:										
3.1 Direct	188,082,000	182,555,497	2,748,307	675,603	24,960		58,949		2,018,684	
3.2 Reinsurance assumed	7,022,400	6,953,633	55,811	12,710	246					
3.3 Reinsurance ceded	0									
3.4 Net	195,104,400	189,509,130	2,804,118	688,313	25,206	0	58,949	0	2,018,684	0
4. Claim reserve December 31, current year from Part 2D:										
4.1 Direct	0									
4.2 Reinsurance assumed	0									
4.3 Reinsurance ceded	0									
4.4 Net	0	0	0	0	0	0	0	0	0	0
5. Accrued medical incentive pools and bonuses, current year	1,289,899	1,289,899								
6. Net healthcare receivables (a)	(3,419,002)	(2,989,916)	(63,894)	(120,520)	.790		(246,040)		.578	
7. Amounts recoverable from reinsurers December 31, current year	0									
8. Claim liability December 31, prior year from Part 2A:										
8.1 Direct	194,766,000	182,710,404	4,020,000	756,792	35,804		5,243,000		2,000,000	
8.2 Reinsurance assumed	8,724,800	8,650,844	51,200	22,276	480					
8.3 Reinsurance ceded	0									
8.4 Net	203,490,800	191,361,248	4,071,200	779,068	36,284	0	5,243,000	0	2,000,000	0
9. Claim reserve December 31, prior year from Part 2D:										
9.1 Direct	0									
9.2 Reinsurance assumed	0									
9.3 Reinsurance ceded	0									
9.4 Net	0	0	0	0	0	0	0	0	0	0
10. Accrued medical incentive pools and bonuses, prior year	0									
11. Amounts recoverable from reinsurers December 31, prior year	0									
12. Incurred benefits:										
12.1 Direct	1,649,044,707	1,578,091,992	18,713,901	8,195,290	1,198,158	0	(686,924)	0	43,532,290	0
12.2 Reinsurance assumed	64,459,267	63,702,633	430,701	212,100	17,055	0	0	0	.96,778	0
12.3 Reinsurance ceded	622,880	622,880	0	0	0	0	0	0	0	0
12.4 Net	1,712,881,094	1,641,171,745	19,144,602	8,407,390	1,215,213	0	(686,924)	0	43,629,068	0
13. Incurred medical incentive pools and bonuses	1,289,899	1,289,899	0	0	0	0	0	0	0	0

(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 Comprehensive (Medical and Hospital)	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.....	0									
1.2 Reinsurance assumed.....	0									
1.3 Reinsurance ceded.....	0									
1.4 Net.....	0	0	0	0	0	0	0	0	0	0
2. Incurred but unreported:										
2.1 Direct.....	188,082,000	182,555,497	2,748,307	675,603	24,960	58,949			2,018,684	
2.2 Reinsurance assumed.....	7,022,400	6,953,633	.55,811	12,710	246					
2.3 Reinsurance ceded.....	0									
2.4 Net.....	195,104,400	189,509,130	2,804,118	688,313	25,206	58,949	0	2,018,684		0
3. Amounts withheld from paid claims and capitations:										
3.1 Direct.....	0									
3.2 Reinsurance assumed.....	0									
3.3 Reinsurance ceded.....	0									
3.4 Net.....	0	0	0	0	0	0	0	0	0	0
4. Totals:										
4.1 Direct.....	188,082,000	182,555,497	2,748,307	675,603	24,960	58,949	0	2,018,684		0
4.2 Reinsurance assumed.....	7,022,400	6,953,633	.55,811	12,710	246	0	0	0		0
4.3 Reinsurance ceded.....	0	0	0	0	0	0	0	0		0
4.4 Net.....	195,104,400	189,509,130	2,804,118	688,313	25,206	58,949	0	2,018,684		0

**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 Claims Incurred in Prior Years (Columns 1 + 3)	6 Estimated Claim Reserve and Claim Liability December 31 of Prior Year
	1 On Claims Incurred Prior to January 1 of Current Year	2 On Claims Incurred During the Year	3 On Claims Unpaid December 31 of Prior Year	4 On Claims Incurred During the Year		
1. Comprehensive (hospital and medical).....	171,466,591	1,471,557,271	(541,455)	190,050,586	170,925,136	191,361,248
2. Medicare supplement.....	2,925,200	17,486,484	(21,994)	2,826,112	2,903,206	4,071,200
3. Dental only.....	775,164	7,722,981	1,022	687,291	776,186	779,068
4. Vision only.....	29,527	1,196,765	50	25,155	29,577	36,284
5. Federal employees health benefits plan.....					0	
6. Title XVIII - Medicare.....	4,497,127		58,949		4,556,076	5,243,000
7. Title XIX - Medicaid.....					0	
8. Other health.....	1,007,466	42,602,918	(327)	2,019,011	1,007,139	2,000,000
9. Health subtotal (Lines 1 to 8).....	180,701,075	1,540,566,419	(503,755)	195,608,155	180,197,320	203,490,800
10. Healthcare receivables (a).....					0	
11. Other non-health.....					0	
12. Medical incentive pools and bonus amounts.....				1,289,899	0	
13. Totals (Lines 9 - 10 + 11 + 12).....	180,701,075	1,540,566,419	(503,755)	196,898,054	180,197,320	203,490,800

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

**UNDERWRITING AND INVESTMENT EXHIBIT****PART 2C - DEVELOPMENT OF PAID AND INCURRED CLAIMS**

(000 Omitted)

**SECTION A - PAID HEALTH CLAIMS - GRAND TOTAL**

Year in Which Losses Were Incurred	Cumulative Net Amounts Paid				
	1 2007	2 2008	3 2009	4 2010	5 2011
1. Prior.....	206,594	204,471	203,383	203,051	202,440
2. 2007.....	1,425,610	1,627,909	1,626,582	1,625,834	1,625,355
3. 2008.....	XXX	1,466,204	1,678,299	1,677,046	1,676,456
4. 2009.....	XXX	XXX	1,451,529	1,640,930	1,640,239
5. 2010.....	XXX	XXX	XXX	1,533,075	1,716,146
6. 2011.....	XXX	XXX	XXX	XXX	1,540,566

**SECTION B - INCURRED HEALTH CLAIMS - GRAND TOTAL**

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.....	12,398	4,059	4,086	4,499	3,554
2. 2007.....	1,635,716	1,630,452	1,625,161	1,625,456	1,624,885
3. 2008.....	XXX	1,679,340	1,681,347	1,676,029	1,675,887
4. 2009.....	XXX	XXX	1,658,255	1,643,765	1,639,594
5. 2010.....	XXX	XXX	XXX	1,735,416	1,717,950
6. 2011.....	XXX	XXX	XXX	XXX	1,737,464

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**SECTION C - INCURRED YEAR HEALTH CLAIM AND CLAIM ADJUSTMENT EXPENSE RATIO - GRAND TOTAL**

Years in Which Premiums were Earned and Claims were Incurred	1 Premiums Earned	2 Claim Payments	3 Claim Adjustment Expense Payments	4 Percent (Col. 3/2)	5 Claim and Claim Adjustment Expense Payments (Col. 2 + 3)	6 Percent (Col. 5/1)	7 Claims Unpaid	8 Unpaid Claim Adjustment Expense	9 Total Claims and Claims Adjustment Expense Incurred (Col. 5 + 7 + 8)	10 Percent (Col. 9/1)
1. 2007.....	1,996,208	1,625,355	67,765	4.2	1,693,120	84.8	(1,093)		1,692,027	84.8
2. 2008.....	2,030,649	1,676,456	72,963	4.4	1,749,419	86.2	(569)		1,748,850	86.1
3. 2009.....	1,979,337	1,640,239	65,721	4.0	1,705,960	86.2	(646)		1,705,314	86.2
4. 2010.....	2,078,660	1,716,146	65,388	3.8	1,781,534	85.7	1,805	83	1,783,422	85.8
5. 2011.....	2,122,862	1,540,566	55,460	3.6	1,596,026	75.2	196,898	5,639	1,798,563	84.7

**UNDERWRITING AND INVESTMENT EXHIBIT****PART 2C - DEVELOPMENT OF PAID AND INCURRED CLAIMS**

(000 Omitted)

**SECTION A - PAID HEALTH CLAIMS - HOSPITAL AND MEDICAL**

Year in Which Losses Were Incurred	Cumulative Net Amounts Paid				
	1 2007	2 2008	3 2009	4 2010	5 2011
1. Prior.....	202,100	199,977	198,889	198,557	197,949
2. 2007.....	1,356,229	1,552,704	1,551,377	1,550,629	1,550,169
3. 2008.....	XXX.....	1,335,540	1,528,014	1,526,761	1,526,202
4. 2009.....	XXX.....	XXX.....	1,346,925	1,525,247	1,524,617
5. 2010.....	XXX.....	XXX.....	XXX.....	1,431,129	1,604,852
6. 2011.....	XXX.....	XXX.....	XXX.....	XXX.....	1,471,557

**SECTION B - INCURRED HEALTH CLAIMS - HOSPITAL AND MEDICAL**

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.....	13,171	4,863	4,890	5,303	4,377
2. 2007.....	1,560,154	1,555,143	1,549,956	1,550,251	1,549,709
3. 2008.....	XXX.....	1,530,691	1,530,422	1,525,744	1,525,643
4. 2009.....	XXX.....	XXX.....	1,538,926	1,527,934	1,523,988
5. 2010.....	XXX.....	XXX.....	XXX.....	1,622,110	1,607,187
6. 2011.....	XXX.....	XXX.....	XXX.....	XXX.....	1,662,898

**SECTION C - INCURRED YEAR HEALTH CLAIM AND CLAIM ADJUSTMENT EXPENSE RATIO - HOSPITAL AND MEDICAL**

Years in Which Premiums were Earned and Claims were Incurred	1 Premiums Earned	2 Claim Payments	3 Claim Adjustment Expense Payments	4 Percent (Col. 3/2)	5 Claim and Claim Adjustment Expense Payments (Col. 2 + 3)	6 Percent (Col. 5/1)	7 Claims Unpaid	8 Unpaid Claim Adjustment Expenses	9 Total Claims and Claims Adjustment Expense Incurred (Col. 5 + 7 + 8)	10 Percent (Col. 9/1)
1. 2007.....	1,883,288	1,550,169	64,067	4.1	1,614,236	85.7	(1,068)		1,613,168	85.7
2. 2008.....	1,838,155	1,526,202	67,057	4.4	1,593,259	86.7	(559)		1,592,700	86.6
3. 2009.....	1,823,616	1,524,617	60,882	4.0	1,585,499	86.9	(630)		1,584,869	86.9
4. 2010.....	1,929,822	1,604,852	61,346	3.8	1,666,198	86.3	1,716	82	1,667,996	86.4
5. 2011.....	1,999,271	1,471,557	53,348	3.6	1,524,905	76.3	191,341	5,536	1,721,782	86.1

**UNDERWRITING AND INVESTMENT EXHIBIT****PART 2C - DEVELOPMENT OF PAID AND INCURRED CLAIMS**

(000 Omitted)

**SECTION A - PAID HEALTH CLAIMS - MEDICARE SUPPLEMENT**

Year in Which Losses Were Incurred	Cumulative Net Amounts Paid				
	1 2007	2 2008	3 2009	4 2010	5 2011
1. Prior.....	4,258	4,258	4,258	4,258	4,255
2. 2007.....	21,293	25,186	25,186	25,186	25,180
3. 2008.....	XXX.....	19,477	23,706	23,706	23,694
4. 2009.....	XXX.....	XXX.....	20,193	23,867	23,843
5. 2010.....	XXX.....	XXX.....	XXX.....	19,846	22,816
6. 2011.....	XXX.....	XXX.....	XXX.....	XXX.....	17,486

**SECTION B - INCURRED HEALTH CLAIMS - MEDICARE SUPPLEMENT**

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.....	(732)	(764)	(764)	(764)	(783)
2. 2007.....	25,235	25,242	25,186	25,186	25,171
3. 2008.....	XXX.....	23,233	23,766	23,706	23,684
4. 2009.....	XXX.....	XXX.....	24,634	23,909	23,827
5. 2010.....	XXX.....	XXX.....	XXX.....	23,875	22,844
6. 2011.....	XXX.....	XXX.....	XXX.....	XXX.....	20,312

**SECTION C - INCURRED YEAR HEALTH CLAIM AND CLAIM ADJUSTMENT EXPENSE RATIO - MEDICARE SUPPLEMENT**

Years in Which Premiums were Earned and Claims were Incurred	1 Premiums Earned	2 Claim Payments	3 Claim Adjustment Expense Payments	4 Percent (Col. 3/2)	5 Claim and Claim Adjustment Expense Payments (Col. 2 + 3)	6 Percent (Col. 5/1)	7 Claims Unpaid	8 Unpaid Claim Adjustment Expenses	9 Total Claims and Claims Adjustment Expense Incurred (Col. 5 + 7 + 8)	10 Percent (Col. 9/1)
1. 2007.....	31,499	25,180	1,043	4.1	26,223	83.3	(25)		26,198	83.2
2. 2008.....	27,996	23,694	1,030	4.3	24,724	88.3	(10)		24,714	88.3
3. 2009.....	30,937	23,843	957	4.0	24,800	80.2	(16)		24,784	80.1
4. 2010.....	29,932	22,816	900	3.9	23,716	79.2	29	1	23,746	79.3
5. 2011.....	26,933	17,486	794	4.5	18,280	67.9	2,826	82	21,188	78.7

