



# ANNUAL STATEMENT

For the Year Ended December 31, 2012

of the Condition and Affairs of the

## Medical Mutual of Ohio

NAIC Group Code.....730, 730 (Current Period) (Prior Period) NAIC Company Code..... 29076 Employer's ID Number..... 34-0648820

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

Licensed as Business Type.....Property/Casualty Is HMO Federally Qualified? Yes [ ] No [ ]

Incorporated/Organized..... March 30, 1934 Commenced Business..... January 1, 1934

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

Main Administrative Office 2060 East Ninth Street..... Cleveland ..... OH ..... US .... 44115-1355 216-687-7000  
*(Street and Number) (City or Town, State and Zip Code) (Area Code) (Telephone Number)*

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

Primary Location of Books and Records 2060 East Ninth Street..... Cleveland ..... OH ..... US .... 44115-1355 216-687-7000  
*(Street and Number) (City or Town, State and Zip Code) (Area Code) (Telephone Number)*

Internet Web Site Address www.MedMutual.com

Statutory Statement Contact Sharon Matonis 216-687-6049  
*(Name) (Area Code) (Telephone Number) (Extension)*  
Sharon.Matonis@medmutual.com 216-360-4073  
*(E-Mail Address) (Fax Number)*

### OFFICERS

Name	Title	Name	Title
1. Richard Alan Chiricosta	President	2. Patrick Joseph Dugan	Secretary
3. Raymond Karl Mueller #	Chief Financial Officer	4.	

### OTHER

Jared Paul Chaney	EVP	Patrick Joseph Dugan	EVP
Kevin Scott Lauterjung	EVP	Steffany Kirsten Matticola #	EVP
Raymond Karl Mueller #	EVP	Susan Marie Tyler	EVP

### DIRECTORS OR TRUSTEES

Charles Arthur Bryan	Richard Alan Chiricosta	Robert John King Jr. #	Samuel Henry Miller
Dennis John Roche	Greta Jane Russell #	David Joseph Young	

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

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

_____ (Signature) Richard Alan Chiricosta	_____ (Signature) Patrick Joseph Dugan	_____ (Signature) Raymond Karl Mueller
_____ 1. (Printed Name) President	_____ 2. (Printed Name) Secretary	_____ 3. (Printed Name) Chief Financial Officer
_____ (Title)	_____ (Title)	_____ (Title)

Subscribed and sworn to before me  
This \_\_\_\_\_ day of \_\_\_\_\_ 2013

a. Is this an original filing? Yes [X] No [ ]

b. If no

1. State the amendment number	_____
2. Date filed	_____
3. Number of pages attached	_____

## 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).....	795,659,185	5,231,735	790,427,450	766,373,661
2. Stocks (Schedule D):				
2.1 Preferred stocks.....			.0	
2.2 Common stocks.....	216,915,726		216,915,726	163,860,467
3. Mortgage loans on real estate (Schedule B):				
3.1 First liens.....			.0	
3.2 Other than first liens.....			.0	
4. Real estate (Schedule A):				
4.1 Properties occupied by the company (less \$.....0 encumbrances).....			.0	
4.2 Properties held for the production of income (less \$.....0 encumbrances).....			.0	
4.3 Properties held for sale (less \$.....0 encumbrances).....			.0	
5. Cash (\$.....38,850,687, Schedule E-Part 1), cash equivalents (\$.....0, Schedule E-Part 2) and short-term investments (\$.....108,088,558, Schedule DA).....	146,939,245		146,939,245	85,462,821
6. Contract loans (including \$.....0 premium notes).....			.0	
7. Derivatives (Schedule DB).....			.0	
8. Other invested assets (Schedule BA).....	426,705,241	25,814,460	400,890,781	414,555,159
9. Receivables for securities.....			.0	
10. Securities lending reinvested collateral assets (Schedule DL).....			.0	
11. Aggregate write-ins for invested assets.....	.0	.0	.0	.0
12. Subtotals, cash and invested assets (Lines 1 to 11).....	1,586,219,397	31,046,195	1,555,173,202	1,430,252,108
13. Title plants less \$.....0 charged off (for Title insurers only).....			.0	
14. Investment income due and accrued.....	6,570,562		6,570,562	6,410,658
15. Premiums and considerations:				
15.1 Uncollected premiums and agents' balances in the course of collection.....	14,026,308	11,070	14,015,238	13,601,991
15.2 Deferred premiums, agents' balances and installments booked but deferred and not yet due (including \$.....0 earned but unbilled premiums).....			.0	
15.3 Accrued retrospective premiums.....			.0	
16. Reinsurance:				
16.1 Amounts recoverable from reinsurers.....			.0	
16.2 Funds held by or deposited with reinsured companies.....			.0	
16.3 Other amounts receivable under reinsurance contracts.....			.0	
17. Amounts receivable relating to uninsured plans.....			.0	
18.1 Current federal and foreign income tax recoverable and interest thereon.....	11,205,321		11,205,321	17,281,358
18.2 Net deferred tax asset.....	20,801,000	7,951,000	12,850,000	25,962,000
19. Guaranty funds receivable or on deposit.....	7,167,605		7,167,605	5,852,060
20. Electronic data processing equipment and software.....	7,557,084	7,557,084	.0	
21. Furniture and equipment, including health care delivery assets (\$.....0).....	4,472,707	4,472,707	.0	
22. Net adjustment in assets and liabilities due to foreign exchange rates.....			.0	
23. Receivables from parent, subsidiaries and affiliates.....	9,889,437		9,889,437	39,580,053
24. Health care (\$.....1,786,794) and other amounts receivable.....	6,883,007	4,895,761	1,987,246	3,835,904
25. Aggregate write-ins for other than invested assets.....	36,560,339	21,065,255	15,495,084	15,933,400
26. Total assets excluding Separate Accounts, Segregated Accounts and Protected Cell Accounts (Lines 12 to 25).....	1,711,352,767	76,999,072	1,634,353,695	1,558,709,532
27. From Separate Accounts, Segregated Accounts and Protected Cell Accounts.....			.0	
28. TOTALS (Lines 26 and 27).....	1,711,352,767	76,999,072	1,634,353,695	1,558,709,532

### DETAILS OF WRITE-INS

1101.....			.0	
1102.....			.0	
1103.....			.0	
1198. Summary of remaining write-ins for Line 11 from overflow page.....	.0	.0	.0	.0
1199. Totals (Lines 1101 thru 1103 plus 1198) (Line 11 above).....	.0	.0	.0	.0
2501. Note Receivable - Rose Building.....	6,940,631		6,940,631	7,585,082
2502. Cash Surrender Value - Life Insurance.....	8,302,311		8,302,311	8,080,066
2503. Other Assets.....	12,285,893	12,033,751	252,142	268,051
2598. Summary of remaining write-ins for Line 25 from overflow page.....	9,031,504	9,031,504	.0	201
2599. Totals (Lines 2501 thru 2503 plus 2598) (Line 25 above).....	36,560,339	21,065,255	15,495,084	15,933,400

**LIABILITIES, CAPITAL AND SURPLUS**

	Current Period			Prior Year
	1 Covered	2 Uncovered	3 Total	4 Total
1. Claims unpaid (less \$.....0 reinsurance ceded).....	249,712,400		249,712,400	195,104,400
2. Accrued medical incentive pool and bonus amounts.....	2,726,230		2,726,230	1,289,899
3. Unpaid claims adjustment expenses.....	5,393,057		5,393,057	5,721,872
4. Aggregate health policy reserves, including the liability of \$....704,000 for medical loss ratio rebate per the Public Health Service Act.....	2,618,000		2,618,000	3,348,000
5. Aggregate life policy reserves.....			0	
6. Property/casualty unearned premium reserve.....			0	
7. Aggregate health claim reserves.....			0	
8. Premiums received in advance.....	68,442,307		68,442,307	62,828,875
9. General expenses due or accrued.....	94,927,863		94,927,863	88,016,675
10.1 Current federal and foreign income tax payable and interest thereon (including \$.....0 on realized capital gains (losses)).....			0	
10.2 Net deferred tax liability.....			0	
11. Ceded reinsurance premiums payable.....			0	
12. Amounts withheld or retained for the account of others.....			0	
13. Remittances and items not allocated.....	1,143,361		1,143,361	1,218,723
14. Borrowed money (including \$.....0 current) and interest thereon \$.....0 (including \$.....0 current).....			0	
15. Amounts due to parent, subsidiaries and affiliates.....			0	
16. Derivatives.....			0	
17. Payable for securities.....	22,396		22,396	
18. Payable for securities lending.....			0	
19. Funds held under reinsurance treaties with (\$.....0 authorized reinsurers, \$.....0 unauthorized and \$.....0 certified reinsurers).....			0	
20. Reinsurance in unauthorized and certified (\$.....0) companies.....			0	
21. Net adjustments in assets and liabilities due to foreign exchange rates.....			0	
22. Liability for amounts held under uninsured plans.....			0	
23. Aggregate write-ins for other liabilities (including \$.....0 current).....	75,807,271	0	75,807,271	80,279,834
24. Total liabilities (Lines 1 to 23).....	500,792,885	0	500,792,885	437,808,278
25. Aggregate write-ins for special surplus funds.....	XXX	XXX	0	0
26. Common capital stock.....	XXX	XXX		
27. Preferred capital stock.....	XXX	XXX		
28. Gross paid in and contributed surplus.....	XXX	XXX		
29. Surplus notes.....	XXX	XXX		
30. Aggregate write-ins for other than special surplus funds.....	XXX	XXX	0	0
31. Unassigned funds (surplus).....	XXX	XXX	1,133,560,810	1,120,901,254
32. Less treasury stock at cost:				
32.1 .....0.000 shares common (value included in Line 26 \$.....0).....	XXX	XXX		
32.2 .....0.000 shares preferred (value included in Line 27 \$.....0).....	XXX	XXX		
33. Total capital and surplus (Lines 25 to 31 minus Line 32).....	XXX	XXX	1,133,560,810	1,120,901,254
34. Total liabilities, capital and surplus (Lines 24 and 33).....	XXX	XXX	1,634,353,695	1,558,709,532

**DETAILS OF WRITE-INS**

2301. Accrued Postemployment Benefits Other Than Pension.....	33,943,703		33,943,703	29,850,233
2302. Building Lease Liability.....	10,696,886		10,696,886	11,693,984
2303. Other Liabilities.....	13,760,375		13,760,375	24,409,050
2398. Summary of remaining write-ins for Line 23 from overflow page.....	17,406,307	0	17,406,307	14,326,567
2399. Totals (Lines 2301 thru 2303 plus 2398) (Line 23 above).....	75,807,271	0	75,807,271	80,279,834
2501. ....	XXX	XXX		
2502. ....	XXX	XXX		
2503. ....	XXX	XXX		
2598. Summary of remaining write-ins for Line 25 from overflow page.....	XXX	XXX	0	0
2599. Totals (Lines 2501 thru 2503 plus 2598) (Line 25 above).....	XXX	XXX	0	0
3001. ....	XXX	XXX		
3002. ....	XXX	XXX		
3003. ....	XXX	XXX		
3098. Summary of remaining write-ins for Line 30 from overflow page.....	XXX	XXX	0	0
3099. Totals (Lines 3001 thru 3003 plus 3098) (Line 30 above).....	XXX	XXX	0	0

**STATEMENT OF REVENUE AND EXPENSES**

	Current Year		Prior Year
	1 Uncovered	2 Total	3 Total
1. Member months.....	XXX	13,467,058	12,196,851
2. Net premium income (including \$.....0 non-health premium income).....	XXX	2,372,803,264	2,122,861,380
3. Change in unearned premium reserves and reserve for rate credits.....	XXX	(941,177)	(100,000)
4. Fee-for-service (net of \$.....0 medical expenses).....	XXX		
5. Risk revenue.....	XXX		
6. Aggregate write-ins for other health care related revenues.....	XXX	.0	.0
7. Aggregate write-ins for other non-health revenues.....	XXX	.0	.0
8. Total revenues (Lines 2 to 7).....	XXX	2,371,862,087	2,122,761,380
<b>Hospital and Medical:</b>			
9. Hospital/medical benefits.....		1,306,054,977	1,082,689,040
10. Other professional services.....		115,981,375	95,487,004
11. Outside referrals.....		24,263,276	20,746,065
12. Emergency room and out-of-area.....		244,518,455	208,810,630
13. Prescription drugs.....		275,862,489	241,311,968
14. Aggregate write-ins for other hospital and medical.....	.0	.0	.0
15. Incentive pool, withhold adjustments and bonus amounts.....		2,707,511	1,289,899
16. Subtotal (Lines 9 to 15).....	.0	1,969,388,083	1,650,334,606
<b>Less:</b>			
17. Net reinsurance recoveries.....		(71,923,859)	(63,836,387)
18. Total hospital and medical (Lines 16 minus 17).....	.0	2,041,311,942	1,714,170,993
19. Non-health claims (net).....			
20. Claims adjustment expenses, including \$.....29,149,510 cost containment expenses.....		69,662,362	64,390,278
21. General administrative expenses.....		237,425,592	281,171,936
22. Increase in reserves for life and accident and health contracts including \$.....0 increase in reserves for life only).....		(1,334,000)	1,456,000
23. Total underwriting deductions (Lines 18 through 22).....	.0	2,347,065,896	2,061,189,207
24. Net underwriting gain or (loss) (Lines 8 minus 23).....	XXX	24,796,191	61,572,173
25. Net investment income earned (Exhibit of Net Investment Income, Line 17).....		28,449,824	30,218,056
26. Net realized capital gains or (losses) less capital gains tax of \$.....109,600.....		(4,869,713)	3,064,858
27. Net investment gains or (losses) (Lines 25 plus 26).....	.0	23,580,111	33,282,914
28. Net gain or (loss) from agents' or premium balances charged off [(amount recovered \$.....0) (amount charged off \$.....0)].....			
29. Aggregate write-ins for other income or expenses.....	.0	72,087	58,563
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	48,448,389	94,913,650
31. Federal and foreign income taxes incurred.....	XXX	5,030,455	28,678,512
32. Net income (loss) (Lines 30 minus 31).....	XXX	43,417,934	66,235,138

**DETAILS OF WRITE-INS**

0601. ....	XXX		
0602. ....	XXX		
0603. ....	XXX		
0698. Summary of remaining write-ins for Line 6 from overflow page.....	XXX	.0	.0
0699. Totals (Lines 0601 thru 0603 plus 0698) (Line 6 above).....	XXX	.0	.0
0701. ....	XXX		
0702. ....	XXX		
0703. ....	XXX		
0798. Summary of remaining write-ins for Line 7 from overflow page.....	XXX	.0	.0
0799. Totals (Lines 0701 thru 0703 plus 0798) (Line 7 above).....	XXX	.0	.0
1401. ....			
1402. ....			
1403. ....			
1498. Summary of remaining write-ins for Line 14 from overflow page.....	.0	.0	.0
1499. Totals (Lines 1401 thru 1403 plus 1498) (Line 14 above).....	.0	.0	.0
2901. Other Income.....		72,087	58,563
2902. ....			
2903. ....			
2998. Summary of remaining write-ins for Line 29 from overflow page.....	.0	.0	.0
2999. Totals (Lines 2901 thru 2903 plus 2998) (Line 29 above).....	.0	72,087	58,563

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

CAPITAL AND SURPLUS ACCOUNT	1 Current Year	2 Prior Year
33. Capital and surplus prior reporting period.....	1,120,901,254	1,065,326,255
34. Net income or (loss) from Line 32.....	43,417,934	66,235,138
35. Change in valuation basis of aggregate policy and claim reserves.....		
36. Change in net unrealized capital gains and (losses) less capital gains tax of \$.....0.....	(19,635,895)	(5,050,948)
37. Change in net unrealized foreign exchange capital gain or (loss).....		
38. Change in net deferred income tax.....	(33,819,000)	(249,568,000)
39. Change in nonadmitted assets.....	22,894,799	243,958,809
40. Change in unauthorized and certified reinsurance.....		
41. Change in treasury stock.....		
42. Change in surplus notes.....		
43. Cumulative effect of changes in accounting principles.....	(2,480,000)	
44. Capital changes:		
44.1 Paid in.....		
44.2 Transferred from surplus (Stock Dividend).....		
44.3 Transferred to surplus.....		
45. Surplus adjustments:		
45.1 Paid in.....		
45.2 Transferred to capital (Stock Dividend).....		
45.3 Transferred from capital.....		
46. Dividends to stockholders.....		
47. Aggregate write-ins for gains or (losses) in surplus.....	2,281,718	0
48. Net change in capital and surplus (Lines 34 to 47).....	12,659,556	55,574,999
49. Capital and surplus end of reporting period (Line 33 plus 48).....	1,133,560,810	1,120,901,254

