



95189201120100100

2011

Document Code: 201

ANNUAL STATEMENT
95169201120100100
For the Year Ending December 31, 2011
OF THE CONDITION AND AFFAIRS OF THE
Paramount Health Care

| | | | | | | |
|---------------------------------------|--|--|--|------------|----------------------|-----------|
| NAIC Group Code | 1212 (Current Period) | 1212 (Prior Period) | NAIC Company Code | 95189 | Employer's ID Number | 341549926 |
| Organized under the Laws of | | Ohio | State of Domicile or Port of Entry | | Ohio | |
| Country of Domicile | | United States of America | | | | |
| Licensed as business type: | Life, Accident & Health <input type="checkbox"/> | Property/Casualty <input type="checkbox"/> | Hospital, Medical & Dental Service or Indemnity <input type="checkbox"/> | | | |
| | Dental Service Corporation <input type="checkbox"/> | Vision Service Corporation <input type="checkbox"/> | Health Maintenance Organization <input checked="" type="checkbox"/> | | | |
| | Other <input type="checkbox"/> | Is HMO Federally Qualified? Yes <input type="checkbox"/> No <input checked="" type="checkbox"/> N/A <input type="checkbox"/> | | | | |
| Incorporated/Organized | 04/22/1987 | | Commenced Business | 01/01/1988 | | |
| Statutory Home Office | 1901 Indian Wood Circle (Street and Number) | | Maumee, OH 43537 (City or Town, State and Zip Code) | | | |
| Main Administrative Office | 1901 Indian Wood Circle (Street and Number) | | Maumee, OH 43537 (419)887-2500 (Area Code) (Telephone Number) | | | |
| Mail Address | 1901 Indian Wood Circle (Street and Number or P.O. Box) | | Maumee, OH 43537 (City or Town, State and Zip Code) | | | |
| Primary Location of Books and Records | 1901 Indian Wood Circle (Street and Number) | | Maumee, OH 43537 (419)887-2500 (Area Code) (Telephone Number) | | | |
| Internet Website Address | www.paramounthealthcare.com | | | | | |
| Statutory Statement Contact | Mary Kathereen Siefke, Mrs. (Name) mary.siefke@promedica.org (E-Mail Address) | | (419)887-2909 (Area Code)(Telephone Number)(Extension) (419)887-2020 (Fax Number) | | | |

OFFICERS

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

OTHERS

John David Meier M.D. Jeffrey William Martin Mr.
Mark Henry Moser Mr.

DIRECTORS OR TRUSTEES

Garry Walter Roberts Mr.
James Fredrick Weber Mr.
Harold Lee Dunn Mr.
Thomas Philip Cox M.D.
Steven R. Zirkel Mr.
Richard Dean Heltzel Mr.
John Charles Randolph Mr.
Calvin Joseph Lawshe Mr.
Russell Leo Dempsey Mr.
Timothy Ingraham Martindale Mr.

State of Ohio
County of Lucas ss

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

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

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

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

Subscribed and sworn to before me this
____ day of _____, 2012

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

Yes[X] No[]

(Notary Public Signature)

DIRECTORS OR TRUSTEES (continued)

Richard Lawrence Munk M.D.
Timothy Bublick Mr. #
Mark Leslie Ferris Mr. #
Dale Joseph Seymour Mr. #

Deborah Anne Dickenson Peters Ms.
Cathy Lynn Cantor M.D. #
David Scott Hickman Mr. #

ASSETS

| | Current Year | | | Prior Year |
|---|--------------|----------------------------|---|-----------------------------|
| | 1 Assets | 2 Nonadmitted Assets | 3 Net Admitted Assets (Cols.1-2) | 4 Net Admitted Assets |
| 1. Bonds (Schedule D) | 82,398,900 | | 82,398,900 | 80,543,613 |
| 2. Stocks (Schedule D) | | | | |
| 2.1 Preferred stocks | | | | |
| 2.2 Common Stocks | 21,506,128 | | 21,506,128 | 22,533,337 |
| 3. Mortgage loans on real estate (Schedule B): | | | | |
| 3.1 First liens | | | | |
| 3.2 Other than first liens | | | | |
| 4. Real estate (Schedule A): | | | | |
| 4.1 Properties occupied by the company (less \$.....0 encumbrances) | | | | |
| 4.2 Properties held for the production of income (less \$.....0 encumbrances) | | | | |
| 4.3 Properties held for sale (less \$.....0 encumbrances) | | | | |
| 5. Cash (\$.....1,687,388 Schedule E Part 1), cash equivalents (\$.....0 Schedule E Part 2) and short-term investments (\$.....5,402,393 Schedule DA) | 7,089,781 | | 7,089,781 | 26,149,691 |
| 6. Contract loans (including \$.....0 premium notes) | | | | |
| 7. Derivatives (Schedule DB) | | | | |
| 8. Other invested assets (Schedule BA) | 220,658 | 220,658 | | |
| 9. Receivables for securities | 5,290 | | 5,290 | 20,144,811 |
| 10. Securities Lending Reinvested Collateral Assets (Schedule DL) | | | | |
| 11. Aggregate write-ins for invested assets | | | | |
| 12. Subtotals, cash and invested assets (Lines 1 to 11) | 111,220,757 | 220,658 | 111,000,099 | 149,371,453 |
| 13. Title plants less \$.....0 charged off (for Title insurers only) | | | | |
| 14. Investment income due and accrued | 548,061 | | 548,061 | 800,635 |
| 15. Premiums and considerations: | | | | |
| 15.1 Uncollected premiums and agents' balances in the course of collection | 1,987,446 | 220,873 | 1,766,573 | 552,763 |
| 15.2 Deferred premiums, agents' balances and installments booked but deferred and not yet due (Including \$.....0 earned but unbilled premiums) | | | | |
| 15.3 Accrued retrospective premiums | | | | |
| 16. Reinsurance: | | | | |
| 16.1 Amounts recoverable from reinsurers | 348,220 | | 348,220 | 485,941 |
| 16.2 Funds held by or deposited with reinsured companies | | | | |
| 16.3 Other amounts receivable under reinsurance contracts | | | | |
| 17. Amounts receivable relating to uninsured plans | 676,495 | | 676,495 | |
| 18.1 Current federal and foreign income tax recoverable and interest thereon | 1,490,284 | | 1,490,284 | 365,316 |
| 18.2 Net deferred tax asset | 11,387,779 | 7,024,707 | 4,363,072 | 4,709,560 |
| 19. Guaranty funds receivable or on deposit | | | | |
| 20. Electronic data processing equipment and software | 784,803 | 264,013 | 520,790 | 402,647 |
| 21. Furniture and equipment, including health care delivery assets (\$.....0) | 386,662 | 386,662 | | |
| 22. Net adjustment in assets and liabilities due to foreign exchange rates | | | | |
| 23. Receivables from parent, subsidiaries and affiliates | 1,811,452 | | 1,811,452 | 3,360,182 |
| 24. Health care (\$.....572,663) and other amounts receivable | 1,407,489 | 834,826 | 572,663 | 622,924 |
| 25. Aggregate write-ins for other than invested assets | 267,069 | 267,069 | | |
| 26. Total assets excluding Separate Accounts, Segregated Accounts and Protected Cell Accounts (Lines 12 to 25) | 132,316,517 | 9,218,808 | 123,097,709 | 160,671,421 |
| 27. From Separate Accounts, Segregated Accounts and Protected Cell Accounts | | | | |
| 28. Total (Lines 26 and 27) | 132,316,517 | 9,218,808 | 123,097,709 | 160,671,421 |
| DETAILS OF WRITE-INS | | | | |
| 1101. | | | | |
| 1102. | | | | |
| 1103. | | | | |
| 1198. Summary of remaining write-ins for Line 11 from overflow page | | | | |
| 1199. TOTALS (Lines 1101 through 1103 plus 1198) (Line 11 above) | | | | |
| 2501. AR | 3,111 | 3,111 | | |
| 2502. Prepaid | 263,958 | 263,958 | | |
| 2503. | | | | |
| 2598. Summary of remaining write-ins for Line 25 from overflow page | | | | |
| 2599. TOTALS (Lines 2501 through 2503 plus 2598) (Line 25 above) | 267,069 | 267,069 | | |

LIABILITIES, CAPITAL AND SURPLUS

| | Current Year | | | Prior Year |
|--|--------------|----------------|-------------|-------------|
| | 1 Covered | 2 Uncovered | 3 Total | 4 Total |
| 1. Claims unpaid (less \$.....0 reinsurance ceded) | 28,073,500 | | 28,073,500 | 24,079,362 |
| 2. Accrued medical incentive pool and bonus amounts | | | | 210,873 |
| 3. Unpaid claims adjustment expenses | 1,250,000 | | 1,250,000 | 1,199,128 |
| 4. Aggregate health policy reserves, including the liability of \$.....0 for medical loss ratio rebate per the Public Health Service Act | 1,838,179 | | 1,838,179 | 840,601 |
| 5. Aggregate life policy reserves | | | | |
| 6. Property/casualty unearned premium reserves | | | | |
| 7. Aggregate health claim reserves | | | | |
| 8. Premiums received in advance | 1,920,127 | | 1,920,127 | 2,358,443 |
| 9. General expenses due or accrued | 34,649,241 | | 34,649,241 | 31,932,521 |
| 10.1 Current federal and foreign income tax payable and interest thereon (including \$.....0 on realized capital gains (losses)) | | | | |
| 10.2 Net deferred tax liability | | | | |
| 11. Ceded reinsurance premiums payable | | | | |
| 12. Amounts withheld or retained for the account of others | 529,736 | | 529,736 | 302,205 |
| 13. Remittances and items not allocated | | | | |
| 14. Borrowed money (including \$.....0 current) and interest thereon \$.....0 (including \$.....0 current) | | | | |
| 15. Amounts due to parent, subsidiaries and affiliates | 3,575,909 | | 3,575,909 | 4,456,235 |
| 16. Derivatives | | | | |
| 17. Payable for securities | 4,239 | | 4,239 | 45,865,129 |
| 18. Payable for securities lending | | | | |
| 19. Funds held under reinsurance treaties with (\$.....0 authorized reinsurers and \$.....0 unauthorized reinsurers) | | | | |
| 20. Reinsurance in unauthorized companies | | | | |
| 21. Net adjustments in assets and liabilities due to foreign exchange rates | | | | |
| 22. Liability for amounts held under uninsured plans | 6,914,751 | | 6,914,751 | 6,369,004 |
| 23. Aggregate write-ins for other liabilities (including \$.....0 current) | | | | |
| 24. TOTAL Liabilities (Lines 1 to 23) | 78,755,682 | | 78,755,682 | 117,613,501 |
| 25. Aggregate write-ins for special surplus funds | XXX | XXX | | |
| 26. Common capital stock | XXX | XXX | 4,700,000 | 4,700,000 |
| 27. Preferred capital stock | XXX | XXX | | |
| 28. Gross paid in and contributed surplus | XXX | XXX | 40,619,246 | 40,619,246 |
| 29. Surplus notes | XXX | XXX | | |
| 30. Aggregate write-ins for other than special surplus funds | XXX | XXX | | |
| 31. Unassigned funds (surplus) | XXX | XXX | (977,219) | (2,261,326) |
| 32. Less treasury stock, at cost: | | | | |
| 32.1 .....0 shares common (value included in Line 26 \$.....0) | XXX | XXX | | |
| 32.2 .....0 shares preferred (value included in Line 27 \$.....0) | XXX | XXX | | |
| 33. TOTAL Capital and Surplus (Lines 25 to 31 minus Line 32) | XXX | XXX | 44,342,027 | 43,057,920 |
| 34. TOTAL Liabilities, Capital and Surplus (Lines 24 and 33) | XXX | XXX | 123,097,709 | 160,671,421 |
| DETAILS OF WRITE-INS | | | | |
| 2301. | | | | |
| 2302. | | | | |
| 2303. | | | | |
| 2398. Summary of remaining write-ins for Line 23 from overflow page | | | | |
| 2399. TOTALS (Lines 2301 through 2303 plus 2398) (Line 23 above) | | | | |
| 2501. | XXX | XXX | | |
| 2502. | XXX | XXX | | |
| 2503. | XXX | XXX | | |
| 2598. Summary of remaining write-ins for Line 25 from overflow page | XXX | XXX | | |
| 2599. TOTALS (Lines 2501 through 2503 plus 2598) (Line 25 above) | XXX | XXX | | |
| 3001. | XXX | XXX | | |
| 3002. | XXX | XXX | | |
| 3003. | XXX | XXX | | |
| 3098. Summary of remaining write-ins for Line 30 from overflow page | XXX | XXX | | |
| 3099. TOTALS (Lines 3001 through 3003 plus 3098) (Line 30 above) | XXX | XXX | | |

STATEMENT OF REVENUE AND EXPENSES

| | Current Year | | Prior Year |
|---|----------------|-------------|--------------|
| | 1 Uncovered | 2 Total | 3 Total |
| | XXX | 560,987 | 578,004 |
| 1. Member Months | XXX | 560,987 | 578,004 |
| 2. Net premium income (including \$.....0 non-health premium income) | XXX | 282,264,451 | 280,859,301 |
| 3. Change in unearned premium reserves and reserve for rate credits | XXX | | |
| 4. Fee-for-service (net of \$.....0 medical expenses) | XXX | | |
| 5. Risk revenue | XXX | | |
| 6. Aggregate write-ins for other health care related revenues | XXX | | |
| 7. Aggregate write-ins for other non-health revenues | XXX | | |
| 8. TOTAL Revenues (Lines 2 to 7) | XXX | 282,264,451 | 280,859,301 |
| Hospital and Medical: | | | |
| 9. Hospital/medical benefits | | 201,839,451 | 194,651,351 |
| 10. Other professional services | | 1,784,231 | 2,067,196 |
| 11. Outside referrals | | | |
| 12. Emergency room and out-of-area | | 21,155,891 | 20,554,396 |
| 13. Prescription drugs | | 28,871,161 | 28,137,570 |
| 14. Aggregate write-ins for other hospital and medical | | | |
| 15. Incentive pool, withhold adjustments and bonus amounts | | | 1,153,694 |
| 16. Subtotal (Lines 9 to 15) | | 253,650,734 | 246,564,207 |
| Less: | | | |
| 17. Net reinsurance recoveries | | 1,004,883 | 814,429 |
| 18. TOTAL Hospital and Medical (Lines 16 minus 17) | | 252,645,851 | 245,749,778 |
| 19. Non-health claims (net) | | | |
| 20. Claims adjustment expenses, including \$.....3,805,966 cost containment expenses | | 5,618,205 | 7,491,495 |
| 21. General administrative expenses | | 24,425,969 | 44,809,896 |
| 22. Increase in reserves for life and accident and health contracts (including \$.....0 increase in reserves for life only) | | | |
| 23. TOTAL Underwriting Deductions (Lines 18 through 22) | | 282,690,025 | 298,051,169 |
| 24. Net underwriting gain or (loss) (Lines 8 minus 23) | XXX | (425,574) | (17,191,868) |
| 25. Net investment income earned (Exhibit of Net Investment Income, Line 17) | | 1,602,085 | 1,660,038 |
| 26. Net realized capital gains (losses) less capital gains tax of \$.....0 | | 5,181,618 | 4,142,258 |
| 27. Net investment gains (losses) (Lines 25 plus 26) | | 6,783,703 | 5,802,296 |
| 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 | | 18,159 | 22,083 |
| 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 | 6,376,288 | (11,367,489) |
| 31. Federal and foreign income taxes incurred | XXX | 1,928,595 | 2,806,712 |
| 32. Net income (loss) (Lines 30 minus 31) | XXX | 4,447,693 | (14,174,201) |
| DETAILS OF WRITE-INS | | | |
| 0601. | XXX | | |
| 0602. | XXX | | |
| 0603. | XXX | | |
| 0698. Summary of remaining write-ins for Line 6 from overflow page | XXX | | |
| 0699. TOTALS (Lines 0601 through 0603 plus 0698) (Line 6 above) | XXX | | |
| 0701. | XXX | | |
| 0702. | XXX | | |
| 0703. | XXX | | |
| 0798. Summary of remaining write-ins for Line 7 from overflow page | XXX | | |
| 0799. TOTALS (Line 0701 through 0703 plus 0798) (Line 7 above) | XXX | | |
| 1401. | | | |
| 1402. | | | |
| 1403. | | | |
| 1498. Summary of remaining write-ins for Line 14 from overflow page | | | |
| 1499. TOTALS (Lines 1401 through 1403 plus 1498) (Line 14 above) | | | |
| 2901. Other Income | | 18,159 | 22,083 |
| 2902. | | | |
| 2903. | | | |
| 2998. Summary of remaining write-ins for Line 29 from overflow page | | | |
| 2999. TOTALS (Line 2901 through 2903 plus 2998) (Line 29 above) | | 18,159 | 22,083 |