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**UNDERWRITING AND INVESTMENT EXHIBIT****PART 2C - DEVELOPMENT OF PAID AND INCURRED CLAIMS**

(000 Omitted)

**SECTION A - PAID HEALTH CLAIMS - DENTAL ONLY**

Year in Which Losses Were Incurred	Cumulative Net Amounts Paid				
	1 2007	2 2008	3 2009	4 2010	5 2011
1. Prior.....	.224	.224	.224	.224	.224
2. 2007.....	2,350	2,564	2,564	2,564	2,564
3. 2008.....	XXX.....	1,944	2,097	2,097	2,097
4. 2009.....	XXX.....	XXX.....	1,682	1,839	1,839
5. 2010.....	XXX.....	XXX.....	XXX.....	1,769	2,544
6. 2011.....	XXX.....	XXX.....	XXX.....	XXX.....	7,723

**SECTION B - INCURRED HEALTH CLAIMS - DENTAL ONLY**

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.....	.....(34)	.....(34)	.....(34)	.....(34)	.....(34)
2. 2007.....	2,602	2,564	2,564	2,564	2,564
3. 2008.....	XXX.....	2,121	2,098	2,097	2,097
4. 2009.....	XXX.....	XXX.....	1,858	1,840	1,839
5. 2010.....	XXX.....	XXX.....	XXX.....	1,951	1,951
6. 2011.....	XXX.....	XXX.....	XXX.....	XXX.....	8,410

**SECTION C - INCURRED YEAR HEALTH CLAIM AND CLAIM ADJUSTMENT EXPENSE RATIO - DENTAL ONLY**

Years in Which Premiums were Earned and Claims were Incurred	1 Premiums Earned	2 Claim Payments	3 Claim Adjustment Expense Payments	4 Percent (Col. 3/2)	5 Claim and Claim Adjustment Expense Payments (Col. 2 + 3)	6 Percent (Col. 5/1)	7 Claims Unpaid	8 Unpaid Claim Adjustment Expenses	9 Total Claims and Claims Adjustment Expense Incurred (Col. 5 + 7 + 8)	10 Percent (Col. 9/1)
1. 2007.....	3,134	2,564	104	4.1	2,668	85.1	.....	.....	2,668	85.1
2. 2008.....	2,492	2,097	93	4.4	2,190	87.9	.....	.....	2,190	87.9
3. 2009.....	2,181	1,839	73	4.0	1,912	87.7	.....	.....	1,912	87.7
4. 2010.....	2,344	2,544	82	3.2	2,626	112.0	.1	.....	2,627	112.1
5. 2011.....	15,857	7,723	115	1.5	7,838	49.4	687	20	8,545	53.9

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**UNDERWRITING AND INVESTMENT EXHIBIT****PART 2C - DEVELOPMENT OF PAID AND INCURRED CLAIMS**

(000 Omitted)

**SECTION A - PAID HEALTH CLAIMS - VISION ONLY**

Year in Which Losses Were Incurred	Cumulative Net Amounts Paid				
	1 2007	2 2008	3 2009	4 2010	5 2011
1. Prior.....	12	12	12	12	12
2. 2007.....	278	287	287	287	287
3. 2008.....	XXX.....	285	292	292	292
4. 2009.....	XXX.....	XXX.....	294	302	302
5. 2010.....	XXX.....	XXX.....	XXX.....	385	414
6. 2011.....	XXX.....	XXX.....	XXX.....	XXX.....	1,197

**SECTION B - INCURRED HEALTH CLAIMS - VISION ONLY**

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.....	(7)	(6)	(6)	(6)	(6)
2. 2007.....	300	287	287	287	287
3. 2008.....	XXX.....	293	293	293	293
4. 2009.....	XXX.....	XXX.....	300	302	302
5. 2010.....	XXX.....	XXX.....	XXX.....	396	389
6. 2011.....	XXX.....	XXX.....	XXX.....	XXX.....	1,222

**SECTION C - INCURRED YEAR HEALTH CLAIM AND CLAIM ADJUSTMENT EXPENSE RATIO - VISION ONLY**

Years in Which Premiums were Earned and Claims were Incurred	1 Premiums Earned	2 Claim Payments	3 Claim Adjustment Expense Payments	4 Percent (Col. 3/2)	5 Claim and Claim Adjustment Expense Payments (Col. 2 + 3)	6 Percent (Col. 5/1)	7 Claims Unpaid	8 Unpaid Claim Adjustment Expenses	9 Total Claims and Claims Adjustment Expense Incurred (Col. 5 + 7 + 8)	10 Percent (Col. 9/1)
1. 2007.....	301	287	12	4.2	299	99.3			299	99.3
2. 2008.....	278	292	13	4.5	305	109.7			305	109.7
3. 2009.....	288	302	12	4.0	314	109.0			314	109.0
4. 2010.....	345	414	16	3.9	430	124.6			430	124.6
5. 2011.....	1,753	1,197	17	1.4	1,214	69.3	25	1	1,240	70.7

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**UNDERWRITING AND INVESTMENT EXHIBIT****PART 2C - DEVELOPMENT OF PAID AND INCURRED CLAIMS**

(000 Omitted)

**SECTION A - PAID HEALTH CLAIMS - FEDERAL EMPLOYEES HEALTH BENEFITS PLAN PREMIUM**

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.....			
5. 2010.....	XXX.....	XXX.....	XXX.....		
6. 2011.....	XXX.....	XXX.....	XXX.....	XXX.....	XXX.....

**SECTION B - INCURRED HEALTH CLAIMS - FEDERAL EMPLOYEES HEALTH BENEFITS PLAN PREMIUM**

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.....			
5. 2010.....	XXX.....	XXX.....	XXX.....		
6. 2011.....	XXX.....	XXX.....	XXX.....	XXX.....	XXX.....

**SECTION C - INCURRED YEAR HEALTH CLAIM AND CLAIM ADJUSTMENT EXPENSE RATIO - FEDERAL EMPLOYEES HEALTH BENEFITS PLAN PREMIUM**

Years in Which Premiums were Earned and Claims were Incurred	1 Premiums Earned	2 Claim Payments	3 Claim Adjustment Expense Payments	4 Percent (Col. 3/2)	5 Claim and Claim Adjustment Expense Payments (Col. 2 + 3)	6 Percent (Col. 5/1)	7 Claims Unpaid	8 Unpaid Claim Adjustment Expenses	9 Total Claims and Claims Adjustment Expense Incurred (Col. 5 + 7 + 8)	10 Percent (Col. 9/1)
1. 2007.....				0.0	0.0	0.0			0	0.0
2. 2008.....				0.0	0	0.0			0	0.0
3. 2009.....				0.0	0	0.0			0	0.0
4. 2010.....				0.0	0	0.0			0	0.0
5. 2011.....				0.0	0	0.0			0	0.0

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**UNDERWRITING AND INVESTMENT EXHIBIT****PART 2C - DEVELOPMENT OF PAID AND INCURRED CLAIMS**

(000 Omitted)

**SECTION A - PAID HEALTH CLAIMS - TITLE XVIII - MEDICARE**

Year in Which Losses Were Incurred	Cumulative Net Amounts Paid				
	1 2007	2 2008	3 2009	4 2010	5 2011
1. Prior.....					
2. 2007.....	8,535	10,232	10,232	10,232	10,219
3. 2008.....	XXX.....	65,550	80,748	80,748	80,729
4. 2009.....	XXX.....	XXX.....	37,259	43,499	43,462
5. 2010.....	XXX.....	XXX.....	XXX.....	36,023	40,590
6. 2011.....	XXX.....	XXX.....	XXX.....	XXX.....	-

**SECTION B - INCURRED HEALTH CLAIMS - TITLE XVIII - MEDICARE**

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.....	10,489	10,280	10,232	10,232	10,218
3. 2008.....	XXX.....	79,562	81,326	80,747	80,728
4. 2009.....	XXX.....	XXX.....	45,361	43,604	43,462
5. 2010.....	XXX.....	XXX.....	XXX.....	41,161	40,649
6. 2011.....	XXX.....	XXX.....	XXX.....	XXX.....	XXX.....

**SECTION C - INCURRED YEAR HEALTH CLAIM AND CLAIM ADJUSTMENT EXPENSE RATIO - TITLE XVIII - MEDICARE**

Years in Which Premiums were Earned and Claims were Incurred	1 Premiums Earned	2 Claim Payments	3 Claim Adjustment Expense Payments	4 Percent (Col. 3/2)	5 Claim and Claim Adjustment Expense Payments (Col. 2 + 3)	6 Percent (Col. 5/1)	7 Claims Unpaid	8 Unpaid Claim Adjustment Expenses	9 Total Claims and Claims Adjustment Expense Incurred (Col. 5 + 7 + 8)	10 Percent (Col. 9/1)
1. 2007.....	11,622	10,219	740	7.2	10,959	94.3			10,959	94.3
2. 2008.....	88,722	80,729	2,857	3.5	83,586	94.2			83,586	94.2
3. 2009.....	48,596	43,462	2,009	4.6	45,471	93.6			45,471	93.6
4. 2010.....	41,915	40,590	1,577	3.9	42,167	100.6	59		42,226	100.7
5. 2011.....	918	-	1,185	0.0	1,185	129.1			1,185	129.1

**UNDERWRITING AND INVESTMENT EXHIBIT****PART 2C - DEVELOPMENT OF PAID AND INCURRED CLAIMS**

(000 Omitted)

**SECTION A - PAID HEALTH CLAIMS - TITLE XIX - MEDICAID**

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.....			
5. 2010.....	XXX.....	XXX.....	XXX.....		
6. 2011.....	XXX.....	XXX.....	XXX.....	XXX.....	XXX.....

**SECTION B - INCURRED HEALTH CLAIMS - TITLE XIX - MEDICAID**

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.....			
5. 2010.....	XXX.....	XXX.....	XXX.....		
6. 2011.....	XXX.....	XXX.....	XXX.....	XXX.....	XXX.....

**SECTION C - INCURRED YEAR HEALTH CLAIM AND CLAIM ADJUSTMENT EXPENSE RATIO - TITLE XIX - MEDICAID**

Years in Which Premiums were Earned and Claims were Incurred	1 Premiums Earned	2 Claim Payments	3 Claim Adjustment Expense Payments	4 Percent (Col. 3/2)	5 Claim and Claim Adjustment Expense Payments (Col. 2 + 3)	6 Percent (Col. 5/1)	7 Claims Unpaid	8 Unpaid Claim Adjustment Expenses	9 Total Claims and Claims Adjustment Expense Incurred (Col. 5 + 7 + 8)	10 Percent (Col. 9/1)
1. 2007.....				0.0	0.0	0.0			0	0.0
2. 2008.....				0.0	0	0.0			0	0.0
3. 2009.....				0.0	0	0.0			0	0.0
4. 2010.....				0.0	0	0.0			0	0.0
5. 2011.....				0.0	0	0.0			0	0.0

**UNDERWRITING AND INVESTMENT EXHIBIT****PART 2C - DEVELOPMENT OF PAID AND INCURRED CLAIMS**

(000 Omitted)

**SECTION A - PAID HEALTH CLAIMS - OTHER**

Year in Which Losses Were Incurred	Cumulative Net Amounts Paid				
	1 2007	2 2008	3 2009	4 2010	5 2011
1. Prior.....					
2. 2007.....	36,925	36,936	36,936	36,936	36,936
3. 2008.....	XXX.....	43,408	43,442	43,442	43,442
4. 2009.....	XXX.....	XXX.....	45,176	46,176	46,176
5. 2010.....	XXX.....	XXX.....	XXX.....	43,923	44,930
6. 2011.....	XXX.....	XXX.....	XXX.....	XXX.....	42,603

**SECTION B - INCURRED HEALTH CLAIMS - OTHER**

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.....	36,936	36,936	36,936	36,936	36,936
3. 2008.....	XXX.....	43,440	43,442	43,442	43,442
4. 2009.....	XXX.....	XXX.....	47,176	46,176	46,176
5. 2010.....	XXX.....	XXX.....	XXX.....	45,923	44,930
6. 2011.....	XXX.....	XXX.....	XXX.....	XXX.....	44,622

**SECTION C - INCURRED YEAR HEALTH CLAIM AND CLAIM ADJUSTMENT EXPENSE RATIO - OTHER**

Years in Which Premiums were Earned and Claims were Incurred	1 Premiums Earned	2 Claim Payments	3 Claim Adjustment Expense Payments	4 Percent (Col. 3/2)	5 Claim and Claim Adjustment Expense Payments (Col. 2 + 3)	6 Percent (Col. 5/1)	7 Claims Unpaid	8 Unpaid Claim Adjustment Expenses	9 Total Claims and Claims Adjustment Expense Incurred (Col. 5 + 7 + 8)	10 Percent (Col. 9/1)
1. 2007.....	66,364	36,936	1,799	4.9	38,735	58.4			38,735	58.4
2. 2008.....	73,006	43,442	1,913	4.4	45,355	62.1			45,355	62.1
3. 2009.....	73,719	46,176	1,788	3.9	47,964	65.1			47,964	65.1
4. 2010.....	74,302	44,930	1,467	3.3	46,397	62.4			46,397	62.4
5. 2011.....	78,130	42,603	1	0.0	42,604	54.5	2,019		44,623	57.1