**DETAILS OF WRITE-INS**

4701. Correction of error.....	2,281,718	
4702. ....		
4703. ....		
4798. Summary of remaining write-ins for Line 47 from overflow page.....	0	0
4799. Totals (Lines 4701 thru 4703 plus 4798) (Line 47 above).....	2,281,718	0

## CASH FLOW

	1 Current Year	2 Prior Year
<b>CASH FROM OPERATIONS</b>		
1. Premiums collected net of reinsurance.....	2,377,713,353	2,118,180,507
2. Net investment income.....	32,095,857	33,283,443
3. Miscellaneous income.....	1,366,079	
4. Total (Lines 1 through 3).....	2,411,175,289	2,151,463,950
5. Benefit and loss related payments.....	1,983,673,164	1,721,267,494
6. Net transfers to Separate Accounts, Segregated Accounts and Protected Cell Accounts.....		
7. Commissions, expenses paid and aggregate write-ins for deductions.....	307,601,850	278,700,615
8. Dividends paid to policyholders.....		
9. Federal and foreign income taxes paid (recovered) net of \$.....0 tax on capital gains (losses).....		42,530,168
10. Total (Lines 5 through 9).....	2,291,275,014	2,042,498,277
11. Net cash from operations (Line 4 minus Line 10).....	119,900,275	108,965,673
<b>CASH FROM INVESTMENTS</b>		
12. Proceeds from investments sold, matured or repaid:		
12.1 Bonds.....	165,664,175	80,767,125
12.2 Stocks.....	2,316,133	105,683
12.3 Mortgage loans.....		
12.4 Real estate.....		
12.5 Other invested assets.....	1,645,936	975,050
12.6 Net gains or (losses) on cash, cash equivalents and short-term investments.....		
12.7 Miscellaneous proceeds.....	22,396	
12.8 Total investment proceeds (Lines 12.1 to 12.7).....	169,648,640	81,847,858
13. Cost of investments acquired (long-term only):		
13.1 Bonds.....	198,025,481	133,561,574
13.2 Stocks.....	55,224,148	36,019,984
13.3 Mortgage loans.....		
13.4 Real estate.....		
13.5 Other invested assets.....	3,011,602	2,833,746
13.6 Miscellaneous applications.....		
13.7 Total investments acquired (Lines 13.1 to 13.6).....	256,261,231	172,415,304
14. Net increase (decrease) in contract loans and premium notes.....		
15. Net cash from investments (Line 12.8 minus Lines 13.7 minus Line 14).....	(86,612,591)	(90,567,446)
<b>CASH FROM FINANCING AND MISCELLANEOUS SOURCES</b>		
16. Cash provided (applied):		
16.1 Surplus notes, capital notes.....		
16.2 Capital and paid in surplus, less treasury stock.....		
16.3 Borrowed funds.....		
16.4 Net deposits on deposit-type contracts and other insurance liabilities.....		
16.5 Dividends to stockholders.....		
16.6 Other cash provided (applied).....	28,188,740	(31,237,389)
17. Net cash from financing and miscellaneous sources (Lines 16.1 to 16.4 minus Line 16.5 plus Line 16.6).....	28,188,740	(31,237,389)
<b>RECONCILIATION OF CASH, CASH EQUIVALENTS AND SHORT-TERM INVESTMENTS</b>		
18. Net change in cash, cash equivalents and short-term investments (Line 11 plus Line 15 plus Line 17).....	61,476,424	(12,839,162)
19. Cash, cash equivalents and short-term investments:		
19.1 Beginning of year.....	85,462,821	98,301,983
19.2 End of year (Line 18 plus Line 19.1).....	146,939,245	85,462,821

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

20.0001 .....		
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## UNDERWRITING AND INVESTMENT EXHIBIT

### PART 1 - PREMIUMS

	1	2	3	4
Line of Business	Direct Business	Reinsurance Assumed	Reinsurance Ceded	Net Premium Income (Cols. 1 + 2 - 3)
1. Comprehensive (hospital and medical).....	2,178,267,404	62,252,650		2,240,520,054
2. Medicare supplement.....	25,520,336	480,327		26,000,663
3. Dental only.....	16,701,407	228,755		16,930,162
4. Vision only.....	1,901,876	24,520		1,926,396
5. Federal employees health benefits plan.....				0
6. Title XVIII - Medicare.....				0
7. Title XIX - Medicaid.....				0
8. Other health.....	87,310,959	115,030		87,425,989
9. Health subtotal (Lines 1 through 8).....	2,309,701,982	63,101,282	0	2,372,803,264
10. Life.....				0
11. Property/casualty.....				0
12. Totals (Lines 9 to 11).....	2,309,701,982	63,101,282	0	2,372,803,264

## UNDERWRITING AND INVESTMENT EXHIBIT

### PART 2 - CLAIMS INCURRED DURING THE YEAR

	1	2	3	4	5	6	7	8	9	10
	Total	Comprehensive (Hospital and Medical)	Medicare Supplement	Dental Only	Vision Only	Federal Employees Health Benefits Plan	Title XVIII Medicare	Title XIX Medicaid	Other Health	Other Non-Health
1. Payments during the year:										
1.1 Direct.....	1,913,134,125	1,817,028,741	18,005,957	12,663,842	2,694,994		24,882		62,715,709	
1.2 Reinsurance assumed.....	69,267,859	68,551,085	457,429	225,918	11,108				22,319	
1.3 Reinsurance ceded.....	0									
1.4 Net.....	1,982,401,984	1,885,579,826	18,463,386	12,889,760	2,706,102	0	24,882	0	62,738,028	0
2. Paid medical incentive pools and bonuses.....	1,271,180	1,271,180								
3. Claim liability December 31, current year from Part 2A:										
3.1 Direct.....	240,034,000	234,269,867	2,619,509	1,026,093	28,278				2,090,253	
3.2 Reinsurance assumed.....	9,678,400	9,599,666	48,781	29,549	404					
3.3 Reinsurance ceded.....	0									
3.4 Net.....	249,712,400	243,869,533	2,668,290	1,055,642	28,682	0	0	0	2,090,253	0
4. Claim reserve December 31, current year from Part 2D:										
4.1 Direct.....	0									
4.2 Reinsurance assumed.....	0									
4.3 Reinsurance ceded.....	0									
4.4 Net.....	0	0	0	0	0	0	0	0	0	0
5. Accrued medical incentive pools and bonuses, current year.....	2,726,230	2,726,230								
6. Net healthcare receivables (a).....	(1,594,447)	(1,565,018)	(34,609)	1,064	2,652				1,464	
7. Amounts recoverable from reinsurers December 31, current year.....	0									
8. Claim liability December 31, prior year from Part 2A:										
8.1 Direct.....	188,082,000	182,555,497	2,748,307	675,603	24,960		58,949		2,018,684	
8.2 Reinsurance assumed.....	7,022,400	6,953,633	55,811	12,710	246					
8.3 Reinsurance ceded.....	0									
8.4 Net.....	195,104,400	189,509,130	2,804,118	688,313	25,206	0	58,949	0	2,018,684	0
9. Claim reserve December 31, prior year from Part 2D:										
9.1 Direct.....	0									
9.2 Reinsurance assumed.....	0									
9.3 Reinsurance ceded.....	0									
9.4 Net.....	0	0	0	0	0	0	0	0	0	0
10. Accrued medical incentive pools and bonuses, prior year.....	1,289,899	1,289,899								
11. Amounts recoverable from reinsurers December 31, prior year.....	0									
12. Incurred benefits:										
12.1 Direct.....	1,966,680,572	1,870,308,129	17,911,768	13,013,268	2,695,660	0	(34,067)	0	62,785,814	0
12.2 Reinsurance assumed.....	71,923,859	71,197,118	450,399	242,757	11,266	0	0	0	22,319	0
12.3 Reinsurance ceded.....	0	0	0	0	0	0	0	0	0	0
12.4 Net.....	2,038,604,431	1,941,505,247	18,362,167	13,256,025	2,706,926	0	(34,067)	0	62,808,133	0
13. Incurred medical incentive pools and bonuses.....	2,707,511	2,707,511	0	0	0	0	0	0	0	0

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

**UNDERWRITING AND INVESTMENT EXHIBIT**  
**PART 2A - CLAIMS LIABILITY END OF CURRENT YEAR**

	1	2	3	4	5	6	7	8	9	10
	Total	Comprehensive (Medical and Hospital)	Medicare Supplement	Dental Only	Vision Only	Federal Employees Health Benefits Plan	Title XVIII Medicare	Title XIX Medicaid	Other Health	Other Non-Health
1. Reported in process of adjustment:										
1.1 Direct.....	0									
1.2 Reinsurance assumed.....	0									
1.3 Reinsurance ceded.....	0									
1.4 Net.....	0	0	0	0	0	0	0	0	0	0
2. Incurred but unreported:										
2.1 Direct.....	240,034,000	234,269,867	2,619,509	1,026,093	28,278				2,090,253	
2.2 Reinsurance assumed.....	9,678,400	9,599,666	48,781	29,549	404					
2.3 Reinsurance ceded.....	0									
2.4 Net.....	249,712,400	243,869,533	2,668,290	1,055,642	28,682	0	0	0	2,090,253	0
3. Amounts withheld from paid claims and capitations:										
3.1 Direct.....	0									
3.2 Reinsurance assumed.....	0									
3.3 Reinsurance ceded.....	0									
3.4 Net.....	0	0	0	0	0	0	0	0	0	0
4. Totals:										
4.1 Direct.....	240,034,000	234,269,867	2,619,509	1,026,093	28,278	0	0	0	2,090,253	0
4.2 Reinsurance assumed.....	9,678,400	9,599,666	48,781	29,549	404	0	0	0	0	0
4.3 Reinsurance ceded.....	0	0	0	0	0	0	0	0	0	0
4.4 Net.....	249,712,400	243,869,533	2,668,290	1,055,642	28,682	0	0	0	2,090,253	0

## UNDERWRITING AND INVESTMENT EXHIBIT

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

Line of Business	Claims Paid During the Year		Claim Reserve and Claim Liability December 31 of Current Year		5  Claims Incurred in Prior Years (Columns 1 + 3)	6  Estimated Claim Reserve and Claim Liability December 31 of Prior Year
	1  On Claims Incurred Prior to January 1 of Current Year	2  On Claims Incurred During the Year	3  On Claims Unpaid December 31 of Prior Year	4  On Claims Incurred During the Year		
1. Comprehensive (hospital and medical).....	183,425,594	1,702,154,233	(2,292,883)	246,162,416	181,132,711	189,509,131
2. Medicare supplement.....	2,544,191	15,919,195	(40,308)	2,708,598	2,503,883	2,804,118
3. Dental only.....	920,258	11,969,502	4,070	1,051,572	924,328	688,313
4. Vision only.....	28,661	2,677,440	62	28,620	28,723	25,205
5. Federal employees health benefits plan.....					0	
6. Title XVIII - Medicare.....	24,882				24,882	58,949
7. Title XIX - Medicaid.....					0	
8. Other health.....	1,067,123	61,670,905	(1,252)	2,091,505	1,065,871	2,018,684
9. Health subtotal (Lines 1 to 8).....	188,010,709	1,794,391,275	(2,330,311)	252,042,711	185,680,398	195,104,400
10. Healthcare receivables (a).....		5,493,138			0	7,087,585
11. Other non-health.....					0	
12. Medical incentive pools and bonus amounts.....	1,216,492	54,688		2,726,230	1,216,492	1,289,899
13. Totals (Lines 9 - 10 + 11 + 12).....	189,227,201	1,788,952,825	(2,330,311)	254,768,941	186,896,890	189,306,714

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

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

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

Year in Which Losses Were Incurred	Cumulative Net Amounts Paid				
	1 2008	2 2009	3 2010	4 2011	5 2012
1. Prior.....	.....200,176	.....197,761	.....196,681	.....195,591	.....194,762
2. 2008.....	.....1,466,204	.....1,678,299	.....1,677,046	.....1,676,456	.....1,676,071
3. 2009.....	.....XXX	.....1,451,529	.....1,640,930	.....1,640,239	.....1,639,451
4. 2010.....	.....XXX	.....XXX	.....1,533,075	.....1,716,146	.....1,714,761
5. 2011.....	.....XXX	.....XXX	.....XXX	.....1,540,566	.....1,733,180
6. 2012.....	.....XXX	.....XXX	.....XXX	.....XXX	.....1,794,446

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

Year in Which Losses Were Incurred	Sum of Cumulative Net Amount Paid and Claim Liability, Claim Reserve and Medical Incentive Pool and Bonuses Outstanding at End of Year				
	1 2008	2 2009	3 2010	4 2011	5 2012
1. Prior.....	.....(13,603)	.....(18,867)	.....(18,159)	.....(19,675)	.....(19,544)
2. 2008.....	.....1,679,340	.....1,681,347	.....1,676,029	.....1,675,887	.....1,675,612
3. 2009.....	.....XXX	.....1,658,255	.....1,643,765	.....1,639,594	.....1,638,967
4. 2010.....	.....XXX	.....XXX	.....1,735,416	.....1,717,950	.....1,713,273
5. 2011.....	.....XXX	.....XXX	.....XXX	.....1,737,464	.....1,733,417
6. 2012.....	.....XXX	.....XXX	.....XXX	.....XXX	.....2,049,215

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

Years in Which Premiums were Earned and Claims were Incurred	1 Premiums Earned	2 Claim Payments	3 Claim Adjustment Expense Payments	4 Percent (Col. 3/2)	5 Claim and Claim Adjustment Expense Payments (Col. 2 + 3)	6 Percent (Col. 5/1)	7 Claims Unpaid	8 Unpaid Claim Adjustment Expense	9 Total Claims and Claims Adjustment Expense Incurred (Col. 5 + 7 + 8)	10 Percent (Col. 9/1)
1. 2008.....	.....2,030,649	.....1,676,071	.....72,945	.....4.4	.....1,749,016	.....86.1	.....(1,213)	.....	.....1,747,803	.....86.1
2. 2009.....	.....1,979,337	.....1,639,451	.....65,711	.....4.0	.....1,705,162	.....86.1	.....(485)	.....	.....1,704,677	.....86.1
3. 2010.....	.....2,078,660	.....1,714,761	.....65,377	.....3.8	.....1,780,138	.....85.6	.....(870)	.....	.....1,779,268	.....85.6
4. 2011.....	.....2,122,862	.....1,733,180	.....65,438	.....3.8	.....1,798,618	.....84.7	.....238	.....22	.....1,798,878	.....84.7
5. 2012.....	.....2,372,803	.....1,794,446	.....60,053	.....3.3	.....1,854,499	.....78.2	.....254,769	.....5,371	.....2,114,639	.....89.1

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

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

Year in Which Losses Were Incurred	Cumulative Net Amounts Paid				
	1 2008	2 2009	3 2010	4 2011	5 2012
1. Prior.....	194,352	191,937	190,857	189,789	188,973
2. 2008.....	1,335,540	1,528,014	1,526,761	1,526,202	1,525,825
3. 2009.....	XXX	1,346,925	1,525,247	1,524,617	1,523,841
4. 2010.....	XXX	XXX	1,431,129	1,604,852	1,603,465
5. 2011.....	XXX	XXX	XXX	1,471,557	1,659,555
6. 2012.....	XXX	XXX	XXX	XXX	1,702,209

