AMENDED FILING EXPLANATION

A correction was made increasing costs allocated in accordance with the Administration and Marketing Agreement resulting in an increase of $441,514 in Amounts Due to Parent and general administrative expenses which are netted against net income from uninsured plans in Claims Adjustment Expenses and General Administrative Expenses. This increase in costs resulted in a reduction of $154,530 in Federal Taxes Incurred and Federal Taxes Payable.

A reclassification was made between Cash and Amounts Due to Parent of $1,052,775 due to timing of the settlement of the intercompany balances.

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ANNUAL STATEMENT

For the Year Ended December 31, 2011

of the Condition and Affairs of the

Vision Service Plan

NAIC Group Code.....1189, 1189 (Current Period) (Prior Period) NAIC Company Code..... 54380 Employer's ID Number..... 31-0725743

Organized under the Laws of Ohio State of Domicile or Port of Entry Ohio Country of Domicile US

Licensed as Business Type.....Vision Service Corporation Is HMO Federally Qualified? Yes [ ] No [X]

Incorporated/Organized..... November 4, 1966 Commenced Business..... March 29, 1967

Statutory Home Office	3400 Morse Crossing….. Columbus ..... OH ..... 43215 *(Street and Number) (City or Town, State and Zip Code)*	
Main Administrative Office	3333 Quality Drive….. Rancho Cordova ..... CA ..... 95670 *(Street and Number) (City or Town, State and Zip Code)*	916-851-5000 *(Area Code) (Telephone Number)*
Mail Address	3333 Quality Drive….. Rancho Cordova ..... CA ..... 95670 *(Street and Number or P. O. Box) (City or Town, State and Zip Code)*	
Primary Location of Books and Records	3333 Quality Drive….. Rancho Cordova ..... CA ..... 95670 *(Street and Number) (City or Town, State and Zip Code)*	916-851-5000 *(Area Code) (Telephone Number)*
Internet Web Site Address	www.vsp.com	
Statutory Statement Contact	Laura Olson *(Name)*	916-851-5000 *(Area Code) (Telephone Number) (Extension)*
	laurol@vsp.com *(E-Mail Address)*	916-858-5388 *(Fax Number)*

OFFICERS

Name	Title	Name	Title
1. James Robinson Lynch	President	2. James Michael McGrann #	Secretary
3. Lester Earl Passuello	Treasurer	4.	

OTHER

DIRECTORS OR TRUSTEES

James Robinson Lynch James Michael McGrann # Donald Joseph Ball, Jr.

State of........ California
County of..... Sacramento

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)	(Signature)	(Signature)
James Robinson Lynch	James Michael McGrann	Lester Earl Passuello
1. (Printed Name)	2. (Printed Name)	3. (Printed Name)
President	Secretary	Treasurer
(Title)	(Title)	(Title)

Subscribed and sworn to before me
This ______ day of ______ 2012
By: James Robinson Lynch James Michael McGrann Lester Earl Passuello

a. Is this an original filing? Yes [ ] No [X]
b. If no
1. State the amendment number 1
2. Date filed May 14, 2012
3. Number of pages attached 17

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)	28,923,642		28,923,642	44,260,752
2. Stocks (Schedule D):				
2.1 Preferred stocks	14,896		14,896	33,484
2.2 Common stocks	8,150,469		8,150,469	8,204,807
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)	3,037,429		3,037,429	3,125,262
4.2 Properties held for the production of income (less $..........0 encumbrances)			0	
4.3 Properties held for sale (less $..........0 encumbrances)			0	
5. Cash ($.....(1,592,656), Sch. E-Part 1), cash equivalents ($..........0, Sch. E-Part 2) and short-term investments ($.....10,682,728, Sch. DA)	9,090,072		9,090,072	10,555,079
6. Contract loans (including $..........0 premium notes)			0	
7. Derivatives (Schedule DB)			0	
8. Other invested assets (Schedule BA)	12,095,084	12,095,084	0	
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)	61,311,592	12,095,084	49,216,508	66,179,384
13. Title plants less $..........0 charged off (for Title insurers only)			0	
14. Investment income due and accrued	295,090		295,090	335,968
15. Premiums and considerations:				
15.1 Uncollected premiums and agents' balances in course of collection	2,190,146	736	2,189,410	2,065,402
15.2 Deferred premiums, agents' balances and installments booked but deferred and not yet due (including $..........0 earned but unbilled premiums)			0	
15.3 Accrued retrospective premiums			0	
16. Reinsurance:				
16.1 Amounts recoverable from reinsurers			0	
16.2 Funds held by or deposited with reinsured companies			0	
16.3 Other amounts receivable under reinsurance contracts			0	
17. Amounts receivable relating to uninsured plans	3,072,837	8,707	3,064,130	2,834,483
18.1 Current federal and foreign income tax recoverable and interest thereon			0	560,000
18.2 Net deferred tax asset	1,294,942		1,294,942	969,207
19. Guaranty funds receivable or on deposit			0	
20. Electronic data processing equipment and software			0	
21. Furniture and equipment, including health care delivery assets ($..........0)	4,667,797	3,222,837	1,444,960	1,102,857
22. Net adjustment in assets and liabilities due to foreign exchange rates			0	
23. Receivables from parent, subsidiaries and affiliates			0	
24. Health care ($..........0) and other amounts receivable			0	
25. Aggregate write-ins for other than invested assets	555,617	148,303	407,314	258,357
26. Total assets excluding Separate Accounts, Segregated Accounts and Protected Cell Accounts (Lines 12 to 25)	73,388,021	15,475,667	57,912,354	74,305,658
27. From Separate Accounts, Segregated Accounts and Protected Cell Accounts			0	
28. TOTALS (Lines 26 and 27)	73,388,021	15,475,667	57,912,354	74,305,658