12.OT

# UNDERWRITING AND INVESTMENT EXHIBIT

## PART 2D - AGGREGATE RESERVE FOR ACCIDENT AND HEALTH CONTRACTS ONLY

	1 Total	2 Comprehensive (Hospital and Medical)	3 Medicare Supplement	4 Dental Only	5 Vision Only	6 Federal Employees Health Benefit Plan	7 Title XVIII Medicare	8 Title XIX Medicaid	9 Other
<b>POLICY RESERVE</b>									
1. Unearned premium reserves.....	0								
2. Additional policy reserves (a).....	3,248,000	3,248,000							
3. Reserve for future contingent benefits.....	0								
4. Reserve for rate credits or experience rating refunds (including \$.....0) for investment income.....	100,000	100,000							
5. Aggregate write-ins for other policy reserves.....	0	0	0	0	0	0	0	0	0
6. Totals (gross).....	3,348,000	3,348,000	0	0	0	0	0	0	0
7. Reinsurance ceded.....	0								
8. Totals (net) (Page 3, Line 4).....	3,348,000	3,348,000	0	0	0	0	0	0	0
<b>CLAIM RESERVE</b>									
9. Present value of amounts not yet due on claims.....	0								
10. Reserve for future contingent benefits.....	0								
11. Aggregate write-ins for other claim reserves.....	0	0	0	0	0	0	0	0	0
12. Totals (gross).....	0	0	0	0	0	0	0	0	0
13. Reinsurance ceded.....	0								
14. Totals (net) (Page 3, Line 7).....	0	0	0	0	0	0	0	0	0
<b>DETAILS OF WRITE-INS</b>									
0501.....	0								
0502.....	0								
0503.....	0								
0598. Summary of remaining write-ins for Line 5 from overflow page.....	0	0	0	0	0	0	0	0	0
0599. Totals (Lines 0501 thru 0503 plus 0598) (Line 5 above).....	0	0	0	0	0	0	0	0	0
1101.....	0								
1102.....	0								
1103.....	0								
1198. Summary of remaining write-ins for Line 11 from overflow page.....	0	0	0	0	0	0	0	0	0
1199. Totals (Lines 1101 thru 1103 plus 1198) (Line 11 above).....	0	0	0	0	0	0	0	0	0

(a) Includes \$.....0 premium deficiency reserve.

**UNDERWRITING AND INVESTMENT EXHIBIT****PART 3 - ANALYSIS OF EXPENSES**

	Claim Adjustment Expenses		3 General Administrative Expenses	4 Investment Expenses	5 Total
	1 Cost Containment Expenses	2 Other Claim Adjustment Expenses			
1. Rent (\$.....0 for occupancy of own building).....	9,199	3,462,716	6,453,124		9,925,039
2. Salaries, wages and other benefits.....	12,115,735	26,337,017	50,577,367		89,030,119
3. Commissions (less \$.....0 ceded plus \$.....0 assumed).....			126,921,596		126,921,596
4. Legal fees and expenses.....	448,802		2,134,488		2,583,290
5. Certifications and accreditation fees.....			78,540		78,540
6. Auditing, actuarial and other consulting services.....	824,557	133,248	2,985,333		3,943,138
7. Traveling expenses.....	165,462	140,334	1,335,013		1,640,809
8. Marketing and advertising.....	52,186	6,464	3,288,545		3,347,195
9. Postage, express and telephone.....	353,252	2,058,795	1,048,994		3,461,041
10. Printing and office supplies.....	195,399	11,405	1,049,821		1,256,625
11. Occupancy, depreciation and amortization.....					0
12. Equipment.....	27,544	289,851	2,065,145		2,382,540
13. Cost or depreciation of EDP equipment and software.....	379,360	2,371,656	3,643,283		6,394,299
14. Outsourced services including EDP, claims, and other services.....	5,362,794	2,304,594	1,856,940		9,524,328
15. Boards, bureaus and association fees.....	12,215	7,505	139,585		159,305
16. Insurance, except on real estate.....			1,433,147		1,433,147
17. Collection and bank service charges.....				391,650	391,650
18. Group service and administration fees.....					0
19. Reimbursements by uninsured plans.....					0
20. Reimbursements from fiscal intermediaries.....					0
21. Real estate expenses.....					0
22. Real estate taxes.....					0
23. Taxes, licenses and fees:					
23.1 State and local insurance taxes.....					0
23.2 State premium taxes.....			19,799,453		19,799,453
23.3 Regulatory authority licenses and fees.....			106,679		106,679
23.4 Payroll taxes.....	658,428	1,349,851	2,466,645		4,474,924
23.5 Other (excluding federal income and real estate taxes).....					0
24. Investment expenses not included elsewhere.....				720,118	720,118
25. Aggregate write-ins for expenses.....	5,311,909	0	53,788,238	0	59,100,147
26. Total expenses incurred (Lines 1 to 25).....	25,916,842	38,473,436	281,171,936	1,111,768	(a)...346,673,982
27. Less expenses unpaid December 31, current year.....	2,305,914	3,415,958	87,858,749	157,926	93,738,547
28. Add expenses unpaid December 31, prior year.....	2,149,612	3,821,532	83,853,569	132,093	89,956,806
29. Amounts receivable relating to uninsured plans, prior year.....					0
30. Amounts receivable relating to uninsured plans, current year.....					0
31. Total expenses paid (Lines 26 minus 27 plus 28 minus 29 plus 30).....	25,760,540	38,879,010	277,166,756	1,085,935	342,892,241

**DETAILS OF WRITE-INS**

2501. Network Access Fees.....	5,311,909				5,311,909
2502. Charitable Contributions.....			53,788,238		53,788,238
2503. ....					0
2598. Summary of remaining write-ins for Line 25 from overflow page.....	0	0	0	0	0
2599. TOTALS (Lines 2501 thru 2503 plus 2598) (Line 25 above).....	5,311,909	0	53,788,238	0	59,100,147

(a) Includes management fees of \$....1,068,547 to affiliates and \$.....0 to non-affiliates.

**EXHIBIT OF NET INVESTMENT INCOME**

		1 Collected During Year	2 Earned During Year
1. U.S. government bonds.....	(a).....	19,631,066	19,323,470
1.1 Bonds exempt from U.S. tax.....	(a).....		
1.2 Other bonds (unaffiliated).....	(a).....	11,420,330	11,590,331
1.3 Bonds of affiliates.....	(a).....		
2.1 Preferred stocks (unaffiliated).....	(b).....		
2.11 Preferred stocks of affiliates.....	(b).....		
2.2 Common stocks (unaffiliated).....	.....365,621	374,628	
2.21 Common stocks of affiliates.....	.....		
3. Mortgage loans.....	(c).....		
4. Real estate.....	(d).....		
5. Contract loans.....	.....		
6. Cash, cash equivalents and short-term investments.....	(e).....	46,534	41,395
7. Derivative instruments.....	(f).....		
8. Other invested assets.....	.....		
9. Aggregate write-ins for investment income.....	.....0	.....0	
10. Total gross investment income.....	.....31,463,551	.....31,329,824	
11. Investment expenses.....	(g).....	1,111,768	
12. Investment taxes, licenses and fees, excluding federal income taxes.....	(g).....		
13. Interest expense.....	(h).....		
14. Depreciation on real estate and other invested assets.....	(i).....0	0	
15. Aggregate write-ins for deductions from investment income.....	.....		0
16. Total deductions (Lines 11 through 15).....	.....	.....1,111,768	
17. Net investment income (Line 10 minus Line 16).....	.....	.....30,218,056	

**DETAILS OF WRITE-INS**

0901.....	.....	.....	.....
0902.....	.....	.....	.....
0903.....	.....	.....	.....
0998. Summary of remaining write-ins for Line 9 from overflow page.....	.....0	.....0	0
0999. Totals (Lines 0901 thru 0903 plus 0998) (Line 9 above).....	.....0	.....0	0
1501.....	.....	.....	.....
1502.....	.....	.....	.....
1503.....	.....	.....	.....
1598. Summary of remaining write-ins for Line 15 from overflow page.....	.....0	.....0	0
1599. Totals (Lines 1501 thru 1503 plus 1598) (Line 15 above).....	.....0	.....0	0

- (a) Includes \$....779,365 accrual of discount less \$....3,685,194 amortization of premium and less \$....507,015 paid for accrued interest on purchases.
- (b) Includes \$.....0 accrual of discount less \$.....0 amortization of premium and less \$.....0 paid for accrued dividends on purchases.
- (c) Includes \$.....0 accrual of discount less \$.....0 amortization of premium and less \$.....0 paid for accrued interest on purchases.
- (d) Includes \$.....0 for company's occupancy of its own buildings; and excludes \$.....0 interest on encumbrances.
- (e) Includes \$.....0 accrual of discount less \$.....0 amortization of premium and less \$.....0 paid for accrued interest on purchases.
- (f) Includes \$.....0 accrual of discount less \$.....0 amortization of premium.
- (g) Includes \$.....0 investment expenses and \$.....0 investment taxes, licenses and fees, excluding federal income taxes, attributable to Segregated and Separate Accounts.
- (h) Includes \$.....0 interest on surplus notes and \$.....0 interest on capital notes.
- (i) Includes \$.....0 depreciation on real estate and \$.....0 depreciation on other invested assets.

**EXHIBIT OF CAPITAL GAINS (LOSSES)**

	1 Realized Gain (Loss) on Sales or Maturity	2 Other Realized Adjustments	3 Total Realized Capital Gain (Loss) (Columns 1 + 2)	4 Change in Unrealized Capital Gain (Loss)	5 Change in Unrealized Foreign Exchange Capital Gain (Loss)
1. U.S. government bonds.....	.....2,728,822	.....	.....2,728,822	.....	.....
1.1 Bonds exempt from U.S. tax.....	.....	.....	.....0	.....	.....
1.2 Other bonds (unaffiliated).....	.....342,636	.....	.....342,636	.....	.....
1.3 Bonds of affiliates.....	.....	.....	.....0	.....	.....
2.1 Preferred stocks (unaffiliated).....	.....	.....	.....0	.....	.....
2.11 Preferred stocks of affiliates.....	.....	.....	.....0	.....	.....
2.2 Common stocks (unaffiliated).....	.....12,900	.....	.....12,900	.....225,742	.....
2.21 Common stocks of affiliates.....	.....	.....	.....0	.....3,514,166	.....
3. Mortgage loans.....	.....	.....	.....0	.....	.....
4. Real estate.....	.....	.....	.....0	.....	.....
5. Contract loans.....	.....	.....	.....0	.....	.....
6. Cash, cash equivalents and short-term investments.....	.....	.....	.....0	.....	.....
7. Derivative instruments.....	.....	.....	.....0	.....	.....
8. Other invested assets.....	.....	.....	.....0	.....(8,790,856)	.....
9. Aggregate write-ins for capital gains (losses).....	.....0	.....0	.....0	.....0	.....0
10. Total capital gains (losses).....	.....3,084,358	.....0	.....3,084,358	.....(5,050,948)	.....0

**DETAILS OF WRITE-INS**

0901.....	.....	.....	.....0	.....	.....
0902.....	.....	.....	.....0	.....	.....
0903.....	.....	.....	.....0	.....	.....
0998. Summary of remaining write-ins for Line 9 from overflow page.....	.....0	.....0	.....0	.....0	0
0999. Totals (Lines 0901 thru 0903 plus 0998) (Line 9 above).....	.....0	.....0	.....0	.....0	0