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

Year in Which Losses Were Incurred	Sum of Cumulative Net Amount Paid and Claim Liability, Claim Reserve and Medical Incentive Pool and Bonuses Outstanding at End of Year				
	1 2008	2 2009	3 2010	4 2011	5 2012
1. Prior.....	(13,319)	(18,479)	(17,771)	(19,239)	(19,111)
2. 2008.....	1,530,691	1,530,422	1,525,744	1,525,643	1,525,370
3. 2009.....	XXX	1,538,926	1,527,934	1,523,988	1,523,363
4. 2010.....	XXX	XXX	1,622,110	1,607,187	1,602,606
5. 2011.....	XXX	XXX	XXX	1,662,898	1,659,799
6. 2012.....	XXX	XXX	XXX	XXX	1,951,097

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

Years in Which Premiums were Earned and Claims were Incurred	1 Premiums Earned	2 Claim Payments	3 Claim Adjustment Expense Payments	4 Percent (Col. 3/2)	5 Claim and Claim Adjustment Expense Payments (Col. 2 + 3)	6 Percent (Col. 5/1)	7 Claims Unpaid	8 Unpaid Claim Adjustment Expenses	9 Total Claims and Claims Adjustment Expense Incurred (Col. 5 + 7 + 8)	10 Percent (Col. 9/1)
1. 2008.....	1,838,155	1,525,825	67,040	4.4	1,592,865	86.7	(1,200)		1,591,665	86.6
2. 2009.....	1,823,616	1,523,841	60,872	4.0	1,584,713	86.9	(479)		1,584,234	86.9
3. 2010.....	1,929,822	1,603,465	61,335	3.8	1,664,800	86.3	(859)		1,663,941	86.2
4. 2011.....	1,999,271	1,659,555	63,127	3.8	1,722,682	86.2	245	22	1,722,949	86.2
5. 2012.....	2,240,519	1,702,209	58,864	3.5	1,761,073	78.6	248,888	5,287	2,015,248	89.9

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

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

Year in Which Losses Were Incurred	Cumulative Net Amounts Paid				
	1 2008	2 2009	3 2010	4 2011	5 2012
1. Prior.....	3,893	3,893	3,893	3,884	3,871
2. 2008.....	19,477	23,706	23,706	23,694	23,687
3. 2009.....	XXX	20,193	23,867	23,843	23,831
4. 2010.....	XXX	XXX	19,846	22,816	22,792
5. 2011.....	XXX	XXX	XXX	17,486	20,086
6. 2012.....	XXX	XXX	XXX	XXX	15,919

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

Year in Which Losses Were Incurred	Sum of Cumulative Net Amount Paid and Claim Liability, Claim Reserve and Medical Incentive Pool and Bonuses Outstanding at End of Year				
	1 2008	2 2009	3 2010	4 2011	5 2012
1. Prior.....	(25)	(81)	(81)	(115)	(112)
2. 2008.....	23,233	23,766	23,706	23,684	23,682
3. 2009.....	XXX	24,634	23,909	23,827	23,825
4. 2010.....	XXX	XXX	23,875	22,844	22,782
5. 2011.....	XXX	XXX	XXX	20,312	20,076
6. 2012.....	XXX	XXX	XXX	XXX	18,628

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

Years in Which Premiums were Earned and Claims were Incurred	1 Premiums Earned	2 Claim Payments	3 Claim Adjustment Expense Payments	4 Percent (Col. 3/2)	5 Claim and Claim Adjustment Expense Payments (Col. 2 + 3)	6 Percent (Col. 5/1)	7 Claims Unpaid	8 Unpaid Claim Adjustment Expenses	9 Total Claims and Claims Adjustment Expense Incurred (Col. 5 + 7 + 8)	10 Percent (Col. 9/1)
1. 2008.....	27,996	23,687	1,029	4.3	24,716	88.3	(13)	24,703	88.2	
2. 2009.....	30,937	23,831	957	4.0	24,788	80.1	(6)	24,782	80.1	
3. 2010.....	29,932	22,792	900	3.9	23,692	79.2	(11)	23,681	79.1	
4. 2011.....	26,933	20,086	926	4.6	21,012	78.0	(10)	21,002	78.0	
5. 2012.....	26,002	15,919	791	5.0	16,710	64.3	2,709	58	19,477	74.9

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

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

Year in Which Losses Were Incurred	Cumulative Net Amounts Paid				
	1 2008	2 2009	3 2010	4 2011	5 2012
1. Prior.....	214	214	214	214	214
2. 2008.....	1,944	2,097	2,097	2,097	2,097
3. 2009.....	XXX	1,682	1,839	1,839	1,839
4. 2010.....	XXX	XXX	1,769	2,544	2,544
5. 2011.....	XXX	XXX	XXX	7,723	8,643
6. 2012.....	XXX	XXX	XXX	XXX	11,970

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

Year in Which Losses Were Incurred	Sum of Cumulative Net Amount Paid and Claim Liability, Claim Reserve and Medical Incentive Pool and Bonuses Outstanding at End of Year				
	1 2008	2 2009	3 2010	4 2011	5 2012
1. Prior.....	(38)	(38)	(38)	(38)	(38)
2. 2008.....	2,121	2,098	2,097	2,097	2,097
3. 2009.....	XXX	1,858	1,840	1,839	1,839
4. 2010.....	XXX	XXX	1,951	1,951	1,951
5. 2011.....	XXX	XXX	XXX	8,410	8,647
6. 2012.....	XXX	XXX	XXX	XXX	13,021

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

Years in Which Premiums were Earned and Claims were Incurred	1 Premiums Earned	2 Claim Payments	3 Claim Adjustment Expense Payments	4 Percent (Col. 3/2)	5 Claim and Claim Adjustment Expense Payments (Col. 2 + 3)	6 Percent (Col. 5/1)	7 Claims Unpaid	8 Unpaid Claim Adjustment Expenses	9 Total Claims and Claims Adjustment Expense Incurred (Col. 5 + 7 + 8)	10 Percent (Col. 9/1)
1. 2008.....	2,492	2,097	93	4.4	2,190	87.9			2,190	87.9
2. 2009.....	2,181	1,839	73	4.0	1,912	87.7			1,912	87.7
3. 2010.....	2,344	2,544	82	3.2	2,626	112.0			2,626	112.0
4. 2011.....	15,857	8,643	148	1.7	8,791	55.4	4		8,795	55.5
5. 2012.....	16,930	11,970	196	1.6	12,166	71.9	1,051	23	13,240	78.2

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

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

Year in Which Losses Were Incurred	Cumulative Net Amounts Paid				
	1 2008	2 2009	3 2010	4 2011	5 2012
1. Prior.....	9	9	9	9	9
2. 2008.....	285	292	292	292	292
3. 2009.....	XXX	294	302	302	302
4. 2010.....	XXX	XXX	385	414	414
5. 2011.....	XXX	XXX	XXX	1,197	1,226
6. 2012.....	XXX	XXX	XXX	XXX	2,677

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

Year in Which Losses Were Incurred	Sum of Cumulative Net Amount Paid and Claim Liability, Claim Reserve and Medical Incentive Pool and Bonuses Outstanding at End of Year				
	1 2008	2 2009	3 2010	4 2011	5 2012
1. Prior.....	(12)	(12)	(12)	(12)	(12)
2. 2008.....	293	293	293	293	293
3. 2009.....	XXX	300	302	302	302
4. 2010.....	XXX	XXX	396	389	389
5. 2011.....	XXX	XXX	XXX	1,222	1,226
6. 2012.....	XXX	XXX	XXX	XXX	2,706

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

Years in Which Premiums were Earned and Claims were Incurred	1 Premiums Earned	2 Claim Payments	3 Claim Adjustment Expense Payments	4 Percent (Col. 3/2)	5 Claim and Claim Adjustment Expense Payments (Col. 2 + 3)	6 Percent (Col. 5/1)	7 Claims Unpaid	8 Unpaid Claim Adjustment Expenses	9 Total Claims and Claims Adjustment Expense Incurred (Col. 5 + 7 + 8)	10 Percent (Col. 9/1)
1. 2008.....	278	292	13	4.5	305	109.7			305	109.7
2. 2009.....	288	302	12	4.0	314	109.0			314	109.0
3. 2010.....	345	414	16	3.9	430	124.6			430	124.6
4. 2011.....	1,753	1,226	50	4.1	1,276	72.8			1,276	72.8
5. 2012.....	1,926	2,677	196	7.3	2,873	149.2	29	1	2,903	150.7

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

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

Year in Which Losses Were Incurred	Cumulative Net Amounts Paid				
	1 2008	2 2009	3 2010	4 2011	5 2012
1. Prior.....	<b>NONE</b>				
2. 2008.....					
3. 2009.....		XXX			
4. 2010.....		XXX	XXX		
5. 2011.....		XXX	XXX	XXX	
6. 2012.....		XXX	XXX	XXX	XXX

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

12.FE

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 2008	2 2009	3 2010	4 2011	5 2012
1. Prior.....	<b>NONE</b>				
2. 2008.....					
3. 2009.....		XXX			
4. 2010.....		XXX	XXX		
5. 2011.....		XXX	XXX	XXX	
6. 2012.....		XXX	XXX	XXX	XXX

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

Years in Which Premiums were Earned and Claims were Incurred	1 Premiums Earned	2 Claim Payments	3 Claim Adjustment Expense Payments	4 Percent (Col. 3/2)	5 Claim and Claim Adjustment Expense Payments (Col. 2 + 3)	6 Percent (Col. 5/1)	7 Claims Unpaid	8 Unpaid Claim Adjustment Expenses	9 Total Claims and Claims Adjustment Expense Incurred (Col. 5 + 7 + 8)	10 Percent (Col. 9/1)
1. 2008.....					<b>NONE</b>	0.0			0	0.0
2. 2009.....				0.0		0	0.0		0	0.0
3. 2010.....				0.0		0	0.0		0	0.0
4. 2011.....				0.0		0	0.0		0	0.0
5. 2012.....				0.0		0	0.0		0	0.0

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

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

Year in Which Losses Were Incurred	Cumulative Net Amounts Paid				
	1 2008	2 2009	3 2010	4 2011	5 2012
1. Prior.....	1,697	1,697	1,697	1,684	1,684
2. 2008.....	65,550	80,748	80,748	80,729	80,728
3. 2009.....	XXX	37,259	43,499	43,462	43,462
4. 2010.....	XXX	XXX	36,023	40,590	40,616
5. 2011.....	XXX	XXX	XXX	-	-
6. 2012.....	XXX	XXX	XXX	XXX	-

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

Year in Which Losses Were Incurred	Sum of Cumulative Net Amount Paid and Claim Liability, Claim Reserve and Medical Incentive Pool and Bonuses Outstanding at End of Year				
	1 2008	2 2009	3 2010	4 2011	5 2012
1. Prior.....	(209)	(257)	(257)	(271)	(271)
2. 2008.....	79,562	81,326	80,747	80,728	80,728
3. 2009.....	XXX	45,361	43,604	43,462	43,462
4. 2010.....	XXX	XXX	41,161	40,649	40,615
5. 2011.....	XXX	XXX	XXX	-	-
6. 2012.....	XXX	XXX	XXX	XXX	-

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

Years in Which Premiums were Earned and Claims were Incurred	1 Premiums Earned	2 Claim Payments	3 Claim Adjustment Expense Payments	4 Percent (Col. 3/2)	5 Claim and Claim Adjustment Expense Payments (Col. 2 + 3)	6 Percent (Col. 5/1)	7 Claims Unpaid	8 Unpaid Claim Adjustment Expenses	9 Total Claims and Claims Adjustment Expense Incurred (Col. 5 + 7 + 8)	10 Percent (Col. 9/1)
1. 2008.....	88,722	80,728	2,857	3.5	83,585	94.2	-	-	83,585	94.2
2. 2009.....	48,596	43,462	2,009	4.6	45,471	93.6	-	-	45,471	93.6
3. 2010.....	41,915	40,616	1,577	3.9	42,193	100.7	-	-	42,193	100.7
4. 2011.....	918	-	1,185	0.0	1,185	129.1	-	-	1,185	129.1
5. 2012.....	-	-	-	0.0	0	0.0	-	-	0	0.0

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

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

Year in Which Losses Were Incurred	Cumulative Net Amounts Paid				
	1 2008	2 2009	3 2010	4 2011	5 2012
1. Prior.....	<b>NONE</b>				
2. 2008.....					
3. 2009.....		XXX			
4. 2010.....		XXX	XXX		
5. 2011.....		XXX	XXX	XXX	
6. 2012.....		XXX	XXX	XXX	XXX

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

12.XI

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 2008	2 2009	3 2010	4 2011	5 2012
1. Prior.....	<b>NONE</b>				
2. 2008.....					
3. 2009.....		XXX			
4. 2010.....		XXX	XXX		
5. 2011.....		XXX	XXX	XXX	
6. 2012.....		XXX	XXX	XXX	XXX

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

Years in Which Premiums were Earned and Claims were Incurred	1 Premiums Earned	2 Claim Payments	3 Claim Adjustment Expense Payments	4 Percent (Col. 3/2)	5 Claim and Claim Adjustment Expense Payments (Col. 2 + 3)	6 Percent (Col. 5/1)	7 Claims Unpaid	8 Unpaid Claim Adjustment Expenses	9 Total Claims and Claims Adjustment Expense Incurred (Col. 5 + 7 + 8)	10 Percent (Col. 9/1)
1. 2008.....					<b>NONE</b>	0.0			0	0.0
2. 2009.....				0.0		0	0.0		0	0.0
3. 2010.....				0.0		0	0.0		0	0.0
4. 2011.....				0.0		0	0.0		0	0.0
5. 2012.....				0.0		0	0.0		0	0.0

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

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

Year in Which Losses Were Incurred	Cumulative Net Amounts Paid				
	1 2008	2 2009	3 2010	4 2011	5 2012
1. Prior.....	11	11	11	11	11
2. 2008.....	43,408	43,442	43,442	43,442	43,442
3. 2009.....	XXX	45,176	46,176	46,176	46,176
4. 2010.....	XXX	XXX	43,923	44,930	44,930
5. 2011.....	XXX	XXX	XXX	42,603	43,670
6. 2012.....	XXX	XXX	XXX	XXX	61,671

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

Year in Which Losses Were Incurred	Sum of Cumulative Net Amount Paid and Claim Liability, Claim Reserve and Medical Incentive Pool and Bonuses Outstanding at End of Year				
	1 2008	2 2009	3 2010	4 2011	5 2012
1. Prior.....					
2. 2008.....	43,440	43,442	43,442	43,442	43,442
3. 2009.....	XXX	47,176	46,176	46,176	46,176
4. 2010.....	XXX	XXX	45,923	44,930	44,930
5. 2011.....	XXX	XXX	XXX	44,622	43,669
6. 2012.....	XXX	XXX	XXX	XXX	63,763

12.0T

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

Years in Which Premiums were Earned and Claims were Incurred	1 Premiums Earned	2 Claim Payments	3 Claim Adjustment Expense Payments	4 Percent (Col. 3/2)	5 Claim and Claim Adjustment Expense Payments (Col. 2 + 3)	6 Percent (Col. 5/1)	7 Claims Unpaid	8 Unpaid Claim Adjustment Expenses	9 Total Claims and Claims Adjustment Expense Incurred (Col. 5 + 7 + 8)	10 Percent (Col. 9/1)
1. 2008.....	73,006	43,442	1,913	4.4	45,355	62.1			45,355	62.1
2. 2009.....	73,719	46,176	1,788	3.9	47,964	65.1			47,964	65.1
3. 2010.....	74,302	44,930	1,467	3.3	46,397	62.4			46,397	62.4
4. 2011.....	78,130	43,670	2	0.0	43,672	55.9	(1)		43,671	55.9
5. 2012.....	87,426	61,671	6	0.0	61,677	70.5	2,092	2	63,771	72.9