STATEMENT OF REVENUE AND EXPENSES (Continued)

| | 1 Current Year | 2 Prior Year |
|--|-------------------|-----------------|
| CAPITAL & SURPLUS ACCOUNT | | |
| 33. Capital and surplus prior reporting year | 43,057,920 | 56,059,676 |
| 34. Net income or (loss) from Line 32 | 4,447,693 | (14,174,201) |
| 35. Change in valuation basis of aggregate policy and claim reserves | | |
| 36. Change in net unrealized capital gains (losses) less capital gains tax of \$.....0 | (1,764,252) | 829,365 |
| 37. Change in net unrealized foreign exchange capital gain or (loss) | | |
| 38. Change in net deferred income tax | (8,154) | 8,114,918 |
| 39. Change in nonadmitted assets | (1,391,180) | (5,271,838) |
| 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 | | (2,500,000) |
| 47. Aggregate write-ins for gains or (losses) in surplus | | |
| 48. Net change in capital and surplus (Lines 34 to 47) | 1,284,107 | (13,001,756) |
| 49. Capital and surplus end of reporting year (Line 33 plus 48) | 44,342,027 | 43,057,920 |
| DETAILS OF WRITE-INS | | |
| 4701. | | |
| 4702. | | |
| 4703. | | |
| 4798. Summary of remaining write-ins for Line 47 from overflow page | | |
| 4799. TOTALS (Lines 4701 through 4703 plus 4798) (Line 47 above) | | |

CASH FLOW

| | | 1 Current Year | 2 Prior Year |
|--|---|-------------------|-----------------|
| Cash from Operations | | | |
| 1. | Premiums collected net of reinsurance | 281,538,725 | 280,079,583 |
| 2. | Net investment income | 2,771,644 | 2,687,855 |
| 3. | Miscellaneous income | | |
| 4. | Total (Lines 1 through 3) | 284,310,369 | 282,767,438 |
| 5. | Benefit and loss related payments | 249,302,266 | 251,385,938 |
| 6. | Net transfers to Separate Accounts, Segregated Accounts and Protected Cell Accounts | | |
| 7. | Commissions, expenses paid and aggregate write-ins for deductions | 27,389,171 | 25,380,019 |
| 8. | Dividends paid to policyholders | | |
| 9. | Federal and foreign income taxes paid (recovered) net of \$.....0 tax on capital gains (losses) | 4,003,545 | 2,263,159 |
| 10. | Total (Lines 5 through 9) | 280,694,982 | 279,029,116 |
| 11. | Net cash from operations (Line 4 minus Line 10) | 3,615,387 | 3,738,322 |
| Cash from Investments | | | |
| 12. | Proceeds from investments sold, matured or repaid: | | |
| 12.1 | Bonds | 333,091,736 | 395,710,913 |
| 12.2 | Stocks | 13,571,126 | 7,758,511 |
| 12.3 | Mortgage loans | | |
| 12.4 | Real estate | | |
| 12.5 | Other invested assets | 20,348 | |
| 12.6 | Net gains or (losses) on cash, cash equivalents and short-term investments | | |
| 12.7 | Miscellaneous proceeds | 1,124,313 | 12,883,361 |
| 12.8 | Total investment proceeds (Lines 12.1 to 12.7) | 347,807,523 | 416,352,785 |
| 13. | Cost of investments acquired (long-term only): | | |
| 13.1 | Bonds | 332,295,437 | 395,596,669 |
| 13.2 | Stocks | 13,819,435 | 8,101,461 |
| 13.3 | Mortgage loans | | |
| 13.4 | Real estate | | |
| 13.5 | Other invested assets | 241,006 | |
| 13.6 | Miscellaneous applications | 25,721,369 | 479,621 |
| 13.7 | Total investments acquired (Lines 13.1 to 13.6) | 372,077,247 | 404,177,752 |
| 14. | Net increase (decrease) in contract loans and premium notes | | |
| 15. | Net cash from investments (Line 12.8 minus Line 13.7 minus Line 14) | (24,269,724) | 12,175,033 |
| 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 | | 2,500,000 |
| 16.6 | Other cash provided (applied) | 1,594,427 | 1,699,415 |
| 17. | Net cash from financing and miscellaneous sources (Lines 16.1 to 16.4 minus Line 16.5 plus Line 16.6) | 1,594,427 | (800,585) |
| RECONCILIATION OF CASH, CASH EQUIVALENTS AND SHORT-TERM INVESTMENTS | | | |
| 18. | Net change in cash, cash equivalents and short-term investments (Line 11, plus Lines 15 and 17) | (19,059,910) | 15,112,770 |
| 19. | Cash, cash equivalents and short-term investments: | | |
| 19.1 | Beginning of year | 26,149,691 | 11,036,921 |
| 19.2 | End of year (Line 18 plus Line 19.1) | 7,089,781 | 26,149,691 |

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

| | | | |
|---------|-------|-------|-------|
| 20.0001 | | | |
|---------|-------|-------|-------|

ANALYSIS OF OPERATIONS BY LINES OF BUSINESS

| | 1 Total | 2 Comprehensive (Hospital & Medical) | 3 Medicare Supplement | 4 Dental Only | 5 Vision Only | 6 Federal Employees Health Benefit Plan | 7 | 8 | 9 | 10 |
|--|-------------|--|-----------------------------|---------------------|---------------------|---|-------------|-----|-----|-----|
| 1. Net premium income | 282,264,451 | 131,570,635 | | | | | 150,693,816 | | | |
| 2. Change in unearned premium reserves and reserve for rate credit | | | | | | | | | | |
| 3. Fee-for-service (net of \$.....0 medical expenses) | | | | | | | | | XXX | |
| 4. Risk revenue | | | | | | | | | XXX | |
| 5. Aggregate write-ins for other health care related revenues | | | | | | | | | XXX | |
| 6. Aggregate write-ins for other non-health care related revenues | | XXX | XXX | XXX | XXX | XXX | XXX | XXX | XXX | |
| 7. TOTAL Revenues (Lines 1 to 6) | 282,264,451 | 131,570,635 | | | | | 150,693,816 | | | |
| 8. Hospital/medical benefits | 201,839,451 | 83,362,306 | | | | | 118,477,145 | | | XXX |
| 9. Other professional services | 1,784,231 | 565,617 | | | | | 1,218,614 | | | XXX |
| 10. Outside referrals | | | | | | | | | XXX | |
| 11. Emergency room and out-of-area | 21,155,891 | 12,034,226 | | | | | 9,121,665 | | | XXX |
| 12. Prescription drugs | 28,871,161 | 16,253,770 | | | | | 12,617,391 | | | XXX |
| 13. Aggregate write-ins for other hospital and medical | | | | | | | | | XXX | |
| 14. Incentive pool, withhold adjustments and bonus amounts | | | | | | | | | XXX | |
| 15. Subtotal (Lines 8 to 14) | 253,650,734 | 112,215,919 | | | | | 141,434,815 | | | XXX |
| 16. Net reinsurance recoveries | 1,004,883 | 936,460 | | | | | 68,423 | | | XXX |
| 17. TOTAL Hospital and Medical (Lines 15 minus 16) | 252,645,851 | 111,279,459 | | | | | 141,366,392 | | | XXX |
| 18. Non-health claims (net) | | XXX | XXX | XXX | XXX | XXX | XXX | XXX | XXX | |
| 19. Claims adjustment expenses including \$.....3,805,966 cost containment expenses | 5,618,205 | 3,537,447 | | | | | 2,080,758 | | | |
| 20. General administrative expenses | 24,425,969 | 15,379,571 | | | | | 9,046,398 | | | |
| 21. Increase in reserves for accident and health contracts | | XXX | XXX | XXX | XXX | XXX | XXX | XXX | XXX | |
| 22. Increase in reserves for life contracts | | | | | | | | | | |
| 23. TOTAL Underwriting Deductions (Lines 17 to 22) | 282,690,025 | 130,196,477 | | | | | 152,493,548 | | | |
| 24. Net underwriting gain or (loss) (Line 7 minus Line 23) | (425,574) | 1,374,158 | | | | | (1,799,732) | | | |
| DETAILS OF WRITE-INS | | | | | | | | | | |
| 0501. | | | | | | | | | | XXX |
| 0502. | | | | | | | | | | XXX |
| 0503. | | | | | | | | | | XXX |
| 0598. Summary of remaining write-ins for Line 5 from overflow page | | | | | | | | | | XXX |
| 0599. TOTALS (Lines 0501 through 0503 plus 0598) (Line 5 above) | | | | | | | | | | XXX |
| 0601. | | XXX | XXX | XXX | XXX | XXX | XXX | XXX | XXX | |
| 0602. | | XXX | XXX | XXX | XXX | XXX | XXX | XXX | XXX | |
| 0603. | | XXX | XXX | XXX | XXX | XXX | XXX | XXX | XXX | |
| 0698. Summary of remaining write-ins for Line 6 from overflow page | | XXX | XXX | XXX | XXX | XXX | XXX | XXX | XXX | |
| 0699. TOTALS (Lines 0601 through 0603 plus 0698) (Line 6 above) | | XXX | XXX | XXX | XXX | XXX | XXX | XXX | XXX | |
| 1301. | | | | | | | | | | XXX |
| 1302. | | | | | | | | | | XXX |
| 1303. | | | | | | | | | | XXX |
| 1398. Summary of remaining write-ins for Line 13 from overflow page | | | | | | | | | | XXX |
| 1399. TOTALS (Lines 1301 through 1303 plus 1398) (Line 13 above) | | | | | | | | | | XXX |

UNDERWRITING AND INVESTMENT EXHIBIT

PART 1 - PREMIUMS

| Line of Business | 1 Direct Business | 2 Reinsurance Assumed | 3 Reinsurance Ceded | 4 Net Premium Income (Columns 1 + 2 - 3) |
|---|-------------------------|-----------------------------|---------------------------|--|
| 1. Comprehensive (hospital and medical) | 133,214,727 | | 1,644,092 | 131,570,635 |
| 2. Medicare Supplement | | | | |
| 3. Dental only | | | | |
| 4. Vision only | | | | |
| 5. Federal Employees Health Benefits Plan | | | | |
| 6. Title XVIII - Medicare | 150,696,293 | | 2,477 | 150,693,816 |
| 7. Title XIX - Medicaid | | | | |
| 8. Other health | | | | |
| 9. Health subtotal (Lines 1 through 8) | 283,911,020 | | 1,646,569 | 282,264,451 |
| 10. Life | | | | |
| 11. Property/casualty | | | | |
| 12. TOTALS (Lines 9 to 11) | 283,911,020 | | 1,646,569 | 282,264,451 |

UNDERWRITING AND INVESTMENT EXHIBIT

PART 2 - CLAIMS INCURRED DURING THE YEAR

| | 1 Total | 2 Comprehensive (Hospital & Medical) | 3 Medicare Supplement | 4 Dental Only | 5 Vision Only | 6 Federal Employees Health Benefits Plan | 7 Title XVIII Medicare | 8 Title XIX Medicaid | 9 Other Health | 10 Other Non-Health |
|--|-------------|---|-----------------------------|---------------------|---------------------|--|---------------------------------|-------------------------------|----------------------|---------------------------|
| 1. Payments during the year: | | | | | | | | | | |
| 1.1 Direct | 250,233,997 | 111,497,908 | | | | | 138,736,089 | | | |
| 1.2 Reinsurance assumed | | | | | | | | | | |
| 1.3 Reinsurance ceded | 1,142,604 | 1,074,181 | | | | | 68,423 | | | |
| 1.4 Net | 249,091,393 | 110,423,727 | | | | | 138,667,666 | | | |
| 2. Paid medical incentive pools and bonuses | 210,873 | (26,253) | | | | | 237,126 | | | |
| 3. Claim liability December 31, current year from Part 2A: | | | | | | | | | | |
| 3.1 Direct | 28,073,500 | 11,425,389 | | | | | 16,648,111 | | | |
| 3.2 Reinsurance assumed | | | | | | | | | | |
| 3.3 Reinsurance ceded | | | | | | | | | | |
| 3.4 Net | 28,073,500 | 11,425,389 | | | | | 16,648,111 | | | |
| 4. Claim reserve December 31, current year from Part 2D: | | | | | | | | | | |
| 4.1 Direct | | | | | | | | | | |
| 4.2 Reinsurance assumed | | | | | | | | | | |
| 4.3 Reinsurance ceded | | | | | | | | | | |
| 4.4 Net | | | | | | | | | | |
| 5. Accrued medical incentive pools and bonuses, current year | | | | | | | | | | |
| 6. Net healthcare receivables (a) | 577,401 | 216,870 | | | | | 360,531 | | | |
| 7. Amounts recoverable from reinsurers December 31, current year | 348,220 | 348,220 | | | | | | | | |
| 8. Claim liability December 31, prior year from Part 2A: | | | | | | | | | | |
| 8.1 Direct | 24,079,362 | 10,490,508 | | | | | 13,588,854 | | | |
| 8.2 Reinsurance assumed | | | | | | | | | | |
| 8.3 Reinsurance ceded | | | | | | | | | | |
| 8.4 Net | 24,079,362 | 10,490,508 | | | | | 13,588,854 | | | |
| 9. Claim reserve December 31, prior year from Part 2D: | | | | | | | | | | |
| 9.1 Direct | | | | | | | | | | |
| 9.2 Reinsurance assumed | | | | | | | | | | |
| 9.3 Reinsurance ceded | | | | | | | | | | |
| 9.4 Net | | | | | | | | | | |
| 10. Accrued medical incentive pools and bonuses, prior year | 210,873 | (26,253) | | | | | 237,126 | | | |
| 11. Amounts recoverable from reinsurers December 31, prior year | 485,941 | 485,941 | | | | | | | | |
| 12. Incurred benefits: | | | | | | | | | | |
| 12.1 Direct | 253,650,734 | 112,215,919 | | | | | 141,434,815 | | | |
| 12.2 Reinsurance assumed | | | | | | | | | | |
| 12.3 Reinsurance ceded | | | | | | | 68,423 | | | |
| 12.4 Net | 252,645,851 | 111,279,459 | | | | | 141,366,392 | | | |
| 13. Incurred medical incentive pools and bonuses | | | | | | | | | | |