**EXHIBIT OF NONADMITTED ASSETS**

	1 Current Year Total Nonadmitted Assets	2 Prior Year Total Nonadmitted Assets	3 Change in Total Nonadmitted Assets (Col. 2 - Col. 1)
1. Bonds (Schedule D).....			0
2. Stocks (Schedule D):			
2.1 Preferred stocks.....			0
2.2 Common stocks.....			0
3. Mortgage loans on real estate (Schedule B):			
3.1 First liens.....			0
3.2 Other than first liens.....			0
4. Real estate (Schedule A):			
4.1 Properties occupied by the company.....			0
4.2 Properties held for the production of income.....			0
4.3 Properties held for sale.....			0
5. Cash (Schedule E-Part 1), cash equivalents (Schedule E-Part 2) and short-term investments (Schedule DA).....			0
6. Contract loans.....			0
7. Derivatives (Schedule DB).....			0
8. Other invested assets (Schedule BA).....	36,043,654	30,289,853	(5,753,801)
9. Receivables for securities.....			0
10. Securities lending reinvested collateral assets (Schedule DL).....			0
11. Aggregate write-ins for invested assets.....	0	0	0
12. Subtotals, cash and invested assets (Lines 1 to 11).....	36,043,654	30,289,853	(5,753,801)
13. Title plants (for Title insurers only).....			0
14. Investment income due and accrued.....			0
15. Premiums and considerations:			
15.1 Uncollected premiums and agents' balances in the course of collection.....	58,151	119,207	61,056
15.2 Deferred premiums, agents' balances and installments booked but deferred and not yet due.....			0
15.3 Accrued retrospective premiums.....			0
16. Reinsurance:			
16.1 Amounts recoverable from reinsurers.....			0
16.2 Funds held by or deposited with reinsured companies.....			0
16.3 Other amounts receivable under reinsurance contracts.....			0
17. Amounts receivable relating to uninsured plans.....			0
18.1 Current federal and foreign income tax recoverable and interest thereon.....			0
18.2 Net deferred tax asset.....	28,658,000	290,021,200	261,363,200
19. Guaranty funds receivable or on deposit.....			0
20. Electronic data processing equipment and software.....	7,054,308	62,657	(6,991,651)
21. Furniture and equipment, including health care delivery assets.....	5,054,081	3,598,332	(1,455,749)
22. Net adjustment in assets and liabilities due to foreign exchange rates.....			0
23. Receivables from parent, subsidiaries and affiliates.....			0
24. Health care and other amounts receivable.....	4,085,557	8,181,690	4,096,133
25. Aggregate write-ins for other than invested assets.....	18,940,120	11,579,741	(7,360,379)
26. Total assets excluding Separate Accounts, Segregated Accounts and Protected Cell Accounts (Lines 12 through 25).....	99,893,871	343,852,680	243,958,809
27. From Separate Accounts, Segregated Accounts and Protected Cell Accounts.....			0
28. TOTALS (Lines 26 and 27).....	99,893,871	343,852,680	243,958,809

**DETAILS OF WRITE-INS**

1101.....			0
1102.....			0
1103.....			0
1198. Summary of remaining write-ins for Line 11 from overflow page.....	0	0	0
1199. Totals (Lines 1101 thru 1103 plus 1198) (Line 11 above).....	0	0	0
2501. Prepaid Assets.....	8,509,094	3,426,149	(5,082,945)
2502. Other Assets.....	10,431,026	8,153,592	(2,277,434)
2503.....			0
2598. Summary of remaining write-ins for Line 25 from overflow page.....	0	0	0
2599. Totals (Lines 2501 thru 2503 plus 2598) (Line 25 above).....	18,940,120	11,579,741	(7,360,379)

**EXHIBIT 1 - ENROLLMENT BY PRODUCT TYPE FOR HEALTH BUSINESS ONLY**

Source of Enrollment	Total Members at End of					6 Current Year Member Months
	1 Prior Year	2 First Quarter	3 Second Quarter	4 Third Quarter	5 Current Year	
1. Health maintenance organizations.....						
2. Provider service organizations.....						
3. Preferred provider organizations.....	513,027	504,001	512,168	526,992	531,964	6,214,313
4. Point of service.....	12,061	10,151	981	820	470	45,943
5. Indemnity only.....	13,940	12,341	12,134	12,123	11,934	146,421
6. Aggregate write-ins for other lines of business.....	500,265	472,849	476,829	489,572	484,577	5,790,174
7. Total.....	1,039,293	999,342	1,002,112	1,029,507	1,028,945	12,196,851

**DETAILS OF WRITE-INS**

0601. Stop Loss.....	394,859	377,022	380,516	387,738	381,131	4,599,583
0602. Vision Only.....	43,834	37,665	37,506	41,146	42,163	474,773
0603. Dental Only.....	61,572	58,162	58,807	60,688	61,283	715,818
0698. Summary of remaining write-ins for Line 6 from overflow page.....	0	0	0	0	0	0
0699. Totals (Lines 0601 thru 0603 plus 0698) (Line 6 above).....	500,265	472,849	476,829	489,572	484,577	5,790,174

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**NOTES TO FINANCIAL STATEMENTS**

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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES****A. Accounting Practices that depart from NAIC Prescribed Practices**

None

**B. Use of Estimates**

The preparation of financial statements of insurance companies requires management to make estimates and assumptions that affect amounts reported in the financial statements and accompanying notes. Such estimates and assumptions could change in the future as more information becomes known which could impact the amounts reported and disclosed herein.

**C. Accounting Policies**

The accompanying financial statements of the Company have been prepared in conformity with the National Association of Insurance Commissioners' (NAIC) *Accounting Practices and Procedures Manual*, as prescribed by the Ohio Department of Insurance (ODI).

Statutory accounting practices vary from U.S. generally accepted accounting principles (GAAP). The more significant variances from GAAP are as follows:

*Investments* – Investments in bonds are reported at amortized cost or fair value based on their NAIC rating; for GAAP, such fixed maturity investments would be designated at purchase as held-to-maturity, trading, or available-for-sale. Held-to-maturity fixed investments would be reported at amortized cost, and the remaining fixed maturity investments would be reported at fair value with unrealized holding gains and losses reported in operations for those designated as trading and as a separate component of capital and surplus for those designated as available-for-sale.

All single class and multiclass mortgage-backed/asset-backed securities (e.g., CMOs) are adjusted for the effects of changes in prepayment assumptions on the related accretion of discount or amortization of premium of such securities using either the retrospective or prospective methods. If it is determined that a decline in fair value is other than temporary, the cost basis of the security is written down to the undiscounted estimated future cash flows. For GAAP purposes, all securities, purchased or retained, that represent beneficial interests in securitized assets (e.g., CMO, CBO, CDO, CLO, MBS, and ABS securities), other than high credit quality securities, are adjusted using the prospective method when there is a change in estimated future cash flows. If it is determined that a decline in fair value is other than temporary, the cost basis of the security is written down to the discounted fair value. If high credit quality securities are adjusted, the retrospective method is used.

*Subsidiaries* – The accounts and operations of the Company's subsidiaries are not consolidated with the accounts and operations of the Company as would be required by GAAP. The investment in Medical Mutual Services LLC (MMS) is carried at its audited GAAP equity value. The Company's investments in insurance company subsidiaries are carried at their audited statutory capital and surplus values, adjusted for any unamortized goodwill. The investment in MMO Agency Management, LLC (MMAM) is based on its GAAP equity value adjusted to a statutory basis of accounting and is nonadmitted. The changes in equity in the undistributed income or losses of the subsidiaries are charged or credited directly to capital and surplus. Distributed income of the subsidiaries is recognized when the dividend is declared.

*Nonadmitted Assets* – Certain assets designated as "nonadmitted," principally deferred taxes, investments in unaudited subsidiaries, furniture and equipment, certain accounts receivable, prepaid expenses, and other assets not identified as an admitted asset in the NAIC's *Accounting Practices and Procedures Manual* are excluded from the accompanying balance sheets and are charged directly to capital and surplus. In accordance with GAAP, such assets are included in the balance sheet. Capital and surplus was reduced by nonadmitted assets of \$99,894,000 and \$343,852,000 at December 31, 2011 and 2010, respectively.

*Policy Acquisition Costs* – The costs of acquiring and renewing business are expensed as incurred. For GAAP, such costs are capitalized and charged to expense in proportion to the premium revenue recognized.

*Deferred Income Taxes* – Gross deferred tax assets are reduced by a statutory valuation allowance adjustment if, based on the weight of available evidence, it is more-likely-than-not (a likelihood of more than 50%) that some portion or all of the gross deferred tax assets will not be realized. Adjusted deferred tax assets are limited to (1) the amount of federal income taxes paid in prior years that can be recovered through loss carrybacks for existing temporary differences that reverse by the end of the subsequent calendar year, plus (2) the lesser of the remaining gross deferred tax assets expected to be realized within one year of the balance sheet date or 10% of capital and surplus excluding any net deferred tax assets, electronic data processing equipment and operating software and any net positive goodwill, plus (3) the amount of remaining adjusted gross deferred tax assets that can be offset against existing gross deferred tax liabilities. The remaining adjusted deferred tax assets are nonadmitted. Deferred taxes do not include amounts for state taxes. In accordance with GAAP, a deferred tax asset is recorded for the amount of gross deferred tax assets expected to be realized in future years, and a valuation allowance is established for estimated unrealizable deferred tax assets. For GAAP, state taxes are included in the computation of deferred taxes.

*Employee Benefits* – For purposes of calculating the Company's postretirement benefit obligations, only vested participants and current retirees are included in the valuation. For GAAP, active participants not currently eligible would also be included.

*Statements of Cash Flow* – Cash and short-term investments in the statements of cash flow represent cash balances and investments with initial maturities of one year or less. In accordance with GAAP, the corresponding caption of cash and cash equivalents includes cash balances and investments with initial maturities of three months or less.

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**NOTES TO FINANCIAL STATEMENTS**

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Other significant accounting policies are as follows:

*Cash and Invested Assets* – Short-term investments, principally money market accounts, include investments with remaining maturities of one year or less at the time of acquisition and are principally stated at amortized cost, which approximates fair value.

U.S. government securities and corporate bonds not backed by other assets are recorded at amortized cost using the interest method or fair value based on their NAIC rating. Single class mortgage-backed securities are valued at amortized cost using the interest method including anticipated prepayments. Prepayment assumptions are obtained from dealer surveys or internal estimates and are based on the current interest rate and economic environment. The retrospective adjustment method is used to value all such securities held. The fair values disclosed for these securities are obtained from independent pricing services.

Common stocks are recorded at fair value as determined by the Securities Valuation Office of the NAIC. Related unrealized capital gains or losses are reported as an adjustment to capital and surplus, net of federal income taxes.

A realized loss is recorded upon the sale of an investment at a loss or when a decline in the fair value of an investment is determined by management to be other than temporary. Realized capital gains and losses are determined on the first-in, first-out cost method.

*Furniture and Equipment* – Furniture and equipment are reported at depreciated cost. Leasehold improvements are reported at amortized cost and are amortized over the shorter of their estimated useful life or the remaining life of the original lease excluding renewal or option periods. Depreciation is calculated on a straight-line basis over the estimated useful lives of the property. Total depreciation and amortization expense was \$7,641,000 and \$1,427,000 in 2011 and 2010, respectively. There were no changes made to the Company's written capitalization policy in 2011 and 2010.

*Unpaid Claims and Claims Adjustment Expenses* – Unpaid claims and claims adjustment expenses represent management's best estimate of the ultimate net cost of all reported and unreported claims, less the estimated amount recoverable from claim overpayments and subrogation. The unpaid claims liability is actuarially estimated based on a review of historical claims payment patterns and claims trends. The estimates are subject to the effects of trends in claim severity and frequency, and a reasonable provision for adverse development has been incorporated in management's best estimate. Although considerable variability is inherent in such estimates, management believes that the amounts reported for unpaid claims and claims adjustment expenses are adequate. The estimates are continually reviewed and adjusted as necessary as experience develops or new information becomes known; such adjustments are included in current operations.

*Aggregate Health Policy Reserves* – Liabilities for future policy reserves for health business are based on the net level premium method at 5% interest, premium increases by duration in addition to trend as permitted by state law, and estimates of future claims and lapses using the Company's experience and actuarial judgment.

*Federal Medical Loss Ratio Rebate* – The Company is subject to the Public Health Service Act, which requires the payment of rebates to eligible policyholders or enrollees when the amounts paid for healthcare benefits and quality improvement initiatives fall below specified thresholds. Separate calculations are performed for each state and by employer group size (individual, small group, and large group). As of December 31, 2011, the liability of \$100,000 recognized on the accompanying statutory-basis balance sheet is attributable to individual business underwritten in Michigan.

*Premiums* – Premiums are recorded, net of amounts assumed and ceded under reinsurance agreements, pro rata over the period for which coverage is provided. Premium payments received prior to the period of coverage are classified as advance premiums.

*Income Taxes* – An election to admit adjusted deferred tax assets in accordance with Statement of Statutory Accounting Principles No. 10R, *Income Taxes* paragraph 10(e) has not been made in any reported period. Interest and penalty amounts related to tax matters are recorded as income tax expense in the accompanying statutory-basis financial statements.

*Reinsurance* – Reinsurance premiums and benefits paid or provided are accounted for on a basis consistent with those used in accounting for the original policies issued and the terms of the reinsurance contracts.

**2. ACCOUNTING CHANGES AND CORRECTIONS OF ERRORS**

Not applicable

**3. BUSINESS COMBINATIONS AND GOODWILL****A. Statutory Purchase Method**

Items (1) - (4) - Not applicable

**B. Statutory Merger**

Items (1) - (5) - Not applicable

**C. Assumption Reinsurance**

Items (1) - (4) - Not applicable

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**NOTES TO FINANCIAL STATEMENTS**

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**D. Impairment Loss**

Not applicable

**4. DISCONTINUED OPERATIONS**

Items (1) - (5) - Not applicable

**5. INVESTMENTS****A. Mortgage Loans, including Mezzanine Real Estate Loans**

Items (1) - (12) - Not applicable

**B. Debt Restructuring**

Items (1) - (4) - Not applicable

**C. Reverse Mortgages**

Items (1) - (4) - Not applicable

**D. Loan-Backed Securities**

(1) Prepayment assumptions for single class and multi-class mortgage-backed/asset-backed securities were obtained from broker dealer survey values or internal estimates.