**UNDERWRITING AND INVESTMENT EXHIBIT**  
**PART 2D - AGGREGATE RESERVE FOR ACCIDENT AND HEALTH CONTRACTS ONLY**

	1	2	3	4	5	6	7	8	9
	Total	Comprehensive (Hospital and Medical)	Medicare Supplement	Dental Only	Vision Only	Federal Employees Health Benefit Plan	Title XVIII Medicare	Title XIX Medicaid	Other
1. Unearned premium reserves.....	.0								
2. Additional policy reserves (a).....	1,914,000	1,914,000							
3. Reserve for future contingent benefits.....	.0								
4. Reserve for rate credits or experience rating refunds (including \$.....0) for investment income.....	704,000	704,000							
5. Aggregate write-ins for other policy reserves.....	.0	.0	.0	.0	.0	.0	.0	.0	.0
6. Totals (gross).....	2,618,000	2,618,000	.0	.0	.0	.0	.0	.0	.0
7. Reinsurance ceded.....	.0								
8. Totals (net) (Page 3, Line 4).....	2,618,000	2,618,000	.0	.0	.0	.0	.0	.0	.0
9. Present value of amounts not yet due on claims.....	.0								
10. Reserve for future contingent benefits.....	.0								
11. Aggregate write-ins for other claim reserves.....	.0	.0	.0	.0	.0	.0	.0	.0	.0
12. Totals (gross).....	.0	.0	.0	.0	.0	.0	.0	.0	.0
13. Reinsurance ceded.....	.0								
14. Totals (net) (Page 3, Line 7).....	.0	.0	.0	.0	.0	.0	.0	.0	.0

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**DETAILS OF WRITE-INS**

0501. ....	.0								
0502. ....	.0								
0503. ....	.0								
0598. Summary of remaining write-ins for Line 5 from overflow page.....	.0	.0	.0	.0	.0	.0	.0	.0	.0
0599. Totals (Lines 0501 thru 0503 plus 0598) (Line 5 above).....	.0	.0	.0	.0	.0	.0	.0	.0	.0
1101. ....	.0								
1102. ....	.0								
1103. ....	.0								
1198. Summary of remaining write-ins for Line 11 from overflow page.....	.0	.0	.0	.0	.0	.0	.0	.0	.0
1199. Totals (Lines 1101 thru 1103 plus 1198) (Line 11 above).....	.0	.0	.0	.0	.0	.0	.0	.0	.0

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

## UNDERWRITING AND INVESTMENT EXHIBIT

## PART 3 - ANALYSIS OF EXPENSES

	Claim Adjustment Expenses		3 General Administrative Expenses	4 Investment Expenses	5 Total
	1 Cost Containment Expenses	2 Other Claim Adjustment Expenses			
1. Rent (\$.....0 for occupancy of own building).....	6,077	3,071,576	6,952,794		10,030,447
2. Salaries, wages and other benefits.....	13,148,094	24,984,668	63,729,924		101,862,686
3. Commissions (less \$.....0 ceded plus \$.....0 assumed).....			116,830,205		116,830,205
4. Legal fees and expenses.....	140,291		1,568,043		1,708,334
5. Certifications and accreditation fees.....	83,037				83,037
6. Auditing, actuarial and other consulting services.....	1,283,053	307,045	4,091,056		5,681,154
7. Traveling expenses.....	229,367	285,210	1,964,985		2,479,562
8. Marketing and advertising.....	5,714	5,186	4,714,184		4,725,084
9. Postage, express and telephone.....	408,176	2,400,806	1,241,180		4,050,162
10. Printing and office supplies.....	123,511	3,027	1,461,949		1,588,487
11. Occupancy, depreciation and amortization.....					0
12. Equipment.....	50,271	266,002	1,656,934		1,973,207
13. Cost or depreciation of EDP equipment and software.....	622,336	3,694,944	4,613,260		8,930,540
14. Outsourced services including EDP, claims, and other services.....	6,082,864	4,060,903	2,366,554		12,510,321
15. Boards, bureaus and association fees.....	11,995	21,656	124,755		158,406
16. Insurance, except on real estate.....			1,733,464		1,733,464
17. Collection and bank service charges.....				468,694	468,694
18. Group service and administration fees.....					0
19. Reimbursements by uninsured plans.....					0
20. Reimbursements from fiscal intermediaries.....					0
21. Real estate expenses.....					0
22. Real estate taxes.....					0
23. Taxes, licenses and fees:					
23.1 State and local insurance taxes.....					0
23.2 State premium taxes.....			21,424,105		21,424,105
23.3 Regulatory authority licenses and fees.....	86	844	363,172		364,102
23.4 Payroll taxes.....	753,978	1,410,985	3,090,903		5,255,866
23.5 Other (excluding federal income and real estate taxes).....					0
24. Investment expenses not included elsewhere.....				778,882	778,882
25. Aggregate write-ins for expenses.....	6,200,660	0	(501,875)	0	5,698,785
26. Total expenses incurred (Lines 1 to 25).....	29,149,510	40,512,852	237,425,592	1,247,576	(a)...308,335,530
27. Less expenses unpaid December 31, current year.....	2,256,670	3,136,387	94,755,768	172,095	100,320,920
28. Add expenses unpaid December 31, prior year.....	2,305,914	3,415,958	87,858,749	157,926	93,738,547
29. Amounts receivable relating to uninsured plans, prior year.....					0
30. Amounts receivable relating to uninsured plans, current year.....					0
31. Total expenses paid (Lines 26 minus 27 plus 28 minus 29 plus 30).....	29,198,754	40,792,423	230,528,573	1,233,407	301,753,157

## DETAILS OF WRITE-INS

2501. Network Access Fees.....	6,200,660				6,200,660
2502. Other.....			(501,875)		(501,875)
2503. ....					0
2598. Summary of remaining write-ins for Line 25 from overflow page.....	0	0	0	0	0
2599. TOTALS (Lines 2501 thru 2503 plus 2598) (Line 25 above).....	6,200,660	0	(501,875)	0	5,698,785

(a) Includes management fees of \$.....1,236,267 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).....16,430,729	.....15,997,805
1.1 Bonds exempt from U.S. tax.....	(a).....	.....
1.2 Other bonds (unaffiliated).....	(a).....11,179,089	.....11,657,307
1.3 Bonds of affiliates.....	(a).....	.....
2.1 Preferred stocks (unaffiliated).....	(b).....	.....
2.11 Preferred stocks of affiliates.....	(b).....	.....
2.2 Common stocks (unaffiliated).....	.....1,627,174	.....1,744,172
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).....37,378	.....34,990
7. Derivative instruments.....	(f).....	.....
8. Other invested assets.....	.....263,126	.....263,126
9. Aggregate write-ins for investment income.....	.....0	.....0
10. Total gross investment income.....	.....29,537,496	.....29,697,400
11. Investment expenses.....	.....	(g).....1,247,576
12. Investment taxes, licenses and fees, excluding federal income taxes.....	.....	(g).....
13. Interest expense.....	.....	(h).....
14. Depreciation on real estate and other invested assets.....	.....	(i).....0
15. Aggregate write-ins for deductions from investment income.....	.....	.....0
16. Total deductions (Lines 11 through 15).....	.....	.....1,247,576
17. Net investment income (Line 10 minus Line 16).....	.....	.....28,449,824

**DETAILS OF WRITE-INS**

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

- (a) Includes \$.....583,380 accrual of discount less \$.....4,375,148 amortization of premium and less \$.....817,961 paid for accrued interest on purchases.
- (b) Includes \$.....0 accrual of discount less \$.....0 amortization of premium and less \$.....0 paid for accrued dividends on purchases.
- (c) Includes \$.....0 accrual of discount less \$.....0 amortization of premium and less \$.....0 paid for accrued interest on purchases.
- (d) Includes \$.....0 for company's occupancy of its own buildings; and excludes \$.....0 interest on encumbrances.
- (e) Includes \$.....0 accrual of discount less \$.....0 amortization of premium and less \$.....0 paid for accrued interest on purchases.
- (f) Includes \$.....0 accrual of discount less \$.....0 amortization of premium.
- (g) Includes \$.....0 investment expenses and \$.....0 investment taxes, licenses and fees, excluding federal income taxes, attributable to Segregated and Separate Accounts.
- (h) Includes \$.....0 interest on surplus notes and \$.....0 interest on capital notes.
- (i) Includes \$.....0 depreciation on real estate and \$.....0 depreciation on other invested assets.

**EXHIBIT OF CAPITAL GAINS (LOSSES)**

	1 Realized Gain (Loss) on Sales or Maturity	2 Other Realized Adjustments	3 Total Realized Capital Gain (Loss) (Columns 1 + 2)	4 Change in Unrealized Capital Gain (Loss)	5 Change in Unrealized Foreign Exchange Capital Gain (Loss)
1. U.S. government bonds.....	.....167	.....	.....167	.....	.....
1.1 Bonds exempt from U.S. tax.....	.....	.....	.....0	.....	.....
1.2 Other bonds (unaffiliated).....	.....715,819	.....	.....715,819	.....	.....
1.3 Bonds of affiliates.....	.....	.....	.....0	.....	.....
2.1 Preferred stocks (unaffiliated).....	.....	.....	.....0	.....	.....
2.11 Preferred stocks of affiliates.....	.....	.....	.....0	.....	.....
2.2 Common stocks (unaffiliated).....	.....549,016	.....(716,870)	.....(167,854)	.....6,299,285	.....
2.21 Common stocks of affiliates.....	.....	.....(5,308,245)	.....(5,308,245)	.....(675,942)	.....
3. Mortgage loans.....	.....	.....	.....0	.....	.....
4. Real estate.....	.....	.....	.....0	.....	.....
5. Contract loans.....	.....	.....	.....0	.....	.....
6. Cash, cash equivalents and short-term investments.....	.....	.....	.....0	.....	.....
7. Derivative instruments.....	.....	.....	.....0	.....	.....
8. Other invested assets.....	.....	.....	.....0	.....(25,259,238)	.....
9. Aggregate write-ins for capital gains (losses).....	.....0	.....0	.....0	.....0	.....0
10. Total capital gains (losses).....	.....1,265,002	.....(6,025,115)	.....(4,760,113)	.....(19,635,895)	.....0

**DETAILS OF WRITE-INS**

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

**EXHIBIT OF NONADMITTED ASSETS**

	1 Current Year Total Nonadmitted Assets	2 Prior Year Total Nonadmitted Assets	3 Change in Total Nonadmitted Assets (Col. 2 - Col. 1)
1. Bonds (Schedule D).....	5,231,735		(5,231,735)
2. Stocks (Schedule D):			
2.1 Preferred stocks.....			.0
2.2 Common stocks.....			.0
3. Mortgage loans on real estate (Schedule B):			
3.1 First liens.....			.0
3.2 Other than first liens.....			.0
4. Real estate (Schedule A):			
4.1 Properties occupied by the company.....			.0
4.2 Properties held for the production of income.....			.0
4.3 Properties held for sale.....			.0
5. Cash (Schedule E-Part 1), cash equivalents (Schedule E-Part 2) and short-term investments (Schedule DA).....			.0
6. Contract loans.....			.0
7. Derivatives (Schedule DB).....			.0
8. Other invested assets (Schedule BA).....	25,814,460	36,043,654	10,229,194
9. Receivables for securities.....			.0
10. Securities lending reinvested collateral assets (Schedule DL).....			.0
11. Aggregate write-ins for invested assets.....	.0	.0	.0
12. Subtotals, cash and invested assets (Lines 1 to 11).....	31,046,195	36,043,654	4,997,459
13. Title plants (for Title insurers only).....			.0
14. Investment income due and accrued.....			.0
15. Premiums and considerations:			
15.1 Uncollected premiums and agents' balances in the course of collection.....	11,070	58,151	47,081
15.2 Deferred premiums, agents' balances and installments booked but deferred and not yet due.....			.0
15.3 Accrued retrospective premiums.....			.0
16. Reinsurance:			
16.1 Amounts recoverable from reinsurers.....			.0
16.2 Funds held by or deposited with reinsured companies.....			.0
16.3 Other amounts receivable under reinsurance contracts.....			.0
17. Amounts receivable relating to uninsured plans.....			.0
18.1 Current federal and foreign income tax recoverable and interest thereon.....			.0
18.2 Net deferred tax asset.....	7,951,000	28,658,000	20,707,000
19. Guaranty funds receivable or on deposit.....			.0
20. Electronic data processing equipment and software.....	7,557,084	7,054,308	(502,776)
21. Furniture and equipment, including health care delivery assets.....	4,472,707	5,054,081	581,374
22. Net adjustment in assets and liabilities due to foreign exchange rates.....			.0
23. Receivables from parent, subsidiaries and affiliates.....			.0
24. Health care and other amounts receivable.....	4,895,761	4,085,557	(810,204)
25. Aggregate write-ins for other than invested assets.....	21,065,255	18,940,120	(2,125,135)
26. Total assets excluding Separate Accounts, Segregated Accounts and Protected Cell Accounts (Lines 12 through 25).....	76,999,072	99,893,871	22,894,799
27. From Separate Accounts, Segregated Accounts and Protected Cell Accounts.....			.0
28. TOTALS (Lines 26 and 27).....	76,999,072	99,893,871	22,894,799

**DETAILS OF WRITE-INS**

1101.....			.0
1102.....			.0
1103.....			.0
1198. Summary of remaining write-ins for Line 11 from overflow page.....	.0	.0	.0
1199. Totals (Lines 1101 thru 1103 plus 1198) (Line 11 above).....	.0	.0	.0
2501. Prepaid Assets.....	9,031,504	8,509,094	(522,410)
2502. Other Assets.....	12,033,751	10,431,026	(1,602,725)
2503.....			.0
2598. Summary of remaining write-ins for Line 25 from overflow page.....	.0	.0	.0
2599. Totals (Lines 2501 thru 2503 plus 2598) (Line 25 above).....	21,065,255	18,940,120	(2,125,135)

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

Source of Enrollment	Total Members at End of					6 Current Year Member Months
	1 Prior Year	2 First Quarter	3 Second Quarter	4 Third Quarter	5 Current Year	
1. Health maintenance organizations.....						
2. Provider service organizations.....						
3. Preferred provider organizations.....	.....531,964	.....551,170	.....563,054	.....584,647	.....589,647	.....6,823,783
4. Point of service.....	.....470	.....83				.....1,093
5. Indemnity only.....	.....11,934	.....11,027	.....10,975	.....10,987	.....11,117	.....132,302
6. Aggregate write-ins for other lines of business.....	.....484,577	.....531,137	.....532,487	.....557,796	.....559,029	.....6,509,880
7. Total.....	.....1,028,945	.....1,093,417	.....1,106,516	.....1,153,430	.....1,159,793	.....13,467,058

**DETAILS OF WRITE-INS**

0601. Stop Loss.....	.....381,131	.....398,780	.....399,473	.....421,377	.....422,432	.....4,904,542
0602. Vision Only.....	.....42,163	.....56,434	.....57,427	.....59,680	.....60,566	.....695,163
0603. Dental Only.....	.....61,283	.....75,877	.....75,581	.....76,733	.....76,025	.....909,901
0698. Summary of remaining write-ins for Line 6 from overflow page.....	.....0	.....46	.....6	.....6	.....6	.....274
0699. Totals (Lines 0601 thru 0603 plus 0698) (Line 6 above).....	.....484,577	.....531,137	.....532,487	.....557,796	.....559,029	.....6,509,880

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## NOTES TO FINANCIAL STATEMENTS

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All amounts are in thousands

### Note 1 – Summary of Significant Accounting Policies

A. Accounting Practices that depart from NAIC Prescribed Practices

None

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

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

C. Accounting Policy

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

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

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

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

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

**Nonadmitted Assets** – Certain assets designated as "nonadmitted," principally deferred taxes, investments in unaudited subsidiaries, furniture and equipment, certain accounts receivable, prepaid expenses, and other assets not identified as an admitted asset in the NAIC's Accounting Practices and Procedures Manual are excluded from the accompanying balance sheets and are charged directly to capital and surplus. In accordance with GAAP, such assets are included in the balance sheets. Capital and surplus was reduced by nonadmitted assets of \$76,999 and \$99,894 at December 31, 2012 and 2011, respectively.

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

**Deferred Income Taxes** – The Company computes deferred income taxes in accordance with Statement of Statutory Accounting Principle (SSAP) No. 101, Income Taxes, A Replacement of SSAP No. 10R and SSAP No. 10. Under SSAP 101, gross deferred tax assets are reduced by a statutory valuation allowance adjustment if, based on the weight of available evidence, it is more-likely-than-not that some portion or all of the gross deferred tax assets will not be realized to calculate the adjusted gross deferred tax assets. Admitted adjusted deferred income tax assets are limited to 1) the amount of federal income taxes paid in prior years that can be recovered through loss carrybacks for existing temporary differences that reverse during a timeframe corresponding with the Internal Revenue Service tax loss carryback provisions, not to exceed three years, plus 2) the amount of adjusted gross deferred income tax assets expected to be realized within three years limited to an amount that is no greater than 15% of current period's adjusted statutory capital and surplus, plus 3) the amount of remaining adjusted gross deferred income tax assets that can be offset against existing gross deferred income tax liabilities after considering the character (i.e., ordinary versus capital) and reversal patterns of the deferred tax assets and liabilities. The remaining adjusted deferred income tax assets are nonadmitted.