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

UNDERWRITING AND INVESTMENT EXHIBIT

PART 2A - CLAIMS LIABILITY END OF CURRENT YEAR

| | 1 Total | 2 Compre- hensive (Hospital & Medical) | 3 Medicare Supplement | 4 Dental Only | 5 Vision Only | 6 Federal Employees Health Benefits Plan | 7 Title XVIII Medicare | 8 Title XIX Medicaid | 9 Other Health | 10 Other Non-Health |
|---|------------|--|-----------------------------|---------------------|---------------------|--|---------------------------------|-------------------------------|----------------------|---------------------------|
| 1. Reported in Process of Adjustment: | | | | | | | | | | |
| 1.1 Direct | 8,729,164 | 3,704,029 | ..... | ..... | ..... | ..... | 5,025,135 | ..... | ..... | ..... |
| 1.2 Reinsurance assumed ..... | ..... | ..... | ..... | ..... | ..... | ..... | ..... | ..... | ..... | ..... |
| 1.3 Reinsurance ceded ..... | ..... | ..... | ..... | ..... | ..... | ..... | ..... | ..... | ..... | ..... |
| 1.4 Net | 8,729,164 | 3,704,029 | ..... | ..... | ..... | ..... | 5,025,135 | ..... | ..... | ..... |
| 2. Incurred but Unreported: | | | | | | | | | | |
| 2.1 Direct | 19,344,336 | 7,721,360 | ..... | ..... | ..... | ..... | 11,622,976 | ..... | ..... | ..... |
| 2.2 Reinsurance assumed ..... | ..... | ..... | ..... | ..... | ..... | ..... | ..... | ..... | ..... | ..... |
| 2.3 Reinsurance ceded ..... | ..... | ..... | ..... | ..... | ..... | ..... | ..... | ..... | ..... | ..... |
| 2.4 Net | 19,344,336 | 7,721,360 | ..... | ..... | ..... | ..... | 11,622,976 | ..... | ..... | ..... |
| 3. Amounts Withheld from Paid Claims and Capitations: | | | | | | | | | | |
| 3.1 Direct ..... | ..... | ..... | ..... | ..... | ..... | ..... | ..... | ..... | ..... | ..... |
| 3.2 Reinsurance assumed ..... | ..... | ..... | ..... | ..... | ..... | ..... | ..... | ..... | ..... | ..... |
| 3.3 Reinsurance ceded ..... | ..... | ..... | ..... | ..... | ..... | ..... | ..... | ..... | ..... | ..... |
| 3.4 Net ..... | ..... | ..... | ..... | ..... | ..... | ..... | ..... | ..... | ..... | ..... |
| 4. TOTALS | | | | | | | | | | |
| 4.1 Direct | 28,073,500 | 11,425,389 | ..... | ..... | ..... | ..... | 16,648,111 | ..... | ..... | ..... |
| 4.2 Reinsurance assumed ..... | ..... | ..... | ..... | ..... | ..... | ..... | ..... | ..... | ..... | ..... |
| 4.3 Reinsurance ceded ..... | ..... | ..... | ..... | ..... | ..... | ..... | ..... | ..... | ..... | ..... |
| 4.4 Net | 28,073,500 | 11,425,389 | ..... | ..... | ..... | ..... | 16,648,111 | ..... | ..... | ..... |

UNDERWRITING AND INVESTMENT EXHIBIT

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

| Line of Business | Claims Paid During the Year | | Claim Reserve and Claim Liability December 31 of Current Year | | 5 | 6 |
|--|---|--|---|--|------------|------------|
| | 1 On Claims Incurred Prior to January 1 of Current Year | 2 On Claims Incurred During the Year | 3 | 4 On Claims Incurred During the Year | | |
| 1. Comprehensive (hospital and medical) | 8,987,465 | 101,573,982 | 10,980 | 11,414,409 | 8,998,445 | 10,490,508 |
| 2. Medicare Supplement | | | | | | |
| 3. Dental only | | | | | | |
| 4. Vision only | | | | | | |
| 5. Federal Employees Health Benefits Plan | | | | | | |
| 6. Title XVIII - Medicare | 11,878,108 | 126,789,559 | 18,179 | 16,629,932 | 11,896,287 | 13,588,854 |
| 7. Title XIX - Medicaid | | | | | | |
| 8. Other health | | | | | | |
| 9. Health subtotal (Lines 1 to 8) | 20,865,573 | 228,363,541 | 29,159 | 28,044,341 | 20,894,732 | 24,079,362 |
| 10. Healthcare receivables (a) | | 1,407,489 | | | | 830,088 |
| 11. Other non-health | | | | | | |
| 12. Medical incentive pool and bonus amounts | 210,873 | | | | 210,873 | 210,873 |
| 13. TOTALS (Lines 9 - 10 + 11 + 12) | 21,076,446 | 226,956,052 | 29,159 | 28,044,341 | 21,105,605 | 23,460,147 |

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

UNDERWRITING AND INVESTMENT EXHIBIT

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

Grand Total

Section A - Paid Health Claims

| Year in Which Losses Were Incurred | Cumulative Net Amounts Paid | | | | |
|---------------------------------------|-----------------------------|-----------|-----------|-----------|-----------|
| | 1 2007 | 2 2008 | 3 2009 | 4 2010 | 5 2011 |
| 1. Prior | 37,896 | 38,490 | 37,885 | 37,886 | 37,507 |
| 2. 2007 | 315,903 | 351,653 | 351,864 | 351,651 | 351,594 |
| 3. 2008 | XXX | 277,808 | 308,124 | 307,894 | 307,788 |
| 4. 2009 | XXX | XXX | 273,165 | 295,917 | 295,624 |
| 5. 2010 | XXX | XXX | XXX | 226,941 | 248,852 |
| 6. 2011 | XXX | XXX | XXX | XXX | 228,364 |

Section B - Incurred Health Claims

| Year in Which Losses Were Incurred | Sum of Cumulative Net Amount Paid and Claim Liability, Claim Reserve and Medical Incentive Pool and Bonuses Outstanding at End of Year | | | | |
|---------------------------------------|---|-----------|-----------|-----------|-----------|
| | 1 2007 | 2 2008 | 3 2009 | 4 2010 | 5 2011 |
| 1. Prior | 38,097 | 37,350 | 37,885 | 37,886 | 37,507 |
| 2. 2007 | 355,548 | 352,366 | 351,864 | 351,651 | 351,594 |
| 3. 2008 | XXX | 316,956 | 309,083 | 307,894 | 307,788 |
| 4. 2009 | XXX | XXX | 302,181 | 296,364 | 295,624 |
| 5. 2010 | XXX | XXX | XXX | 250,785 | 248,881 |
| 6. 2011 | XXX | XXX | XXX | XXX | 256,408 |

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

| Years in Which Premiums were Earned and Claims were Incurred | 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 |
|---|--------------------|--------------------|--|-----------------------|--|-----------------------|------------------|---|--|-----------------------|
| | Premiums Earned | Claims Payments | Claim Adjustment Expense Payments | (Col. 3/2) Percent | Claim and Claim Adjustment Expense Payments (Col. 2 + 3) | (Col. 5/1) Percent | Claims Unpaid | Unpaid Claims Adjustment Expenses | Total Claims and Claims Adjustment Expense Incurred (Col. 5 + 7 + 8) | (Col. 9/1) Percent |
| 1. 2007 | 392,562 | 351,594 | 7,200 | 2.048 | 358,794 | 91.398 | | | 358,794 | 91.398 |
| 2. 2008 | 353,245 | 307,788 | 6,378 | 2.072 | 314,166 | 88.937 | | | 314,166 | 88.937 |
| 3. 2009 | 331,136 | 295,624 | 5,917 | 2.002 | 301,541 | 91.063 | | | 301,541 | 91.063 |
| 4. 2010 | 280,860 | 248,852 | 7,500 | 3.014 | 256,352 | 91.274 | 29 | | 256,381 | 91.284 |
| 5. 2011 | 282,265 | 228,364 | 4,825 | 2.113 | 233,189 | 82.613 | 28,044 | 1,250 | 262,483 | 92.992 |

12 Total

UNDERWRITING AND INVESTMENT EXHIBIT
PART 2C - DEVELOPMENT OF PAID AND INCURRED HEALTH CLAIMS (000 Omitted)
Hospital and Medical
Section A - Paid Health Claims

| Year in Which Losses Were Incurred | Cumulative Net Amounts Paid | | | | |
|---------------------------------------|-----------------------------|-----------|-----------|-----------|-----------|
| | 1 2007 | 2 2008 | 3 2009 | 4 2010 | 5 2011 |
| 1. Prior | 22,296 | 22,808 | 22,255 | 22,257 | 21,920 |
| 2. 2007 | 185,549 | 206,070 | 206,102 | 206,016 | 206,001 |
| 3. 2008 | XXX | 136,400 | 152,250 | 152,074 | 151,996 |
| 4. 2009 | XXX | XXX | 123,750 | 134,078 | 133,864 |
| 5. 2010 | XXX | XXX | XXX | 96,555 | 106,160 |
| 6. 2011 | XXX | XXX | XXX | XXX | 101,574 |

Section B - Incurred Health Claims

| Year in Which Losses Were Incurred | Sum of Cumulative Net Amount Paid and Claim Liability, Claim Reserve and Medical Incentive Pool and Bonuses Outstanding at End of Year | | | | |
|---------------------------------------|---|-----------|-----------|-----------|-----------|
| | 1 2007 | 2 2008 | 3 2009 | 4 2010 | 5 2011 |
| 1. Prior | 22,410 | 16,182 | 22,255 | 22,257 | 21,920 |
| 2. 2007 | 206,144 | 206,473 | 206,102 | 206,016 | 206,001 |
| 3. 2008 | XXX | 155,899 | 152,879 | 152,074 | 151,996 |
| 4. 2009 | XXX | XXX | 136,662 | 134,350 | 133,864 |
| 5. 2010 | XXX | XXX | XXX | 106,748 | 106,171 |
| 6. 2011 | XXX | XXX | XXX | XXX | 112,988 |

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

| Years in Which Premiums were Earned and Claims were Incurred | 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 |
|---|--------------------|--------------------|--|-----------------------|--|-----------------------|------------------|---|--|-----------------------|
| | Premiums Earned | Claims Payments | Claim Adjustment Expense Payments | (Col. 3/2) Percent | Claim and Claim Adjustment Expense Payments (Col. 2 + 3) | (Col. 5/1) Percent | Claims Unpaid | Unpaid Claims Adjustment Expenses | Total Claims and Claims Adjustment Expense Incurred (Col. 5 + 7 + 8) | (Col. 9/1) Percent |
| 1. 2007 | 241,662 | 206,001 | 5,739 | 2.786 | 211,740 | 87.618 | | | 211,740 | 87.618 |
| 2. 2008 | 184,863 | 151,996 | 4,632 | 3.047 | 156,628 | 84.726 | | | 156,628 | 84.726 |
| 3. 2009 | 159,843 | 133,864 | 4,372 | 3.266 | 138,236 | 86.483 | | | 138,236 | 86.483 |
| 4. 2010 | 130,316 | 106,160 | 5,935 | 5.590 | 112,095 | 86.018 | 11 | | 112,106 | 86.026 |
| 5. 2011 | 131,571 | 101,574 | 3,080 | 3.032 | 104,654 | 79.542 | 11,414 | 509 | 116,577 | 88.604 |

12 Underwriting Invest Exh Pt 2C Sn A - Paid Claims - Medicare Supplement NONE

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

12 Underwriting Invest Exh Pt 2C Sn C - Expns Ratios - Medicare Supplement NONE

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

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

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

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

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

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

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

Section A - Paid Health Claims

| Year in Which Losses Were Incurred | Cumulative Net Amounts Paid | | | | |
|---------------------------------------|-----------------------------|-----------|-----------|-----------|-----------|
| | 1 2007 | 2 2008 | 3 2009 | 4 2010 | 5 2011 |
| 1. Prior | 521 | 521 | 521 | 521 | 521 |
| 2. 2007 | 4,657 | 5,449 | 5,449 | 5,449 | 5,449 |
| 3. 2008 | XXX | 6,149 | 6,878 | 6,878 | 6,878 |
| 4. 2009 | XXX | XXX | 5,507 | 6,064 | 6,064 |
| 5. 2010 | XXX | XXX | XXX | XXX | XXX |
| 6. 2011 | XXX | XXX | XXX | XXX | XXX |

Section B - Incurred Health Claims

| Year in Which Losses Were Incurred | Sum of Cumulative Net Amount Paid and Claim Liability, Claim Reserve and Medical Incentive Pool and Bonuses Outstanding at End of Year | | | | |
|---------------------------------------|---|-----------|-----------|-----------|-----------|
| | 1 2007 | 2 2008 | 3 2009 | 4 2010 | 5 2011 |
| 1. Prior | 521 | 521 | 521 | 521 | 521 |
| 2. 2007 | 5,207 | 5,449 | 5,449 | 5,449 | 5,449 |
| 3. 2008 | XXX | 6,885 | 6,878 | 6,878 | 6,878 |
| 4. 2009 | XXX | XXX | 6,064 | 6,064 | 6,064 |
| 5. 2010 | XXX | XXX | XXX | XXX | XXX |
| 6. 2011 | XXX | XXX | XXX | XXX | XXX |

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

| Years in Which Premiums were Earned and Claims were Incurred | 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 |
|---|--------------------|--------------------|--|-----------------------|--|-----------------------|------------------|---|--|-----------------------|
| | Premiums Earned | Claims Payments | Claim Adjustment Expense Payments | (Col. 3/2) Percent | Claim and Claim Adjustment Expense Payments (Col. 2 + 3) | (Col. 5/1) Percent | Claims Unpaid | Unpaid Claims Adjustment Expenses | Total Claims and Claims Adjustment Expense Incurred (Col. 5 + 7 + 8) | (Col. 9/1) Percent |
| 1. 2007 | 4,943 | 5,449 | 128 | 2.349 | 5,577 | 112.826 | | | 5,577 | 112.826 |
| 2. 2008 | 6,899 | 6,878 | 177 | 2.573 | 7,055 | 102.261 | | | 7,055 | 102.261 |
| 3. 2009 | 4,593 | 6,064 | 170 | 2.795 | 6,234 | 135.717 | | | 6,234 | 135.717 |
| 4. 2010 | | | 15 | | 15 | | | | 15 | |
| 5. 2011 | | | | | | | | | | |

UNDERWRITING AND INVESTMENT EXHIBIT

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

Title XVIII - Medicare

Section A - Paid Health Claims

| Year in Which Losses Were Incurred | Cumulative Net Amounts Paid | | | | |
|---------------------------------------|-----------------------------|-----------|-----------|-----------|-----------|
| | 1 2007 | 2 2008 | 3 2009 | 4 2010 | 5 2011 |
| 1. Prior | 15,029 | 15,111 | 15,059 | 15,058 | 15,016 |
| 2. 2007 | 125,697 | 140,134 | 140,313 | 140,186 | 140,144 |
| 3. 2008 | XXX | 135,259 | 148,996 | 148,942 | 148,914 |
| 4. 2009 | XXX | XXX | 143,908 | 155,775 | 155,696 |
| 5. 2010 | XXX | XXX | XXX | 130,386 | 142,692 |
| 6. 2011 | XXX | XXX | XXX | XXX | 126,790 |

Section B - Incurred Health Claims

| Year in Which Losses Were Incurred | Sum of Cumulative Net Amount Paid and Claim Liability, Claim Reserve and Medical Incentive Pool and Bonuses Outstanding at End of Year | | | | |
|---------------------------------------|---|-----------|-----------|-----------|-----------|
| | 1 2007 | 2 2008 | 3 2009 | 4 2010 | 5 2011 |
| 1. Prior | 15,116 | 20,597 | 15,059 | 15,058 | 15,016 |
| 2. 2007 | 144,197 | 140,444 | 140,313 | 140,186 | 140,144 |
| 3. 2008 | XXX | 154,172 | 149,326 | 148,942 | 148,914 |
| 4. 2009 | XXX | XXX | 159,455 | 155,950 | 155,696 |
| 5. 2010 | XXX | XXX | XXX | 144,037 | 142,710 |
| 6. 2011 | XXX | XXX | XXX | XXX | 143,420 |

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

| Years in Which Premiums were Earned and Claims were Incurred | 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 |
|---|--------------------|--------------------|--|-----------------------|--|-----------------------|------------------|---|--|-----------------------|
| | Premiums Earned | Claims Payments | Claim Adjustment Expense Payments | (Col. 3/2) Percent | Claim and Claim Adjustment Expense Payments (Col. 2 + 3) | (Col. 5/1) Percent | Claims Unpaid | Unpaid Claims Adjustment Expenses | Total Claims and Claims Adjustment Expense Incurred (Col. 5 + 7 + 8) | (Col. 9/1) Percent |
| 1. 2007 | 145,957 | 140,144 | 1,333 | 0.951 | 141,477 | 96.931 | | | 141,477 | 96.931 |
| 2. 2008 | 161,483 | 148,914 | 1,570 | 1.054 | 150,484 | 93.189 | | | 150,484 | 93.189 |
| 3. 2009 | 166,700 | 155,696 | 1,375 | 0.883 | 157,071 | 94.224 | | | 157,071 | 94.224 |
| 4. 2010 | 150,544 | 142,692 | 1,551 | 1.087 | 144,243 | 95.815 | 18 | | 144,261 | 95.827 |
| 5. 2011 | 150,694 | 126,790 | 1,745 | 1.376 | 128,535 | 85.295 | 16,630 | 741 | 145,906 | 96.823 |