(2) None

(3) None

(4) All impaired securities (fair value is less than cost or amortized cost) for which an other-than-temporary impairment has not been recognized in earnings as a realized loss (including securities with a recognized other-than-temporary impairment for non-interest related declines when a non-recognized interest related impairment remains):

Securities that have been in a continuous unrealized loss position for less than 12 months :

a . The aggregate amount of unrealized losses was \$119,000

b. The aggregate related fair value of securities with unrealized losses was \$15,183,000

Securities that have been in a continuous unrealized loss position for more than 12 months :

None

(5) The unrealized losses have been reviewed for impairment. The Company has determined that the decline in value is principally the result of a general increase in interest rates subsequent to the purchases of these securities and is temporary. As of December 31, 2011, the Company does not intend to sell any of the securities in an unrealized loss position, nor does the Company expect to be required to sell any of these investments before the recovery of their value.

**E. Repurchase Agreements and/or Securities Lending Transactions**

Items (1) - (4) - Not applicable

**F. Real Estate**

Items (1) - (5) - Not applicable

**G. Investments in low-income housing tax credits (LIHTC)**

Items (1) - (5) - Not applicable

**6. JOINT VENTURES, PARTNERSHIPS AND LIMITED LIABILITY COMPANIES****A. For investments in Joint Ventures, Partnerships and Limited Liability Companies that exceed 10% of the admitted assets of the insurer.**

(1) Medical Mutual Services, LLC (MMS) - 100% owned.

(2) The Company accounts for the investment in MMS at its audited GAAP equity value.

(3) There is no difference between the underlying equity and the carrying amount of MMS.

(4) No quoted market price is available for MMS.

(5) MMS has assets of \$481,940,000 liabilities of \$83,673,000, and equity of \$398,267,000 at December 31, 2011. Net loss for the year ended December 31, 2011 was \$19,080,000.

**NOTES TO FINANCIAL STATEMENTS**

B. For investments in impaired Joint Ventures, Partnerships and Limited Liability Companies disclose in the year of an impairment write-down.

Not applicable

**7. INVESTMENT INCOME**

Items (A) - (B) - Not applicable

**8. DERIVATIVE INSTRUMENTS**

Items (A) - (F) - Not applicable

**9. INCOME TAXES**

The Company has a written tax sharing agreement with its subsidiaries such that the Company collects from the participating subsidiaries the amount of taxes as if calculated on a separate return basis. Certain subsidiaries of the Company are organized as single-member, limited liability companies (LLC) and accordingly taxable income or loss of these LLC subsidiaries are included in the tax provision of the Company, regardless of the level of income or loss of such subsidiaries recognized in the statements of income. There were no amounts due from the subsidiaries for federal income taxes at December 31, 2011 and 2010.

The Internal Revenue Code (IRC) provides a special deduction for certain insurance companies. This special deduction resulted in the Company paying federal income taxes for 2009 and prior based on the alternative minimum tax (AMT) rate of 20%. In 2010, the Patient Protection and Affordable Care Act added a provision to the IRC that requires the percentage of total premium revenues expended on clinical services provided to enrollees to be at least 85% in order to continue to qualify for this special deduction. For the years ending December 31, 2011 and 2010, the Company did not meet this requirement and accordingly did not qualify for the special deduction. However, by utilizing accumulated net operating loss carryforwards, the Company continued to pay income taxes at the AMT rate of 20% in 2011 and 2010.

The Company paid federal income tax of \$43,500,000 and \$8,200,000 during 2011 and 2010, respectively. The Company can recover \$26,880,000 and \$9,490,000 relating to 2011 and 2010 if the Company has losses in future years. At December 31, 2011, the Company had no net operating loss carryforwards. The Company holds an AMT credit carryforward of approximately \$258,500,000 at December 31, 2011, which under current tax law does not expire.

The following is a reconciliation of the Company's 2011 and 2010 effective tax rate to the statutory tax rate:

	<b>Year Ended December 31</b>	
	<b>2011</b>	<b>2010</b>
Expected income tax	\$ 33,220,000	\$ (5,464,000)
Income tax on nondistributed income of MMS	<u>(1,030,000)</u>	1,633,000
	<u>32,190,000</u>	(3,831,000)
Reconciling items:		
Utilization of net operating losses	(21,629,000)	(7,364,000)
Depreciation and amortization	2,153,000	8,668,000
Investments	(1,251,000)	(2,195,000)
Claims and other reserves	1,230,000	(3,973,000)
Postretirement benefit obligations	817,000	20,476,000
Charitable contributions	13,210,000	-
Other	1,958,000	(1,962,000)
Federal income tax expense	<u>\$ 28,678,000</u>	\$ 9,819,000

The Company is subject to federal income tax examinations by tax authorities for the years of 2008 through 2010.

**NOTES TO FINANCIAL STATEMENTS**

Deferred income taxes reflect the net tax effect of temporary differences between the carrying amount of assets and liabilities for financial statement purposes and the amounts used for income taxes. Significant components of the Company's net deferred tax asset as of December 31, 2011 and 2010 are as follows:

	December 31	
	2011	2010
Gross deferred ordinary tax assets:		
Net operating loss and AMT carryforwards	\$ 258,487,000	\$ 251,551,000
Postretirement benefit obligations	18,047,000	17,911,000
Claim and other reserves	12,007,000	9,317,000
Accrued premium taxes	6,764,000	6,676,000
Nonadmitted assets	10,220,000	9,765,000
Charitable contributions	9,056,000	2,559,000
Intangible assets	8,261,000	7,436,000
Other	25,907,000	20,125,000
Total gross deferred ordinary tax assets	<u>348,749,000</u>	<u>325,340,000</u>
Less statutory valuation allowance	296,390,000	270,701,000
Adjusted gross deferred ordinary tax assets	<u>52,359,000</u>	<u>54,639,000</u>
Less amount not admitted	25,279,000	34,996,000
Admitted deferred ordinary tax asset	<u>27,080,000</u>	<u>19,643,000</u>
 Total gross deferred capital tax assets	 3,533,000	 3,661,000
Less amount not admitted	3,379,000	3,491,000
Admitted deferred capital tax asset	<u>154,000</u>	<u>170,000</u>
Total admitted deferred tax asset	<u>27,234,000</u>	<u>19,813,000</u>
Gross deferred ordinary tax liability	1,272,000	5,646,000
Net admitted deferred tax asset	<u>\$ 25,962,000</u>	<u>\$ 14,167,000</u>

Components of the Company's admitted gross deferred ordinary tax asset calculation at December 31, 2011 and 2010 are as follows:

	Ordinary	Capital	Total
<b>December 31, 2011</b>			
Gross deferred tax assets (DTA)	\$ 348,749,000	\$ 3,533,000	\$ 352,282,000
Less statutory valuation allowances	296,390,000	–	296,390,000
Adjusted gross DTA	<u>52,359,000</u>	<u>3,533,000</u>	<u>55,892,000</u>
Admitted adjusted gross DTA:			
Pursuant to paragraph 10.a	–	–	–
Pursuant to paragraph 10.b	25,808,000	154,000	25,962,000
Pursuant to paragraph 10.c	1,272,000	–	1,272,000
Total admitted adjusted gross DTA	<u>27,080,000</u>	<u>154,000</u>	<u>27,234,000</u>
Gross deferred tax liabilities (DTL)	1,272,000	–	1,272,000
Net admitted DTA/DTL	<u>\$ 25,808,000</u>	<u>\$ 154,000</u>	<u>\$ 25,962,000</u>
 Nonadmitted adjusted gross DTA	 \$ 26,551,000	 \$ 3,379,000	 \$ 29,930,000
 <b>December 31, 2010</b>			
Gross deferred tax assets (DTA)	\$ 325,340,000	\$ 3,661,000	\$ 329,001,000
Less statutory valuation allowances	270,701,000	–	270,701,000
Adjusted gross DTA	<u>54,639,000</u>	<u>3,661,000</u>	<u>58,300,000</u>
Admitted adjusted gross DTA:			
Pursuant to paragraph 10.a	–	–	–
Pursuant to paragraph 10.b	13,997,000	170,000	14,167,000
Pursuant to paragraph 10.c	5,646,000	–	5,646,000
Total admitted adjusted gross DTA	<u>19,643,000</u>	<u>170,000</u>	<u>19,813,000</u>
Gross deferred tax liabilities (DTL)	5,646,000	–	5,646,000
Net admitted DTA/DTL	<u>\$ 13,997,000</u>	<u>\$ 170,000</u>	<u>\$ 14,167,000</u>
 Nonadmitted adjusted gross DTA	 \$ 34,996,000	 \$ 3,491,000	 \$ 38,487,000

#### 10. INFORMATION CONCERNING PARENT, SUBSIDIARIES AND AFFILIATES AND OTHER RELATED PARTIES

Medical Mutual of Ohio (the Company) is a mutual casualty insurance organization domiciled in Ohio. The Company provides accident and health plans to individuals and employer groups in Ohio and selected other states. The Company's principal operating subsidiaries are Medical Mutual Services, LLC (MMS), a wholly-owned subsidiary which provides claims processing and network access services to uninsured accident and health plans, third party administrators, and other insurance companies; Medical Health Insuring Corporation of Ohio (MHICO) and Carolina Care Plan, Inc (CCP), both wholly-owned, for-profit health maintenance organizations; Consumers Life Insurance Company (CLIC), a wholly-owned life and accident and health insurance company; and MMO Agency Management, LLC (MMAM), which is comprised of wholly and majority-owned brokerage companies.

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**NOTES TO FINANCIAL STATEMENTS**

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The Company shares office facilities and personnel with its subsidiaries. Such shared costs are allocated between the Company and its subsidiaries based on the actual work performed for, and facilities utilized by, each entity. The Company also provided various services to its subsidiaries, including claims processing, membership, billing, payroll, customer service, information technology services and other administrative services. Charges for shared facilities and services totaled \$182,706,000 and \$140,562,000 in 2011 and 2010, respectively, and are reported as a reduction of expenses on the accompanying statements of income. The increase is primarily due to the Company assuming all responsibilities for information technology services that were previously provided by Medical Mutual Services, LLC beginning January 1, 2011 and allocating a portion of those costs to other affiliates. Amounts due to and from the Company and its subsidiaries are settled within 90 days.

During 2011 and 2010, general and administrative expenses include \$25,109,000 and \$27,031,000 respectively, of net commissions paid to and retained by majority-owned brokerage subsidiaries of MMAM.

During 2011 and 2010, CLIC provided life, accidental death and dismemberment, and long-term disability coverage to employees of the Company. Premiums paid by the Company to CLIC for such coverage totaled \$1,323,000 and \$1,108,000 for 2011 and 2010, respectively.

As described above, prior to 2011, the Company's MMS subsidiary provided information technology services to the Company, including data center management, telecommunications services, and hardware and software maintenance, pursuant to an Information System Services Agreement. Fees incurred by the Company under this agreement totaled \$32,510,000 in 2010. Effective January 1, 2011, all information technology hardware and software was purchased from MMS at net book value; no gains or losses were recognized related to the transaction. Beginning January 1, 2011, the Company assumed all responsibilities for information technology services that were formerly provided by MMS.

MMS and its subsidiary, SuperNet Network, LLC, provide access to the Company's Ohio provider networks through sales to unaffiliated third-party administrators, uninsured accident and health plans, and unaffiliated insurance companies. The Company receives no income from affiliates for access to the Company's provider network.

The Company guarantees specified claim payments and litigation related to claims payments of CCP in the event CCP becomes insolvent.

**11. DEBT**

Items (A) - (B) - Not applicable

**12. RETIREMENT PLANS, DEFERRED COMPENSATION, POSTEMPLOYMENT BENEFITS AND COMPENSATED ABSENCES AND OTHER POSTRETIREMENT BENEFIT PLANS****A. Defined Benefit Plans***Noncontributory Pension Plan*

Prior to 2011, the Company sponsored a noncontributory defined benefit pension plan (the Pension Plan) for employees meeting certain minimum age and employment requirements. In June 2009, the Company provided notice to participants of its intent to terminate the Pension Plan in a standard termination. The subsequent termination of the plan and the settlement of the plan's obligations resulted in the allocation of plan assets to the participants in September 2010. Final distribution of all Pension Plan assets from the trust account occurred on December 30, 2010. Total pension expense related to the Pension Plan was \$115,383,000 in 2010, which included the recognition of previously unrecognized actuarial losses and prior service costs of \$97,864,000.

*Nonqualified Defined Benefit Pension Plan*

The Company sponsors a nonqualified defined benefit pension plan for specified independent members of the Board of Directors. The benefit is an annuity form of payment, based upon current compensation and years-of-service, and is limited to a maximum benefit period of 12 years. The Company elected to immediately recognize \$3.7 million in prior service costs upon adoption of the plan in 2010. The accompanying consolidated balance sheet includes \$3.6 million and \$3.7 million at December 31, 2011 and 2010, respectively, in other liabilities related to this plan.