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. Prepaid Expenses	35,925	35,925	0	
2502. Other Receivables	519,692	112,378	407,314	258,357
2503.			0	
2598. Summary of remaining write-ins for Line 25 from overflow page	0	0	0	0
2599. Totals (Lines 2501 thru 2503 plus 2598) (Line 25 above)	555,617	148,303	407,314	258,357

LIABILITIES, CAPITAL AND SURPLUS

	Current Period 1 Covered	Current Period 2 Uncovered	Current Period 3 Total	Prior Year 4 Total
1. Claims unpaid (less $..........0 reinsurance ceded)	4,394,449		4,394,449	3,934,943
2. Accrued medical incentive pool and bonus amounts			0	
3. Unpaid claims adjustment expenses	46,761		46,761	36,149
4. Aggregate health policy reserves, including the liability of $..........0 for medical loss ratio rebate per the Public Health Service Act	1,494,061		1,494,061	1,841,985
5. Aggregate life policy reserves			0	
6. Property/casualty unearned premium reserve			0	
7. Aggregate health claim reserves			0	
8. Premiums received in advance	237,109		237,109	179,425
9. General expenses due or accrued	675,288		675,288	910,958
10.1 Current federal and foreign income tax payable and interest thereon (including $..........0 on realized capital gains (losses))	3,194,700		3,194,700	598,050
10.2 Net deferred tax liability			0	
11. Ceded reinsurance premiums payable			0	
12. Amounts withheld or retained for the account of others			0	
13. Remittances and items not allocated	392,093		392,093	
14. Borrowed money (including $..........0 current) and interest thereon $..........0 (including $..........0 current)			0	
15. Amounts due to parent, subsidiaries and affiliates	599,363		599,363	3,220,048
16. Derivatives			0	
17. Payable for securities	7,395		7,395	
18. Payable for securities lending			0	
19. Funds held under reinsurance treaties with ($..........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	732,333		732,333	779,771
23. Aggregate write-ins for other liabilities (including $..........0 current)	827,147	0	827,147	795,141
24. Total liabilities (Lines 1 to 23)	12,600,699	0	12,600,699	12,296,470
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	500,000	500,000
31. Unassigned funds (surplus)	XXX	XXX	44,811,655	61,509,188
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	45,311,655	62,009,188
34. Total liabilities, capital and surplus (Lines 24 and 33)	XXX	XXX	57,912,354	74,305,658

DETAILS OF WRITE-INS

	1 Covered	2 Uncovered	3 Total	4 Total
2301. Taxes, licenses and fees due or accrued	827,147		827,147	795,141
2302.			0	
2303.			0	
2398. Summary of remaining write-ins for Line 23 from overflow page	0	0	0	0
2399. Totals (Lines 2301 thru 2303 plus 2398) (Line 23 above)	827,147	0	827,147	795,141
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. Statutory Reserve	XXX	XXX	500,000	500,000
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	500,000	500,000

STATEMENT OF REVENUE AND EXPENSES

	Current Year		Prior Year
	1 Uncovered	2 Total	3 Total
1. Member months	XXX	13,453,190	13,412,488
2. Net premium income (including $..........0 non-health premium income)	XXX	81,906,039	77,597,895
3. Change in unearned premium reserves and reserve for rate credits	XXX		
4. Fee-for-service (net of $.....13,511,647 medical expenses)	XXX	1,855,467	1,803,588
5. Risk revenue	XXX	236,066	245,300
6. Aggregate write-ins for other health care related revenues	XXX	17,688,095	14,898,129
7. Aggregate write-ins for other non-health revenues	XXX	0	0
8. Total revenues (Lines 2 to 7)	XXX	101,685,667	94,544,912
Hospital and Medical:			
9. Hospital/medical benefits			
10. Other professional services		68,674,928	66,730,424
11. Outside referrals			
12. Emergency room and out-of-area			
13. Prescription drugs			
14. Aggregate write-ins for other hospital and medical	0	0	0
15. Incentive pool, withhold adjustments and bonus amounts			
16. Subtotal (Lines 9 to 15)	0	68,674,928	66,730,424
Less:			
17. Net reinsurance recoveries			
18. Total hospital and medical (Lines 16 minus 17)	0	68,674,928	66,730,424
19. Non-health claims (net)			
20. Claims adjustment expenses, including $..........0 cost containment expenses		606,522	575,386
21. General administrative expenses		7,662,970	7,257,832
22. Increase in reserves for life and accident and health contracts including $..........0 increase in reserves for life only)		(347,924)	(340,219)
23. Total underwriting deductions (Lines 18 through 22)	0	76,596,496	74,223,423
24. Net underwriting gain or (loss) (Lines 8 minus 23)	XXX	25,089,171	20,321,489
25. Net investment income earned (Exhibit of Net Investment Income, Line 17)		1,178,507	1,009,218
26. Net realized capital gains or (losses) less capital gains tax of $.....234,322		435,168	114,976
27. Net investment gains or (losses) (Lines 25 plus 26)	0	1,613,675	1,124,194
28. Net gain or (loss) from agents' or premium balances charged off [(amount recovered $..........0) (amount charged off $.....16,911)]		(16,911)	(12,356)
29. Aggregate write-ins for other income or expenses	0	(18,488,081)	(14,980,692)
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	8,197,854	6,452,635
31. Federal and foreign income taxes incurred	XXX	2,079,180	1,824,805
32. Net income (loss) (Lines 30 minus 31)	XXX	6,118,674	4,627,830

DETAILS OF WRITE-INS

0601. Lab revenue	XXX	17,688,095	14,898,129
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	17,688,095	14,898,129
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. Lab expenses		(18,488,081)	(14,980,692)
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	(18,488,081)	(14,980,692)

STATEMENT OF REVENUE AND EXPENSES (Continued)