UNDERWRITING AND INVESTMENT EXHIBIT
PART 2C - DEVELOPMENT OF PAID AND INCURRED HEALTH CLAIMS (000 Omitted)
Title XIX - Medicaid

Section A - Paid Health Claims

| Year in Which Losses Were Incurred | Cumulative Net Amounts Paid | | | | |
|---------------------------------------|-----------------------------|-----------|-----------|-----------|-----------|
| | 1 2007 | 2 2008 | 3 2009 | 4 2010 | 5 2011 |
| 1. Prior | 50 | 50 | 50 | 50 | 50 |
| 2. 2007 | | | | | |
| 3. 2008 | XXX | | | | |
| 4. 2009 | XXX | XXX | | | |
| 5. 2010 | XXX | XXX | XXX | | |
| 6. 2011 | XXX | XXX | XXX | XXX | |

Section B - Incurred Health Claims

| Year in Which Losses Were Incurred | Sum of Cumulative Net Amount Paid and Claim Liability, Claim Reserve and Medical Incentive Pool and Bonuses Outstanding at End of Year | | | | |
|---------------------------------------|---|-----------|-----------|-----------|-----------|
| | 1 2007 | 2 2008 | 3 2009 | 4 2010 | 5 2011 |
| 1. Prior | 50 | 50 | 50 | 50 | 50 |
| 2. 2007 | | | | | |
| 3. 2008 | XXX | | | | |
| 4. 2009 | XXX | XXX | | | |
| 5. 2010 | XXX | XXX | XXX | | |
| 6. 2011 | XXX | XXX | XXX | XXX | |

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

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

UNDERWRITING AND INVESTMENT EXHIBIT

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

Other

Section A - Paid Health Claims

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

Section B - Incurred Health Claims

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

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

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

UNDERWRITING AND INVESTMENT EXHIBIT

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

| | 1 Total | 2 Compre- hensive (Hospital & Medical) | 3 Medicare Supplement | 4 Dental Only | 5 Vision Only | 6 Federal Employees Health Benefits Plan | 7 Title XVIII Medicare | 8 Title XIX Medicaid | 9 Other |
|--|------------|--|-----------------------------|---------------------|---------------------|--|---------------------------------|-------------------------------|------------|
| 1. Unearned premium reserves | | | | | | | | | |
| 2. Additional policy reserves (a) | | | | | | | | | |
| 3. Reserve for future contingent benefits | | | | | | | | | |
| 4. Reserve for rate credits or experience rating refunds (including \$.....0 for investment income) | 1,838,179 | ..... | ..... | ..... | ..... | ..... | 1,838,179 | ..... | ..... |
| 5. Aggregate write-ins for other policy reserves | | | | | | | | | |
| 6. TOTALS (Gross) | 1,838,179 | ..... | ..... | ..... | ..... | ..... | 1,838,179 | ..... | ..... |
| 7. Reinsurance ceded | | | | | | | | | |
| 8. TOTALS (Net) (Page 3, Line 4) | 1,838,179 | ..... | ..... | ..... | ..... | ..... | 1,838,179 | ..... | ..... |
| 9. Present value of amounts not yet due on claims | | | | | | | | | |
| 10. Reserve for future contingent benefits | | | | | | | | | |
| 11. Aggregate write-ins for other claim reserves | | | | | | | | | |
| 12. TOTALS (Gross) | | | | | | | | | |
| 13. Reinsurance ceded | | | | | | | | | |
| 14. TOTALS (Net) (Page 3, Line 7) | | | | | | | | | |
| DETAILS OF WRITE-INS | | | | | | | | | |
| 0501. | | | | | | | | | |
| 0502. | | | | | | | | | |
| 0503. | | | | | | | | | |
| 0598. Summary of remaining write-ins for Line 5 from overflow page | | | | | | | | | |
| 0599. TOTALS (Lines 0501 through 0503 plus 0598) (Line 5 above) | | | | | | | | | |
| 1101. | | | | | | | | | |
| 1102. | | | | | | | | | |
| 1103. | | | | | | | | | |
| 1198. Summary of remaining write-ins for Line 11 from overflow page | | | | | | | | | |
| 1199. TOTALS (Lines 1101 through 1103 plus 1198) (Line 11 above) | | | | | | | | | |

(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) | 64,702 | 46,354 | 468,368 | | 579,424 |
| 2. Salaries, wages and other benefits | 3,890,340 | 1,562,370 | 10,414,555 | | 15,867,265 |
| 3. Commissions (less \$.....0 ceded plus \$.....0 assumed) | | | 5,455,807 | | 5,455,807 |
| 4. Legal fees and expenses | | | 468,977 | | 468,977 |
| 5. Certifications and accreditation fees | | | 97,930 | | 97,930 |
| 6. Auditing, actuarial and other consulting services | 120,644 | 439,541 | 3,033,565 | | 3,593,750 |
| 7. Traveling expenses | 14,628 | 2,893 | 151,716 | | 169,237 |
| 8. Marketing and advertising | 1,826 | | 1,892,848 | | 1,894,674 |
| 9. Postage, express and telephone | 17,467 | 718 | 677,110 | | 695,295 |
| 10. Printing and office supplies | 69,230 | 4,695 | 512,184 | | 586,109 |
| 11. Occupancy, depreciation and amortization | 17,074 | 12,232 | 123,596 | | 152,902 |
| 12. Equipment | 25,525 | 181 | 262,738 | | 288,444 |
| 13. Cost or depreciation of EDP equipment and software | | | 624,498 | | 624,498 |
| 14. Outsourced services including EDP, claims, and other services | 26,604 | 13,060 | 944,003 | | 983,667 |
| 15. Boards, bureaus and association fees | 652 | | 50,134 | | 50,786 |
| 16. Insurance, except on real estate | | | 182,980 | | 182,980 |
| 17. Collection and bank service charges | | | 390,350 | | 390,350 |
| 18. Group service and administration fees | 60,588 | | 15,444 | | 76,032 |
| 19. Reimbursements by uninsured plans | (872,047) | (415,232) | (5,596,635) | | (6,883,914) |
| 20. Reimbursements from fiscal intermediaries | | | | | |
| 21. Real estate expenses | | | | | |
| 22. Real estate taxes | | | 43,019 | | 43,019 |
| 23. Taxes, licenses and fees: | | | | | |
| 23.1 State and local insurance taxes | | | (33,826) | | (33,826) |
| 23.2 State premium taxes | | | 1,488,350 | | 1,488,350 |
| 23.3 Regulator authority licenses and fees | | | | | |
| 23.4 Payroll taxes | 368,733 | 145,427 | 952,142 | | 1,466,302 |
| 23.5 Other (excluding federal income and real estate taxes) | | | 6,116 | | 6,116 |
| 24. Investment expenses not included elsewhere | | | | 316,000 | 316,000 |
| 25. Aggregate write-ins for expenses | | | 1,800,000 | | 1,800,000 |
| 26. TOTAL Expenses Incurred (Lines 1 to 25) | 3,805,966 | 1,812,239 | 24,425,969 | 316,000 | (a) 30,360,174 |
| 27. Less expenses unpaid December 31, current year | 850,000 | 400,000 | 34,649,241 | | 35,899,241 |
| 28. Add expenses unpaid December 31, prior year | 815,407 | 383,721 | 31,932,521 | | 33,131,649 |
| 29. Amounts receivable relating to uninsured plans, prior year | | | | | |
| 30. Amounts receivable relating to uninsured plans, current year | | | | | |
| 31. TOTAL Expenses Paid (Lines 26 minus 27 plus 28 minus 29 plus 30) | 3,771,373 | 1,795,960 | 21,709,249 | 316,000 | 27,592,582 |

DETAILS OF WRITE-INS

| | | | | | |
|---|--|--|-----------|--|-----------|
| 2501. RADV audit reserve | | | 1,800,000 | | 1,800,000 |
| 2502. | | | | | |
| 2503. | | | | | |
| 2598. Summary of remaining write-ins for Line 25 from overflow page | | | | | |
| 2599. TOTALS (Lines 2501 through 2503 plus 2598) (Line 25 above) | | | 1,800,000 | | 1,800,000 |

(a) Includes management fees of \$.....(626,893) 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) | 110,963 | 192,500 |
| 1.1 Bonds exempt from U.S. tax | (a) | 383,038 | 136,970 |
| 1.2 Other bonds (unaffiliated) | (a) | 1,269,295 | 1,182,493 |
| 1.3 Bonds of affiliates | (a) | | |
| 2.1 Preferred stocks (unaffiliated) | (b) | | |
| 2.11 Preferred stocks of affiliates | (b) | | |
| 2.2 Common stocks (unaffiliated) | | 415,363 | 404,499 |
| 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) | (7,136) | 1,623 |
| 7. Derivative instruments | (f) | | |
| 8. Other invested assets | | | |
| 9. Aggregate write-ins for investment income | | | |
| 10. Total gross investment income | | 2,171,523 | 1,918,085 |
| 11. Investment expenses | (g) | 316,000 | |
| 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) | | |
| 15. Aggregate write-ins for deductions from investment income | | | |
| 16. Total deductions (Lines 11 through 15) | | | 316,000 |
| 17. Net Investment income (Line 10 minus Line 16) | | | 1,602,085 |
| DETAILS OF WRITE-INS | | | |
| 0901. | | | |
| 0902. | | | |
| 0903. | | | |
| 0998. Summary of remaining write-ins for Line 9 from overflow page | | | |
| 0999. TOTALS (Lines 0901 through 0903 plus 0998) (Line 9, above) | | | |
| 1501. | | | |
| 1502. | | | |
| 1503. | | | |
| 1598. Summary of remaining write-ins for Line 15 from overflow page | | | |
| 1599. TOTALS (Lines 1501 through 1503 plus 1598) (Line 15, above) | | | |

(a) Includes \$.....1,945 accrual of discount less \$.....935,210 amortization of premium and less \$.....799,715 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 \$.....33,740 amortization of premium and less \$.....22,775 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 | 814,801 | | 814,801 | | |
| 1.1 Bonds exempt from U.S. tax | 280,066 | | 280,066 | | |
| 1.2 Other bonds (unaffiliated) | 2,473,704 | | 2,473,704 | | |
| 1.3 Bonds of affiliates | | | | | |
| 2.1 Preferred stocks (unaffiliated) | | | | | |
| 2.11 Preferred stocks of affiliates | | | | | |
| 2.2 Common stocks (unaffiliated) | 1,608,764 | | 1,608,764 | (1,764,252) | |
| 2.21 Common stocks of affiliates | | | | | |
| 3. Mortgage loans | | | | | |
| 4. Real estate | | | | | |
| 5. Contract loans | | | | | |
| 6. Cash, cash equivalents and short-term investments | 4,283 | | 4,283 | | |
| 7. Derivative instruments | | | | | |
| 8. Other invested assets | | | | | |
| 9. Aggregate write-ins for capital gains (losses) | | | | | |
| 10. Total capital gains (losses) | 5,181,618 | | 5,181,618 | (1,764,252) | |

DETAILS OF WRITE-INS

| | | | | |
|---|--|--|--|--|
| 0901. | | | | |
| 0902. | | | | |
| 0903. | | | | |
| 0998. Summary of remaining write-ins for Line 9 from overflow page | | | | |
| 0999. TOTALS (Lines 0901 through 0903 plus 0998) (Line 9, above) | | | | |

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) ..... | ..... | ..... | ..... |
| 2. Stocks (Schedule D): | | | |
| 2.1 Preferred stocks ..... | ..... | ..... | ..... |
| 2.2 Common stocks ..... | ..... | ..... | ..... |
| 3. Mortgage loans on real estate (Schedule B): | | | |
| 3.1 First liens ..... | ..... | ..... | ..... |
| 3.2 Other than first liens ..... | ..... | ..... | ..... |
| 4. Real estate (Schedule A): | | | |
| 4.1 Properties occupied by the company ..... | ..... | ..... | ..... |
| 4.2 Properties held for the production of income ..... | ..... | ..... | ..... |
| 4.3 Properties held for sale ..... | ..... | ..... | ..... |
| 5. Cash (Schedule E-Part 1), cash equivalents (Schedule E-Part 2) and short-term investments (Schedule DA) ..... | ..... | ..... | ..... |
| 6. Contract loans ..... | ..... | ..... | ..... |
| 7. Derivatives (Schedule DB) ..... | ..... | ..... | ..... |
| 8. Other invested assets (Schedule BA) | 220,658 | ..... | (220,658) |
| 9. Receivables for securities ..... | ..... | ..... | ..... |
| 10. Securities lending reinvested collateral assets (Schedule DL) ..... | ..... | ..... | ..... |
| 11. Aggregate write-ins for invested assets ..... | ..... | ..... | ..... |
| 12. Subtotals, cash and invested assets (Lines 1 to 11) | 220,658 | ..... | (220,658) |
| 13. Title plants (for Title insurers only) ..... | ..... | ..... | ..... |
| 14. Invested income due and accrued ..... | ..... | ..... | ..... |
| 15. Premium and considerations: | | | |
| 15.1 Uncollected premiums and agents' balances in the course of collection | 220,873 | 149,695 | (71,178) |
| 15.2 Deferred premiums, agents' balances and installments booked but deferred and not yet due ..... | ..... | ..... | ..... |
| 15.3 Accrued retrospective premiums ..... | ..... | ..... | ..... |
| 16. Reinsurance: | | | |
| 16.1 Amounts recoverable from reinsurers ..... | ..... | ..... | ..... |
| 16.2 Funds held by or deposited with reinsured companies ..... | ..... | ..... | ..... |
| 16.3 Other amounts receivable under reinsurance contracts ..... | ..... | ..... | ..... |
| 17. Amounts receivable relating to uninsured plans ..... | ..... | ..... | ..... |
| 18.1 Current federal and foreign income tax recoverable and interest thereon ..... | ..... | ..... | ..... |
| 18.2 Net deferred tax asset | 7,024,707 | 5,736,391 | (1,288,316) |
| 19. Guaranty funds receivable or on deposit ..... | ..... | ..... | ..... |
| 20. Electronic data processing equipment and software | 264,013 | 881,079 | 617,066 |
| 21. Furniture and equipment, including health care delivery assets | 386,662 | 479,195 | 92,533 |
| 22. Net adjustment in assets and liabilities due to foreign exchange rates ..... | ..... | ..... | ..... |
| 23. Receivables from parent, subsidiaries and affiliates ..... | ..... | ..... | ..... |
| 24. Health care and other amounts receivable | 834,826 | 207,164 | (627,662) |
| 25. Aggregate write-ins for other than invested assets | 267,069 | 374,104 | 107,035 |
| 26. Total assets excluding Separate Accounts, Segregated Accounts and Protected Cell Accounts (Lines 12 to 25) | 9,218,808 | 7,827,628 | (1,391,180) |
| 27. From Separate Accounts, Segregated Accounts and Protected Cell Accounts ..... | ..... | ..... | ..... |
| 28. Total (Lines 26 and 27) | 9,218,808 | 7,827,628 | (1,391,180) |
| DETAILS OF WRITE-INS | | | |
| 1101. ..... | ..... | ..... | ..... |
| 1102. ..... | ..... | ..... | ..... |
| 1103. ..... | ..... | ..... | ..... |
| 1198. Summary of remaining write-ins for Line 11 from overflow page ..... | ..... | ..... | ..... |
| 1199. TOTALS (Lines 1101 through 1103 plus 1198) (Line 11 above) ..... | ..... | ..... | ..... |
| 2501. AR | 3,111 | 32,615 | 29,504 |
| 2502. Prepaid | 263,958 | 259,253 | (4,705) |
| 2503. Deposits ..... | ..... | 82,236 | 82,236 |
| 2598. Summary of remaining write-ins for Line 25 from overflow page ..... | ..... | ..... | ..... |
| 2599. TOTALS (Lines 2501 through 2503 plus 2598) (Line 25 above) | 267,069 | 374,104 | 107,035 |