*Postretirement Health and Life Insurance Plans*

The Company sponsors a postretirement plan (the Postretirement Plan) that provides certain health care and life insurance benefits for retired employees who have attained age 55 and have provided at least ten years of service. Retiree contributions, which vary by employee age and years of service at retirement, are made only by retirees utilizing these benefits. Retiree contributions are adjusted as the cost of health care changes. Effective January 1, 2010, the Company amended the design of the Postretirement Plan to provide service-based notional accounts that may be used to pay for medical plan premiums after retirement. All active employees who are least 55 with ten years of services and who retire prior to January 1, 2011 may choose between the current plan design and the new plan.

**NOTES TO FINANCIAL STATEMENTS**

A reconciliation of the beginning and ending balances of the benefit obligation and the fair value of plan assets for the Postretirement and Pension Plans are as follows:

	<b>2011</b>	<b>2010</b>	
	<b>Postretirement</b>	<b>Postretirement</b>	<b>Pension</b>
<b>Change in projected benefit obligation:</b>			
Projected benefit obligation at beginning of year	\$ (32,215,000)	\$ (30,426,000)	\$ (177,716,000)
Service cost	(1,991,000)	(2,175,000)	(600,000)
Interest cost	(1,542,000)	(1,622,000)	(5,782,000)
Employee contributions	(998,000)	(727,000)	-
Actuarial (loss) gain	(231,000)	(676,000)	3,628,000
Plan amendments	(98,000)	-	(13,083,000)
Benefits paid	3,665,000	3,650,000	193,553,000
Federal subsidy on benefits paid	(239,000)	(239,000)	-
Projected benefit obligation at end of year	<u>\$ 33,649,000</u>	<u>\$ (32,215,000)</u>	<u>\$ -</u>
Benefit obligation for nonvested employees	<u>\$ (12,936,000)</u>	<u>\$ (11,072,000)</u>	<u>\$ -</u>
<b>Change in plan assets:</b>			
Fair value at beginning of year	\$ -	\$ -	\$ 131,085,000
Actual gain (loss) on plan assets	-	-	(1,681,000)
Employer contributions	2,428,000	2,684,000	64,149,000
Employee contributions	998,000	727,000	-
Benefits paid	(3,665,000)	3,650,000	(193,553,000)
Federal subsidy on benefits paid	239,000	239,000	-
Fair value at end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

The Company uses December 31 as the measurement date for calculating its obligations relating to pension and postretirement benefits.

The funded status of the plans is a comparison of the projected benefit obligations to the fair market value of the assets of the plans. The difference represents amounts that have been either recognized as expense in prior periods or represents amounts that will be recognized as expense in the future.

The following table sets forth the funded status of the Postretirement Plan:

	<b>2011</b>	<b>2010</b>
Unfunded status	\$ (33,649,000)	\$ (32,215,000)
Unamortized prior service cost	782,000	1,028,000
Unrecognized net loss	2,169,000	1,976,000
Unrecognized net transition obligation	851,000	1,701,000
Accrued benefit cost	<u>\$ (29,847,000)</u>	<u>\$ (27,510,000)</u>

The components of net periodic cost for the Postretirement and Pension Plans recognized in 2011 and 2010 are as follows:

	<b>Postretirement</b>		<b>Pension</b>
	<b>2011</b>	<b>2010</b>	<b>2010</b>
<b>Components of net periodic cost:</b>			
Service cost	\$ 1,991,000	\$ 2,175,000	\$ 600,000
Interest cost	1,542,000	1,622,000	5,782,000
Expected return on plan assets	-	-	(218,000)
Transition obligation recognized	850,000	850,000	-
Impact due to settlements	-	-	103,218,000
Recognized losses (gains)	-	-	5,969,000
Prior service cost recognized	344,000	340,000	32,000
Total net periodic cost	<u>\$ 4,727,000</u>	<u>\$ 4,987,000</u>	<u>\$ 115,383,000</u>

The Company uses an alternative amortization method for gain/loss recognition for the Postretirement Plan. If gains and losses are in excess of 5% of the accumulated benefit obligation, the entire amount is amortized over a period of five years.

The transition obligation of the postretirement benefits liability is being amortized over a period of 20 years, which commenced in 1993.

**NOTES TO FINANCIAL STATEMENTS**

The weighted-average assumptions used to determine the benefit obligations for the Postretirement Plan at the December 31 measurement dates in accounting for the plan include:

	<b>2011</b>	<b>2010</b>
Discount rate	<b>4.80%</b>	5.50%
Expected compensation increase	<b>4.00%</b>	4.00%
Initial health care cost trend rate	<b>8.00%</b>	8.00%
Ultimate health care cost trend rate	<b>6.00%</b>	6.00%
Year ultimate cost trend is reached	<b>2017</b>	2014

The discount rates selected at the measurement dates for purposes of determining the benefit obligation and cost reflect the time value of money. These rates are based on investment-grade bond yields, after allowing for call and default risk. The expected compensation increase assumption is a long-term rate based on current expectations regarding future compensation increases.

A one-percentage point change in assumed health care cost trend rates would have the following effects on the amount reported for the Postretirement Plan:

	<b>One-Percentage Point Increase</b>	<b>One-Percentage Point Decrease</b>
Effect on total of service and interest cost components for 2011	<b>\$61,000</b>	\$(56,000)
Effect on postretirement benefit obligation as of December 31, 2011	<b>1,112,000</b>	(960,000)

The following benefit payments are expected to be paid each year and in the aggregate for the Postretirement Plan:

2012	\$ 2,804,000
2013	3,114,000
2014	3,378,000
2015	3,583,000
2016	3,701,000
2017 through 2021	19,721,000

#### B. Defined Contribution Plans

##### *Employee Savings Plan*

The Company sponsors a defined contribution employee retirement savings plan (the 401(k) Savings Plan) which is available to employees meeting certain age and employment requirements. Pursuant to the 401(k) Savings Plan, the Company contributes 100% of the first 3% and 50% of the next 2% of compensation that a participant contributes to the 401(k) Savings Plan. Participants in the 401(k) Savings Plan immediately vest in employer matching contributions. The Company's contributions to the 401(k) Savings Plan totaled \$4,358,000 and \$3,646,000 for 2011 and 2010, respectively.

##### *Defined Contribution Plan*

The Company sponsors a defined contribution retirement plan (the Horizons Plan) which provides a fixed contribution to eligible employees, calculated as a percentage of the employees' covered compensation. The fixed contribution is calculated using percentages ranging from 3% to 8%, based on an age plus years of service-graded scale. At December 31, 2011, the Company recorded a \$11,200,000 accrual for the fixed contribution relating to the 2011 plan year, which was subsequently paid in 2012. At December 31, 2010, the Company recorded a \$11,171,000 accrual for the fixed contribution relating to the 2010 plan year, which was subsequently paid in 2011.

##### *Restoration Savings Plan*

The Company sponsors a funded, nonqualified deferred compensation plan (the Restoration Plan) for certain highly compensated employees. The Internal Revenue Code currently limits the amounts the Company can pay to certain employees pursuant to the Horizons Plan and the 401(k) Savings Plan. The Restoration Plan provides an additional contribution amount calculated as if those contributions were not limited. At December 31, 2011, the Company accrued \$1,100,000 related to the 2011 plan year, which is expected to be paid in 2012. At December 31, 2010, the Company accrued \$1,010,000 related to the 2010 plan year, which was paid in 2011.

#### C. Multiemployer Plans

Not applicable

#### D. Consolidated/Holding Company Plans

Not applicable

#### E. Postemployment Benefits and Compensated Absences

Not applicable

**NOTES TO FINANCIAL STATEMENTS****F. Impact of Medicare Modernization Act on Postretirement Benefits**

Items (1) - (2) - Not applicable

Item (3) - See Note 12 (A)

**13. CAPITAL AND SURPLUS, DIVIDEND RESTRICTIONS AND QUASI-REORGANIZATIONS**

Items (1) - (13) - Not applicable

**14. CONTINGENCIES**

Items (A) - (D) - Not applicable

**E. All Other Contingencies**

Various lawsuits against the Company have arisen in the ordinary course of business. While the outcome of these matters cannot be predicted with certainty at this time, management believes they will not have a material adverse effect on the Company's financial position or results of operations.

Owners of the noncontrolling interests in a downstream brokerage subsidiary have exercised their right to require the Company to acquire their ownership interests. The purchase price is to be determined based upon a contractual formula which approximates fair value. At December 31, 2011, the Company and the owners of the noncontrolling interests are in the process of determining the purchase price in accordance with the applicable contractual formula.

In 1997, the Company entered into a Consent Decree and Final Judgment Entry (the Consent Decree) in a civil action. The action was filed by the Ohio Attorney General and alleged that the Company held certain assets that were impressed with a charitable trust. The Consent Decree resolved the matter and established certain "Triggering Events." Upon the occurrence of a Triggering Event, the Company is to transfer the charitable assets to a charitable foundation. The full and fair value of the charitable assets is to be determined as specified in the Consent Decree. The Medical Mutual of Ohio Charitable Foundation was established to receive the charitable assets if and when a Triggering Event occurs. The Company has no plans to initiate any action that would qualify as a Triggering Event, and accordingly, no liability has been recorded in the accompanying financial statements.

**15. LEASES****A. Lessee Operating Lease**

The Company leases office space, furniture, mailroom equipment, and printing equipment. Renewal options are available on the majority of leases and, under certain conditions; options exist to purchase equipment at the end of the lease term. Rental expense for operating leases was \$10,650,000 and \$10,155,000 for 2011 and 2010, respectively.

In 2000, the Company entered into separate transactions to sell and leaseback three office buildings. The terms of the lease agreements are twenty years, with an option to extend for four, five-year renewal periods. The combined lease payments for the three facilities are \$649,000 per month. At December 31, 2011 and 2010, the Company has recorded a deferred gain of \$11,694,000 and \$12,617,000, respectively, related to the sale and leaseback of the office facilities. The deferred gain, recorded in other liabilities, is being amortized over twenty years using the effective interest method. Additionally, included in other admitted assets is a note receivable from the buyer of the office facilities of \$7,585,000 and \$8,185,000 at December 31, 2011 and 2010, respectively. The note is being repaid over twenty years at an interest rate of 7.25% per annum.

The following is a summary of future minimum lease payments under noncancelable leases having initial or remaining terms in excess of one year at December 31, 2011:

	<b>Real Estate</b>	<b>Other</b>	<b>Total</b>
2012	\$ 10,675,000	\$ 436,000	\$ 11,111,000
2013	10,268,000	354,000	10,622,000
2014	9,696,000	-	9,696,000
2015	9,257,000	-	9,257,000
2016	8,616,000	-	8,616,000
2017 and thereafter	27,830,000	-	27,830,000
<b>Total minimum lease payments</b>	<b>\$ 76,342,000</b>	<b>\$ 790,000</b>	<b>\$ 77,132,000</b>

**B. Lessor Leases**

Not applicable

**16. INFORMATION ABOUT FINANCIAL INSTRUMENTS WITH OFF-BALANCE SHEET RISK AND FINANCIAL INSTRUMENTS WITH CONCENTRATIONS OF CREDIT RISK**

Items (1) - (4) - Not applicable

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**NOTES TO FINANCIAL STATEMENTS**

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**17. SALE, TRANSFER AND SERVICING OF FINANCIAL ASSETS AND EXTINGUISHMENTS OF LIABILITIES**

Items (A) - (C) - Not applicable

**18. GAIN OR LOSS TO THE REPORTING ENTITY FROM UNINSURED A&H PLANS AND THE UNINSURED PORTION OF PARTIALLY INSURED PLANS**

Items (A) - (C) - Not applicable

**19. DIRECT PREMIUM WRITTEN/PRODUCED BY MANAGING GENERAL AGENTS/THIRD PARTY ADMINISTRATORS**

Not applicable

**20. FAIR VALUE MEASUREMENT**

Not applicable

**21. OTHER ITEMS****A. Extraordinary Items**

Not applicable

**B. Troubled Debt Restructuring:**

Not applicable

**C. Other Disclosures**

The Company, MHICO, and CLIC are subject to certain Risk-Based Capital (RBC) requirements which are calculated based on factors specified by the NAIC. Under those requirements, the minimum amounts of capital and surplus which must be maintained are determined based on various risk factors. At December 31, 2010, the Company, MHICO, and CLIC meet their specific RBC requirements. The Company also guarantees that MHICO will maintain minimum capital and surplus in accordance with state laws.

In 2011, the Company refined its methodology for classifying enrollment, premium and claims for Dental Only and Vision Only products reported on the Analysis of Operations by Lines of Business and related exhibits. If an enrollee was able to make a separate election to include dental and vision benefits with their comprehensive major medical benefit, and if selected, was required to pay an additional premium for those benefits, then the applicable amounts were included in the Dental Only and Vision Only categories. If an enrollee was unable to make such election, then dental and vision amounts would be included in the Comprehensive Major Medical category.

Enrollment amounts for prior years have been restated to conform to the current year method of presentation on the Five-Year Historical Data exhibit and other related exhibits.

**D. Disclose the nature of any portion of the balance that is reasonably possible to be uncollectible for assets covered by SSAP No. 6, Uncollected Premium balances, Bills Receivable for Premiums, and Amounts Due from Agents and Brokers, SSAP No. 47 Uninsured Plans, or SSAP No. 66, Retrospectively Related Contracts.**

Asset balances that exceed 90 days are nonadmitted and any balances deemed uncollectible are written off. At December 31, 2011, no material amounts are deemed uncollectible.