CAPITAL AND SURPLUS ACCOUNT	1 Current Year	2 Prior Year
33. Capital and surplus prior reporting period	62,009,188	57,332,786
34. Net income or (loss) from Line 32	6,118,674	4,627,830
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 $.....(310,709)	(577,030)	487,055
37. Change in net unrealized foreign exchange capital gain or (loss)		
38. Change in net deferred income tax	15,026	(100,380)
39. Change in nonadmitted assets	(13,671,208)	(338,103)
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	(6,200,919)	
47. Aggregate write-ins for gains or (losses) in surplus	(2,382,076)	0
48. Net change in capital and surplus (Lines 34 to 47)	(16,697,533)	4,676,402
49. Capital and surplus end of reporting period (Line 33 plus 48)	45,311,655	62,009,188

DETAILS OF WRITE-INS

4701. Transfer of Michigan and West Virginia fund balance	(3,774,208)	
4702. Repayment of interest charged by parent in prior period	1,392,132	
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)	(2,382,076)	0

CASH FLOW

		1 Current Year	2 Prior Year
	CASH FROM OPERATIONS		
1.	Premiums collected net of reinsurance	81,851,828	77,760,136
2.	Net investment income	1,783,079	1,512,173
3.	Miscellaneous income	19,779,628	16,947,017
4.	Total (Lines 1 through 3)	103,414,535	96,219,326
5.	Benefit and loss related payments	68,215,422	66,175,939
6.	Net transfers to Separate Accounts, Segregated Accounts and Protected Cell Accounts		
7.	Commissions, expenses paid and aggregate write-ins for deductions	27,250,865	22,212,629
8.	Dividends paid to policyholders		
9.	Federal and foreign income taxes paid (recovered) net of $..........0 tax on capital gains (losses)	(843,148)	2,782,854
10.	Total (Lines 5 through 9)	94,623,139	91,171,422
11.	Net cash from operations (Line 4 minus Line 10)	8,791,396	5,047,904
	CASH FROM INVESTMENTS		
12.	Proceeds from investments sold, matured or repaid:		
	12.1 Bonds	22,632,423	28,577,388
	12.2 Stocks	6,569,127	2,100,435
	12.3 Mortgage loans		
	12.4 Real estate		
	12.5 Other invested assets	1,904,916	
	12.6 Net gains or (losses) on cash, cash equivalents and short-term investments		
	12.7 Miscellaneous proceeds	7,395	45,645
	12.8 Total investment proceeds (Lines 12.1 to 12.7)	31,113,861	30,723,468
13.	Cost of investments acquired (long-term only):		
	13.1 Bonds	7,682,759	33,478,186
	13.2 Stocks	6,890,691	4,085,318
	13.3 Mortgage loans		
	13.4 Real estate		
	13.5 Other invested assets	14,000,000	
	13.6 Miscellaneous applications		
	13.7 Total investments acquired (Lines 13.1 to 13.6)	28,573,450	37,563,504
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)	2,540,411	(6,840,036)
	CASH FROM FINANCING AND MISCELLANEOUS SOURCES		
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	6,200,919	
	16.6 Other cash provided (applied)	(6,595,895)	1,331,857
17.	Net cash from financing and miscellaneous sources (Lines 16.1 to 16.4 minus Line 16.5 plus Line 16.6)	(12,796,814)	1,331,857
	RECONCILIATION OF CASH, CASH EQUIVALENTS AND SHORT-TERM INVESTMENTS		
18.	Net change in cash, cash equivalents and short-term investments (Line 11 plus Line 15 plus Line 17)	(1,465,007)	(460,275)
19.	Cash, cash equivalents and short-term investments:		
	19.1 Beginning of year	10,555,079	11,015,354
	19.2 End of year (Line 18 plus Line 19.1)	9,090,072	10,555,079

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

20.0001			

ANALYSIS OF OPERATIONS BY LINES OF BUSINESS

	1 Total	2 Comprehensive (Hospital and Medical)	3 Medicare Supplement	4 Dental Only	5 Vision Only	6 Federal Employees Health Benefit Plans	7 Title XVIII Medicare	8 Title XIX Medicaid	9 Other Health	10 Other Non-Health
1. Net premium income	81,906,039				81,906,039					
2. Change in unearned premium reserves and reserve for rate credit	0									
3. Fee-for-service (net of $.....13,511,647 medical expenses)	1,855,467				1,855,467					XXX
4. Risk revenue	236,066				236,066					XXX
5. Aggregate write-ins for other health care related revenues	17,688,095	0	0	0	17,688,095	0	0	0	0	XXX
6. Aggregate write-ins for other non-health care related revenues	0	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	0
7. Total revenues (Lines 1 to 6)	101,685,667	0	0	0	101,685,667	0	0	0	0	0
8. Hospital/medical benefits	0									XXX
9. Other professional services	68,674,928				68,674,928					XXX
10. Outside referrals	0									XXX
11. Emergency room and out-of-area	0									XXX
12. Prescription drugs	0									XXX
13. Aggregate write-ins for other hospital and medical	0	0	0	0	0	0	0	0	0	XXX
14. Incentive pool, withhold adjustments and bonus amounts	0									XXX
15. Subtotal (Lines 8 to 14)	68,674,928	0	0	0	68,674,928	0	0	0	0	XXX
16. Net reinsurance recoveries	0									XXX
17. Total hospital and medical (Lines 15 minus 16)	68,674,928	0	0	0	68,674,928	0	0	0	0	XXX
18. Non-health claims (net)	0	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	
19. Claims adjustment expenses including $..........0 cost containment expenses	606,522				629,848				(23,326)	
20. General administrative expenses	7,662,970				7,961,990				(299,020)	
21. Increase in reserves for accident and health contracts	(347,924)				(347,924)					XXX
22. Increase in reserve for life contracts	0	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	
23. Total underwriting deductions (Lines 17 to 22)	76,596,496	0	0	0	76,918,842	0	0	0	(322,346)	0
24. Net underwriting gain or (loss) (Line 7 minus Line 23)	25,089,171	0	0	0	24,766,825	0	0	0	322,346	0