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 | 48,005 | 46,696 | 45,929 | 45,547 | 45,077 | 553,803 |
| 2. Provider Service Organizations ..... | ..... | ..... | ..... | ..... | ..... | ..... |
| 3. Preferred Provider Organizations ..... | ..... | ..... | ..... | ..... | ..... | ..... |
| 4. Point of Service | 830 | 554 | 619 | 625 | 604 | 7,184 |
| 5. Indemnity Only ..... | ..... | ..... | ..... | ..... | ..... | ..... |
| 6. Aggregate write-ins for other lines of business ..... | ..... | ..... | ..... | ..... | ..... | ..... |
| 7. TOTAL | 48,835 | 47,250 | 46,548 | 46,172 | 45,681 | 560,987 |
| DETAILS OF WRITE-INS | | | | | | |
| 0601. ..... | ..... | ..... | ..... | ..... | ..... | ..... |
| 0602. ..... | ..... | ..... | ..... | ..... | ..... | ..... |
| 0603. ..... | ..... | ..... | ..... | ..... | ..... | ..... |
| 0698. Summary of remaining write-ins for Line 6 from overflow page ..... | ..... | ..... | ..... | ..... | ..... | ..... |
| 0699. TOTALS (Lines 0601 through 0603 plus 0698) (Line 6 above) ..... | ..... | ..... | ..... | ..... | ..... | ..... |

Notes to Financial Statements

1. Summary of Significant Accounting Policies

A. Accounting Practices

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

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

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

| | State of Domicile | 2011 | 2010 |
|--|----------------------|------------|--------------|
| | Ohio | | |
| NET INCOME | | | |
| Paramount Health Care state basis | | 4,447,693 | (14,174,201) |
| State Prescribed Practices that increase/(decrease) NAIC SAP | | - | - |
| State Permitted Practices that increase/(decrease) NAIC SAP | | - | - |
| NAIC SAP | | 4,447,693 | (14,174,201) |
| SURPLUS | | | |
| Paramount Health Care state basis | | 44,342,027 | 43,057,920 |
| State Prescribed Practices that increase/(decrease) NAIC SAP | | - | - |
| State Permitted Practices that increase/(decrease) NAIC SAP | | - | - |
| NAIC SAP | | 44,342,027 | 43,057,920 |

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

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

C. Accounting Policy

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

In addition, the company uses the following accounting policies:

1. Short-term investments are stated at amortized cost.
2. Bonds are stated at amortized cost.
3. Common stock investments are stated at Fair Market Value.
4. The Company does not have any preferred stock investments.
5. The Company does not invest in mortgage loans.
6. The Company has no investments in loan-backed securities.
7. The Company has no investments in subsidiaries.
8. The Company has no investments in joint ventures.
9. The Company does not invest in derivatives.

Notes to Financial Statements

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

2. Accounting Changes and Corrections of Errors

-NOT APPLICABLE

3. Business Combinations and Goodwill

-NOT APPLICABLE

4. Discontinued Operations

-NOT APPLICABLE

5. Investments

A. The company does not have any Mortgage Loan investments.

B. The company is not a creditor for any Restructured Debt.

C. The company does not have any reverse mortgages.

A.

1. When necessary the Company uses internal estimates in determining prepayment assumptions and whether an other-than-temporary impairment has occurred.
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):

a. The aggregate amount of unrealized losses:

| | | |
|--|------------------------|--------|
| | Less than 12 months | 62,387 |
| | 12 Months or Longer | 0 |

b. The aggregate related fair value of securities

| | | |
|-------------------------|------------------------|------------|
| with unrealized losses: | Less than 12 months | 15,264,831 |
| | 12 Months or Longer | 0 |

Notes to Financial Statements

(5) The securities determined to be impaired (fair value is less than cost or amortized cost) were impaired by only .41%. The Company is of the opinion that none of the securities is impaired on an other-than-temporary basis.

- B. The company does not have any re-purchase agreements.
- C. The company does not have any real estate investments.

6. Joint ventures, Partnerships and Limited Liability Companies

-NOT APPLICABLE

7. Investment Income

The Company does not have any non-admitted accrued investment income.

8. Derivative Instruments

-NOT APPLICABLE

9. Income Taxes

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

Considerable judgment is required in determining whether a valuation allowance is necessary, and if so, the amount of such valuation allowance. In evaluating the need for a valuation allowance the Company considers many factors, including: (1) the nature of the deferred tax assets and liabilities; (2) whether they are ordinary or capital; (3) the timing of reversal; (4) taxable income in prior carry back years as well as projected taxable earnings exclusive of reversing temporary differences and carry forwards; (5) the length of time that carryovers can be used; (6) unique tax rules that would impact the utilization of the deferred tax assets; and (7) any tax planning strategies that the Company would employ to avoid a tax benefit expiring unused. Although the realization is not assured, the Company believes it is more likely than not that the deferred tax assets, net of valuation allowances, will be realized. The Company has not recorded a valuation allowance as of December 31, 2011 or 2010.

Notes to Financial Statements

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

| | 12/31/2011 | | | 12/31/2010 | | | Change | | |
|---------------------------------------|---------------|--------------|---------------|---------------|----------------|---------------|----------------|--------------|--------------|
| | Ordinary | Capital | Total | Ordinary | Capital | Total | Ordinary | Capital | Total |
| Gross deferred tax assets | \$ 12,219,129 | \$ 415,270 | \$ 12,634,399 | \$ 12,063,151 | \$ 563,438 | \$ 12,626,589 | \$ 155,978 | \$ (148,168) | \$ 7,810 |
| Statutory valuation allowance | — | — | — | — | — | — | — | — | — |
| Adjusted gross deferred tax assets | 12,219,129 | 415,270 | 12,634,399 | 12,063,151 | 563,438 | 12,626,589 | 155,978 | (148,168) | 7,810 |
| Gross deferred tax liabilities | 15,964 | 1,230,656 | 1,246,620 | — | 2,180,638 | 2,180,638 | 15,964 | (949,982) | (934,018) |
| Net deferred tax asset | 12,203,165 | (815,386) | 11,387,779 | 12,063,151 | (1,617,200) | 10,445,951 | 140,014 | 801,814 | 941,828 |
| Total Deferred tax assets nonadmitted | 7,024,707 | — | 7,024,707 | 5,736,391 | — | 5,736,391 | 1,288,316 | — | 1,288,316 |
| Net admitted deferred tax assets | \$ 5,178,458 | \$ (815,386) | \$ 4,363,072 | \$ 6,326,760 | \$ (1,617,200) | \$ 4,709,560 | \$ (1,148,302) | \$ 801,814 | \$ (346,488) |

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

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

| | 2011 | | | 2010 | | | Change | | |
|---|--------------|------------|--------------|--------------|------------|--------------|--------------|--------------|----------------|
| | Ordinary | Capital | Total | Ordinary | Capital | Total | Ordinary | Capital | Total |
| SSAP No. 10R, Paragraph 10.a. | \$ 4,224,649 | \$ 138,423 | \$ 4,363,072 | \$ 4,146,122 | \$ 563,438 | \$ 4,709,560 | 78,527 | (425,015) | \$ (346,488) |
| SSAP No. 10R, Paragraph 10.b. | — | — | — | — | — | — | — | — | — |
| (the lesser of paragraph 10.b.i and 10.b.ii. below) | — | — | — | — | — | — | — | — | — |
| SSAP No. 10R, Paragraph 10.b.i. | — | — | — | — | — | — | — | — | — |
| SSAP No. 10R, Paragraph 10.b.ii. | — | — | 3,807,120 | — | — | 4,586,889 | — | — | (779,769) |
| SSAP No. 10R, Paragraph 10.c. | 969,773 | 276,847 | 1,246,620 | — | — | 2,180,638 | 969,773 | 276,847 | (934,018) |
| Total | \$ 5,194,422 | \$ 415,270 | \$ 5,609,692 | \$ 4,146,122 | \$ 563,438 | \$ 6,890,198 | \$ 1,048,300 | \$ (148,168) | \$ (1,280,506) |
| SSAP No. 10R, Paragraph 10.e.i.. | — | — | — | — | — | — | — | — | — |
| SSAP No. 10R, Paragraph 10.e.ii. | — | — | — | — | — | — | — | — | — |
| (the lesser of paragraph 10.e.ii.a and 10.e.ii.b below) | — | — | — | — | — | — | — | — | — |
| SSAP No. 10R, Paragraph 10.e.ii.a. | — | — | — | — | — | — | — | — | — |
| SSAP No. 10R, Paragraph 10.e.ii.b. | — | — | — | — | — | — | — | — | — |
| SSAP No. 10R, Paragraph 10.e.iii. | — | — | — | — | — | — | — | — | — |
| Total | \$ — | \$ — | \$ — | \$ — | \$ — | \$ — | \$ — | \$ — | \$ — |

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

| | | | |
|--------------------------|---------------|---------------|--------------|
| Total Adjusted Capital | \$ 44,342,027 | \$ 43,057,920 | \$ 1,284,107 |
| Authorized Control Level | \$ 12,489,926 | \$ 12,110,786 | \$ 379,140 |

Notes to Financial Statements

| | 2011 | | | 2010 | | | Change | | |
|--|--------------|------------|--------------|--------------|------------|--------------|----------------|--------------|----------------|
| | Ordinary | Capital | Total | Ordinary | Capital | Total | Ordinary | Capital | Total |
| SSAP No.10R, Paragraphs 10.a., 10.b., and 10.c | | | | | | | | | |
| Admitted DTAs | \$ 5,194,422 | \$ 415,270 | \$ 5,609,692 | \$ 6,326,760 | \$ 563,438 | \$ 6,890,198 | \$ (1,132,338) | \$ (148,168) | \$ (1,280,506) |
| Admitted Assets | | | 123,097,709 | | | 160,671,421 | | | (37,573,712) |
| Adjusted Statutory Surplus | | | 44,342,027 | | | 43,057,920 | | | 1,284,107 |
| Total Adjusted Capital from DTAs | | | 44,342,027 | | | 43,057,920 | | | 1,284,107 |

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

| | | | | | | | | | |
|-------------------|---|---|---|---|---|---|---|---|---|
| Admitted DTAs | - | - | - | - | - | - | - | - | - |
| Admitted Assets | - | - | - | - | - | - | - | - | - |
| Statutory Surplus | - | - | - | - | - | - | - | - | - |

Impact of Tax Planning Strategies

| | 2011 | | |
|---|----------|---------|-------|
| | Ordinary | Capital | Total |
| Adjusted Gross DTAs | - | - | - |
| (% Total Adjusted Gross DTAs) | - | - | - |
| Net Admitted Adjusted Gross DTAs | - | - | - |
| (% of Total Net Admitted Adjusted Gross DTAs) | - | - | - |

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

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

Notes to Financial Statements

| | 12/31/2011 | 12/31/2010 | Change |
|---------------------------------------|---------------------|---------------------|---------------------|
| Current Income Tax | | | |
| Federal | \$ 483,129 | \$ 2,591,680 | \$ (2,108,551) |
| Federal income tax on capital gains | 1,688,554 | 1,211,988 | 476,566 |
| Other | <u>(243,088)</u> | <u>(996,956)</u> | <u>753,868</u> |
| Federal income taxes incurred | \$ 1,928,595 | \$ 2,806,712 | \$ (878,117) |
| Deferred tax assets: | | | |
| Ordinary | | | |
| Unearned premiums | \$ 134,409 | \$ 165,091 | \$ (30,682) |
| Discounting on claims payable | 189,043 | 163,873 | 25,170 |
| Accrued Vacation | 293,504 | 371,581 | (78,077) |
| Other accruals | 10,013,720 | 9,464,704 | 549,016 |
| Amortization | 787,500 | 1,102,503 | (315,003) |
| Depreciation | 79,712 | 525,868 | (446,156) |
| Allowance for doubtful accounts | 369,495 | 136,316 | 233,179 |
| Other | <u>351,746</u> | <u>133,215</u> | <u>218,531</u> |
| Subtotal | 12,219,129 | 12,063,151 | 155,978 |
| Nonadmitted | <u>7,024,707</u> | <u>5,736,391</u> | <u>1,288,316</u> |
| Admitted ordinary deferred tax assets | <u>5,194,422</u> | <u>6,326,760</u> | <u>(1,132,338)</u> |
| Capital | | | |
| Capital loss | | | |
| Impairment of securities | 415,270 | 563,438 | (148,168) |
| Other | - | - | - |
| Subtotal | <u>415,270</u> | <u>563,438</u> | <u>(148,168)</u> |
| Nonadmitted | - | - | - |
| Admitted capital deferred tax assets | <u>415,270</u> | <u>563,438</u> | <u>(148,168)</u> |
| Admitted deferred tax assets | <u>5,609,692</u> | <u>6,890,198</u> | <u>(1,280,506)</u> |
| Deferred tax liabilities: | | | |
| Ordinary | | | |
| Discounted salvage & sub | 15,964 | - | 15,964 |
| Subtotal | <u>15,964</u> | <u>-</u> | <u>15,964</u> |
| Capital | | | |
| Unrealized gain | 1,230,656 | 2,180,638 | (949,982) |
| Subtotal | <u>1,230,656</u> | <u>2,180,638</u> | <u>(949,982)</u> |
| Deferred tax liabilities | <u>\$ 1,246,620</u> | <u>\$ 2,180,638</u> | <u>\$ (934,018)</u> |
| Net deferred tax assets/liabilities | <u>\$ 4,363,072</u> | <u>\$ 4,709,560</u> | <u>\$ (346,488)</u> |

The change in net deferred income taxes is comprised of the following:

D.-Analysis of Actual Income Tax Expense

The Company's income tax expense differs from the amount obtained by applying the statutory rate of 34% to pretax net income for the following reasons at December 31:

| | 2011 | % | 2010 | % |
|--------------------------------------|---------------------|-------------|-----------------------|--------------|
| Provision computed at statutory rate | \$ 2,231,697 | 35 % | \$ (3,978,621) | (35)% |
| Other | <u>(258,946)</u> | <u>(4)</u> | <u>(1,329,585)</u> | <u>(11)</u> |
| Total | <u>\$ 1,972,751</u> | <u>31 %</u> | <u>\$ (5,308,206)</u> | <u>(46)%</u> |
| Federal income taxes incurred | \$ 1,928,595 | 30 % | \$ 2,806,712 | 25 % |
| Change in net deferred income taxes | 8,154 | | (8,114,918) | (71) |
| Other | <u>36,002</u> | <u>1</u> | | |
| Total statutory income taxes | <u>\$ 1,972,751</u> | <u>31 %</u> | <u>\$ (5,308,206)</u> | <u>(46)%</u> |

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

Notes to Financial Statements

The following is income tax incurred for 2009, 2010 and 2011 that is available for recoupment in the event of future net losses:

| <u>Year</u> | <u>Ordinary</u> | <u>Capital</u> | <u>Total</u> |
|-------------|-----------------|----------------|--------------|
| 2009 | | | - |
| 2010 | 2,934,525 | 1,186,054 | 4,120,579 |
| 2011 | 483,129 | 1,688,554 | 2,171,683 |

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

G-Accounting for tax contingencies

For the years ended December 31, 2011 and 2010, the Company did not have tax contingencies under the principles of SSAP No. 5, *Liabilities, Contingencies and Impairment of Assets*. The Company is primarily subject to U.S. federal and various U.S. state and local tax authorities. Tax years subsequent to 2007 remain open to examination by the Internal Revenue Service, and 2006 remains open to other state and local tax authorities. As of December 31, 2011, there are no U.S. federal or state returns under examination.