**E. Business Interruption Insurance Recoveries**

Not applicable

**F. State Transferable Tax Credits**

Not applicable

**G. Subprime Mortgage Related Risk Exposure**

Not applicable

**H. Retained Assets**

Not applicable

**22. EVENTS SUBSEQUENT**

Not applicable

**23. REINSURANCE**

**NOTES TO FINANCIAL STATEMENTS**

Effective February 1, 2006, the Company entered into a quota share reinsurance agreement with CLIC to assume 80% of CLIC's health business written from that date. The Company pays up to a 22.1% ceding allowance to CLIC pursuant to the agreement. The Company assumed the following premium and claims:

	<b>Year Ended December 31</b>	
	<b>2011</b>	<b>2010</b>
Assumed premium, net of ceding allowance	\$ 61,993,000	\$ 53,706,000
Assumed claims	65,043,000	61,229,000

The Company's unpaid claims and health policy reserves have been increased by approximately \$8,190,000 and \$10,517,000 at December 31, 2011 and 2010, respectively, in accordance with the agreement.

**A. Ceded Reinsurance Report**

## Section 1 - General Interrogatories

1. Are any of the reinsurers, listed in Schedule S as non-affiliated, 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?

Yes ( ) No (X)

If yes, give full details.

2. Have any policies issued by the company 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?

Yes ( ) No (X)

If yes, give full details.

## Section 2 - Ceded Reinsurance Report - Part A

1. Does the company 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 credits?

Yes ( ) No (X)

2. Does the company 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 agreements with the same reinsurer, exceed the total direct premium collected under the reinsured policies?

Yes ( ) No (X)

## Section 3 - Ceded Reinsurance Report - Part B

1. What is the estimated amount of the aggregate reduction in surplus, (for agreements other than those under which the reinsurer may unilaterally cancel for reasons other than for nonpayment of premium or other similar credits that are reflected in Section 2 above) of termination of ALL reinsurance agreements, by either party, as of the date of this statement? \$0

2. Have any new agreements been executed or existing agreements amended, since January 1 of the year of this statement, 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?

Yes ( ) No (X)

**B. Uncollectible Reinsurance**

Not applicable

**C. Commutation of Ceded Reinsurance**

Not applicable

**24. RETROSPECTIVELY RATED CONTRACTS & CONTRACTS SUBJECT TO REDETERMINATION**

Items (A) - (D) - Not applicable

**25. CHANGE IN INCURRED CLAIMS AND CLAIM ADJUSTMENT EXPENSES**

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**NOTES TO FINANCIAL STATEMENTS**

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A \$23,293,000 redundancy in the December 31, 2010 reserves emerged in 2011, and that a \$19,100,000 redundancy in the December 31, 2009 reserves emerged in 2010. The deviation in the year end 2010 and 2009 reserves that emerged in 2011 and 2010 was due in part to the ultimate reserves developing favorably as a result of improved loss ratios and lower claims than estimated.

**26. INTERCOMPANY POOLING ARRANGEMENTS**

Not applicable

**27. STRUCTURED SETTLEMENTS**

Not applicable

**28. HEALTH CARE RECEIVABLES**

Not applicable

**29. PARTICIPATING POLICIES**

Not applicable

**30. PREMIUM DEFICIENCY RESERVES**

Not applicable

**31. ANTICIPATED SALVAGE AND SUBROGATION**

The reserve for unpaid claims and CAE at December 31, 2011 and 2010, has been reduced by \$6,716,000 and \$6,290,000, respectively, related to anticipated subrogation claims recoverable.

**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 [ X ] No [ ]  
10/21/2011  
12/31/2009

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.  
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.  
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).  
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:  
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:  
4.21 sales of new business? Yes [ X ] No [ ]  
4.22 renewals? Yes [ X ] No [ ]

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 Co. Code	3 State of Domicile
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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, 7.21 State the percentage of foreign control 7.22 State the nationality(ies) of the foreign person(s) or entity(ies); or if the entity is a mutual or reciprocal, the nationality of its manager or attorney-in-fact and identify the type of entity(ies) (e.g., individual, corporation, government, manager or attorney-in-fact) <table border="1"><tr><td>1 Nationality</td><td>2 Type of Entity</td></tr></table>	1 Nationality	2 Type of Entity
1 Nationality	2 Type of Entity		

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

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

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.

8.3 Is the company affiliated with one or more banks, thrifts or securities firms? Yes [ ] No [ X ]  
8.4 If response to 8.3 is yes, please provide the names and locations (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?  
Ernst & Young, LLP 925 Euclid Avenue, Cleveland, OH 44115-1356

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 the 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 [ ] No [ X ]  
10.4 If the response to 10.3 is yes, provide information related to this exemption:

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?  
Michael J. Cellini, PhD, ASA, MAAA, Senior Manager & Consulting Actuary, Ernst & Young, LLP 5 Times Square, New York, NY 10036

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

**GENERAL INTERROGATORIES**

## 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?

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

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

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

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).

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).

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.

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

**PART 1 - COMMON INTERROGATORIES - 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 [X] No [ ]

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 [ ]

**PART 1 - COMMON INTERROGATORIES - 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):

20.11 To directors or other officers	\$.....0
20.12 To stockholders not officers	\$.....0
20.13 Trustees, supreme or grand (Fraternal only)	\$.....0

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

20.21 To directors or other officers	\$.....0
20.22 To stockholders not officers	\$.....0
20.23 Trustees, supreme or grand (Fraternal only)	\$.....0

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:

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

**PART 1 - COMMON INTERROGATORIES - 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? Yes [ ] No [ ] N/A [X]

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. ....

**PART 1 - COMMON INTERROGATORIES - INVESTMENT**

24.7 Does your securities lending program require 102% (domestic securities) and 105% (foreign securities) from the counterparty at the outset of the contract? Yes [ ] No [ ] N/A [X]

24.8 Does the reporting entity non-admit when the collateral received from the counterparty falls below 100%? Yes [ ] No [ ] N/A [X]

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]

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	\$.....5,220,311
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	\$.....968,338
25.29 Other	\$.....0

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? Yes [ ]  
If no, attach a description with this statement.

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: .....  
.....

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 1, 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
Fifth Third Bank	5050 Kingsley Drive, Cincinnati, OH 45263
PNC Bank	1900 East Ninth Street, Cleveland, OH 44114

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 advisors, brokers/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
N/A	First Merit Bank	101 West Prospect Ave., Cleveland, OH 44115
N/A	PNC Institutional Investments	1900 East Ninth St., Cleveland, OH 44114
124674	Ancora Advisors	2000 Auburn Drive #300, Cleveland, OH 44122

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 [X] No [ ]

29.2 If yes, complete the following schedule:

1 CUSIP #	2 Name of Mutual Fund	3 Book/Adj.Carrying Value
922908 41 3	VANGUARD S&P 500 INDEX ETF	3,738,616
73935X 58 3	POWERSHARES RAFI US 1000 ETF	2,406,432
922042 77 5	VANGUARD FTSE ALL WORLD EX-US ETF	2,094,828
78463X 74 9	SPDR DOW JONES GLOBAL REAL ESTATE ETF	1,972,262
464287 50 7	ISHARES S&P MIDCAP 400 INDEX ETF	1,838,671
922908 65 2	VANGUARD EXTENDED MKT ETF	1,836,328
922908 75 1	VANGUARD SMALL-CAP ETF	1,328,328
92204A 80 1	VANGUARD MATERIALS ETF	1,243,283
73936T 78 9	POWERSHARES FTSE RAFI DEVELOPED MARKETS ETF	1,181,577
92204A 30 6	VANGUARD ENERGY ETF	1,039,956
922042 85 8	VANGUARD MSCI EMERGING MARKETS ETF	919,562
57060U 60 5	MARKET VECTORS AGRIBUSINESS ETF	722,904
922042 71 8	VANGUARD FTSE ALL WORLD EX-US SMALL-CAP ETF	663,766
761396 30 8	REVENUESHARES SMALL-CAP ETF	553,432
97717W 28 1	WISDOMTREE EMG MKTS SM CP ETF	452,094
29.2999. TOTAL		21,992,039

**PART 1 - COMMON INTERROGATORIES - INVESTMENT**29.3 For each mutual fund listed in the table above, complete the following schedule:

1 Name of Mutual Fund (from the above table)	2 Name of Significant Holding of the Mutual Fund	3 Amount of Mutual Fund's Book/Adjusted Carrying Value Attributable to Holding	4 Date of Valuation
VANGUARD S&P 500 INDEX ETF	EXXON MOBIL CORP.	134,590	12/31/2011
POWERSHARES RAFI US 1000 ETF	EXXON MOBIL CORP.	77,968	12/31/2011
VANGUARD FTSE ALL WORLD EX-US ETF	ROYAL DUTCH SHELL PLC	33,517	12/31/2011
SPDR DOW JONES GLOBAL REAL ESTATE ETF	SIMON PPTY GROUP INC NEW	123,661	12/31/2011
ISHARES S&P MIDCAP 400 INDEX ETF	KANSAS CITY SOUTHERN	13,055	12/31/2011
VANGUARD EXTENDED MKT ETF	LAS VEGAS SANDS CORP.	12,854	12/31/2011
VANGUARD SMALL-CAP ETF	PANERA BREAD CO.	3,985	12/31/2011
VANGUARD MATERIALS ETF	EI DU PONT DE NEMOURS & CO.	95,733	12/31/2011
POWERSHARES FTSE RAFI DEVELOPED MARKETS ETF	BP PLC	26,349	12/31/2011
VANGUARD ENERGY ETF	EXXON MOBIL CORP.	245,430	12/31/2011
VANGUARD MSCI EMERGING MARKETS ETF	SAMSUNG ELECTRONICS CO. LTD	32,185	12/31/2011
MARKET VECTORS AGRIBUSINESS ETF	MONSANTO COMPANY	58,338	12/31/2011
VANGUARD FTSE ALL WORLD EX-US SMALL-CAP ETF	BAYTEX ENERGY CORP.	2,655	12/31/2011
REVENUESHARES SMALL-CAP ETF	SYNTEX CORP.	10,238	12/31/2011
WISDOMTREE EMG MKTS SM CP ETF	PARTNER COMMUNICATIONS CO LTD	4,928	12/31/2011

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.....	845,001,537	897,860,293	52,858,756
30.2 Preferred stocks.....			0
30.3 Totals.....	845,001,537	897,860,293	52,858,756

30.4 Describe the sources or methods utilized in determining the fair values:

The fair value of our securities was determined by utilizing prices obtained from our custodians, Fifth Third Bank and PNC Bank. Fifth Third and PNC utilize FT Interactive Data for their pricing.

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 [ ]

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:

---



---

**PART 1 - COMMON INTERROGATORIES - OTHER**

33.1 Amount of payments to trade associations, service organizations and statistical or rating bureaus, if any? \$.....74,946

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
Greater Cleveland Partnership	198,824

34.1 Amount of payments for legal expenses, if any? \$.....3,873,086

34.2 List the name of the firm and the amount paid if any such payment represented 25% or more of the total payments for legal expenses during the period covered by this statement.

1 Name	2 Amount Paid
Frantz Ward	1,422,486

35.1 Amount of payments for expenditures in connection with matters before legislative bodies, officers or departments of government, if any? \$.....1,027,931

35.2 List the name of the 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 departments of government during the period covered by this statement.

1 Name	2 Amount Paid
The Success Group, LTD	360,181

**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 \$.....26,439,797  
 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. \$.....18,713,903  
 1.6 Individual policies:  
 Most current three years:  
 1.61 Total premium earned \$.....3,118,665  
 1.62 Total incurred claims \$.....2,070,961  
 1.63 Number of covered lives .....1,679  
 All years prior to most current three years:  
 1.64 Total premium earned \$.....19,593,761  
 1.65 Total incurred claims \$.....13,741,426  
 1.66 Number of covered lives .....5,564

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 \$.....3,727,371  
 1.75 Total incurred claims \$.....2,901,516  
 1.76 Number of covered lives .....1,468

2. Health test:

	1 Current Year	2 Prior Year
2.1 Premium Numerator.....	2,122,861,380	2,078,659,426
2.2 Premium Denominator.....	2,122,861,380	2,078,659,426
2.3 Premium Ratio (2.1/2.2).....	100.0	100.0
2.4 Reserve Numerator.....	199,742,299	205,282,800
2.5 Reserve Denominator.....	199,742,299	205,282,800
2.6 Reserve Ratio (2.4/2.5).....	100.0	100.0

---

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, and if the earnings of the reporting entity permits? Yes [ ] 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 [ ]  
 4.2 If not previously filed, furnish herewith a copy(ies) of such agreement(s). Do these agreements include additional benefits offered? Yes [ ] No [X]  
 5.1 Does the reporting entity have stop-loss reinsurance? Yes [ ] No [X]  
 5.2 If no, explain:  
Management considered (1) the increasing cost of retaining stop loss coverage, (2) the maximum exposure per enrollee, and (3) the strong surplus position of the Company in deciding to forgo stop loss coverage during 2011. Risk retention decisions are regularly reviewed by management.  
 5.3 Maximum retained risk (see instructions):  
 5.31 Comprehensive medical \$.....0  
 5.32 Medical only \$.....0  
 5.33 Medicare supplement \$.....0  
 5.34 Dental and 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:  
Hold harmless provisions and covered service provisions

---

7.1 Does the reporting entity set up its claim liability for provider services on a service date base? 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 .....69,782  
 8.2 Number of providers at end of reporting year .....82,962

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 \$.....41,918,097  
 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 [ ] No [X]  
 10.2 If yes:  
 10.21 Maximum amount payable bonuses .....  
 10.22 Amount actually paid for year bonuses .....  
 10.23 Maximum amount payable withholdings .....  
 10.24 Amount actually paid for year withholdings .....