DETAILS OF WRITE-INS

	1	2	3	4	5	6	7	8	9	10
0501. Lab Revenue	17,688,095				17,688,095					XXX
0502.	0									XXX
0503.	0									XXX
0598. Summary of remaining write-ins for Line 5 from overflow page	0	0	0	0	0	0	0	0	0	XXX
0599. Total (Lines 0501 thru 0503 plus 0598) (Line 5 above)	17,688,095	0	0	0	17,688,095	0	0	0	0	XXX
0601.	0	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	
0602.	0	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	
0603.	0	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	
0698. Summary of remaining write-ins for Line 6 from overflow page	0	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	0
0699. Total (Lines 0601 thru 0603 plus 0698) (Line 6 above)	0	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	0
1301.	0									XXX
1302.	0									XXX
1303.	0									XXX
1398. Summary of remaining write-ins for Line 13 from overflow page	0	0	0	0	0	0	0	0	0	XXX
1399. Total (Lines 1301 thru 1303 plus 1398) (Line 13 above)	0	0	0	0	0	0	0	0	0	XXX

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	50,626	50,626	50,626	50,626	50,626
2. 2007	55,237	58,208	58,208	58,208	58,208
3. 2008	XXX	60,797	63,956	63,956	63,956
4. 2009	XXX	XXX	63,255	66,604	66,604
5. 2010	XXX	XXX	XXX	62,826	66,694
6. 2011	XXX	XXX	XXX	XXX	64,348

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	50,626	50,626	50,626	50,626	50,626
2. 2007	58,804	58,208	58,208	58,208	58,208
3. 2008	XXX	64,235	63,956	63,956	63,956
4. 2009	XXX	XXX	66,635	66,604	66,604
5. 2010	XXX	XXX	XXX	66,761	66,694
6. 2011	XXX	XXX	XXX	XXX	68,743

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	68,536	58,208	500	0.9	58,708	85.7			58,708	85.7
2. 2008	74,176	63,956	590	0.9	64,546	87.0			64,546	87.0
3. 2009	76,629	66,604	783	1.2	67,387	87.9			67,387	87.9
4. 2010	77,598	66,694	122	0.2	66,816	86.1			66,816	86.1
5. 2011	81,906	64,348	785	1.2	65,133	79.5	4,394	47	69,574	84.9

U & I Ex.-Pt.2C-Sn A-Paid Claims-Hospital & Medical
NONE

U & I Ex.-Pt.2C-Sn B-Incurred Claims-Hospital & Medical
NONE

U & I Ex.-Pt.2C-Sn C-Expense Ratio-Hospital & Medical
NONE

U & I Ex.-Pt.2C-Sn A-Paid Claims-Medicare Supp.
NONE

U & I Ex.-Pt.2C-Sn B-Incurred Claims-Medicare Supp.
NONE

U & I Ex.-Pt.2C-Sn C-Expense Ratio-Medicare Supp.
NONE

U & I Ex.-Pt.2C-Sn A-Paid Claims-Dental
NONE

U & I Ex.-Pt.2C-Sn B-Incurred Claims-Dental
NONE

U & I Ex.-Pt.2C-Sn C-Expense Ratio-Dental
NONE

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	50,626	50,626	50,626	50,626	50,626
2. 2007	55,237	58,208	58,208	58,208	58,208
3. 2008	XXX	60,797	63,956	63,956	63,956
4. 2009	XXX	XXX	63,255	66,604	66,604
5. 2010	XXX	XXX	XXX	62,826	66,694
6. 2011	XXX	XXX	XXX	XXX	64,348

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	50,626	50,626	50,626	50,626	50,626
2. 2007	58,804	58,208	58,208	58,208	58,208
3. 2008	XXX	64,235	63,956	63,956	63,956
4. 2009	XXX	XXX	66,635	66,604	66,604
5. 2010	XXX	XXX	XXX	66,761	66,694
6. 2011	XXX	XXX	XXX	XXX	68,743

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	68,536	58,208	500	0.9	58,708	85.7			58,708	85.7
2. 2008	74,176	63,956	590	0.9	64,546	87.0			64,546	87.0
3. 2009	76,629	66,604	783	1.2	67,387	87.9			67,387	87.9
4. 2010	77,598	66,694	122	0.2	66,816	86.1			66,816	86.1
5. 2011	81,906	64,348	785	1.2	65,133	79.5	4,394	47	69,574	84.9