Deferred income taxes do not include amounts for state taxes. Under GAAP, state taxes are included in the computation of deferred income taxes, a deferred income tax asset is recorded for the amount of gross deferred income tax assets expected to be realized in all future years, and a valuation allowance is established for deferred income tax assets not realizable.

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

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## NOTES TO FINANCIAL STATEMENTS

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

The NAIC adopted Statement of Statutory Accounting Principles (SSAP) No. 92, Accounting for Postretirement Benefits Other Than Pensions (SSAP No. 92) and SSAP No. 102, Accounting for Pensions (SSAP No. 102) in March 2012. SSAP Nos. 92 and 102 adopt with modification Financial Accounting Standard No. 158, Employers' Accounting for Defined Benefit Pension and Other Postretirement Plans, an Amendment of FAS 87, 88, 106, and 132(R) (FAS 158). The primary focus of FAS 158 and SSAP Nos. 92 and 102 is to recognize the funded status of a defined benefit plan in the balance sheets. Additionally, SSAP Nos. 92 and 102 requires expanded fair value disclosures for plan assets. SSAP Nos. 92 and 102 allows entities to elect to either recognize the full transition surplus impact for an unfunded plan as of January 1, 2013, or elect to recognize the impact over a period of not more than 10 years, so long as the surplus impact as of January 1, 2013 is the greater of 10% of the calculated surplus impact as of the transition date or the reported amount of any unrecognized items (the deferral method). If the deferral option is elected, entities shall recognize an annual liability over a period not to exceed 10 years. Management is currently evaluating its election related to recognition of the surplus impact of the adoption.

Other significant accounting policies are as follows:

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

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

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

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

Furniture and Equipment – Furniture and equipment are reported at depreciated cost. Leasehold improvements are reported at amortized cost and are amortized over the shorter of their estimated useful life or the remaining life of the original lease excluding renewal or option periods. Depreciation is calculated on a straight-line basis over the estimated useful lives of the property. Total depreciation and amortization expense was \$7,661 and \$7,641 in 2012 and 2011, respectively.

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

Aggregate Health Policy Reserves – Liabilities for future policy reserves for health business are based on the net level premium method at 1.0% interest, premium increases by duration in addition to trend as permitted by state law, and estimates of future claims and lapses using the Company's experience and actuarial judgment.

Federal Medical Loss Ratio Rebate – The Company is subject to the Public Health Service Act, which requires the payment of rebates to eligible policyholders or enrollees when the amounts paid for healthcare benefits and quality improvement initiatives fall below specified thresholds. Separate calculations are performed for each state and by employer group size (individual, small group, and large group). As of December 31, 2012, a liability of \$704 recognized on the accompanying statutory-basis balance sheets is attributable to individual business underwritten in Indiana and Michigan. At December 31, 2011, a liability of \$100 was accrued for individual business underwritten in Michigan and \$337 was subsequently paid in 2012.

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

Income Taxes – The Company adopted SSAP 101 with an effective date of January 1, 2012. In accordance with SSAP 101, the Company recorded an additional liability for the amount of uncertain tax positions totaling \$2,480. Such amount was recorded as a change in accounting principles through surplus. Subsequent to the adoption of SSAP 101, changes to liabilities for uncertain tax positions are recorded as income tax expense in the accompanying statement of operations. The total liability for uncertain tax positions at December 31, 2012 was \$3,686.

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

### Note 2 – Accounting Changes and Corrections of Errors

In 2012, the Company adopted SSAP No. 101 - Taxes, a Replacement of SSAP No. 10R and SSAP No. 10. Pursuant to the adoption, the Company recorded a liability for tax contingencies, which is represented as a reduction to the federal income tax recoverable on the assets page and a corresponding reduction in surplus.

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**NOTES TO FINANCIAL STATEMENTS**


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**Note 3 – Business Combinations and Goodwill**

Effective January 1, 2012, MMAM acquired the noncontrolling interest (24%) in its subsidiary, Talus Brokerage Services, LLC, for \$14,000. The Company accounted for the acquisition of the ownership interest as a reduction in the investment in MMAM of \$12,486 which represented the difference between the purchase price and the book value of the noncontrolling interest acquired.

## A. Statutory Purchase Method

Items (1) – (4) – Not applicable

## B. Statutory Merger

Items (1) – (5) – Not applicable

## C. Assumption Reinsurance

Items (1) – (4) – Not applicable

## D. Impairment Loss

Due to Health Care Reform and its impact on strategic initiatives and the Company's projected future cash flows, in 2012 the Company recognized impairment losses on intangible assets recognized related to the CCP acquisition in the amount of \$5,308. The related intangible asset balance was \$0 and \$6,522 at December 31, 2012 and 2011, respectively.

**Note 4 – Discontinued Operations**

Items (1) – (5) – Not applicable

**Note 5 – Investments**

## A. Mortgage Loans, including Mezzanine Real Estate

Items (1) – (12) – Not applicable

## B. Debt Restructuring

Items (1) – (4) – Not applicable

## C. Reverse Mortgages

Items (1) – (4) – Not applicable

## D. Loan-Backed Securities

- (1) Prepayment assumptions for single class and multi-class mortgage-backed/asset-backed securities were obtained from broker dealer survey values or internal estimates.
- (2) None
- (3) None
- (4) All impaired securities (fair value is less than cost or amortized cost) for which an other-than temporary impairment has not been recognized in earnings as a realized loss (including securities with a recognized other-than-temporary impairment for non-interest related declines when a non-recognized interest related impairment remains):

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

- a. The aggregate amount of unrealized losses was \$259
- b. The aggregate related fair value of securities with unrealized losses was \$31,991

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

- a. The aggregate amount of unrealized losses was \$34
- b. The aggregate related fair value of securities with unrealized losses was \$3,549

- (5) The unrealized losses have been reviewed for impairment. The Company has determined that the decline in value is principally the result of a general increase in interest rates subsequent to the purchases of these securities and is temporary. As of December 31, 2012, the Company does not intend to sell any of the securities in an unrealized loss position, nor does the Company expect to be required to sell any of these investments before the recovery of their value.

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## NOTES TO FINANCIAL STATEMENTS

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

Items (1) – (5) – Not applicable

## F. Real Estate

Items (1) – (5) – Not applicable

## G. For Investments in Low-Income Housing Tax Credits (LIHTC)

Items (1) – (5) – Not applicable

**Note 6 – Joint Ventures, Partnerships and Limited Liability Companies**

## A. For Investments in Joint Ventures, Partnerships and Limited Liability Companies that exceed 10% of the admitted assets of the reporting entity

- (1) Medical Mutual Services, LLC (MMS) – 100% owned.
- (2) The Company accounts for the investment in MMS at its audited GAAP equity value.
- (3) There is no difference between the underlying equity and the carrying amount of MMS.
- (4) No quoted market price is available for MMS.
- (5) MMS has assets of \$430,137, liabilities of \$47,215, and equity of \$382,922 at December 31, 2012. Net loss for the year ended December 31, 2012 was \$15,079.

## B. For Impaired Investments in Joint Ventures, Partnerships or Limited Liability Companies disclose in the year of an impairment write-down.

Not applicable

**Note 7 – Investment Income**

Items (A) – (B) – Not applicable

**Note 8 – Derivative Instruments**

Items (A) – (F) – Not applicable

**Note 9 – Income Taxes**

The Company is taxed as a stock property and casualty insurance company and files a consolidated federal income tax return with Medical Health Insuring Corporation of Ohio, Consumers Life Insurance Company, Carolina Care Plan Inc. and Medical Mutual Life Insurance Agency, Inc. In 2011, the Company had a written tax sharing agreement with its subsidiaries such that the Company collects from the participating subsidiaries the amount of taxes as if calculated on a separate return basis. The Company amended the tax-sharing agreement for the consolidated group effective January 1, 2012. Pursuant to the amended agreement, the tax liability of the group is apportioned among the members based upon the ratio to which the members' taxable income bears to the consolidated group's taxable income. A member generating a taxable loss is compensated for the loss in the year the loss is absorbed by the consolidated group. Certain subsidiaries of the Company are organized as single-member, limited liability companies (LLC) and accordingly taxable income or loss of these LLC subsidiaries are included in the tax provision of the Company, regardless of the level of income or loss of such subsidiaries recognized in the statements of income. There were no amounts due from the subsidiaries for federal income taxes at December 31, 2012 and 2011.

The Internal Revenue Code (IRC) provides a special deduction for certain insurance companies. This special deduction resulted in the Company paying federal income taxes for 2009 and prior based upon the alternative minimum tax (AMT) rate of 20%. In 2010, the Patient Protection and Affordable Care Act added a provision to the IRC that requires the percentage of total premium revenues expended on clinical services provided to enrollees to be at least 85% in order to continue to qualify for this special deduction. For the years ending December 31, 2011 and 2010, the Company did not meet this requirement and accordingly did not qualify for the special deduction. However, by utilizing accumulated net operating loss carryforwards, the Company continued to pay income taxes at the AMT rate of 20% in 2011 and 2010. For the year ending December 31, 2012, the Company met the requirement and did qualify for this special deduction allowing the Company to pay income taxes based upon the AMT rate of 20%.

The Company paid federal income tax of \$0 and \$43,500 during 2012 and 2011, respectively. The Company can recover \$3,964 and \$26,880 relating to 2012 and 2011 if the Company has losses in future years. At December 31, 2012, the Company had net operating loss carryforwards of approximately \$40,955 expiring through 2032. The Company holds an AMT credit carryforward of approximately \$258,728 at December 31, 2012, which under current tax law does not expire.

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**NOTES TO FINANCIAL STATEMENTS**


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The following is a reconciliation of the Company's 2012 effective tax rate to the statutory tax rate under SSAP 101:

	<b>Year Ended</b>	
	<b>December 31, 2012</b>	
	<b>Amount</b>	<b>%Pre-tax Income</b>
Provision computed at statutory rate	\$ 16,995	35.0%
Permanent differences	867	1.8%
Section 833 benefit	(18,756)	-38.7%
Change in statutory valuation allowance	49,762	102.5%
Benefit from pass-through entities	(8,857)	-18.2%
Change in nonadmitted assets	(2,957)	-6.1%
Change in uncertain tax positions	624	1.3%
Other	1,281	2.6%
Total	<u>\$ 38,959</u>	<u>80.2%</u>
Federal income taxes	\$ 5,030	10.4%
Federal income tax on capital gains	110	0.2%
Federal income taxes incurred	<u>5,140</u>	<u>10.6%</u>
Change in net deferred income taxes	33,819	69.6%
Total statutory income taxes	<u>\$ 38,959</u>	<u>80.2%</u>

The provision for federal income taxes incurred is different from that which would be obtained by applying the statutory federal income tax rate to income before income taxes. The following is a reconciliation of the Company's 2011 effective tax rate to the statutory tax rate under SSAP 10R:

	<b>Year Ended</b>	
	<b>December 31, 2011</b>	
Expected income tax	\$ 33,220	
Reconciling items:		
Utilization of net operating losses	(21,629)	
Depreciation and amortization	2,153	
Investments	(1,251)	
Claims and other reserves	1,230	
Postretirement benefit obligations	817	
Charitable contributions	13,210	
Income tax on nondistributed income of MMS	(1,030)	
Other	1,958	
Federal income tax expense	<u>\$ 28,678</u>	

The Company is subject to federal income tax examinations by tax authorities for the years of 2009 through 2012.

**NOTES TO FINANCIAL STATEMENTS**

Deferred income taxes reflect the net tax effect of temporary differences between the carrying amount of assets and liabilities for financial statement purposes and the amounts used for income taxes. Significant components of the Company's net deferred tax asset as of December 31, 2012 and 2011 are as follows:

	December 31		Change
	2012	2011	
Gross deferred ordinary tax assets:			
Net operating loss and AMT carryforwards	\$ 273,062	\$ 258,487	\$ 14,575
Postretirement benefit obligations	19,916	18,047	1,869
Claim and other reserves	6,953	12,007	(5,054)
Accrued premium taxes	7,036	6,764	272
Nonadmitted assets	14,929	17,885	(2,956)
Charitable contributions	15,843	15,848	(5)
Intangible assets	22,321	14,457	7,864
Other	5,029	5,254	(225)
Total gross deferred ordinary tax assets	365,089	348,749	16,340
Less statutory valuation allowance	346,152	296,390	49,762
Adjusted gross deferred ordinary tax assets	18,937	52,359	(33,422)
Less amount not admitted	4,604	25,279	(20,675)
Admitted deferred ordinary tax asset	14,333	27,080	(12,747)
Total gross deferred capital tax assets	3,514	3,533	(19)
Less amount not admitted	3,347	3,379	(32)
Admitted deferred capital tax asset	167	154	13
Total admitted deferred tax asset	14,500	27,234	(12,734)
Gross deferred ordinary tax liability	1,650	1,272	378
Net admitted deferred tax asset	\$ 12,850	\$ 25,962	\$ (13,112)

The company did not utilize tax planning strategies in determining the amount of admitted deferred tax assets. The Company has no unrecognized deferred tax liabilities.

	December 31		Change
	2012	2011	
Adjusted gross expected to be realized:			
After application of threshold limitation-ordinary	\$ 12,683	\$ 25,808	\$ (13,125)
After application of threshold limitation-capital	167	154	13
Offset by deferred tax liabilities	1,650	1,272	378
Adjusted gross taxes admitted	\$ 14,500	\$ 27,234	\$ (12,734)
Ratio used to determine recovery limit and threshold limitation	903%	994%	
Amount of adjusted capital and surplus used to determine recovery limit and threshold limitation	\$ 1,120,711	\$ 1,094,939	

Additional components of income taxes at December 31, 2012 are as follows:

	Ordinary	Capital	Total
<b>December 31, 2012</b>			
Gross deferred tax assets (DTA)	\$ 365,986	\$ 3,514	\$ 369,500
Less statutory valuation allowances	347,902	-	347,902
Adjusted gross DTA	18,084	3,514	21,598
Admitted adjusted gross DTA:			
Pursuant to paragraph 11.a	12,683	167	12,850
Pursuant to paragraph 11.b	-	-	-
Pursuant to paragraph 11.c	1,650	-	1,650
Total admitted adjusted gross DTA	14,333	167	14,500
Gross deferred tax liabilities (DTL)	1,650	-	1,650
Net admitted DTA/DTL	\$ 12,683	\$ 167	\$ 12,850
Nonadmitted adjusted gross DTA	\$ 3,751	\$ 3,347	\$ 7,098

**NOTES TO FINANCIAL STATEMENTS**

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

	Ordinary	Capital	Total
<b>December 31, 2011</b>			
Gross deferred tax assets (DTA)	\$ 348,749	\$ 3,533	\$ 352,282
Less statutory valuation allowances	296,390	–	296,390
Adjusted gross DTA	52,359	3,533	55,892
Admitted adjusted gross DTA:			
Pursuant to paragraph 10.a	–	–	–
Pursuant to paragraph 10.b	25,808	154	25,962
Pursuant to paragraph 10.c	1,272	–	1,272
Total admitted adjusted gross DTA	27,080	154	27,234
Gross deferred tax liabilities (DTL)	1,272	–	1,272
Net admitted DTA/DTL	\$ 25,808	\$ 154	\$ 25,962
Nonadmitted adjusted gross DTA	\$ 25,279	\$ 3,379	\$ 28,658

**Note 10 – Information Concerning Parent, Subsidiaries and Affiliates and Other Related Parties**

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

The Company shares office facilities and personnel with its subsidiaries. Such shared costs are allocated between the Company and its subsidiaries based on the actual work performed for, and facilities utilized by, each entity. The Company also provided various services to its subsidiaries, including claims processing, membership, billing, payroll, customer service, information technology services and other administrative services. Charges for shared facilities and services totaled \$190,324 and \$182,706 in 2012 and 2011, respectively, and are reported as a reduction of expenses on the accompanying statements of operations. Amounts due to and from the Company and its subsidiaries are settled within 90 days.