**GENERAL INTERROGATORIES (continued)****PART 2 - HEALTH INTERROGATORIES**

11.1. Is the reporting entity organized as:

11.12 A Medical Group/Staff Model,

Yes [ ] No [X]

11.13 An Individual Practice Association (IPA), or

Yes [ ] No [X]

11.14 A Mixed Model (combination of above)?

Yes [ ] No [X]

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

\$.....217,403,178

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

Yes [ ] No [X]

11.4. If yes, show the amount required.

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

Yes [ ] No [X]

11.6. If the amount is calculated, show the calculation:

200% authorized control level risk-based capital

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

1
Name of Service Area

Please refer to OH, IN, MI, PA, WV, GA, WI, NC, SC

13.1. Do you act as a custodian for health savings account?

Yes [ ] No [X]

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

.....

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

Yes [ ] No [X]

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

.....

**FIVE-YEAR HISTORICAL DATA**

	1 2011	2 2010	3 2009	4 2008	5 2007
<b>Balance Sheet Items (Pages 2 and 3)</b>					
1. Total admitted assets (Page 2, Line 28).....	1,558,709,532	1,495,657,937	1,454,851,786	1,396,166,651	1,330,973,008
2. Total liabilities (Page 3, Line 24).....	437,808,278	430,331,682	479,819,695	485,188,052	451,123,502
3. Statutory surplus.....	217,403,178	220,451,890	215,275,374	214,529,652	209,083,408
4. Total capital and surplus (Page 3, Line 33).....	1,120,901,254	1,065,326,255	975,032,091	910,978,599	879,849,506
<b>Income Statement Items (Page 4)</b>					
5. Total revenues (Line 8).....	2,122,761,380	2,078,659,426	1,979,336,977	2,030,649,266	1,995,234,585
6. Total medical and hospital expenses (Line 18).....	1,714,170,993	1,716,315,809	1,648,889,308	1,665,764,235	1,618,318,795
7. Claims adjustment expenses (Line 20).....	64,390,278	65,249,879	66,097,208	73,813,257	66,540,530
8. Total administrative expenses (Line 21).....	281,171,936	363,502,527	244,377,221	227,401,859	214,770,158
9. Net underwriting gain (loss) (Line 24).....	61,572,173	(58,616,789)	16,579,240	66,823,915	93,145,102
10. Net investment gain (loss) (Line 27).....	33,282,914	36,856,911	35,242,275	15,963,030	38,449,808
11. Total other income (Lines 28 plus 29).....	58,563	6,151,301	5,743,454	7,902,963	4,113,327
12. Net income or (loss) (Line 32).....	66,235,138	(25,427,131)	43,510,395	76,367,454	100,203,702
<b>Cash Flow (Page 6)</b>					
13. Net cash from operations (Line 11).....	108,965,673	31,244,411	19,152,570	133,304,565	100,230,104
<b>Risk-Based Capital Analysis</b>					
14. Total adjusted capital.....	1,120,901,254	1,065,326,255	975,032,091	910,978,599	879,849,506
15. Authorized control level risk-based capital.....	110,208,106	110,225,945	107,637,687	107,264,826	104,541,704
<b>Enrollment (Exhibit 1)</b>					
16. Total members at end of period (Column 5, Line 7).....	1,028,945	1,039,293	.994,578	1,042,472	1,192,130
17. Total member months (Column 6, Line 7).....	12,196,851	12,252,504	12,008,784	12,364,144	14,551,747
<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 (Line 18 plus Line 19).....	80.8	82.6	83.5	82.0	100.0
20. Cost containment expenses.....	1.2	1.1	1.1	1.2	1.2
21. Other claims adjustment expenses.....	1.8	2.0	2.2	2.5	2.1
22. Total underwriting deductions (Line 23).....	97.1	102.8	99.2	96.7	95.3
23. Total underwriting gain (loss) (Line 24).....	2.9	(2.8)	0.8	3.3	4.7
<b>Unpaid Claims Analysis (U&amp;I Exhibit, Part 2B)</b>					
24. Total claims incurred for prior years (Line 13 Col. 5).....	180,197,320	188,216,400	210,269,400	200,602,200	210,662,560
25. Estimated liability of unpaid claims - [prior year (Line 13, Col. 6)]	203,490,800	207,317,000	213,529,200	214,145,000	228,029,560
<b>Investments in Parent, Subsidiaries and Affiliates</b>					
26. Affiliated bonds (Sch. D Summary, Line 12, Col. 1).....					
27. Affiliated preferred stocks (Sch D. Summary, Line 18, Col. 1).....					
28. Affiliated common stocks (Sch D. Summary, Line 24, Col. 1).....	132,707,523	124,193,357	121,943,444	129,158,696	125,018,510
29. Affiliated short-term investments (subtotal included in Sch. DA, Verification, Column 5, Line 10).....					
30. Affiliated mortgage loans on real estate.....					
31. All other affiliated.....		443,671,162	432,792,916	410,454,038	350,935,821
32. Total of above Lines 26 to 31.....	132,707,523	567,864,519	554,736,360	539,612,734	475,954,331

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 

If no, please explain:

**SCHEDULE T - PREMIUMS AND OTHER CONSIDERATIONS**

Allocated by States and Territories

State, Etc.	1 Active Status	Direct Business Only							9 Deposit-Type Contracts
		2 Accident & Health Premiums	3 Medicare Title XVIII	4 Medicaid Title XIX	5 Federal Employees Health Benefits Program Premiums	6 Life & Annuity Premiums and Other Considerations	7 Property/Casualty Premiums	8 Total Columns 2 Through 7	
1. Alabama.....	AL	N.						0	
2. Alaska.....	AK	N.						0	
3. Arizona.....	AZ	N.						0	
4. Arkansas.....	AR	N.						0	
5. California.....	CA	N.						0	
6. Colorado.....	CO	N.						0	
7. Connecticut.....	CT	N.						0	
8. Delaware.....	DE	N.						0	
9. District of Columbia.....	DC	N.						0	
10. Florida.....	FL	N.						0	
11. Georgia.....	GA	L.						0	
12. Hawaii.....	HI	N.						0	
13. Idaho.....	ID	N.						0	
14. Illinois.....	IL	N.						0	
15. Indiana.....	IN	L	24,906,348					24,906,348	
16. Iowa.....	IA	N.						0	
17. Kansas.....	KS	N.						0	
18. Kentucky.....	KY	N.						0	
19. Louisiana.....	LA	N.						0	
20. Maine.....	ME	N.						0	
21. Maryland.....	MD	N.						0	
22. Massachusetts.....	MA	N.						0	
23. Michigan.....	MI	L	2,314,065					2,314,065	
24. Minnesota.....	MN	N.						0	
25. Mississippi.....	MS	N.						0	
26. Missouri.....	MO	N.						0	
27. Montana.....	MT	N.						0	
28. Nebraska.....	NE	N.						0	
29. Nevada.....	NV	N.						0	
30. New Hampshire.....	NH	N.						0	
31. New Jersey.....	NJ	N.						0	
32. New Mexico.....	NM	N.						0	
33. New York.....	NY	N.						0	
34. North Carolina.....	NC	L						0	
35. North Dakota.....	ND	N.						0	
36. Ohio.....	OH	L	2,032,729,590	918,110				2,033,647,700	
37. Oklahoma.....	OK	N.						0	
38. Oregon.....	OR	N.						0	
39. Pennsylvania.....	PA	L						0	
40. Rhode Island.....	RI	N.						0	
41. South Carolina.....	SC	L						0	
42. South Dakota.....	SD	N.						0	
43. Tennessee.....	TN	N.						0	
44. Texas.....	TX	N.						0	
45. Utah.....	UT	N.						0	
46. Vermont.....	VT	N.						0	
47. Virginia.....	VA	N.						0	
48. Washington.....	WA	N.						0	
49. West Virginia.....	WV	L						0	
50. Wisconsin.....	WI	L						0	
51. Wyoming.....	WY	N.						0	
52. American Samoa.....	AS	N.						0	
53. Guam.....	GU	N.						0	
54. Puerto Rico.....	PR	N.						0	
55. U.S. Virgin Islands.....	VI	N.						0	
56. Northern Mariana Islands.....	MP	N.						0	
57. Canada.....	CN	N.						0	
58. Aggregate Other alien.....	OT	XXX	0	0	0	0	0	0	
59. Subtotal.....		XXX	2,059,950,003	918,110	0	0	0	2,060,868,113	
60. Reporting entity contributions for Employee Benefit Plans.....		XXX						0	
61. Total (Direct Business).....	(a)	9	2,059,950,003	918,110	0	0	0	2,060,868,113	

**DETAILS OF WRITE-INS**

5801.....								0
5802.....								0
5803.....								0
5898. Summary of remaining write-ins for line 58.....		0	0	0	0	0	0	0
5899. Total (Lines 5801 thru 5803 + 5898) (Line 58 above).....		0	0	0	0	0	0	0

(L) - Licensed or Chartered - Licensed Insurance Carrier or Domiciled RRG; (R) - Registered - Non-domiciled RRGs; (Q) - Qualified - Qualified or Accredited Reinsurer; (E) - Eligible - Reporting Entities eligible or approved to write Surplus Lines in the state; (N) - None of the above - Not allowed to write business in the state.

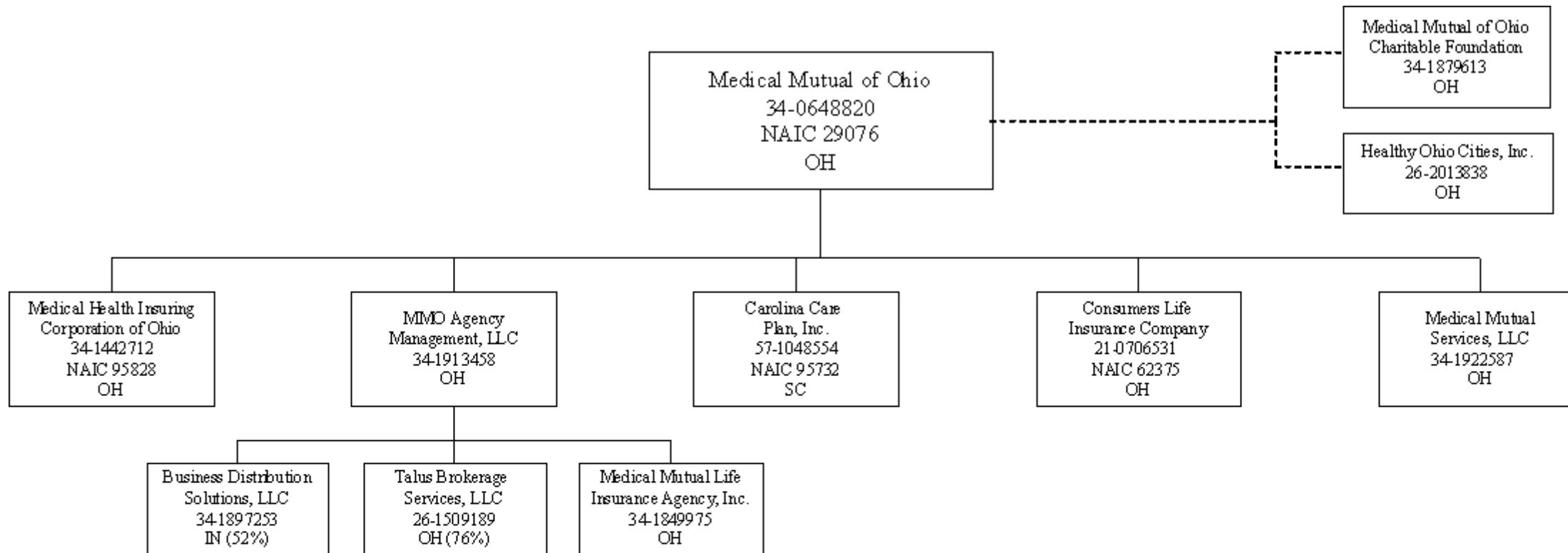
**Explanation of basis of allocation by states, premiums by state, etc.**

Premiums are allocated based upon the location of the group's home office or the individual's home address.

(a) Insert the number of L responses except for Canada and Other Alien.

## SCHEDULE Y – INFORMATION CONCERNING ACTIVITIES OF INSURER MEMBERS OF A HOLDING COMPANY GROUP

### PART 1 – ORGANIZATIONAL CHART



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