U & I Ex.-Pt.2C-Sn A-Paid Claims-Fed Emp Health
NONE

U & I Ex.-Pt.2C-Sn B-Incurred Claims-Fed Emp Health
NONE

U & I Ex.-Pt.2C-Sn C-Expense Ratio-Fed Emp Health
NONE

U & I Ex.-Pt.2C-Sn A-Paid Claims-Medicare
NONE

U & I Ex.-Pt.2C-Sn B-Incurred Claims-Medicare
NONE

U & I Ex.-Pt.2C-Sn C-Expense Ratio-Medicare
NONE

U & I Ex.-Pt.2C-Sn A-Paid Claims-Medicaid
NONE

U & I Ex.-Pt.2C-Sn B-Incurred Claims-Medicaid
NONE

U & I Ex.-Pt.2C-Sn C-Expense Ratio-Medicaid
NONE

U & I Ex.-Pt.2C-Sn A-Paid Claims-Other
NONE

U & I Ex.-Pt.2C-Sn B-Incurred Claims-Other
NONE

U & I Ex.-Pt.2C-Sn C-Expense Ratio-Other
NONE

UNDERWRITING AND INVESTMENT EXHIBIT

PART 3 - ANALYSIS OF EXPENSES

	Claim Adjustment Expenses 1 Cost Containment Expenses	Claim Adjustment Expenses 2 Other Claim Adjustment Expenses	3 General Administrative Expenses	4 Investment Expenses	5 Total
1. Rent ($..........0 for occupancy of own building)		9,887	99,969		109,856
2. Salaries, wages and other benefits		636,195	6,423,509	9,132	7,068,836
3. Commissions (less $..........0 ceded plus $..........0 assumed)			1,505,613		1,505,613
4. Legal fees and expenses					0
5. Certifications and accreditation fees					0
6. Auditing, actuarial and other consulting services		17,039	180,282		197,321
7. Traveling expenses		15,463	156,352		171,815
8. Marketing and advertising		42,256	427,258		469,514
9. Postage, express and telephone		23,224	234,815		258,039
10. Printing and office supplies		8,842	89,405		98,247
11. Occupancy, depreciation and amortization		61,250	619,305		680,555
12. Equipment		49,588	498,515	2,880	550,983
13. Cost or depreciation of EDP equipment and software					0
14. Outsourced services including EDP, claims, and other services		25,155	254,342		279,497
15. Boards, bureaus and association fees		21,065	212,995		234,060
16. Insurance, except on real estate		2,017	20,388		22,405
17. Collection and bank service charges					0
18. Group service and administration fees					0
19. Reimbursements by uninsured plans		(320,656)	(4,057,613)		(4,378,269)
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			816,287		816,287
23.3 Regulatory authority licenses and fees			23,744		23,744
23.4 Payroll taxes					0
23.5 Other (excluding federal income and real estate taxes)					0
24. Investment expenses not included elsewhere					0
25. Aggregate write-ins for expenses	0	15,197	157,804	0	173,001
26. Total expenses incurred (Lines 1 to 25)	0	606,522	7,662,970	12,012	(a)........8,281,504
27. Less expenses unpaid December 31, current year		46,761	675,288		722,049
28. Add expenses unpaid December 31, prior year		36,149	910,958		947,107
29. Amounts receivable relating to uninsured plans, prior year		2,836,952			2,836,952
30. Amounts receivable relating to uninsured plans, current year		3,072,837			3,072,837
31. Total expenses paid (Lines 26 minus 27 plus 28 minus 29 plus 30)	0	831,795	7,898,640	12,012	8,742,447

DETAILS OF WRITE-INS

	1	2	3	4	5
2501. Other expenses		15,197	157,804		173,001
2502.					0
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)	0	15,197	157,804	0	173,001

(a) Includes management fees of $.....10,301,981 to affiliates and $..........0 to non-affiliates.

NOTES TO FINANCIAL STATEMENTS

1. Summary of Significant Accounting Policies

A. The accompanying financial statements of Vision Service Plan (Company) have been prepared on the statutory basis of accounting prescribed by the National Association of Insurance Commissioners' (NAIC) Accounting Practices and Procedures Manual - version effective January 1, 2001, as amended.

B. The preparation of financial statements in conformity with the Annual Statement Instructions and Accounting Practices and Procedures manual requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

C. Accounting Policies that Materially Affect Assets, Liabilities, Capital and Surplus or Results of Operations

Premiums are recognized over the period of coverage and are generally based on the number of eligible participants. Receivables and related premiums are estimated based on the most recent eligibility received from clients under the program. Net revenue relating to uninsured plans is recorded as an offset to claims adjustment expenses and general administrative expenses. In addition, the Company uses the following accounting policies:

1. Investments: Short-term investments are stated at amortized cost.
2. Bonds: Bonds are stated at amortized cost using the interest method.
3. Stocks: Stocks are stated at market value.
4. Preferred Stock: Preferred stocks are stated at market value.
5. Mortgage Loans: The Company has no mortgaged loans.
6. Loan-backed Securities: The Company has no loan-backed securities.
7. Investments in Subsidiaries: The Company has no investments in subsidiaries.
8. Investments in Joint Ventures, Partnerships and Limited Liability Companies: The Company has no investments in Joint Ventures, Partnerships and Limited Liability Companies.
9. Derivatives: The Company has no derivatives.
10. Premium Deficiency Calculation: The Company does not utilize anticipated investment income as a factor in the calculation of premium deficiency.
11. Liabilities for Claims Unpaid and Related Expenses: Claims unpaid and related expenses represents the estimated liability for claims reported to the Company, claims incurred but not yet reported and unpaid claims adjustment expenses.
12. The Company has not modified its capitalization policy from the prior period.
13. The Company has no pharmaceutical rebate receivables.

2. Accounting Changes and Corrections of Errors
There were no material changes in accounting principles and/or correction of errors.

3. Business Combinations and Goodwill - The Company has no business combinations or goodwill.

4. Discontinued Operations – The Company has no discontinued operations.

5. Investments
A. Mortgage Loans: The Company has no mortgaged loans.
B. Restructured Debt: The Company has no restructured debt.
C. Reverse Mortgages: The Company has no reverse mortgages.
D. Loan Backed Securities: The Company does not hold any loan-backed or structured securities.
E. Repurchase Agreements: The Company has no repurchase agreements.
F. Real Estate: The Company owns land and an optical laboratory constructed during 2003 to better serve the East Coast clients. Land purchased during 2002 by the Company cost $380,434. The optical laboratory is valued at $2,656,995.
G. Investments in Low-Income Housing Tax Credits(LIHTC): The Company has no LIHTC.

6. Joint Ventures, Partnerships and Limited Liability Companies – The Company has no joint ventures, partnerships and limited liability companies.