10. Information Concerning Parent, Subsidiaries and Affiliates

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

Through management service agreements the company provides administrative support to four of its affiliated entities, PCM, PBA, PICO and PA. The following table shows the amounts allocated to the companies. These amounts were to compensate the Company for administrative support staff in all functional areas. The cost of shared services is allocated between the Company and affiliates based upon the percentage of subscribers at the end of each month.

| | 2011 | 2010 |
|------|-----------|-----------|
| PCM | 669,981 | 582,630 |
| PBA | 5,004 | 3,996 |
| PICO | 1,345,496 | 2,456,189 |
| PA | 6,938,902 | 6,568,384 |

ProMedica allocates corporate overhead to all ProMedica entities pursuant to a Cost Allocation Agreement. The Company was allocated \$8,332,490 and \$7,448,242 of overhead expense in 2011 and 2010, respectively. The amount is to compensate

Notes to Financial Statements

ProMedica for the services provided to the Company for corporate staff primarily in management, legal services, information services and investment management.

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

| | 2011 | 2010 | | |
|-----------------------------|---------------------|-----------------------|---------------------|-----------------------|
| | Due from | Due to | Due from | Due to |
| Bay Park | \$ 14,900 | | \$ 21,576 | |
| ProMedica Physicians Group | 55,540 | | 199,201 | |
| Promedica Continuing Care | 249 | | | (58,509) |
| ProMedica Health System | 1,418,887 | | 2,527,946 | |
| St. Lukes | | (682,466) | | |
| Herrick | | | | (38,138) |
| The Toledo Hospital | 34,441 | | 40,592 | |
| Lenawee Health Alliance | 24,000 | | 24,000 | |
| NOW Cardiology | | | 32,000 | |
| Pharmacy Counter | | (56,548) | | |
| Flower Hospital | | (7,431) | | (3,931) |
| Paramount Care of Michigan | | (138,402) | | (368,053) |
| Health Management Solutions | 226,279 | | 500,637 | |
| Paramount Advantage | | (2,265,363) | | (826,346) |
| Paramount Insurance Co. | | (424,557) | | (3,159,326) |
| Other affiliated entities | 37,156 | (1,142) | 14,231 | (1,932) |
| | <u>\$ 1,811,452</u> | <u>\$ (3,575,909)</u> | <u>\$ 3,360,183</u> | <u>\$ (4,456,235)</u> |

Claims paid to affiliated entities during fiscal year 2011 and 2010

| | 2011 | 2010 |
|------------------------------------|-----------------------|-----------------------|
| | Paid | Paid |
| Bay Park Community Hospital | \$ 10,423,150 | \$ 13,066,008 |
| Defiance Hospital | 273,008 | 285,108 |
| ProMedica North Region | 197,183 | 304,965 |
| Flower Hospital | 19,910,911 | 22,796,033 |
| Fostoria Hospital | 681,211 | 756,798 |
| Lima Memorial Hospital | 12,883 | 31,952 |
| ProMedica Continuing Care Services | 6,522,751 | 9,035,592 |
| ProMedica Physicians Group | 12,552,385 | 9,321,132 |
| St. Lukes Hospital | 12,241,579 | 5,204,020 |
| The Toledo Hospital | 46,410,835 | 53,947,673 |
| | <u>\$ 109,225,896</u> | <u>\$ 114,749,281</u> |

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

| | 2011 | 2010 |
|------------------------------------|--------------|------------|
| Paramount Health Care | \$ 1,490,284 | \$ 365,316 |
| Paramount Care of Michigan | 53,590 | (303,656) |
| Paramount Benefits Agency | (48) | (397) |
| Paramount Preferred Options | (4,868) | (109,029) |
| Paramount Advantage | (353,229) | (445,537) |
| Paramount Insurance Company | 564,386 | 1,330,910 |
| Health Management Solutions | 2,203 | 71,253 |
| Paramount Enhanced Care Management | - | 1,047 |
| ProMedica Insurance Corporation | (1,752,318) | (909,907) |

Notes to Financial Statements

11. Debt

-NOT APPLICABLE

12. Retirement Plans, Deferred Compensation, Postemployment Benefits

- A. The company does not participate in defined benefit plans.
- B. Effective July 1, 2002, the System extended the ProMedica pension plan to the eligible employees of Paramount. The pension costs for Paramount are based on a direct calculation of certain cost components and the application of reasonable methodology for other cost components. In 2007, the pension asset was transferred to ProMedica Health System. The company contributed \$494,724 and \$585,000 for the years ended December 31, 2011 and 2010, respectively.

The company sponsors a 401 (k) savings plan, whereby eligible employees may voluntarily contribute a percentage of their annual compensation. Under the provisions of the plan, the Company annually matches employees' contributions of up to 3% of compensation. All employees with at least one year of service are eligible for the plan match. If an employee has ten or more years of pension vesting service and is paid at least 1000 hours during the plan year and is employed at December 31 of any year, the company will contribute 2% of the employee's pay to his or her 401 (k) account. For the years ended December 31, 2011 and 2010, contributions by the Company amounted to \$670,179 and \$675,112, respectively.

- C. The company does not participate in a multi-employer plan.
- D. The company participates in a Consolidated/Holding Company Plan. See description at [B] above.

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

- A. The Company has 750 shares authorized and 420 shares issued and outstanding.
- B. The Company has no preferred stock.
- C. Without prior approval of its domiciliary commissioner, dividends to shareholders are limited by the laws of the Company's state of incorporation, to an amount less than 10% of admitted capital (including all dividends within the prior 12 month period). Additionally, the Company must obtain prior approval for dividends not paid from earned surplus. During 2010, ordinary dividends of \$2,500,000 were paid to ProMedica Insurance Corp. During 2011 no dividends were paid to ProMedica Insurance Corp.
- D. Within the limitations of [C] above, there are no restrictions placed on the portion of Company profits that may be paid as ordinary dividends to stockholders.
- E. There were no restrictions placed on the Company's surplus.
- F. The Company did not receive any capital contributions during the year.
- G. There is no stock being held by the Company.
- H. The Company has no special surplus funds.

Notes to Financial Statements

I. The portion of unassigned funds (surplus) represented or reduced by cumulative unrealized gains and losses is:

| | |
|------------------------------|-------------|
| Unrealized gains, net of tax | (1,764,252) |
|------------------------------|-------------|

J. The Company has no surplus debentures or other outstanding obligations.

K. The Company was not involved in a quasi-reorganization during the year.

14. Contingencies

Risk Adjustment Data Validation Audits (“RADV Audits”). CMS adjusts capitation payments to Medicare Advantage and Medicare Part D plans according to the predicted health status of each beneficiary, as supported by data provided by health care providers. The Company collects claim and encounter data from providers, who the Company generally relies on to appropriately code their claim submissions and document their medical records. CMS then determines the risk score and payment amount for each enrolled member based on the health care data submitted and member demographic information.

CMS performs RADV audits of selected Medicare Advantage health plans each year to validate the coding practices of and supporting documentation maintained by health care providers. These audits involve a review of medical records maintained by providers and may result in retrospective adjustments to payments made to health plans. To date, the Company has not been selected for audit by CMS. Payment years open for audit include 2007 to 2010.

In December 2010, CMS published for public comment a new proposed RADV audit and payment adjustment methodology. The proposed methodology contains provisions allowing retroactive contract level payment adjustments for the year audited using an extrapolation of the “error rate” identified in audit samples. The Company has submitted comments to CMS regarding concerns the Company has with CMS’s proposed methodology. On February 3, 2011, CMS notified the Company that CMS was evaluating all comments received on the proposed methodology and that it anticipated making changes to the draft, based on input CMS had received. CMS also indicated that it anticipated the final methodology would be issued in the near future. Depending on the methodology utilized, potential payment adjustments could have a material adverse effect on the Company’s results of operations, financial position and cash flows.

The Company is also in discussions with the Office of the Inspector General (“OIG”) for the Department of Health and Human Services regarding audits of the Company’s risk adjustment data for 2006 that were used to determine 2007 payments. While the Company does not believe OIG has governing authority to directly impose payment adjustments for risk adjustment audits of Medicare health plans operated under the regulatory authority of CMS, the OIG can recommend to CMS a proposed payment adjustment.

Estimates of probable costs resulting from legal and regulatory matters involving the Company are inherently difficult to predict, particularly where the matters: involve indeterminate claims for monetary damages or may involve fines, penalties or punitive damages; represent a shift in regulatory policy; implicate possible litigation directed at vindicating the Company’s position; are in the early stages of the proceedings; or could result in a change in business practices. Accordingly, although the Company presently anticipates vigorously challenging any final OIG audit or CMS action which seeks to recoup payments based on the methodology and process used by the OIG, the Company has made certain assumptions regarding how RADV audits preformed by OIG and CMS might impact the Company financially in the eventuality those challenges prove unsuccessful. The total contingent reserve for the RADV audit is approximately \$28,567,429 and \$26,560,508 as of December 31, 2011 and 2010, respectively. Given the inherent variability of such estimates, the actual liability could differ significantly from the amounts provided.

Notes to Financial Statements

15. Leases

The Company has entered into lease agreements for office space, furniture, computers, and telephones that expire through 2011. Rental expense charged to operations amounted to \$689,262 and \$738,539 in 2011 and 2010, respectively.

At December 31, 2011, the minimum aggregate rental commitments are as follows:

Year Ending December 31,

| | |
|------------|-------------|
| 2012 | \$681,672 |
| 2013 | \$674,217 |
| 2014 | \$674,217 |
| 2015 | \$674,217 |
| 2016 | \$674,217 |
| Thereafter | \$1,360,433 |

The Company is not party to any capital or leveraged lease agreements, nor is it a lessor.

16. Off-Balance Sheet Risk

-NOT APPLICABLE

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

-NOT APPLICABLE

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

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

| | 2011 | 2010 |
|--|---------------------|-------------------|
| Net reimbursement for administrative Expenses (including admin fees) in excess of actual expenses | \$ 1,668,009 | \$ 1,247,498 |
| Total net other income or expenses including interest paid to or received from plans | \$ (624,789) | \$ (616,505) |
| Total gain or (loss) from operations | <u>\$ 1,043,220</u> | <u>\$ 630,993</u> |
| Claim payments | \$ 88,204,817 | \$ 96,570,660 |

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

-NOT APPLICABLE

20. Fair Value Measurements

Assets Measured at Fair Value on a Recurring Basis

Notes to Financial Statements

| | 2011 | | |
|----------------------------|----------------|----------------|----------------|
| | Level 1 | Level 2 | Level 3 |
| Equity securities | \$ 21,506,128 | | |
| Total assets at Fair Value | \$ 21,506,128 | \$ - | |
| | 2010 | | |
| | Level 1 | Level 2 | Level 3 |
| Equity securities | \$ 22,533,337 | | |
| Total assets at Fair Value | \$ 22,533,337 | \$ - | |

21. Other Items

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

22. Subsequent Events

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

23. Reinsurance

A. Ceded Reinsurance Report

Section 1

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

Section 2

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

Section 3

1. The aggregate reduction in surplus for termination of all reinsurance agreements, by either party, as of the date of this statement is \$0.
2. No new agreements have been executed or existing agreements amended since January 1, 2011 to include policies or contracts that were in force or which had existing reserves established by the company as of the effective date of the agreement.

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

C. The company had no commutation of reinsurance.

Notes to Financial Statements

24. Retrospectively Rated Contracts

-NOT APPLICABLE

25. Change in Incurred Claims and Claim Adjustment Expenses

Reserves as of December 31, 2010 were \$25,278,490. As of December 31, 2011, \$21,607,805 has been paid for incurred claims and claim adjustment expenses attributable to insured events of prior years. Reserves remaining for prior years are now \$29,159 as a result of re-estimation of unpaid claims and claim adjustment expenses principally on Commercial and Medicare lines of insurance. Therefore, there has been a \$3,641,526 favorable prior-year development since December 31, 2010 to December 31, 2011. The decrease is generally a result of ongoing analysis of recent development trends. Original estimates are increased or decreased, as additional information becomes known regarding individual claims.

26. Intercompany Pooling Arrangements

-NOT APPLICABLE

27. Structured Settlements

-NOT APPLICABLE

28. Health Care Receivables

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

| Quarter | Estimated Pharmacy Rebates | Pharmacy Rebates as Billed | Actual Rebates Received within 90 days of billing | Actual Rebates Received within 91-180 days of billing | Actual Rebates Received More than 180 days after billing |
|------------|----------------------------|----------------------------|---|---|--|
| 12/31/2011 | 758,218 | 758,218 | | | |
| 9/30/2011 | 751,112 | 780,148 | | 594,592 | |
| 6/30/2011 | 1,069,030 | 810,901 | | 810,870 | 31 |
| 3/31/2011 | 801,836 | 819,972 | | 808,417 | 11,555 |
| 12/31/2010 | 830,088 | 872,441 | - | 849,208 | 23,233 |
| 9/30/2010 | 1,100,711 | 912,026 | - | 828,373 | 83,653 |
| 6/30/2010 | 1,144,990 | 936,803 | - | 848,502 | 88,301 |
| 3/31/2010 | 1,416,494 | 1,047,729 | - | 987,531 | 60,198 |
| 12/31/2009 | 1,290,909 | 1,266,659 | - | 1,254,030 | 12,629 |
| 9/30/2009 | 1,269,986 | 1,218,626 | - | 1,170,087 | 48,540 |
| 6/30/2009 | 1,418,092 | 1,232,913 | - | 1,169,891 | 63,021 |
| 3/31/2009 | 1,357,342 | 1,397,379 | - | 1,347,907 | 49,473 |

During 2010, the company was a party to a risk sharing agreement with The Toledo Hospital. As actual costs vary from projected costs, the variations are allocated among the parties based on the agreement. The variances were set up as intercompany receivables or payables with the offset going to income or expense. The intercompany balances were settled periodically throughout the year. The balance sheet amount was classified as accrued medical incentive pool on the liability page. The income or expense amount was classified as incentive pool, withhold adjustments and bonus amounts expense. In 2011, this agreement was dissolved.

29. Participating Policies

Notes to Financial Statements

-NOT APPLICABLE

30. Premium Deficiency Reserves

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

31. Anticipated Salvage and Subrogation

The Company took into account estimated anticipated salvage and subrogation in its determination of the liability for unpaid claims/losses and reduced such liability by \$2,704,729.

GENERAL INTERROGATORIES

PART 1 - COMMON INTERROGATORIES

GENERAL

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

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

1.3 State Regulating? Ohio

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

2.2 If yes, date of change:

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

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

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

3.4 By what department or departments? Ohio

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[X] No[] N/A[]

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

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

4.12 renewals? Yes[] No[X]

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

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

4.22 renewals? Yes[] No[X]

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

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

| 1 Name of Entity | 2 NAIC Company Code | 3 State of Domicile |
|---------------------|------------------------|------------------------|
| | | |

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

6.2 If yes, give full information:

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

7.2 If yes, 0.000%

7.21 State the percentage of foreign control

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

| 1 Nationality | 2 Type of Entity |
|------------------|---------------------|
| | |

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

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

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

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

| 1 Affiliate Name | 2 Location (City, State) | 3 FRB | 4 OCC | 5 OTS | 6 FDIC | 7 SEC |
|---------------------|-----------------------------|----------|--------------------|--------------------|--------------------|--------------------|
| | | | Yes[] No[X] | Yes[] No[X] | Yes[] No[X] | Yes[] No[X] |

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

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

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

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

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

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

Requirements waived as the Company does not meet the premium threshold.

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

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

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

Timothy Gustafson FSA, MAAA, Deloitte & Touche LLP, 180 N. Stetson Avenue, Chicago, IL 6060

GENERAL INTERROGATORIES (Continued)

12.1 Does the reporting entity own any securities of a real estate holding company or otherwise hold real estate indirectly? Yes [] No [X] 0
 12.11 Name of real estate holding company
 12.12 Number of parcels involved
 12.13 Total book/adjusted carrying value
 12.2 If yes, provide explanation \$ 0

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?
 13.3 Have there been any changes made to any of the trust indentures during the year?
 13.4 If answer to (13.3) is yes, has the domiciliary or entry state approved the changes? Yes [] No [] N/A [X] 0
 13.5 If answer to (13.3) is yes, provide explanation Yes [] No [] N/A [X] 0

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: Yes [] No [X] 0

14.2 Has the code of ethics for senior managers been amended? Yes [] No [X] 0
 14.21 If the response to 14.2 is yes, provide information related to amendment(s). Yes [] No [X] 0

14.3 Have any provisions of the code of ethics been waived for any of the specified officers? Yes [] No [X] 0
 14.31 If the response to 14.3 is yes, provide the nature of any waiver(s). Yes [] No [X] 0

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] 0
 15.2 If the response to 15.1 is yes, indicate the American Bankers Association (ABA) Routing Number and the name of the issuing or confirming bank of the Letter of Credit and describe the circumstances in which the Letter of Credit is triggered. Yes [] No [X] 0

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

BOARD OF DIRECTORS

16. Is the purchase or sale of all investments of the reporting entity passed upon either by the Board of Directors or a subordinate committee thereof? Yes [] No [X] 0

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 [] 0

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 [] 0

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] 0

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 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] 0

21.2 If yes, state the amount thereof at December 31 of the current year:
 21.21 Rented from others \$ 0
 21.22 Borrowed from others \$ 0
 21.23 Leased from others \$ 0
 21.24 Other \$ 0

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] 0

22.2 If answer is yes:
 22.21 Amount paid as losses or risk adjustment \$ 0
 22.22 Amount paid as expenses \$ 0
 22.23 Other amounts paid \$ 0

23.1 Does the reporting entity report any amounts due from parent, subsidiaries or affiliates on Page 2 of this statement? Yes [X] No [] 0
 23.2 If yes, indicate any amounts receivable from parent included in the Page 2 amount: \$ 1,418,887

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 [] 0

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

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

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

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

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

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

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

24.9 Does the reporting entity or the reporting entity's securities lending agent utilize the Master Securities lending Agreement (MSLA) to conduct securities lending? Yes [] No [] N/A [X] 0

GENERAL INTERROGATORIES (Continued)

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

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

| | | | |
|-------|--|----------|---------|
| 25.21 | Subject to repurchase agreements | \$ | 0 |
| 25.22 | Subject to reverse repurchase agreements | \$ | 0 |
| 25.23 | Subject to dollar repurchase agreements | \$ | 0 |
| 25.24 | Subject to reverse dollar repurchase agreements | \$ | 0 |
| 25.25 | Pledged as collateral | \$ | 0 |
| 25.26 | Placed under option agreements | \$ | 0 |
| 25.27 | Letter stock or securities restricted as to sale | \$ | 0 |
| 25.28 | On deposit with state or other regulatory body | \$ | 400,950 |
| 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?

If no, attach a description with this statement.

Yes[] No[X] N/A[X]

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

Yes[] No[X]

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

\$ 0 |

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

Yes[X] No[]

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

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

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

| 1 Name(s) | 2 Location(s) | 3 Complete Explanation(s) |
|--------------|------------------|------------------------------|
| | | |

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

Yes[] No[X]

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

| 1 Old Custodian | 2 New Custodian | 3 Date of Change | 4 Reason |
|--------------------|--------------------|---------------------|-------------|
| | | | |

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

| 1 Central Registration Depository Number(s) | 2 Name | 3 Address |
|---|-----------|--------------|
| See attached. | | |

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/Adjusted Carrying Value |
|-----------------------|--|--------------------------------------|
| 411511306 | Harbor International Mutual Fund | 4,027,015 |
| 0075W0700 | Advisors Inner Circle/United Assoc S&P Index | 3,388,722 |
| 29.2999 Total ..... | ..... | ..... 7,415,737 |

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

GENERAL INTERROGATORIES (Continued)

| 1 | 2 | 3 Amount of Mutual Fund's Book/Adjusted Carrying Value Attributable to the Holding | 4 Date of Valuation |
|--|---|--|---------------------------|
| Name of Mutual Fund (from above table) | Name of Significant Holding of the Mutual Fund | | |
| Harbor International Mutual Fund | British American Tobacco | 882,050,000 | 09/30/2011 .. |
| Advisors Inner Circle/United Assoc S&P Index | Exxon Mobil | 4,645,350 | 11/30/2011 .. |

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 | 2 | 3 Excess of Statement over Fair Value (-), or Fair Value over Statement (+) |
|-------------------------------|---------------|--|
| Statement (Admitted) Value | Fair Value | |
| 30.1 Bonds | 87,801,293 | 88,356,369 |
| 30.2 Preferred stocks | | |
| 30.3 Totals | 87,801,293 | 88,356,369 |

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

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

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

OTHER

33.1 Amount of payments to Trade Associations, Service Organizations and Statistical or Rating Bureaus, if any? \$ 126,466
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 |
|--|------------------|
| Ohio Association of Health Plans | 44,993 |
| NCQA | 81,473 |

34.1 Amount of payments for legal expenses, if any? \$ 468,977
34.2 List the name of the firm and the amount paid if any such payments represented 25% or more of the total payments for legal expenses during the period covered by this statement.

| 1 Name | 2 Amount Paid |
|-----------|------------------|
| | |

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

| 1 Name | 2 Amount Paid |
|-----------|------------------|
| | |

GENERAL INTERROGATORIES (Continued)

PART 2 - HEALTH INTERROGATORIES

| | |
|---|----------------|
| 1.1 Does the reporting entity have any direct Medicare Supplement Insurance in force? | Yes [] No [X] |
| 1.2 If yes, indicate premium earned on U.S. business only: | \$..... 0 |
| 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. | \$..... 0 |
| 1.6 Individual policies - Most current three years: | |
| 1.61 Total premium earned | \$..... 0 |
| 1.62 Total incurred claims | \$..... 0 |
| 1.63 Number of covered lives | 0 |
| All years prior to most current three years: | |
| 1.64 Total premium earned | \$..... 0 |
| 1.65 Total incurred claims | \$..... 0 |
| 1.66 Number of covered lives | 0 |
| 1.7 Group policies - Most current three years: | |
| 1.71 Total premium earned | \$..... 0 |
| 1.72 Total incurred claims | \$..... 0 |
| 1.73 Number of covered lives | 0 |
| All years prior to most current three years: | |
| 1.74 Total premium earned | \$..... 0 |
| 1.75 Total incurred claims | \$..... 0 |
| 1.76 Number of covered lives | 0 |

2. Health Test

| | 1 Current Year | 2 Prior Year |
|-------------------------------|-------------------|-----------------|
| 2.1 Premium Numerator | 282,464,451 | 280,859,301 |
| 2.2 Premium Denominator | 282,264,451 | 280,859,301 |
| 2.3 Premium Ratio (2.1 / 2.2) | 1.001 | 1.000 |
| 2.4 Reserve Numerator | 29,911,679 | 25,130,836 |
| 2.5 Reserve Denominator | 29,911,679 | 25,130,836 |
| 2.6 Reserve Ratio (2.4 / 2.5) | 1.000 | 1.000 |

3.1 Has the reporting entity received any endowment or gift from contracting hospitals, physicians, dentists, or others that is agreed will be returned when, as and if the earnings of the reporting entity permits? Yes [] 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] N/A[]

5.1 Does the reporting entity have stop-loss reinsurance? Yes[X] No[]

5.2 If no, explain:

5.3 Maximum retained risk (see instructions):

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

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

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

7.2 If no, give details:

8. Provide the following information regarding participating providers:

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

9.1 Does the reporting entity have business subject to premium rate guarantees? Yes[X] No[]

9.2 If yes, direct premium earned:

| | |
|---|------------------|
| 9.21 Business with rate guarantees between 15-36 months | 27,603,800 |
| 9.22 Business with rate guarantees over 36 months | 0 |

10.1 Does the reporting entity have Incentive Pool, Withhold or Bonus Arrangements in its provider contracts? Yes[X] No[]

10.2 If yes:

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

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[X] No[] |

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

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

Ohio

11.4 If yes, show the amount required.

\$..... 1,500,000
Yes[] No[X]

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

11.6 If the amount is calculated, show the calculation.

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

| 1 Name of Service Area |
|---------------------------|
| Allen County |
| Ashland County |
| Crawford County |
| Defiance County |
| Erie County |
| Fulton County |
| Hancock County |
| Hardin County |
| Henry County |

GENERAL INTERROGATORIES (Continued)

| 1 | Name of Service Area |
|------------------------|----------------------|
| Lorain County | |
| Lucas County | |
| Marion County | |
| Morrow County | |
| Ottawa County | |
| Paulding County | |
| Putnam County | |
| Richland County | |
| Sandusky County | |
| Seneca County | |
| Williamns County | |
| Wood County | |
| Wyandot | |
| Deleware | |
| Knox | |
| Huron | |

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

Yes[] No[X]

\$ 0

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

Yes[] No[X]

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

\$ 0

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 |
|--|-------------|--------------|-------------|-------------|-------------|
| BALANCE SHEET (Pages 2 and 3) | | | | | |
| 1. TOTAL Admitted Assets (Page 2, Line 28) | 123,097,709 | 160,671,421 | 146,094,153 | 118,943,190 | 142,374,007 |
| 2. TOTAL Liabilities (Page 3, Line 24) | 78,755,682 | 117,613,501 | 90,034,477 | 70,257,753 | 77,875,445 |
| 3. Statutory surplus | 1,500,000 | 1,500,000 | 1,500,000 | 1,500,000 | 1,500,000 |
| 4. TOTAL Capital and Surplus (Page 3, Line 33) | 44,342,027 | 43,057,920 | 56,059,676 | 48,685,437 | 64,498,562 |
| INCOME STATEMENT (Page 4) | | | | | |
| 5. TOTAL Revenues (Line 8) | 282,264,451 | 280,859,301 | 331,135,869 | 354,844,859 | 392,561,705 |
| 6. TOTAL Medical and Hospital Expenses (Line 18) | 252,645,851 | 245,749,778 | 293,351,829 | 314,057,395 | 348,382,692 |
| 7. Claims adjustment expenses (Line 20) | 5,618,205 | 7,491,495 | 5,944,524 | 6,155,602 | 7,260,411 |
| 8. TOTAL Administrative Expenses (Line 21) | 24,425,969 | 44,809,896 | 25,076,012 | 23,699,850 | 31,765,108 |
| 9. Net underwriting gain (loss) (Line 24) | (425,574) | (17,191,868) | 6,763,504 | 10,932,012 | 5,153,494 |
| 10. Net investment gain (loss) (Line 27) | 6,783,703 | 5,802,296 | 5,683,649 | (2,770,825) | 8,338,671 |
| 11. TOTAL Other Income (Lines 28 plus 29) | 18,159 | 22,083 | 6,755 | 4,868 | (5,531) |
| 12. Net income or (loss) (Line 32) | 4,447,693 | (14,174,201) | 10,519,333 | 2,816,248 | 7,344,560 |
| Cash Flow (Page 6) | | | | | |
| 13. Net cash from operations (Line 11) | 3,615,387 | 3,738,322 | (1,055,313) | 10,665,055 | (8,197,449) |
| RISK-BASED CAPITAL ANALYSIS | | | | | |
| 14. TOTAL Adjusted Capital | 44,342,027 | 43,057,920 | 56,059,676 | 48,685,437 | 64,498,562 |
| 15. Authorized control level risk-based capital | 12,489,926 | 12,110,786 | 14,057,788 | 14,707,756 | 16,406,838 |
| ENROLLMENT (Exhibit 1) | | | | | |
| 16. TOTAL Members at End of Period (Column 5, Line 7) | 45,681 | 48,835 | 55,040 | 65,992 | 80,449 |
| 17. TOTAL Members Months (Column 6, Line 7) | 560,987 | 578,004 | 688,590 | 824,939 | 1,010,029 |
| 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 (Lines 18 plus Line 19) | 89.5 | 87.5 | 88.6 | 88.5 | 88.7 |
| 20. Cost containment expenses | 1.3 | 1.8 | 1.3 | 1.0 | 0.9 |
| 21. Other claims adjustment expenses | 0.6 | 0.9 | 0.5 | 0.7 | 0.9 |
| 22. TOTAL Underwriting Deductions (Line 23) | 100.2 | 106.1 | 98.0 | 96.9 | 98.7 |
| 23. TOTAL Underwriting Gain (Loss) (Line 24) | (0.2) | (6.1) | 2.0 | 3.1 | 1.3 |
| UNPAID CLAIMS ANALYSIS | | | | | |
| (U&I Exhibit, Part 2B) | | | | | |
| 24. TOTAL Claims Incurred for Prior Years (Line 13, Column 5) | 21,105,605 | 22,593,804 | 30,882,516 | 37,057,737 | 37,786,308 |
| 25. Estimated liability of unpaid claims-[prior year (Line 13, Column 6)] | 23,460,147 | 28,684,517 | 38,420,525 | 38,515,776 | 43,621,394 |
| INVESTMENTS IN PARENT, SUBSIDIARIES AND AFFILIATES | | | | | |
| 26. Affiliated bonds (Sch. D Summary, Line 12, Column 1) | | | | | |
| 27. Affiliated preferred stocks (Sch. D Summary, Line 18, Column 1) | | | | | |
| 28. Affiliated common stocks (Sch. D Summary, Line 24, Column 1) | | | | | |
| 29. Affiliated short-term investments (subtotal included in Sch. DA Verification, Col. 5, Line 10) | | | | | |
| 30. Affiliated mortgage loans on real estate | | | | | |
| 31. All other affiliated | | | | | |
| 32. TOTAL of Above Lines 26 to 31 | | | | | |

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

If no, please explain:

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 & Other Considerations | 7 Property/ Casualty Premiums | 8 Total Columns 2 Through 7 | | |
| 1. Alabama (AL) | N | | | | | | | | | |
| 2. Alaska (AK) | N | | | | | | | | | |
| 3. Arizona (AZ) | N | | | | | | | | | |
| 4. Arkansas (AR) | N | | | | | | | | | |
| 5. California (CA) | N | | | | | | | | | |
| 6. Colorado (CO) | N | | | | | | | | | |
| 7. Connecticut (CT) | N | | | | | | | | | |
| 8. Delaware (DE) | N | | | | | | | | | |
| 9. District of Columbia (DC) | N | | | | | | | | | |
| 10. Florida (FL) | N | | | | | | | | | |
| 11. Georgia (GA) | N | | | | | | | | | |
| 12. Hawaii (HI) | N | | | | | | | | | |
| 13. Idaho (ID) | N | | | | | | | | | |
| 14. Illinois (IL) | N | | | | | | | | | |
| 15. Indiana (IN) | N | | | | | | | | | |
| 16. Iowa (IA) | N | | | | | | | | | |
| 17. Kansas (KS) | N | | | | | | | | | |
| 18. Kentucky (KY) | N | | | | | | | | | |
| 19. Louisiana (LA) | N | | | | | | | | | |
| 20. Maine (ME) | N | | | | | | | | | |
| 21. Maryland (MD) | N | | | | | | | | | |
| 22. Massachusetts (MA) | N | | | | | | | | | |
| 23. Michigan (MI) | N | | | | | | | | | |
| 24. Minnesota (MN) | N | | | | | | | | | |
| 25. Mississippi (MS) | N | | | | | | | | | |
| 26. Missouri (MO) | N | | | | | | | | | |
| 27. Montana (MT) | N | | | | | | | | | |
| 28. Nebraska (NE) | N | | | | | | | | | |
| 29. Nevada (NV) | N | | | | | | | | | |
| 30. New Hampshire (NH) | N | | | | | | | | | |
| 31. New Jersey (NJ) | N | | | | | | | | | |
| 32. New Mexico (NM) | N | | | | | | | | | |
| 33. New York (NY) | N | | | | | | | | | |
| 34. North Carolina (NC) | N | | | | | | | | | |
| 35. North Dakota (ND) | N | | | | | | | | | |
| 36. Ohio (OH) | L | 133,214,727 | | 150,696,293 | | | | | 283,911,020 | |
| 37. Oklahoma (OK) | N | | | | | | | | | |
| 38. Oregon (OR) | N | | | | | | | | | |
| 39. Pennsylvania (PA) | N | | | | | | | | | |
| 40. Rhode Island (RI) | N | | | | | | | | | |
| 41. South Carolina (SC) | N | | | | | | | | | |
| 42. South Dakota (SD) | N | | | | | | | | | |
| 43. Tennessee (TN) | N | | | | | | | | | |
| 44. Texas (TX) | N | | | | | | | | | |
| 45. Utah (UT) | N | | | | | | | | | |
| 46. Vermont (VT) | N | | | | | | | | | |
| 47. Virginia (VA) | N | | | | | | | | | |
| 48. Washington (WA) | N | | | | | | | | | |
| 49. West Virginia (WV) | N | | | | | | | | | |
| 50. Wisconsin (WI) | N | | | | | | | | | |
| 51. Wyoming (WY) | N | | | | | | | | | |
| 52. American Samoa (AS) | N | | | | | | | | | |
| 53. Guam (GU) | N | | | | | | | | | |
| 54. Puerto Rico (PR) | N | | | | | | | | | |
| 55. U.S. Virgin Islands (VI) | N | | | | | | | | | |
| 56. Northern Marianas Islands (MP) | N | | | | | | | | | |
| 57. Canada (CN) | N | | | | | | | | | |
| 58. Aggregate other alien (OT) | XXX | | | | | | | | | |
| 59. Subtotal | XXX | 133,214,727 | | 150,696,293 | | | | | 283,911,020 | |
| 60. Reporting entity contributions for Employee Benefit Plans | XXX | | | | | | | | | |
| 61. TOTAL (Direct Business) | (a) 1 | 133,214,727 | | 150,696,293 | | | | | 283,911,020 | |

DETAILS OF WRITE-INS

| | | | | | | | | | | |
|---|-----|--|--|--|--|--|--|--|--|--|
| 5801. | XXX | | | | | | | | | |
| 5802. | XXX | | | | | | | | | |
| 5803. | XXX | | | | | | | | | |
| 5898. Summary of remaining write-ins for Line 58 from overflow page | XXX | | | | | | | | | |
| 5899. TOTALS (Lines 5801 through 5803 plus 5898) (Line 58 above) | XXX | | | | | | | | | |

(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.

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

Explanation of basis of allocation of premiums by states, etc.: All individual policies are allocated based on residency which is in Ohio. Group policies are allocated based on employment location. All groups are employed in Ohio.

SCHEDULE Y - INFORMATION CONCERNING ACTIVITIES OF INSURER

MEMBERS OF A HOLDING COMPANY GROUP

PART 1 - ORGANIZATIONAL CHART

ORGANIZATION CHART

Paramount Health Care is ultimately controlled by ProMedica Health System, Inc. (“ProMedica”), a nonprofit holding company exempt from federal taxation under Section 501(c)(3) and 509(a)(3) of the Internal Revenue Code. The following coding system is used to show the interrelationships among the various members of the insurance holding company system:

- A circle means that ProMedica is the sole member/parent of the entity
- ◆ Each entity marked with a diamond is a subsidiary of the entity listed directly above and denoted with a circle.
- Each entity marked with a square is a subsidiary of the entity listed directly above and marked with a diamond.
- Each entity marked with an arrow is a member of the insurance holding company system.

The following list depicts the identities and interrelationships of affiliated persons within the insurance holding company system.

- ProMedica Foundation, an Ohio nonprofit corporation of which Bay Park Community Hospital Foundation, Toledo Hospital Foundation, Toledo Children’s Hospital Foundation, Flower Foundation, Defiance Foundation, Fostoria Community Hospital Foundation, Wildwood Medical Center Foundation, ProMedica Physicians & Continuum Service Foundation f/k/a ProMedica Continuing Care Services Corporation, Bixby Hospital Foundation and Herrick Hospital Foundation are divisions of.
- Academic Health Center Corporation f/k/a ProMedica Health, Education and Research Corporation, an Ohio nonprofit corporation
- Fostoria Hospital Association, an Ohio nonprofit corporation
 - ◆ NWO Health Partners, LLC, an Ohio limited liability company in which Fostoria Hospital Association has 50% ownership interest with Northwest Ohio Orthopedic and Sports Medicine, Inc. having the remaining 50% interest
- ProMedica Physicians and Continuum Services f/k/a ProMedica Physician Corporation f/k/a ProMedica Physicians Enterprises, an Ohio nonprofit corporation.
 - ◆ ProMedica Continuing Care Services Corporation f/k/a Crestview of Ohio, Inc., an Ohio nonprofit corporation
 - Monroe Community Ambulance, a Michigan nonprofit corporation in which ProMedica Continuing Care Services Corporation has 25% ownership interest with various other corporations holding the remaining 75%
 - ◆ Toledo District Nurse Association, an Ohio nonprofit corporation

SCHEDULE Y - INFORMATION CONCERNING ACTIVITIES OF INSURER

MEMBERS OF A HOLDING COMPANY GROUP

PART 1 - ORGANIZATIONAL CHART

- ◆ Visiting Nurse Hospice & Health Care, an Ohio nonprofit corporation
- ◆ ProMedica Retail Group, Inc. f/k/a The Flower Market, Inc., an Ohio corporation
- ◆ ProMedica Courier Services, Inc., an Ohio nonprofit corporation
- ◆ ErieWest Hospice and Palliative Care, an Ohio limited liability company
- ◆ ProMedica Physician Hospital Organization, Inc., an Ohio for-profit corporation and a wholly-owned subsidiary of ProMedica Physicians & Continuum Services
- ◆ ProMedica Physician Group, Inc., an Ohio professional association which is beneficially owned by ProMedica Physicians & Continuum Services f/k/a ProMedica Physician Corporation pursuant to the terms of a Share Control Agreement, dated as of June 2, 1999, by and among ProMedica Physician Corporation, Lee Hammerling, M.D. and ProMedica Physician Group, Inc. Dr. Hammerling holds legal ownership of all outstanding shares of capital stock of ProMedica Physician Group.
 - The Pharmacy Counter, LLC, an Ohio limited liability company
 - ProMedica Central Corporation of Michigan, a Michigan nonprofit corporation and a wholly-owned subsidiary of ProMedica Physician Group, Inc.
 - EVOLV Medical Aesthetics, LLC, an Ohio limited liability company in which ProMedica Physicians & Continuum Services has 50% ownership interest and Frank Barone, M.D. has the remaining 50%.
 - ProMedica Central Physicians, LLC, an Ohio limited liability company with ProMedica Physician Group, Inc. as its sole member
 - ProMedica North Physicians Corporation, a Michigan nonprofit stock corporation and a wholly-owned subsidiary of ProMedica Physician Group, Inc.
 - ProMedica West Physicians, LLC, an Ohio limited liability company with ProMedica Physician Group, Inc. as its sole member
 - ProMedica South Physicians, LLC, an Ohio limited liability company with ProMedica Physician Group, Inc. as its sole member
 - ProMedica East Physicians, LLC, an Ohio limited liability company with ProMedica Physician Group, Inc. as its sole member

SCHEDULE Y - INFORMATION CONCERNING ACTIVITIES OF INSURER

MEMBERS OF A HOLDING COMPANY GROUP

PART 1 - ORGANIZATIONAL CHART

- ProMedica Orthopedic Physicians, an Ohio limited liability company with ProMedica Physician Group, Inc. as its sole member
- Midwest Cardiovascular Consultants, LLC, an Ohio limited liability company with ProMedica Physician Group, Inc. as its sole member
- ProMedica GI Physicians, LLC, an Ohio limited liability company with ProMedica Physician Group, Inc. as its sole member
- ProMedica Northwest Ohio Cardiology Consultants, LLC, an Ohio limited liability company with ProMedica Physician Group, Inc. as its sole member
- ProMedica Cardiothoracic Physicians, LLC, an Ohio limited liability company with ProMedica Physician Group, Inc. as its sole member.
- ProMedica Hematology/Oncology Physicians, LLC, an Ohio limited liability company with ProMedica Physician Group, Inc. as its sole member.
- ProMedica Critical Care Physicians, LLC, an Ohio limited liability company with ProMedica Physician Group, Inc. as its sole member.
- ProMedica ENT, LLC, an Ohio limited liability company with ProMedica Physician Group as its sole member
- ProMedica Monroe Cardiology, PLLC, a Michigan limited liability company with ProMedica Physician Group as its sole member
- ProMedica Anesthesiology Consultants, LLC, an Ohio limited liability company with ProMedica Physician Group, Inc. as its sole member
- ProMedica Physician Management Services, LLC, an Ohio limited liability company with ProMedica Physician Group, Inc. as its sole member
- ProMedica Surgical Services, LLC, an Ohio limited liability company with ProMedica Physician Group, Inc. as its sole member
- WellCare Physicians Group, LLC, an Ohio limited liability company with ProMedica Physician Group, Inc. as its sole member
- ProMedica Indemnity Corporation, a Vermont nonprofit corporation
- ProMedica Insurance Corporation f/k/a ProMedica Health Ventures Corporation f/k/a Vanguard Health Ventures, Incorporated, an Ohio for-profit corporation
 - ◆ Paramount Preferred Options, Inc., an Ohio for-profit corporation, which is wholly-owned by ProMedica Insurance Corporation

SCHEDULE Y - INFORMATION CONCERNING ACTIVITIES OF INSURER

MEMBERS OF A HOLDING COMPANY GROUP

PART 1 - ORGANIZATIONAL CHART

- Health Management Solutions, Inc, an Ohio for-profit corporation which is wholly-owned by Paramount Preferred Options
- ◆ NAIC 95189-Paramount Care, Inc., an Ohio health-insuring corporation and a wholly-owned subsidiary of ProMedica Insurance Corporation
- ◆ Paramount Benefits Agency, Inc., an Ohio for-profit corporation and a wholly owned subsidiary of ProMedica Insurance Corporation
- ◆ NAIC 95566-Paramount Care of Michigan, Inc., a Michigan for-profit corporation and a wholly-owned subsidiary of ProMedica Insurance Corporation
- ◆ NAIC 11518-Paramount Insurance Company f/k/a ProMedica Life Insurance Company, a for-profit corporation and a wholly owned subsidiary of ProMedica Insurance Corporation
- ◆ NAIC 12353-Paramount Advantage, an Ohio corporation wholly owned subsidiary of ProMedica Insurance Corporation
- Bay Park Community Hospital, an Ohio nonprofit corporation
 - ◆ ProMedica Bay Park Surgical Services Co-Management Company, LLC, in which Bay Park Community Hospital has a 50% ownership interest with various other corporations holding the remaining 50%
- Defiance Hospital, Inc., an Ohio nonprofit corporation
- Emma L. Bixby Medical Center, a Michigan nonprofit corporation and a wholly-owned subsidiary of ProMedica Health System, Inc.
 - ◆ Bixby Medical Office Limited Partnership, a Michigan limited partnership in which Emma L. Bixby Medical Center has 64.44% ownership interest with various physicians having the remaining 35.56%
 - ◆ Monroe Cancer Center, a Michigan nonprofit corporation in which Emma L. Bixby Medical Center has 33.33% ownership interest with Barbara Ann Karmanos Cancer Center having 33.33% and Mercy Memorial Hospital Corporation having 33.33%
 - ◆ Lenawee Long Term Care Corporation, a Michigan nonprofit corporation and a wholly owned subsidiary of Emma L. Bixby Medical Center.
 - ◆ Herrick Memorial Development Corporation, a Michigan for profit corporation and a wholly owned subsidiary of Emma L. Bixby Medical Center.

SCHEDULE Y - INFORMATION CONCERNING ACTIVITIES OF INSURER

MEMBERS OF A HOLDING COMPANY GROUP

PART 1 - ORGANIZATIONAL CHART

- Herrick Memorial Office Plaza Condominium Association, a Michigan nonprofit corporation in which Herrick Memorial Development Corporation has 41.7% ownership interest with various physicians having the remaining 58.3%
- ◆ Lenawee Physician Hospital Organization LLC, a Michigan limited liability company in which Emma L. Bixby Medical Center has 50% ownership interest with Raisin River Physicians having the remaining 50%
- Herrick Memorial Hospital, Inc., a Michigan nonprofit corporation and a wholly-owned subsidiary of ProMedica Health System, Inc.
- The Toledo Hospital, an Ohio nonprofit corporation, of which Toledo Children's Hospital f/k/a ProMedica Children's Medical Center of Northwest Ohio is a division
 - ◆ Reynolds Road Surgery Center, LLC, an Ohio limited liability company in which The Toledo Hospital has a 62.66% ownership interest, with various physicians having a remaining 37.34% interest.
 - ◆ Parkway Surgery Center, LLC, an Ohio limited liability company in which The Toledo Hospital has a 40% ownership interest, with various physicians having a remaining 60% interest.
 - ◆ Northwest Ohio Dedicated Breast MRI, LLC, an Ohio limited liability company in which The Toledo Hospital has a 50% ownership interest with TRA Investment Club, LLC having the remaining 50% interest
 - ◆ Arrowhead Behavioral Health, LLC, a Delaware limited liability company in which The Toledo Hospital has a 30% ownership interest and Toledo Holding Company, LLC having a remaining 70% interest.
 - ◆ West Central Surgical Center, LLC, an Ohio limited liability company of which The Toledo Hospital has a 50% ownership interest and various physicians having the remaining 50%.
- Flower Hospital, an Ohio nonprofit corporation
- PHS Ventures, Inc. f/k/a BVPH Ventures, Inc., an Ohio non-profit corporation in which ProMedica Health System, Inc., an Ohio nonprofit corporation, holds a 100% ownership interest
- St. Luke's Hospital, an Ohio non-profit corporation

SCHEDULE Y - INFORMATION CONCERNING ACTIVITIES OF INSURER

MEMBERS OF A HOLDING COMPANY GROUP

PART 1 - ORGANIZATIONAL CHART

- ◆ OhioCare Ambulatory Surgery Center, LLC, an Ohio limited liability company of which St. Luke's Hospital holds 50% interest and various physicians having the remaining 50%.
- ◆ St. Luke's Physician Hospital Organization, Inc., an Ohio for-profit corporation of which St. Luke's Hospital holds 50% interest and various physicians having the remaining 50%.
- Care Enterprises, Inc., an Ohio non-profit corporation.
 - ◆ Perrysburg Medical Arts, LLC, an Ohio limited liability company of which Care Enterprises, Inc. holds 11.1% interest with various physicians and investment groups holding the remaining interest.
 - ◆ Waterville Medical Center, LLC, an Ohio limited liability company of which Care Enterprises, Inc. holds 70% interest and SB Medical Building Venture, Ltd. holding the remaining 30%.
- Care Holdings, Inc., an Ohio for-profit corporation.
- Physicians Advantage Management Services Organization, Inc., an Ohio for-profit corporation.
- St. Luke's Hospital Foundation, an Ohio non-profit corporation
 - ◆ Cobra Ventures, LLC, an Ohio limited liability company.

38.5

Other Affiliated Entities

- Lima Memorial Joint Operating Company, an Ohio non-profit corporation, in which Lima Memorial Hospital, an Ohio non-profit corporation, and PHS Ventures, Inc. each hold a 50% ownership interest.
- ProMedica Orthopedic Co-Management Company, LLC, an Ohio limited liability company in which The Toledo Hospital, Bay Park Community Hospital and Flower Hospital share 40% ownership interest with various physicians having the remaining 60% interest.
- ProMedica Cardiovascular Co-Management Company, LLC, an Ohio limited liability company in which The Toledo Hospital, Bay Park Community Hospital and Flower Hospital share 40% ownership interest with various physicians having the remaining 60% interest.

SCHEDULE Y - INFORMATION CONCERNING ACTIVITIES OF INSURER
MEMBERS OF A HOLDING COMPANY GROUP
PART 1 - ORGANIZATIONAL CHART

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