During 2012 and 2011, general and administrative expenses include \$3,730 and \$25,109 respectively, of net commissions paid to and retained by majority-owned brokerage subsidiaries of MMAM. The decrease is due to 2011 including commissions paid to Talus Brokerage Services, LLC. This subsidiary was internalized as a result of the business combination discussed in Note 3, and therefore, no commissions were earned in 2012.

During 2012 and 2011, CLIC provided life, accidental death and dismemberment, and long-term disability coverage to employees of the Company. Premiums paid by the Company to CLIC for such coverage totaled \$1,378 and \$1,323 for 2012 and 2011, respectively.

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

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

**Note 11 – Debt**

Items (A) – (B) – Not applicable

**Note 12 – Retirement Plans, Deferred Compensation, Post-employment Benefits and Compensated Absences and Other Post-retirement Benefit Plans****A. Defined Benefit Plan***Nonqualified Defined Benefit Pension Plan*

The Company sponsors a nonqualified defined benefit pension plan for specified independent members of the Board of Directors. The benefit is an annuity form of payment, based upon current compensation and years-of-service, and is limited to a maximum benefit period of 12 years. The accompanying balance sheets include \$3.9 million and \$3.6 million at December 31, 2012 and 2011, respectively, in other liabilities related to this plan.

*Postretirement Health and Life Insurance Plan*

The Company sponsors a postretirement plan (the Postretirement Plan) that provides certain health care and life insurance benefits for retired employees who have attained age 55 and have provided at least ten years of service. Retiree contributions, which vary by employee age, years of service at retirement and date of retirement, are made only by retirees utilizing these benefits. Retiree contributions are adjusted as the cost of health care changes.

**NOTES TO FINANCIAL STATEMENTS**

A reconciliation of the beginning and ending balances of the benefit obligation and the fair value of plan assets for the Postretirement Plan is as follows:

	<u>2012</u>	<u>2011</u>
Change in projected benefit obligation:		
Projected benefit obligation at beginning of year	\$ (33,649)	\$ (32,215)
Service cost	(2,538)	(1,991)
Interest cost	(1,446)	(1,542)
Employee contributions	(817)	(998)
Actuarial loss	(1,890)	(231)
Plan amendments	-	(98)
Benefits paid	2,658	3,665
Federal subsidy on benefits paid	(130)	(239)
Projected benefit obligation at end of year	<u>\$ (37,812)</u>	<u>\$ (33,649)</u>
Benefit obligation for nonvested employees	<u>\$ (14,887)</u>	<u>\$ (12,936)</u>

	<u>2012</u>	<u>2011</u>
Change in plan assets:		
Fair value at beginning of year	\$ -	\$ -
Actual gain (loss) on plan assets	-	-
Employer contributions	1,711	2,428
Employee contributions	817	998
Benefits paid	(2,658)	(3,665)
Federal subsidy on benefits paid	130	239
Fair value at end of year	<u>\$ -</u>	<u>\$ -</u>

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

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

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

	<u>2012</u>	<u>2011</u>
Unfunded status	\$ (37,812)	\$ (33,649)
Unamortized prior service cost	737	782
Unrecognized net loss	3,131	2,166
Unrecognized net transition obligation	-	851
Accrued benefit cost	<u>\$ (33,944)</u>	<u>\$ (29,850)</u>

The components of net periodic cost for the Postretirement Plan recognized in 2012 and 2011 are as follows:

	<u>2012</u>	<u>2011</u>
Components of net periodic cost:		
Service cost	\$ 2,538	\$ 1,991
Interest cost	1,446	1,542
Transition obligation recognized	851	850
Recognized losses	739	-
Prior service cost recognized	45	344
Total net periodic cost	<u>\$ 5,619</u>	<u>\$ 4,727</u>

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

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

**NOTES TO FINANCIAL STATEMENTS**

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

	2012	2011
Discount rate	3.35%	4.00%
Expected compensation increase	4.00%	4.00%
Initial health care cost trend rate	7.50%	8.00%
Ultimate health care cost trend rate	6.00%	6.00%
Year ultimate cost trend is reached	2017	2017

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

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

	<u>One-Percentage Point Increase</u>	<u>One-Percentage Point Decrease</u>
Effect on total of service and interest cost components for 2012	\$ 48	\$ (44)
Effect on postretirement benefit obligation as of December 31, 2012	843	(746)

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

2013	\$ 3,677
2014	3,841
2015	3,899
2016	3,988
2017	4,079
2018 through 2022	20,541

## B. Defined Contributions Plans

### *Employee Savings Plan*

The Company sponsors a defined contribution employee retirement savings plan (the 401(k) Savings Plan) which is available to employees meeting certain age and employment requirements. Pursuant to the 401(k) Savings Plan, the Company contributes 100% of the first 3% and 50% of the next 2% of compensation that a participant contributes to the 401(k) Savings Plan. Participants in the 401(k) Savings Plan immediately vest in employer matching contributions. The Company's contributions to the 401(k) Savings Plan totaled \$4,981 and \$4,358 for 2012 and 2011, respectively, excluding the amounts discussed below relating to the Defined Contribution Plan.

### *Defined Contribution Plan*

The Company sponsors a defined contribution retirement plan (the Horizons Plan) which provides a fixed contribution to eligible employees, calculated as a percentage of the employees' covered compensation. The fixed contribution is calculated using percentages ranging from 3% to 8%, based on an age plus years of service-graded scale. At December 31, 2012 the Company accrued \$12,023 for the fixed contribution relating to the 2012 plan year, which was subsequently paid in February 2013. At December 31, 2011, the Company accrued \$11,200 for the fixed contribution relating to 2011 plan year, which was paid in January 2012.

Effective December 31, 2011, the Horizons Plan was merged into the 401(k) Savings Plan.

### *Restoration Savings Plan*

The Company sponsors a funded, nonqualified deferred compensation plan (the Restoration Plan) for certain highly compensated employees. The Internal Revenue Code currently limits the amounts the Company can pay to certain employees pursuant to the Horizons Plan and the 401(k) Savings Plan. The Restoration Plan provides an additional contribution amount calculated as if those contributions were not limited. At December 31, 2012, the Company accrued \$1,175 related to the 2012 plan year, which is expected to be paid in 2013. At December 31, 2011, the Company accrued \$1,100 related to the 2011 plan year, which was paid in 2012.

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**NOTES TO FINANCIAL STATEMENTS**


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## C. Multiemployer Plans

Not applicable

## D. Consolidating/Holding Company Plans

Not applicable

## E. Postemployment Benefits and Compensated Absences

Not applicable

## F. Impact of Medicare Modernization Act on Postretirement Benefits

Items (1) – (2) - Not applicable

Items (3) – See Note 12 (A)

**Note 13 - Capital and Surplus, Dividend Restrictions and Quasi-Reorganizations**

Items (1) – (13) – Not applicable

**Note 14 – Contingencies**

Items (A) – (D) – Not applicable

Item (E) – All Other Contingencies

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

In 1997, the Company entered into a Consent Decree and Final Judgment Entry (the Consent Decree) in a civil action. The action was filed by the Ohio Attorney General and alleged that the Company held certain assets that were impressed with a charitable trust. The Consent Decree resolved the matter and established certain "Triggering Events."

Upon the occurrence of a Triggering Event, the Company is to transfer the charitable assets to a charitable foundation. The full and fair value of the charitable assets is to be determined as specified in the Consent Decree. The Medical Mutual of Ohio Charitable Foundation was established to receive the charitable assets if and when a Triggering Event occurs. The Company has no plans to initiate any action that would qualify as a Triggering Event, and accordingly, no liability has been recorded in the accompanying financial statements.

**Note 15 – Leases**

## A. Lessee Operating Lease

The Company leases office space, mailroom equipment, and printing equipment. Renewal options are available on the majority of leases and, under certain conditions; options exist to purchase equipment at the end of the lease term. Rental expense for operating leases was \$10,862 and \$10,650 for 2012 and 2011, respectively.

In 2000, the Company entered into separate transactions to sell and leaseback three office buildings. The terms of the lease agreements are twenty years, with an option to extend for four, five-year renewal periods. The combined lease payments for the three facilities are \$649 per month. At December 31, 2012 and 2011, the Company has recorded a deferred gain of \$10,697 and \$11,694, respectively, related to the sale and leaseback of the office facilities. The deferred gain, recorded in other liabilities, is being amortized over twenty years using the effective interest method. Additionally, included in other admitted assets is a note receivable from the buyer of the office facilities of \$6,941 and \$7,585 at December 31, 2012 and 2011, respectively. The note is being repaid over twenty years at an interest rate of 7.25% per annum.

The following is a summary of future minimum lease payments under noncancelable leases having initial or remaining terms in excess of one year at December 31, 2012:

	<u>Real Estate</u>	<u>Other</u>	<u>Total</u>
2013	\$ 9,517	725	\$ 10,242
2014	9,413	725	10,138
2015	9,226	725	9,951
2016	8,616	–	8,616
2017	7,788	–	7,788
2018 and thereafter	20,043	–	20,043
Total minimum lease payments	<u>\$ 64,603</u>	<u>\$ 2,175</u>	<u>\$ 66,778</u>

**NOTES TO FINANCIAL STATEMENTS**

## B. Lessor Leases

Not applicable

**Note 16 – Information About Financial Instruments With Off-Balance Sheet Risk and Financial Instruments with Concentrations of Credit Risk**

Items (1) – (4) – Not applicable

**Note 17 – Sale, Transfer and Servicing of Financial Assets and Extinguishments of Liabilities**

Items (A) – (C) – Not applicable

**Note 18 – Gain or Loss to the Reporting Entity from Uninsured Plans and the Uninsured Portion of Partially Insured Plans**

Items (A) – (C) – Not applicable

**Note 19 – Direct Premium Written/Produced by Managing General Agents/Third Party Administrators**

Not applicable

**Note 20 – Fair Value Measurements**

Fair Value Measurements as of December 31, 2012

Description for each class of asset or liability	(Level 1)	(Level 2)	(Level 3)	Total
a. Assets at fair value				
Common Stock				
Industrial and Miscellaneous	\$90,192	-	-	90,192
Total Common Stocks	90,192	-	-	90,192
Other invested assets	7,272	-	-	7,272
Total assets at fair value	97,464	-	-	97,464
b. Liabilities at fair value				
Total liabilities at fair value	-	-	-	-

B. Not applicable

C. Aggregate Fair Value of Financial Instrument

Type of Financial Instrument	Aggregate Fair Value	Admitted Assets	(Level 1)	(Level 2)	(Level 3)	Not Practicable (Carrying Value)
Bonds	\$846,481	\$790,427	-	\$846,481	-	-
Common Stock	90,192	90,192	90,192	-	-	-
Other invested assets	7,272	7,272	7,272	-	-	-

**NOTES TO FINANCIAL STATEMENTS**

D. Not applicable

**Note 21 – Other Items**

A. Extraordinary Items

Not Applicable

B. Troubled Debt Restructuring

Not Applicable

C. Other disclosures

The Company, MHICO, and CLIC are subject to certain Risk-Based Capital (RBC) requirements which are calculated based on factors specified by the NAIC. Under those requirements, the minimum amounts of capital and surplus which must be maintained are determined based on various risk factors. At December 31, 2012, the Company, MHICO, and CLIC meet their specific RBC requirements. The Company also guarantees that MHICO will maintain minimum capital and surplus in accordance with state laws.

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

Certain assets designated as “nonadmitted,” principally deferred income taxes, prepaid assets, pharmaceutical rebates, and uncollected premiums greater than 90 days past due, are excluded from the accompanying balance sheets and are charged directly to capital and surplus. At December 31, 2012, no material amounts are deemed uncollectible.

E. Business Interruption Insurance Recoveries

Not applicable

F. State Transferable and Non-transferable Tax Credits

Not applicable

G. Subprime-Mortgage-Related Risk Exposure

Not applicable

H. Retained Assets

Not applicable

**Note 22 – Events Subsequent**

Not applicable

**Note 23 – Reinsurance**

Effective February 1, 2006, the Company entered into a quota share reinsurance agreement with CLIC to assume 80% of CLIC’s health business written from that date. The Company pays up to a 22.3% in 2012 and 22.1% in 2011 ceding allowance to CLIC pursuant to the agreement. The Company assumed the following premium and claims:

	<b>Year Ended December 31</b>	
	<b>2012</b>	<b>2011</b>
Assumed premium, net of ceding allowance	\$ 63,101	\$ 61,993
Assumed claims	71,460	65,043

The Company’s unpaid claims and health policy reserves have been increased by approximately \$10,382 and \$8,190 at December 31, 2012 and 2011, respectively, in accordance with the agreement.

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## NOTES TO FINANCIAL STATEMENTS

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### Ceded Reinsurance Report

#### Section 1 – General Interrogatories

1. Are any of the reinsurers, listed in Schedule S as non-affiliated, owned in excess of 10% or controlled, either directly or indirectly, by the company or by any representative, officer, trustee, or director of the company?

Yes ( ) No (X)

If yes, give full details.

2. Have any policies issued by the company been reinsured with a company chartered in a country other than the United States (excluding U.S. Branches of such companies) that is owned in excess of 10% or controlled directly or indirectly by an insured, a beneficiary, a creditor or any other person not primarily engaged in the insurance business?

Yes ( ) No (X)

If yes, give full details.

#### Section 2 – Ceded Reinsurance Report – Part A

1. Does the company have any reinsurance agreements in effect under which the reinsurer may unilaterally cancel any reinsurance for reasons other than for nonpayment of premium or other similar credits?

Yes ( ) No (X)

2. Does the reporting entity have any reinsurance agreements in effect such that the amount of losses paid or accrued through the statement date may result in a payment to the reinsurer of amounts that, in aggregate and allowing for offset of mutual credits from other reinsurance agreements with the same reinsurer, exceed the total direct premium collected under the reinsured policies?

Yes ( ) No (X)

If yes, give full details.

#### Section 3 – Ceded Reinsurance Report – Part B

1. What is estimated amount of the aggregate reduction in surplus, (for agreements other than those under which the reinsurer may unilaterally cancel for reasons other than for nonpayment of premium or other similar credits that are reflected in Section 2 above) of termination of ALL reinsurance agreements, by either party, as of the date of this statement? \$0
2. Have any new agreements been executed or existing agreements amended, since January 1 of the year of this statement, to include policies or contracts that were in force or which had existing reserves established by the company as of the effective date of the agreement?

Yes ( ) No (X)

#### A. Uncollectible Reinsurance

Not applicable

#### B. Commutation of Ceded Reinsurance

Not applicable

#### C. Certified Reinsurer Downgraded or Status Subject to Revocation

Not applicable

**NOTES TO FINANCIAL STATEMENTS****Note 24 – Retrospectively Rated Contracts & Contracts Subject to Redetermination**

Items A – C – Not applicable

D. Medical loss ratio rebates subject to the Public Health Service Act

	<b>1</b> <i>Individual</i>	<b>2</b> <i>Small Group Employer</i>	<b>3</b> <i>Large Group Employer</i>	<b>4</b> <i>Other Categories with Rebates</i>	<b>5</b> <i>Total</i>
<i>Prior Reporting Year</i>					
(1) Medical Loss Ratio rebates incurred	100	-	-	-	100
(2) Medical Loss Ratio rebates paid	-	-	-	-	-
(3) Medical Loss Rebates unpaid	100	-	-	-	100
(4) Plus reinsurance assumed amounts	XXX	XXX	XXX	XXX	-
(5) Less reinsurance ceded amounts	XXX	XXX	XXX	XXX	-
(6) Rebates unpaid net of reinsurance	XXX	XXX	XXX	XXX	100
<i>Current Reporting Year-to-Date</i>					
(7) Medical Loss Ratio rebates incurred	941	-	-	-	941
(8) Medical Loss Ratio rebates paid	337	-	-	-	337
(9) Medical Loss Rebates unpaid	704	-	-	-	704
(10) Plus reinsurance assumed amounts	XXX	XXX	XXX	XXX	-
(11) Less reinsurance ceded amounts	XXX	XXX	XXX	XXX	-
(12) Rebates unpaid net of reinsurance	XXX	XXX	XXX	XXX	704

**Note 25 – Change in Incurred Claims and Claim Adjustment Expenses**

A \$9,948 redundancy in the December 31, 2011 reserves emerged in 2012, and a \$23,293 redundancy in the December 31, 2010 reserves emerged in 2011. The deviation in the year end 2011 and 2010 reserves that emerged in 2012 and 2011 was due in part to the ultimate reserves developing favorably as a result of improved loss ratios and lower claims than estimated.

**Note 26 – Intercompany Pooling Arrangements**

Not applicable

**Note 27 – Structured Settlements**

Not applicable

**Note 28 – Health Care Receivables**

Items (A) – (B) – Not applicable

**Note 29 – Participating Policies**

Not applicable

**Note 30 – Premium Deficiency Reserve**

Not applicable

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## NOTES TO FINANCIAL STATEMENTS

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### **Note 31 – Anticipated Salvage and Subrogation**

The reserve for unpaid claims and CAE at December 31, 2012 and 2011, has been reduced by \$7,284 and \$6,716, respectively, related to anticipated subrogation claims recoverable.

**GENERAL INTERROGATORIES**

**PART 1 - COMMON INTERROGATORIES - GENERAL**

- 1.1 Is the reporting entity a member of an Insurance Holding Company System consisting of two or more affiliated persons, one or more of which is an insurer? Yes [ X ] No [ ]
- 1.2 If yes, did the reporting entity register and file with its domiciliary State Insurance Commissioner, Director or Superintendent or with such regulatory official of the state of domicile of the principal insurer in the Holding Company System, a registration statement providing disclosure substantially similar to the standards adopted by the National Association of Insurance Commissioners (NAIC) in its Model Insurance Holding Company System Regulatory Act and model regulations pertaining thereto, or is the reporting entity subject to standards and disclosure requirements substantially similar to those required by such Act and regulations? Yes [ X ] No [ ] N/A [ ]
- 1.3 State regulating? OHIO
- 2.1 Has any change been made during the year of this statement in the charter, by-laws, articles of incorporation, or deed of settlement of the reporting entity? Yes [ X ] No [ ]
- 2.2 If yes, date of change: 11/20/2012
- 3.1 State as of what date the latest financial examination of the reporting entity was made or is being made. 12/31/2009
- 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. 12/31/2009
- 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). 03/02/2011
- 3.4 By what department or departments?  
OHIO DEPARTMENT OF INSURANCE

- 3.5 Have all financial statement adjustments within the latest financial examination report been accounted for in a subsequent financial statement filed with departments? Yes [ ] No [ ] N/A [ X ]
- 3.6 Have all of the recommendations within the latest financial examination report been complied with? Yes [ ] No [ ] N/A [ X ]
- 4.1 During the period covered by this statement, did any agent, broker, sales representative, non-affiliated sales/service organization or any combination thereof under common control (other than salaried employees of the reporting entity) receive credit or commissions for or control a substantial part (more than 20 percent of any major line of business measured on direct premiums) of:
  - 4.11 sales of new business? Yes [ ] No [ X ]
  - 4.12 renewals? Yes [ ] No [ X ]
- 4.2 During the period covered by this statement, did any sales/service organization owned in whole or in part by the reporting entity or an affiliate, receive credit or commissions for or control a substantial part (more than 20 percent of any major line of business measured on direct premiums) of:
  - 4.21 sales of new business? Yes [ ] 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 Co. 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,
  - 7.21 State the percentage of foreign control .....%
  - 7.22 State the nationality(ies) of the foreign person(s) or entity(ies); or if the entity is a mutual or reciprocal, the nationality of its manager or attorney-in-fact and identify the type of entity(ies) (e.g., individual, corporation, government, manager or attorney-in-fact)

1 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.

- 8.3 Is the company affiliated with one or more banks, thrifts or securities firms? Yes [ ] No [ X ]
- 8.4 If response to 8.3 is yes, please provide the names and locations (city and state of the main office) of any affiliates regulated by a federal financial regulatory services agency [i.e. the Federal Reserve Board (FRB), the Office of the Comptroller of the Currency (OCC), the 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 FDIC	6 SEC

- 9. What is the name and address of the independent certified public accountant or accounting firm retained to conduct the annual audit?  
Ernst & Young, LLP 925 Euclid Avenue, Cleveland, OH 44115-1356

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

- 10.3 Has the insurer been granted any exemptions related to the other requirements of the Annual Financial Reporting Model Regulation as allowed for in Section 17A of the Model Regulation, or substantially similar state law or regulation? Yes [ ] No [ X ]
- 10.4 If the response to 10.3 is yes, provide information related to this exemption:

- 10.5 Has the reporting entity established an Audit Committee in compliance with the domiciliary state insurance laws? Yes [ X ] No [ ] N/A [ ]
- 10.6 If the answer to 10.5 is no or n/a, please explain.

- 11. What is the name, address and affiliation (officer/employee of the reporting entity or actuary/consultant associated with an actuarial consulting firm) of the individual providing the statement of actuarial opinion/certification?  
Michael J. Cellini, PhD, ASA, MAAA, Senior Manager & Consulting Actuary, Ernst & Young, LLP 5 Times Square, New York, NY 10036

**GENERAL INTERROGATORIES**

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

12.11 Name of real estate holding company

12.12 Number of parcels involved

12.13 Total book/adjusted carrying value

12.2 If yes, provide explanation.

**FOR UNITED STATES BRANCHES OF ALIEN REPORTING ENTITIES ONLY:**

13.1 What changes have been made during the year in the United States manager or the United States trustees of the reporting entity?

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

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

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

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

- a. Honest and ethical conduct, including the ethical handling of actual or apparent conflicts of interest between personal and professional relationships;
- b. Full, fair, accurate, timely and understandable disclosure in the periodic reports required to be filed by the reporting entity;
- c. Compliance with applicable governmental laws, rules and regulations;
- d. The prompt internal reporting of violations to an appropriate person or persons identified in the code; and
- e. Accountability for adherence to the code.

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

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

14.21 If the response to 14.2 is yes, provide information related to amendment(s).

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

14.31 If the response to 14.3 is yes, provide the nature of any waiver(s).

15.1 Is the reporting entity the beneficiary of a Letter of Credit that is unrelated to reinsurance where the issuing or confirming bank is not on the SVO Bank List? Yes [ ] No [ X ]

15.2 If the response to 15.1 is yes, indicate the American Bankers Association (ABA) Routing Number and the name of the issuing or confirming bank of the Letter of Credit and describe the circumstances in which the Letter of Credit is triggered.

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

**PART 1 - COMMON INTERROGATORIES - BOARD OF DIRECTORS**

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

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

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

**PART 1 - COMMON INTERROGATORIES - FINANCIAL**

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

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

20.11 To directors or other officers \$.....0

20.12 To stockholders not officers \$.....0

20.13 Trustees, supreme or grand (Fraternal only) \$.....0

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

20.21 To directors or other officers \$.....0

20.22 To stockholders not officers \$.....0

20.23 Trustees, supreme or grand (Fraternal only) \$.....0

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

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

21.21 Rented from others .....

21.22 Borrowed from others .....

21.23 Leased from others .....

21.24 Other .....

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

22.2 If answer is yes:

22.21 Amount paid as losses or risk adjustment .....

22.22 Amount paid as expenses .....

22.23 Other amounts paid .....

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

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

**PART 1 - COMMON INTERROGATORIES - INVESTMENT**

24.01 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 24.03)? Yes [ X ] No [ ]

24.02 If no, give full and complete information relating thereto.

**PART 1 - COMMON INTERROGATORIES - INVESTMENT**

24.03 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).

24.04 Does the company's security lending program meet the requirements for a conforming program as outlined in the Risk-Based Capital Instructions? Yes [ ] No [ ] N/A [X]

24.05 If answer to 24.04 is yes, report amount of collateral for conforming programs. ....

24.06 If answer to 24.04 is no, report amount of collateral for other programs. ....

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

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

24.09 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]

24.10 For the reporting entity's security lending program, state the amount of the following as of December 31 of the current year:

24.101 Total fair value of reinvested collateral assets reported on Schedule DL, Parts 1 and 2. ....

24.102 Total book adjusted/carrying value of reinvested collateral assets reported on Schedule DL, Parts 1 and 2. ....

24.103 Total payable for securities lending reported on the liability page. ....

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 24.03) Yes [X] No [ ]

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

25.21 Subject to repurchase agreements \$.....0

25.22 Subject to reverse repurchase agreements \$.....0

25.23 Subject to dollar repurchase agreements \$.....0

25.24 Subject to reverse dollar repurchase agreements \$.....0

25.25 Pledged as collateral \$.....5,231,735

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 \$.....943,428

25.29 Other \$.....0

25.3 For category (25.27) provide the following:

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

26.1 Does the reporting entity have any hedging transactions reported on Schedule DB? Yes [ ] No [X]

26.2 If yes, has a comprehensive description of the hedging program been made available to the domiciliary state? Yes [ ] No [ ] N/A [X]  
If no, attach a description with this statement.

27.1 Were any preferred stocks or bonds owned as of December 31 of the current year mandatorily convertible into equity, or, at the option of the issuer, convertible into equity? Yes [ ] No [X]

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

28. Excluding items in Schedule E-Part 3-Special Deposits, real estate, mortgage loans and investments held physically in the reporting entity's offices, vaults or safety deposit boxes, were all stocks, bonds and other securities, owned throughout the current year held pursuant to a custodial agreement with a qualified bank or trust company in accordance with Section 1, III - General Examination Considerations, F. Outsourcing of Critical Functions Custodial or Safekeeping Agreements of the NAIC Financial Condition Examiners Handbook? Yes [X] No [ ]

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

1 Name of Custodian(s)	2 Custodian's Address
FIFTH THIRD BANK	5050 KINGSLEY DRIVE, CINCINNATI, OH 45263
PNC BANK	1900 EAST NINTH STREET, CLEVELAND, OH 44114

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

1 Name(s)	2 Location(s)	3 Complete Explanation(s)
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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
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28.05 Identify all investment advisors, brokers/dealers or individuals acting on behalf of broker/dealers that have access to the investment accounts, handle securities and have authority to make investments on behalf of the reporting entity:

1 Central Registration Depository Number(s)	2 Name	3 Address
N/A	FIRST MERIT BANK	101 W. PROSPECT AVE. CLEVELAND, OH 441
N/A	PNC INSTITUTIONAL INVESTMENTS	1900 E. NINTH ST., CLEVELAND, OH 44114
124674	ANCORA ADVISORS	200 AUBURN DR. #300, CLEVELAND, OH 4412

29.1 Does the reporting entity have any diversified mutual funds reported in Schedule D-Part 2 (diversified according to the Securities and Exchange Commission (SEC) in the Investment Company Act of 1940 [Section 5 (b) (1)])? Yes [X] No [ ]

29.2 If yes, complete the following schedule:

1 CUSIP #	2 Name of Mutual Fund	3 Book/Adj. Carrying Value
922908 41 3	VANGUARD S&P 500 INDEX ETF	9,549,683
922042 77 5	VANGUARD FTSE ALL WORLD EX-US ETF	6,483,370
73935X 58 3	POWERSHARES RAFI US 1000 ETF	6,263,914
78463X 74 9	SPDR DOW JONES GLOBAL REAL ESTATE ETF	5,598,284
464287 50 7	ISHARES S&P MIDCAP 400 INDEX ETF	4,900,109
922908 65 2	VANGUARD EXTENDED MARKET ETF	4,871,339
73936T 78 9	POWERSHARES FTSE RAFI DEVELOPED MARKETS ETF	3,648,353
92204A 80 1	VANGUARD MATERIALS ETF	3,501,031
922908 75 1	VANGUARD SMALL-CAP ETF	3,458,394
922042 85 8	VANGUARD MSCI EMERGING MARKETS ETF	2,945,170
92204A 30 6	VANGUARD ENERGY ETF	2,634,422
922042 71 8	VANGUARD FTSE ALL WORLD EX-US SMALL-CAP ETF	2,150,821
57060U 60 5	MARKET VECTORS AGRIBUSINESS ETF	2,125,331
97717W 28 1	WISDOMTREE EMERGING MARKETS SMALL-CAP ETF	1,479,492
761396 30 8	REVENUESHARES SMALL-CAP ETF	1,410,589
29.2999. TOTAL		61,020,302

**PART 1 - COMMON INTERROGATORIES - INVESTMENT**

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

1 Name of Mutual Fund (from the above table)	2 Name of Significant Holding of the Mutual Fund	3 Amount of Mutual Fund's Book/Adjusted Carrying Value Attributable to Holding	4 Date of Valuation
VANGUARD S&P 500 INDEX ETF	APPLE INC.	372,438	12/31/2012
VANGUARD FTSE ALL WORLD EX-US ETF	ROYAL DUTCH SHELL PLC	84,284	12/31/2012
POWERSHARES RAFI US 1000 ETF	BANK OF AMERICA CORP.	202,324	12/31/2012
SPDR DOW JONES GLOBAL REAL ESTATE ETF	SIMON PROPERTY GROUP INC.	352,132	12/31/2012
ISHARES S&P MIDCAP 400 INDEX ETF	REGENERON PHARMACEUTICALS	52,921	12/31/2012
VANGUARD EXTENDED MARKET ETF	GENERAL MOTORS CO.	38,971	12/31/2012
POWERSHARES FTSE RAFI DEVELOPED MARKETS ETF	HSBC HOLDINGS PLC	62,387	12/31/2012
VANGUARD MATERIALS ETF	MONSANTO CO.	280,082	12/31/2012
VANGUARD SMALL-CAP ETF	NCR CORP.	6,917	12/31/2012
VANGUARD MSCI EMERGING MARKETS ETF	SAMSUNG ELECTRONICS CO. LTD.	120,752	12/31/2012
VANGUARD ENERGY ETF	EXXON MOBIL CORP.	569,035	12/31/2012
VANGUARD FTSE ALL WORLD EX-US SMALL-CAP ETF	CATAMARAN CORP.	10,754	12/31/2012
MARKET VECTORS AGRIBUSINESS ETF	MONSANTO CO.	175,552	12/31/2012
WISDOMTREE EMERGING MARKETS SMALL-CAP ETF	TAURON POLSKA ENERGIA SA	18,494	12/31/2012
REVENUESHARES SMALL-CAP ETF	SYNNEX CORPORATION	25,814	12/31/2012

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

	1 Statement (Admitted) Value	2 Fair Value	3 Excess of Statement over Fair Value (-), or Fair Value over Statement (+)
30.1 Bonds.....	898,516,008	948,375,032	49,859,024
30.2 Preferred stocks.....			0
30.3 Totals.....	898,516,008	948,375,032	49,859,024

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

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

- 31.1 Was the rate used to calculate fair value determined by a broker or custodian for any of the securities in Schedule D? Yes [ X ] No [ ]
- 31.2 If the answer to 31.1 is yes, does the reporting entity have a copy of the broker's or custodian's pricing policy (hard copy or electronic copy) for all brokers or custodians used as a pricing source? Yes [ X ] No [ ]
- 31.3 If the answer to 31.2 is no, describe the reporting entity's process for determining a reliable pricing source for purposes of disclosure of fair value for Schedule D.
- 
- 32.1 Have all the filing requirements of the Purposes and Procedures Manual of the NAIC Securities Valuation Office been followed? Yes [ X ] No [ ]
- 32.2 If no, list exceptions:
- 

**PART 1 - COMMON INTERROGATORIES - OTHER**

- 33.1 Amount of payments to trade associations, service organizations and statistical or rating bureaus, if any? \$.....800,963
- 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
AHIP	257,985

- 34.1 Amount of payments for legal expenses, if any? \$.....3,073,812
- 34.2 List the name of the firm and the amount paid if any such payment represented 25% or more of the total payments for legal expenses during the period covered by this statement.

1 Name	2 Amount Paid
Calfee, Halter	989,309
Frantz Ward	852,443

- 35.1 Amount of payments for expenditures in connection with matters before legislative bodies, officers or departments of government, if any? \$.....733,733
- 35.2 List the name of the firm and the amount paid if any such payment represented 25% or more of the total payment expenditures in connection with matters before legislative bodies, officers or departments of government during the period covered by this statement.

1 Name	2 Amount Paid
The Success Group, LTD	287,385

**GENERAL INTERROGATORIES**

**PART 2 - HEALTH INTERROGATORIES**

- 1.1 Does the reporting entity have any direct Medicare Supplement Insurance in force? Yes [ X ] No [ ]
- 1.2 If yes, indicate premium earned on U.S. business only \$.....25,520,336
- 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. \$.....17,911,768
- 1.6 Individual policies:
  - Most current three years:
    - 1.61 Total premium earned \$.....4,052,219
    - 1.62 Total incurred claims \$.....2,636,698
    - 1.63 Number of covered lives .....2,620
  - All years prior to most current three years:
    - 1.64 Total premium earned \$.....17,818,976
    - 1.65 Total incurred claims \$.....12,627,029
    - 1.66 Number of covered lives .....5,060
- 1.7 Group policies:
  - Most current three years:
    - 1.71 Total premium earned \$.....19,276
    - 1.72 Total incurred claims \$.....13,754
    - 1.73 Number of covered lives .....10
  - All years prior to most current three years:
    - 1.74 Total premium earned \$.....3,629,865
    - 1.75 Total incurred claims \$.....2,634,287
    - 1.76 Number of covered lives .....1,314

2. Health test:

	1 Current Year	2 Prior Year
2.1 Premium Numerator.....	2,372,803,264	2,122,861,380
2.2 Premium Denominator.....	2,372,803,264	2,122,861,380
2.3 Premium Ratio (2.1/2.2).....	100.0	100.0
2.4 Reserve Numerator.....	255,056,630	199,742,299
2.5 Reserve Denominator.....	255,056,630	199,742,299
2.6 Reserve Ratio (2.4/2.5).....	100.0	100.0

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

- 4.1 Have copies of all agreements stating the period and nature of hospitals', physicians', and dentists' care offered to subscribers and dependents been filed with the appropriate regulatory agency? Yes [ X ] No [ ]
- 4.2 If not previously filed, furnish herewith a copy(ies) of such agreement(s). Do these agreements include additional benefits offered? Yes [ ] No [ X ]
- 5.1 Does the reporting entity have stop-loss reinsurance? Yes [ ] No [ X ]

5.2 If no, explain:  
Management considered (1) the increasing cost of retaining stop loss coverage, (2) the maximum exposure per enrollee, and (3) the strong surplus position of the Company in deciding to forgo stop loss coverage during 2012. Risk retention decisions are regularly reviewed by management.

- 5.3 Maximum retained risk (see instructions):
  - 5.31 Comprehensive medical \$.....0
  - 5.32 Medical only \$.....0
  - 5.33 Medicare supplement \$.....0
  - 5.34 Dental and vision \$.....0
  - 5.35 Other limited benefit plan \$.....0
  - 5.36 Other \$.....0

6. Describe arrangement which the reporting entity may have to protect subscribers and their dependents against the risk of insolvency including hold harmless provisions, conversion privileges with other carriers, agreements with providers to continue rendering services, and any other agreements:  
Hold harmless provisions and covered service provisions

- 7.1 Does the reporting entity set up its claim liability for provider services on a service date base? Yes [ X ] No [ ]
- 7.2 If no, give details:

- 8. Provide the following information regarding participating providers:
  - 8.1 Number of providers at start of reporting year .....82,962
  - 8.2 Number of providers at end of reporting year .....90,545
- 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 \$.....146,968,706
  - 9.22 Business with rate guarantees over 36 months \$.....0
- 10.1 Does the reporting entity have Incentive Pool, Withhold or Bonus arrangements in its provider contracts? Yes [ X ] No [ ]
- 10.2 If yes:
  - 10.21 Maximum amount payable bonuses \$.....0
  - 10.22 Amount actually paid for year bonuses \$.....0
  - 10.23 Maximum amount payable withholds \$.....0
  - 10.24 Amount actually paid for year withholds \$.....0

**GENERAL INTERROGATORIES**

**PART 2 - HEALTH INTERROGATORIES**

- 11.1. Is the reporting entity organized as:
- 11.12 A Medical Group/Staff Model, Yes [ ] No [X]
- 11.13 An Individual Practice Association (IPA), or Yes [ ] No [X]
- 11.14 A Mixed Model (combination of above)? Yes [ ] No [X]
- 11.2. Is the reporting entity subject to Minimum Net Worth Requirements? Yes [X] No [ ]
- 11.3. If yes, show the name of the state requiring such net worth. OHIO
- 11.4. If yes, show the amount required. \$.....248,173,026
- 11.5. Is this amount included as part of a contingency reserve in stockholder's equity? Yes [ ] No [X]
- 11.6. If the amount is calculated, show the calculation:  
200% authorized control level risk-based capital
- 

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

1
Name of Service Area
Please refer to OH, IN, MI, PA, WV, GA, WI, NC, SC

- 13.1. Do you act as a custodian for health savings account? Yes [ ] No [X]
- 13.2. If yes, please provide the amount of custodial funds held as of the reporting date. .....
- 13.3. Do you act as an administrator for health savings accounts? Yes [ ] No [X]
- 13.4. If yes, please provide the balance of the funds administered as of the reporting date. .....

## FIVE-YEAR HISTORICAL DATA

	1 2012	2 2011	3 2010	4 2009	5 2008
<b>Balance Sheet Items (Pages 2 and 3)</b>					
1. Total admitted assets (Page 2, Line 28).....	1,634,353,695	1,558,709,532	1,495,657,937	1,454,851,786	1,396,166,651
2. Total liabilities (Page 3, Line 24).....	500,792,885	437,808,278	430,331,682	479,819,695	485,188,052
3. Statutory surplus.....	248,173,026	220,416,212	220,451,890	215,275,374	214,529,652
4. Total capital and surplus (Page 3, Line 33).....	1,133,560,810	1,120,901,254	1,065,326,255	975,032,091	910,978,599
<b>Income Statement Items (Page 4)</b>					
5. Total revenues (Line 8).....	2,371,862,087	2,122,761,380	2,078,659,426	1,979,336,977	2,030,649,266
6. Total medical and hospital expenses (Line 18).....	2,041,311,942	1,714,170,993	1,716,315,809	1,648,889,308	1,665,764,235
7. Claims adjustment expenses (Line 20).....	69,662,362	64,390,278	65,249,879	66,097,208	73,813,257
8. Total administrative expenses (Line 21).....	237,425,592	281,171,936	363,502,527	244,377,221	227,401,859
9. Net underwriting gain (loss) (Line 24).....	24,796,191	61,572,173	(58,616,789)	16,579,240	66,823,915
10. Net investment gain (loss) (Line 27).....	23,580,111	33,282,914	36,856,911	35,242,275	15,963,030
11. Total other income (Lines 28 plus 29).....	72,087	58,563	6,151,301	5,743,454	7,902,963
12. Net income or (loss) (Line 32).....	43,417,934	66,235,138	(25,427,131)	43,510,395	76,367,454
<b>Cash Flow (Page 6)</b>					
13. Net cash from operations (Line 11).....	119,900,275	108,965,673	31,244,411	19,152,570	133,304,565
<b>Risk-Based Capital Analysis</b>					
14. Total adjusted capital.....	1,133,560,810	1,120,901,254	1,065,326,255	975,032,091	910,978,599
15. Authorized control level risk-based capital.....	124,086,513	110,208,106	110,225,945	107,637,687	107,264,826
<b>Enrollment (Exhibit 1)</b>					
16. Total members at end of period (Column 5, Line 7).....	1,159,793	1,028,945	1,039,293	994,578	1,042,472
17. Total member months (Column 6, Line 7).....	13,467,058	12,196,851	12,252,504	12,008,784	12,364,144
<b>Operating Percentage (Page 4)</b> <b>(Item divided by Page 4, sum of Lines 2, 3, and 5) x 100 .0</b>					
18. Premiums earned plus risk revenue (Line 2 plus Lines 3 and 5).....	100.0	100.0	100.0	100.0	100.0
19. Total hospital and medical plus other non-health (Line 18 plus Line 19).....	86.1	80.8	82.6	83.5	82.0
20. Cost containment expenses.....	1.2	1.2	1.1	1.1	1.2
21. Other claims adjustment expenses.....	1.7	1.8	2.0	2.2	2.5
22. Total underwriting deductions (Line 23).....	99.0	97.1	102.8	99.2	96.7
23. Total underwriting gain (loss) (Line 24).....	1.0	2.9	(2.8)	0.8	3.3
<b>Unpaid Claims Analysis (U&amp;I Exhibit, Part 2B)</b>					
24. Total claims incurred for prior years (Line 13 Col. 5).....	186,896,890	180,197,320	188,216,400	210,269,400	200,602,200
25. Estimated liability of unpaid claims - [prior year (Line 13, Col. 6)].....	189,306,714	203,490,800	207,317,000	213,529,200	214,145,000
<b>Investments in Parent, Subsidiaries and Affiliates</b>					
26. Affiliated bonds (Sch. D Summary, Line 12, Col. 1).....					
27. Affiliated preferred stocks (Sch. D. Summary, Line 18, Col. 1).....					
28. Affiliated common stocks (Sch. D. Summary, Line 24, Col. 1).....	126,723,336	132,707,523	124,193,357	121,943,444	129,158,696
29. Affiliated short-term investments (subtotal included in Sch. DA, Verification, Column 5, Line 10).....					
30. Affiliated mortgage loans on real estate.....					
31. All other affiliated.....	408,737,048	434,311,220	443,671,162	432,792,916	410,454,038
32. Total of above Lines 26 to 31.....	535,460,384	567,018,743	567,864,519	554,736,360	539,612,734
33. Total investment in parent included in Lines 26 to 31 above.....					

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

Yes [ ] No [ ]

If no, please explain:

**SCHEDULE T - PREMIUMS AND OTHER CONSIDERATIONS**

Allocated by States and Territories

State, Etc.	1 Active Status	Direct Business Only							9 Deposit-Type Contracts
		2 Accident & Health Premiums	3 Medicare Title XVIII	4 Medicaid Title XIX	5 Federal Employees Health Benefits Program Premiums	6 Life & Annuity Premiums and Other Considerations	7 Property/Casualty Premiums	8 Total Columns 2 Through 7	
1. Alabama.....AL	N								0
2. Alaska.....AK	N								0
3. Arizona.....AZ	N								0
4. Arkansas.....AR	N								0
5. California.....CA	N								0
6. Colorado.....CO	N								0
7. Connecticut.....CT	N								0
8. Delaware.....DE	N								0
9. District of Columbia.....DC	N								0
10. Florida.....FL	N								0
11. Georgia.....GA	L								0
12. Hawaii.....HI	N								0
13. Idaho.....ID	N								0
14. Illinois.....IL	N								0
15. Indiana.....IN	L	64,717,298							64,717,298
16. Iowa.....IA	N								0
17. Kansas.....KS	N								0
18. Kentucky.....KY	N								0
19. Louisiana.....LA	N								0
20. Maine.....ME	N								0
21. Maryland.....MD	N								0
22. Massachusetts.....MA	N								0
23. Michigan.....MI	L	4,027,558							4,027,558
24. Minnesota.....MN	N								0
25. Mississippi.....MS	N								0
26. Missouri.....MO	N								0
27. Montana.....MT	N								0
28. Nebraska.....NE	N								0
29. Nevada.....NV	N								0
30. New Hampshire.....NH	N								0
31. New Jersey.....NJ	N								0
32. New Mexico.....NM	N								0
33. New York.....NY	N								0
34. North Carolina.....NC	L								0
35. North Dakota.....ND	N								0
36. Ohio.....OH	L	2,240,957,126							2,240,957,126
37. Oklahoma.....OK	N								0
38. Oregon.....OR	N								0
39. Pennsylvania.....PA	L								0
40. Rhode Island.....RI	N								0
41. South Carolina.....SC	L								0
42. South Dakota.....SD	N								0
43. Tennessee.....TN	N								0
44. Texas.....TX	N								0
45. Utah.....UT	N								0
46. Vermont.....VT	N								0
47. Virginia.....VA	N								0
48. Washington.....WA	N								0
49. West Virginia.....WV	L								0
50. Wisconsin.....WI	L								0
51. Wyoming.....WY	N								0
52. American Samoa.....AS	N								0
53. Guam.....GU	N								0
54. Puerto Rico.....PR	N								0
55. U.S. Virgin Islands.....VI	N								0
56. Northern Mariana Islands.....MP	N								0
57. Canada.....CAN	N								0
58. Aggregate Other alien.....OT	XXX	0	0	0	0	0	0	0	0
59. Subtotal.....XXX		2,309,701,982	0	0	0	0	0	0	2,309,701,982
60. Reporting entity contributions for Employee Benefit Plans.....XXX									0
61. Total (Direct Business).....(a)	9	2,309,701,982	0	0	0	0	0	0	2,309,701,982

**DETAILS OF WRITE-INS**

58001.....									0
58002.....									0
58003.....									0
58998. Summary of remaining write-ins for line 58.....		0	0	0	0	0	0	0	0
58999. Total (Lines 58001 thru 58003 + 58998).....		0	0	0	0	0	0	0	0

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

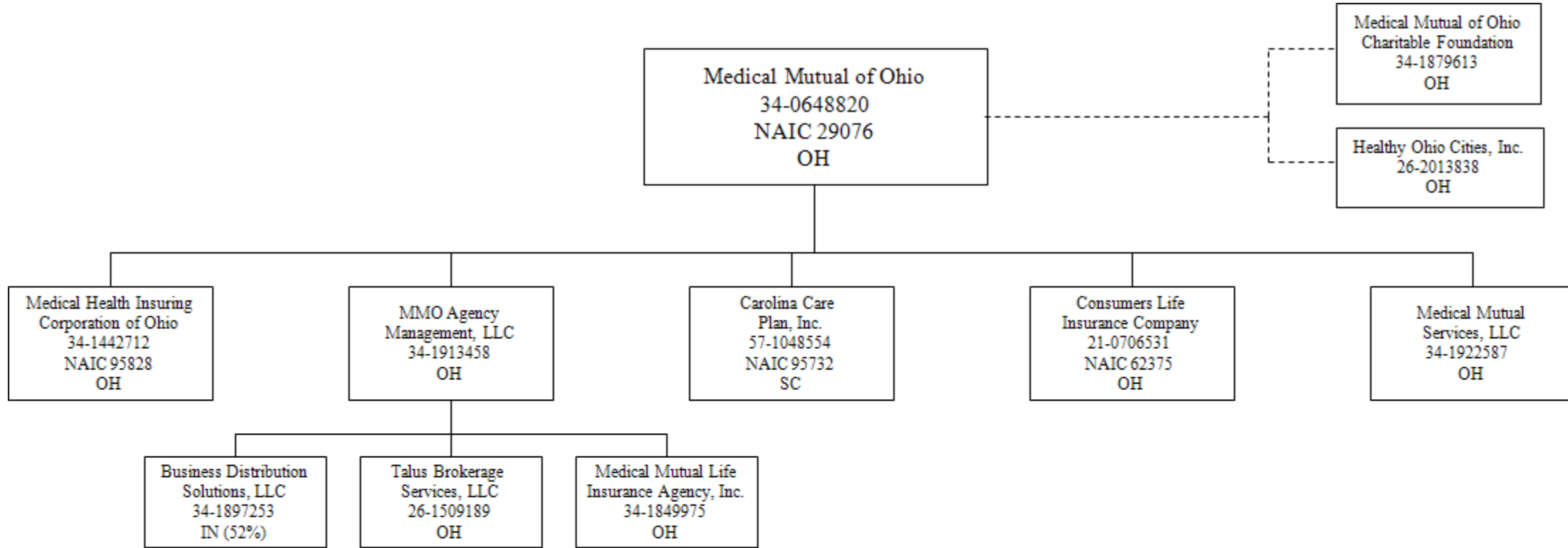
**Explanation of basis of allocation by states, premiums by state, etc.**

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

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

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

## PART 1 – ORGANIZATIONAL CHART



**2012 ALPHABETICAL INDEX  
HEALTH ANNUAL STATEMENT BLANK**

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