7. Investment Income – The Company has not excluded any investment income.

8. Derivative Instruments – The Company has no derivative instruments.

NOTES TO FINANCIAL STATEMENTS

9. Income Taxes

The components of Deferred Tax Assets (DTAs) and Deferred Tax Liabilities (DTLs) at December 31 are as follows:

	2011			2010		
	Ordinary	Capital	Total	Ordinary	Capital	Total
Gross deferred tax assets	$ 2,110,235	$ 155,994	$ 2,266,229	$ 1,614,513	$ 381,051	$ 1,995,564
Statutory valuation allowance	0	0	0	0	0	0
Adjusted gross deferred tax assets	$ 2,110,235	$ 155,994	$ 2,266,229	$ 1,614,513	$ 381,051	$ 1,995,564
Gross deferred tax liabilities	(924,736)	(46,551)	(971,287)	(669,098)	(357,259)	(1,026,357)
Net deferred tax asset/(liability) before admissability test	$ 1,185,499	$ 109,443	$ 1,294,942	$ 945,415	$ 23,792	$ 969,207
Admitted pursuant to paragraph 10.a.	$ 2,053,714	$ 155,994	$ 2,209,708	$ 1,433,727	$ 61,910	$ 1,495,637
Paragraph 10.b.i.	(17,332)	0	(17,332)	0	16,450	16,450
Paragraph 10.b.ii.	N/A	N/A	4,703,832	N/A	N/A	5,990,470
Admitted pursuant to paragraph 10.b. (lesser of i or ii)	(17,332)	0	(17,332)	0	16,450	16,450
Admitted pursuant to paragraph 10.c.	73,853	0	73,853	180,786	302,691	483,477
Admitted deferred tax asset	$ 2,110,235	$ 155,994	$ 2,266,229	$ 1,614,513	$ 381,051	$ 1,995,564
Deferred tax liability	(924,737)	(46,551)	(971,287)	(669,098)	(357,259)	(1,026,357)
Net admitted DTA or DTL	$ 1,185,499	$ 109,443	$ 1,294,942	$ 945,415	$ 23,792	$ 969,207
Nonadmitted DTA	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0
SSAP No. 10R, Para 10.a, 10.b & 10.c:						
Admitted deferred tax assets	$ 2,110,235	$ 155,994	$ 2,266,229	$ 1,614,513	$ 381,051	$ 1,995,564
Admitted assets	N/A	N/A	$ 58,965,129	$ N/A	$ N/A	$ 74,305,658
Adjusted statutory surplus	N/A	N/A	$ 47,038,321	$ N/A	$ N/A	$ 59,904,698
Total adjusted capital from DTAs	N/A	N/A	$ 1,294,942	$ N/A	$ N/A	$ 969,207

The Company has not elected to admit DTAs pursuant to paragraph 10.e.

There are no changes to adjusted gross and net admitted DTAs due to tax planning strategies.

There are no temporary differences for which a DTL has not been established.

Current income taxes incurred consist of the following major components:

	2011	2010
Current income tax expense	$ 2,931,004	$ 1,735,697
Tax on capital gains/(losses)	234,322	61,910
Prior year underaccrual (overaccrual)	(851,824)	89,108
Federal income taxes incurred	$ 2,313,502	$ 1,886,715

The primary temporary differences that result in deferred income taxes at December 31 are as follows:

DTAs Resulting From Book/Tax Differences In:	2011	2010	Change	Character
Reserve for outstanding claims	$ 229,723	$ 211,123	$ 18,600	Ordinary
Aggregate health policy reserves	522,921	644,695	(121,774)	Ordinary
Premiums received in advance	84,894	64,842	20,052	Ordinary
Investments	84,310	132,691	(48,381)	Capital
Non-admitted assets	1,183,204	631,561	551,643	Ordinary
Capital loss carryforward	71,684	248,360	(176,676)	Capital
Other	89,493	62,292	27,201	Ordinary
Gross DTAs	$ 2,266,229	$ 1,995,564	$ 270,665	
Deferred tax liabilities:				
Depreciation	(924,736)	(669,097)	(255,639)	Ordinary
Investments	(46,551)	(357,260)	310,709	Capital
Net deferred tax assets	$ 1,294,942	$ 969,207	$ 325,735	
Non-admitted deferred tax assets	0	0	0	
Net admitted deferred tax assets	$ 1,294,942	$ 969,207	$ 325,735	

NOTES TO FINANCIAL STATEMENTS

9 Income Taxes (continued

The change in net deferred income taxes is comprised of the following (this analysis is exclusive of non-admitted assets as the Change in Nonadmitted Assets is reported separately from the Change in Net Deferred Income Taxes in the surplus section of the Annual Statement):

	2011	2010	Change
Total deferred tax assets	$ 2,266,229	$ 1,995,564	$ 270,665
Total deferred tax liabilities	(971,287)	(1,026,357)	55,070
Net deferred tax asset	$ 1,294,942	$ 969,207	$ 325,735
Tax effect of unrealized gains			(310,709)
Change in net deferred income tax			$ 15,026

The provision for federal income taxes is different from that which would be computed ay applying federal income tax rates to income before taxes as follows:

	2011			2010		
	Amount	Tax Effect	Effective Tax Rate	Amount	Tax Effect	Effective Tax Rate
Income before federal income taxes	$ 8,432,176	$ 2,951,262	35.0%	$ 6,514,546	$ 2,280,091	$ 35.0%
Tax-exempt income	(191,226)	(66,926)	(0.8%)	(383,630)	(134,271)	(2.1%)
Dividends received deduction	(97,759)	(34,216)	(0.4%)	(109,594)	(38,358)	(0.6%)
Change in non-admitted assets	(1,576,124)	(551,643)	(6.5%)	(338,103)	(118,336)	(1.8%)
Other	0	0	0.0%	(5,803)	(2,031)	0.0%
Total	$ 6,567,067	$ 2,298,476	27.3%	$ 5,677,416	$ 1,987,095	30.5%

	2011	2010
Federal income taxes incurred	$ 2,079,180	$ 1,824,805
Tax on capital gains/(losses)	234,322	61,910
Change in net deferred income taxes	(15,026)	100,380
Total statutory income taxes	$ 2,298,476	$ 1,987,095

At December 31, 2011, the company had no net operating loss or AMT credit carryforwards.
At December 31, 2011, the company had capital loss carryforwards expiring through the year 2014 of $204,810.

The following is income tax expense for 2010 and 2011 that is available for recoupment in the event of future net losses.

Year	Ordinary	Capital	Total
2010	$ 1,797,607	$ 0	$ 1,797,607
2011	2,931,004	234,322	3,165,326
Total	$ 4,728,611	$ 234,322	$ 4,962,933

There were no deposits admitted under IRC section 6603.

The Company's federal income tax return is filed on a consolidated basis and includes the following entities:

Vision Service Plan (CA), Altair Eyewear, Inc., Eyefinity, Inc., Vision Service Plan, Inc. (NV), Vision Services Plan, Inc., Eastern Vision Service Plan, Inc., Oklahoma, Vision Service Plan of Illinois, NFP, Massachusetts Vision Service Plan, Inc., Vision Service Plan (OH), Vision Service Plan Insurance Company, Eastern Vision Service Plan IPA, Inc., Vision Service Plan Insurance Company (MO), OSS Holdings, Inc., Officemate Software Solutions, Inc., VSP Holding Company, Inc., Marchon Eyewear, Inc., Rothandberg, Inc., Marchon Eyewear International Inc., Marchon International Ltd., Marchon BRL Ltd., NAEI Inc., RB Mexico, Alaska Vision Services, Inc., Indiana Vision Services, Inc., Mid-Atlantic Vision Service Plan, Inc. (VA), Southwest Vision Service Plan, Inc., Vision Service Plan (HI), Vision Service Plan (WA), Vision Service Plan of Idaho, Inc., Vision Service Plan of Wyoming, Wisconsin Vision Service Plan, Inc., Marchon Frasnce SAS, Marchon Hispana S.L., SX Holdings, LLC, VSP Optical Group, Inc., Plexus Optix, Inc., VSP Labs, Inc., VSP Ceres, Inc., Eyeconic, Inc. and VSP Global, Inc.

The method of allocation among companies is subject to a written agreement, approved by the Board of Directors, whereby allocation is made primarily on a separate return basis.

NOTES TO FINANCIAL STATEMENTS

10. Information Concerning Parent, Subsidiaries and Affiliates
    A. The Company is a wholly owned subsidiary of Vision Service Plan (a California non-profit corporation).
    B. No assets have been transferred to or from the Company to a related party.
    C. The Company incurred expenses during 2011 and 2010 of $10,301,981 and $9,794,506, respectively for such services.
    D. Amounts due to Vision Service Plan as of December 31, 2011 and 2010, respectively are $599,363 and $3,220,048.
    E. There are no guarantees or undertakings in place between the Company and any related party.
    F. Vision Service Plan provides the Company with data processing, employee related services and other administrative services for an agreed upon fee under the Administrative and Marketing Agreement.
    G. Not applicable.
    H. Not applicable.
    I. Not applicable.
    J. Not applicable.
    K. Not applicable.
    L. Not applicable.

11. Debt
    The Company entered into a promissory note on March 29, 2011 with parent, Vision Service Plan. The $14,000,000 note receivable maturing in March 2016 requires Vision Service Plan to pay the Company sixty equal monthly installments of principal and interest commencing in April 2011. The interest rate is 4.5%

12. Retirement Plans, Deferred Compensation, Postemployment Benefits and Compensated Absences and other Postretirement Benefit Plans
    The Company has no retirement plans, deferred compensation, postemployment benefits or compensated balances and postretirement benefit plans.

13. Capital and Surplus, Shareholders' Dividend Restrictions and Quasi-Reorganizations
    (1) Not applicable.
    (2) Not applicable.
    (3) The Company declared and paid an ordinary dividend in the amount of $6,200,919 on December 28, 2011 to it's parent company, Vision Service Plan (CA).
    (4) Not applicable.
    (5) Not applicable.
    (6) Not applicable.
    (7) Not applicable.
    (8) Not applicable.
    (9) Not applicable.
    (10) The portion of unassigned funds (surplus) represented or reduced for cumulative unrealized gains and losses is $133,000.
    (11) The Company has no surplus notes at December 31, 2011.
    (12) Not applicable.
    (13) Not applicable.

14. Contingencies
    The Company has no contingencies to disclose.

15. Leases
    The Company has no leases.

16. Information about Financial Instruments with Off-Balance Sheet Risk and Financial Instruments with Concentrations of Credit Risk
    The Company has no financial instruments.

17. Sale, Transfer and Servicing of Financial Assets and Extinguishments of Liabilities Including Wash Sales
    The Company does not sell, transfer or service financial instruments or extinguishments of liabilities. The Company has no wash sales.

18. Gain or Loss to the Insurer from Uninsured A&H Plans and the Uninsured Portion of Partially Insured Plans

	2011	2010
Net reimbursement for administrative expenses, over (under) actual expenses	$ 4,378,269	$ 4,173,973
Other expense	(4,061,347)	(3,895,173)
Net gain from operations	$ 316,922	$ 278,800

*The Company has no partially insured plans.

19. Direct Premium Written/Produced by Managing General Agents/Third Party Administrators
    The Company has no premiums written by managing general agents or third party administrators.

NOTES TO FINANCIAL STATEMENTS

20. Fair Value Measurements

A summary of assets measured at fair value on a recurring basis at December 31, 2011 follows:

Description	Level 1	Level 2	Level 3	Total
Preferred stock				
Industrial and Miscellaneous (Unaffiliated)	$ 14,896	$ 0	$ 0	$ 14,896
Total preferred stock	$ 14,896	$ 0	$ 0	$ 14,896
Common stock				
Industrial and Miscellaneaous (Unaffiliated)	$ 8,150,469	$ 0	$ 0	$ 8,150,469
Total common stock	$ 8,150,469	$ 0	$ 0	$ 8,150,469
Total assets at fair value	$ 8,165,365	$ 0	$ 0	$ 8,165,365

There were no liabilities that are measured at fair value on a recurring basis in periods subsequent to initial recognition.

21. Other Items

A. The Company has had no extraordinary events.
B. The Company has no troubled debt restructuring.
C. The Company has no other unusual items.
D. Not applicable.
E. The Company has no business interruption insurance recoveries.
F. The Company has no state transferable or non-transferable tax credits.
G. The Company has no sub prime mortgage related risk exposure.
H. The Company has no retained asset accounts.

22. Events Subsequent

Regulatory requirements limit the amount of dividends that can be paid without prior approval. On December 8, 2011, the Company requested approval for the payment of an extraordinary dividend in the amount of $18,799,081. The request was approved on January 12, 2012.

23. Reinsurance

The Company does not reinsure its business.

24. Retrospectively Rated Contracts

The Company has no retrospectively rated contracts

25. Change in Incurred Claims & Claim Adjustment Expenses

Reserves for incurred claims and claim adjustment expenses attributable to insured events of prior years show a favorable development of ($103,906) for 2011. The change in the reserve related to prior years represents approximately 3% of the prior year's reserve and the conservative nature of the estimate intended to cover unexpected changes in utilization.

Activity in claims unpaid and related expenses is summarized as follows:

	2011	2010
BALANCE—January 1	$ 3,971,092	$ 3,417,771
Incurred related to:		
Current year	69,621,241	66,876,244
Prior years	(103,906)	(68,283)
Total incurred	69,517,335	66,807,961
Paid related to:		
Current year	(65,132,876)	(62,901,168)
Prior years	(3,914,341)	(3,353,471)
Total paid	(69,047,217)	(66,254,640)
BALANCE—December 31	$ 4,441,210	$ 3,971,092

26. Intercompany Pooling Arrangements

The Company has no intercompany pooling arrangements.

27. Structured Settlements

The Company has no structured settlements.

28. Health Care Receivables

The Company has no health care receivables.

29. Participating Policies

The Company has no participating policies.

NOTES TO FINANCIAL STATEMENTS

30. Premium Deficiency Reserves

The Company recorded a premium deficiency reserve in 2011 and 2010 respectively of $1,494,061 and $1,841,985. The premium deficiency reserve was evaluated on January 19, 2012. The Company did not consider anticipated investment income when calculating its premium deficiency reserves.

31. Anticipated Salvage and Subrogation

Salvage and subrogation are not applicable to the Company.

FIVE-YEAR HISTORICAL DATA

	1 2011	2 2010	3 2009	4 2008	5 2007
Balance Sheet Items (Pages 2 and 3)					
1. Total admitted assets (Page 2, Line 28)	57,912,362	74,305,658	68,335,739	63,885,958	60,364,955
2. Total liabilities (Page 3, Line 24)	12,600,699	12,296,470	11,002,953	10,061,412	8,340,577
3. Statutory surplus	500,000	500,000	500,000	500,000	500,000
4. Total capital and surplus (Page 3, Line 33)	45,311,655	62,009,187	57,332,786	53,824,546	52,024,378
Income Statement Items (Page 4)					
5. Total revenues (Line 8)	101,685,667	94,544,912	94,702,410	91,570,564	84,192,697
6. Total medical and hospital expenses (Line 18)	68,674,928	66,730,424	66,355,975	63,639,193	58,896,263
7. Claims adjustment expenses (Line 20)	606,522	575,386	598,731	525,985	530,830
8. Total administrative expenses (Line 21)	7,662,970	7,257,831	6,768,625	6,644,172	6,569,957
9. Net underwriting gain (loss) (Line 24)	25,089,171	20,321,490	19,868,795	20,337,238	19,646,330
10. Net investment gain (loss) (Line 27)	1,613,675	1,124,194	663,246	(568,388)	2,442,052
11. Total other income (Lines 28 plus 29)	(18,504,992)	(14,993,048)	(16,602,469)	(16,315,149)	(15,020,004)
12. Net income or (loss) (Line 32)	6,118,674	4,627,831	2,968,014	1,766,998	5,658,636
Cash Flow (Page 6)					
13. Net cash from operations (Line 11)	8,791,396	5,047,904	5,827,160	5,693,999	2,668,377
Risk-Based Capital Analysis					
14. Total adjusted capital	45,311,655	62,009,187	57,332,786	53,824,546	52,024,378
15. Authorized control level risk-based capital	2,483,730	2,392,902	2,334,984	2,240,719	3,938,226
Enrollment (Exhibit 1)					
16. Total members at end of period (Column 5, Line 7)	1,095,665	1,113,245	1,080,463	1,123,807	1,041,538
17. Total member months (Column 6, Line 7)	13,453,190	13,412,488	13,131,171	13,260,152	12,496,518
Operating Percentage (Page 4) **(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)	83.6	85.7	86.6	85.8	84.9
20. Cost containment expenses					
21. Other claims adjustment expenses	0.7	0.7	0.8	0.7	0.8
22. Total underwriting deductions (Line 23)	93.2	95.4	97.7	96.0	93.1
23. Total underwriting gain (loss) (Line 24)	30.5	26.1	25.9	27.4	28.3
Unpaid Claims Analysis (U&I Exhibit, Part 2B)					
24. Total claims incurred for prior years (Line 13 Col. 5)	3,867,186	3,349,488	3,159,169	2,970,993	2,701,832
25. Estimated liability of unpaid claims - [prior year (Line 13, Col. 6)]	3,934,943	3,380,458	3,438,411	3,567,244	3,173,334
Investments in Parent, Subsidiaries and Affiliates					
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)					
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					
32. Total of above Lines 26 to 31	0	0	0	0	0

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: