



ANNUAL STATEMENT

For the Year Ending December 31, 2012

OF THE CONDITION AND AFFAIRS OF THE

AultCare Insurance Company

NAIC Group Code	0000 <small>(Current Period)</small>	0000 <small>(Prior Period)</small>	NAIC Company Code	77216	Employer's ID Number	341624818
Organized under the Laws of	Ohio		State of Domicile or Port of Entry	Ohio		
Country of Domicile	United States of America					
Licensed as business type:	Life, Accident & Health[X] Dental Service Corporation[] Other[]	Property/Casualty[] Vision Service Corporation[] Is HMO Federally Qualified? Yes[X] No[] N/A[]	Hospital, Medical & Dental Service or Indemnity[] Health Maintenance Organization[]			
Incorporated/Organized	08/15/1989		Commenced Business	11/01/1989		
Statutory Home Office	2600 Sixth Street SW <small>(Street and Number)</small>		Canton, OH, 44710 <small>(City or Town, State, Country and Zip Code)</small>			
Main Administrative Office	Canton, OH, 44710 <small>(City or Town, State, Country and Zip Code)</small>		2600 Sixth Street SW <small>(Street and Number)</small>		(330)363-4057 <small>(Area Code) (Telephone Number)</small>	
Mail Address	2600 Sixth Street SW <small>(Street and Number or P.O. Box)</small>		Canton, OH, 44710 <small>(City or Town, State, Country and Zip Code)</small>			
Primary Location of Books and Records	Canton, OH, 44710 <small>(City or Town, State, Country and Zip Code)</small>		2600 Sixth Street SW <small>(Street and Number)</small>		(330)363-4057 <small>(Area Code) (Telephone Number)</small>	
Internet Website Address	www.aultcare.com					
Statutory Statement Contact	Jeffrey Alan Scheatzle <small>(Name)</small>		(330)363-4057 <small>(Area Code)(Telephone Number)(Extension)</small>			
	jscheatzle@aultman.com <small>(E-Mail Address)</small>		(330)363-5012 <small>(Fax Number)</small>			

OFFICERS

Name	Title
Rick L. Haines	President
William Wallace M.D.	Secretary
Mark D. Wright	Treasurer
Edward J. Roth III	Executive Vice President

OTHERS

DIRECTORS OR TRUSTEES

William Wallace M.D. Christopher E. Remark Rick L. Haines Mark D. Wright Timothy L. Hagen D.O. Allen Rovner M.D.	Gregory A. Haban M.D. Edward J. Roth III Michael A. Rich M.D. John B. Humphrey Jr., M.D. Darryl J. Dillenback
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State of Ohio
 County of Stark ss

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

_____ <small>(Signature)</small> Rick L. Haines <small>(Printed Name)</small> 1. President <small>(Title)</small>	_____ <small>(Signature)</small> William Wallace <small>(Printed Name)</small> 2. Secretary <small>(Title)</small>	_____ <small>(Signature)</small> Mark D. Wright <small>(Printed Name)</small> 3. Treasurer <small>(Title)</small>
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Subscribed and sworn to before me this _____ day of _____, 2013

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

Yes[X] No[]

(Notary Public Signature)

DIRECTORS OR TRUSTEES (continued)

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)	47,590,377		47,590,377	60,202,791
2. Stocks (Schedule D)				
2.1 Preferred stocks				
2.2 Common Stocks	17,844,193		17,844,193	15,648,952
3. Mortgage loans on real estate (Schedule B):				
3.1 First liens				
3.2 Other than first liens				
4. Real estate (Schedule A):				
4.1 Properties occupied by the company (less \$.....0 encumbrances)				
4.2 Properties held for the production of income (less \$.....0 encumbrances)				
4.3 Properties held for sale (less \$.....0 encumbrances)				
5. Cash (\$.....8,713,866 Schedule E Part 1), cash equivalents (\$.....0 Schedule E Part 2) and short-term investments (\$.....230,483 Schedule DA)	8,944,349		8,944,349	10,761,167
6. Contract loans (including \$.....0 premium notes)				
7. Derivatives (Schedule DB)				
8. Other invested assets (Schedule BA)	16,478,301		16,478,301	18,067,146
9. Receivables for securities				
10. Securities Lending Reinvested Collateral Assets (Schedule DL)				
11. Aggregate write-ins for invested assets				
12. Subtotals, cash and invested assets (Lines 1 to 11)	90,857,220		90,857,220	104,680,056
13. Title plants less \$.....0 charged off (for Title insurers only)				
14. Investment income due and accrued	407,640		407,640	514,747
15. Premiums and considerations:				
15.1 Uncollected premiums and agents' balances in the course of collection	3,079,565		3,079,565	2,389,936
15.2 Deferred premiums, agents' balances and installments booked but deferred and not yet due (Including \$.....0 earned but unbilled premiums)				
15.3 Accrued retrospective premiums				
16. Reinsurance:				
16.1 Amounts recoverable from reinsurers	2,376,425		2,376,425	1,528,894
16.2 Funds held by or deposited with reinsured companies				
16.3 Other amounts receivable under reinsurance contracts				
17. Amounts receivable relating to uninsured plans	5,386,128		5,386,128	2,898,113
18.1 Current federal and foreign income tax recoverable and interest thereon	666,895		666,895	666,895
18.2 Net deferred tax asset	4,694,000		4,694,000	4,694,000
19. Guaranty funds receivable or on deposit				
20. Electronic data processing equipment and software				
21. Furniture and equipment, including health care delivery assets (\$.....0)				
22. Net adjustment in assets and liabilities due to foreign exchange rates				
23. Receivables from parent, subsidiaries and affiliates				
24. Health care (\$.....4,499,304) and other amounts receivable	5,715,562	350,534	5,365,028	4,761,234
25. Aggregate write-ins for other than invested assets				
26. Total assets excluding Separate Accounts, Segregated Accounts and Protected Cell Accounts (Lines 12 to 25)	113,183,434	350,534	112,832,900	122,133,875
27. From Separate Accounts, Segregated Accounts and Protected Cell Accounts				
28. Total (Lines 26 and 27)	113,183,434	350,534	112,832,900	122,133,875
DETAILS OF WRITE-INS				
1101.				
1102.				
1103.				
1198. Summary of remaining write-ins for Line 11 from overflow page				
1199. TOTALS (Lines 1101 through 1103 plus 1198) (Line 11 above)				
2501.				
2502.				
2503.				
2598. Summary of remaining write-ins for Line 25 from overflow page				
2599. TOTALS (Lines 2501 through 2503 plus 2598) (Line 25 above)				

LIABILITIES, CAPITAL AND SURPLUS

	Current Year			Prior Year
	1 Covered	2 Uncovered	3 Total	4 Total
1. Claims unpaid (less \$.....1,030,900 reinsurance ceded)	31,727,580		31,727,580	39,774,317
2. Accrued medical incentive pool and bonus amounts	2,377,535		2,377,535	2,693,514
3. Unpaid claims adjustment expenses	572,800		572,800	730,200
4. Aggregate health policy reserves, including the liability of \$.....0 for medical loss ratio rebate per the Public Health Service Act	7,189,602		7,189,602	11,000,000
5. Aggregate life policy reserves				
6. Property/casualty unearned premium reserves				
7. Aggregate health claim reserves				
8. Premiums received in advance	6,538,502		6,538,502	2,695,899
9. General expenses due or accrued	4,594,143		4,594,143	3,911,874
10.1 Current federal and foreign income tax payable and interest thereon (including \$.....0 on realized capital gains (losses))				
10.2 Net deferred tax liability				
11. Ceded reinsurance premiums payable	869,617		869,617	977,865
12. Amounts withheld or retained for the account of others				
13. Remittances and items not allocated				
14. Borrowed money (including \$.....0 current) and interest thereon \$.....0 (including \$.....0 current)				
15. Amounts due to parent, subsidiaries and affiliates				
16. Derivatives				
17. Payable for securities				
18. Payable for securities lending				
19. Funds held under reinsurance treaties (with \$.....0 authorized reinsurers, \$.....0 unauthorized reinsurers and \$.....0 certified reinsurers)				
20. Reinsurance in unauthorized and certified (\$.....0) companies				
21. Net adjustments in assets and liabilities due to foreign exchange rates				
22. Liability for amounts held under uninsured plans	598,858		598,858	2,914,110
23. Aggregate write-ins for other liabilities (including \$.....0 current)				
24. TOTAL Liabilities (Lines 1 to 23)	54,468,637		54,468,637	64,697,779
25. Aggregate write-ins for special surplus funds	X X X	X X X		
26. Common capital stock	X X X	X X X	1,000,000	1,000,000
27. Preferred capital stock	X X X	X X X		
28. Gross paid in and contributed surplus	X X X	X X X	48,875,734	48,875,734
29. Surplus notes	X X X	X X X		
30. Aggregate write-ins for other than special surplus funds	X X X	X X X		
31. Unassigned funds (surplus)	X X X	X X X	8,488,530	7,560,362
32. Less treasury stock, at cost:				
32.1 .....0 shares common (value included in Line 26 \$.....0)	X X X	X X X		
32.2 .....0 shares preferred (value included in Line 27 \$.....0)	X X X	X X X		
33. TOTAL Capital and Surplus (Lines 25 to 31 minus Line 32)	X X X	X X X	58,364,264	57,436,096
34. TOTAL Liabilities, Capital and Surplus (Lines 24 and 33)	X X X	X X X	112,832,901	122,133,875
DETAILS OF WRITE-INS				
2301.				
2302.				
2303.				
2398. Summary of remaining write-ins for Line 23 from overflow page				
2399. TOTALS (Lines 2301 through 2303 plus 2398) (Line 23 above)				
2501.	X X X	X X X		
2502.	X X X	X X X		
2503.	X X X	X X X		
2598. Summary of remaining write-ins for Line 25 from overflow page	X X X	X X X		
2599. TOTALS (Lines 2501 through 2503 plus 2598) (Line 25 above)	X X X	X X X		
3001.	X X X	X X X		
3002.	X X X	X X X		
3003.	X X X	X X X		
3098. Summary of remaining write-ins for Line 30 from overflow page	X X X	X X X		
3099. TOTALS (Lines 3001 through 3003 plus 3098) (Line 30 above)	X X X	X X X		

STATEMENT OF REVENUE AND EXPENSES

	Current Year		Prior Year
	1 Uncovered	2 Total	3 Total
1. Member Months	X X X	1,424,534	1,393,715
2. Net premium income (including \$.....468,467,855 non-health premium income)	X X X	468,467,855	438,117,371
3. Change in unearned premium reserves and reserve for rate credits	X X X		
4. Fee-for-service (net of \$.....0 medical expenses)	X X X		
5. Risk revenue	X X X		
6. Aggregate write-ins for other health care related revenues	X X X		
7. Aggregate write-ins for other non-health revenues	X X X		
8. TOTAL Revenues (Lines 2 to 7)	X X X	468,467,855	438,117,371
Hospital and Medical:			
9. Hospital/medical benefits	298,660,443	298,660,443	287,083,638
10. Other professional services			
11. Outside referrals	36,670,512	36,670,512	39,543,121
12. Emergency room and out-of-area	8,646,330	8,646,330	7,947,538
13. Prescription drugs	65,281,199	65,281,199	55,408,268
14. Aggregate write-ins for other hospital and medical		12,559,972	7,527,752
15. Incentive pool, withhold adjustments and bonus amounts	4,617,135	4,617,135	4,677,490
16. Subtotal (Lines 9 to 15)	413,875,619	426,435,591	402,187,805
Less:			
17. Net reinsurance recoveries	4,606,529	4,606,529	4,935,496
18. TOTAL Hospital and Medical (Lines 16 minus 17)	409,269,090	421,829,062	397,252,309
19. Non-health claims (net)			
20. Claims adjustment expenses, including \$.....4,884,680 cost containment expenses	7,415,839	7,415,839	6,837,553
21. General administrative expenses	41,618,594	41,618,594	38,119,722
22. Increase in reserves for life and accident and health contracts (including \$.....0 increase in reserves for life only)			
23. TOTAL Underwriting Deductions (Lines 18 through 22)	458,303,523	470,863,496	442,209,584
24. Net underwriting gain or (loss) (Lines 8 minus 23)	X X X	(2,395,640)	(4,092,214)
25. Net investment income earned (Exhibit of Net Investment Income, Line 17)	2,175,377	2,175,377	2,387,386
26. Net realized capital gains (losses) less capital gains tax of \$.....0		103,783	(998,576)
27. Net investment gains (losses) (Lines 25 plus 26)	2,175,377	2,279,160	1,388,809
28. Net gain or (loss) from agents' or premium balances charged off [(amount recovered \$.....0) (amount charged off \$.....0)]			
29. Aggregate write-ins for other income or expenses			
30. Net income or (loss) after capital gains tax and before all other federal income taxes (Lines 24 plus 27 plus 28 plus 29)	X X X	(116,480)	(2,703,404)
31. Federal and foreign income taxes incurred	X X X	196,231	407,580
32. Net income (loss) (Lines 30 minus 31)	X X X	(312,711)	(3,110,984)
DETAILS OF WRITE-INS			
0601.	X X X		
0602.	X X X		
0603.	X X X		
0698. Summary of remaining write-ins for Line 6 from overflow page	X X X		
0699. TOTALS (Lines 0601 through 0603 plus 0698) (Line 6 above)	X X X		
0701.	X X X		
0702.	X X X		
0703.	X X X		
0798. Summary of remaining write-ins for Line 7 from overflow page	X X X		
0799. TOTALS (Line 0701 through 0703 plus 0798) (Line 7 above)	X X X		
1401. Reinsurance Claims		12,559,972	7,527,752
1402.			
1403.			
1498. Summary of remaining write-ins for Line 14 from overflow page			
1499. TOTALS (Lines 1401 through 1403 plus 1498) (Line 14 above)		12,559,972	7,527,752
2901.			
2902.			
2903.			
2998. Summary of remaining write-ins for Line 29 from overflow page			
2999. TOTALS (Line 2901 through 2903 plus 2998) (Line 29 above)			

STATEMENT OF REVENUE AND EXPENSES (Continued)

		1	2
		Current Year	Prior Year
CAPITAL & SURPLUS ACCOUNT			
33.	Capital and surplus prior reporting year	57,436,096	59,574,566
34.	Net income or (loss) from Line 32	(312,711)	(3,110,984)
35.	Change in valuation basis of aggregate policy and claim reserves		
36.	Change in net unrealized capital gains (losses) less capital gains tax of \$.....0	1,567,528	(336,000)
37.	Change in net unrealized foreign exchange capital gain or (loss)		
38.	Change in net deferred income tax		1,192,131
39.	Change in nonadmitted assets	(326,649)	116,383
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		
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		
48.	Net change in capital and surplus (Lines 34 to 47)	928,168	(2,138,470)
49.	Capital and surplus end of reporting year (Line 33 plus 48)	58,364,264	57,436,096
DETAILS OF WRITE-INS			
4701.	0		
4702.	0		
4703.	.....	
4798.	Summary of remaining write-ins for Line 47 from overflow page		
4799.	TOTALS (Lines 4701 through 4703 plus 4798) (Line 47 above)		

CASH FLOW

		1	2
		Current Year	Prior Year
Cash from Operations			
1.	Premiums collected net of reinsurance	467,702,183	436,788,023
2.	Net investment income	2,516,019	2,618,794
3.	Miscellaneous income		
4.	Total (Lines 1 through 3)	470,218,202	439,406,818
5.	Benefit and loss related payments	431,969,752	394,496,312
6.	Net transfers to Separate Accounts, Segregated Accounts and Protected Cell Accounts		
7.	Commissions, expenses paid and aggregate write-ins for deductions	53,312,830	46,109,528
8.	Dividends paid to policyholders		
9.	Federal and foreign income taxes paid (recovered) net of \$.....0 tax on capital gains (losses)	196,231	886,997
10.	Total (Lines 5 through 9)	485,478,813	441,492,837
11.	Net cash from operations (Line 4 minus Line 10)	(15,260,611)	(2,086,019)
Cash from Investments			
12.	Proceeds from investments sold, matured or repaid:		
12.1	Bonds	18,049,020	11,485,000
12.2	Stocks	680,979	
12.3	Mortgage loans		
12.4	Real estate		
12.5	Other invested assets		
12.6	Net gains or (losses) on cash, cash equivalents and short-term investments		
12.7	Miscellaneous proceeds	1,384,081	996,238
12.8	Total investment proceeds (Lines 12.1 to 12.7)	20,114,080	12,481,238
13.	Cost of investments acquired (long-term only):		
13.1	Bonds	5,441,263	16,205,709
13.2	Stocks	1,229,023	447,309
13.3	Mortgage loans		
13.4	Real estate		
13.5	Other invested assets		3,601,021
13.6	Miscellaneous applications		996,238
13.7	Total investments acquired (Lines 13.1 to 13.6)	6,670,286	21,250,277
14.	Net increase (decrease) in contract loans and premium notes		
15.	Net cash from investments (Line 12.8 minus Line 13.7 minus Line 14)	13,443,794	(8,769,039)
Cash from Financing and Miscellaneous Sources			
16.	Cash provided (applied):		
16.1	Surplus notes, capital notes		
16.2	Capital and paid in surplus, less treasury stock		
16.3	Borrowed funds		
16.4	Net deposits on deposit-type contracts and other insurance liabilities		
16.5	Dividends to stockholders		
16.6	Other cash provided (applied)		
17.	Net cash from financing and miscellaneous sources (Lines 16.1 to 16.4 minus Line 16.5 plus Line 16.6)		
RECONCILIATION OF CASH, CASH EQUIVALENTS AND SHORT-TERM INVESTMENTS			
18.	Net change in cash, cash equivalents and short-term investments (Line 11, plus Lines 15 and 17)	(1,816,817)	(10,855,059)
19.	Cash, cash equivalents and short-term investments:		
19.1	Beginning of year	10,761,167	21,616,226
19.2	End of year (Line 18 plus Line 19.1)	8,944,349	10,761,167

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

20.0001	Cumulative effect of changes in accounting principles		
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ANALYSIS OF OPERATIONS BY LINES OF BUSINESS

	1	2	3	4	5	6	7	8	9	10
	Total	Comprehensive (Hospital & Medical)	Medicare Supplement	Dental Only	Vision Only	Federal Employees Health Benefit Plan	Title XVIII Medicare	Title XIX Medicaid	Other Health	Other Non-Health
1. Net premium income	468,467,855	188,389,623	143,280	2,724,805		14,172,536	251,048,651		11,988,962	
2. Change in unearned premium reserves and reserve for rate credit										
3. Fee-for-service (net of \$.....0 medical expenses)										X X X
4. Risk revenue										X X X
5. Aggregate write-ins for other health care related revenues										X X X
6. Aggregate write-ins for other non-health care related revenues		X X X	X X X	X X X	X X X	X X X	X X X	X X X	X X X	
7. TOTAL Revenues (Lines 1 to 6)	468,467,855	188,389,623	143,280	2,724,805		14,172,536	251,048,651		11,988,962	
8. Hospital/medical benefits	298,660,443	110,773,543	100,221	1,993,476		8,415,129	177,378,074			X X X
9. Other professional services										X X X
10. Outside referrals	36,670,512	22,430,389	7,041			1,574,110	12,658,972			X X X
11. Emergency room and out-of-area	8,646,330	5,049,110	1,830			304,752	3,290,638			X X X
12. Prescription drugs	65,281,199	25,200,709				3,481,087	30,110,374		6,489,030	X X X
13. Aggregate write-ins for other hospital and medical	12,559,972								12,559,972	X X X
14. Incentive pool, withhold adjustments and bonus amounts	4,617,135	816,974				57,748	3,742,413			X X X
15. Subtotal (Lines 8 to 14)	426,435,591	164,270,726	109,092	1,993,476		13,832,826	227,180,470		19,049,002	X X X
16. Net reinsurance recoveries	4,606,529	1,410,399					269,873		2,926,257	X X X
17. TOTAL Hospital and Medical (Lines 15 minus 16)	421,829,062	162,860,327	109,092	1,993,476		13,832,826	226,910,596		16,122,745	X X X
18. Non-health claims (net)		X X X	X X X	X X X	X X X	X X X	X X X	X X X	X X X	
19. Claims adjustment expenses including \$.....4,884,680 cost containment expenses	7,415,839	4,451,693	1,436			285,783	2,524,826		152,102	
20. General administrative expenses	41,618,594	18,752,140	11,266	577,892		564,045	19,804,684		1,908,567	
21. Increase in reserves for accident and health contracts										X X X
22. Increase in reserves for life contracts		X X X	X X X	X X X	X X X	X X X	X X X	X X X	X X X	
23. TOTAL Underwriting Deductions (Lines 17 to 22)	470,863,496	186,064,160	121,795	2,571,368		14,682,654	249,240,106		18,183,414	
24. Net underwriting gain or (loss) (Line 7 minus Line 23)	(2,395,640)	2,325,463	21,485	153,438		(510,118)	1,808,545		(6,194,452)	
DETAILS OF WRITE-INS										
0501.										X X X
0502.										X X X
0503.										X X X
0598. Summary of remaining write-ins for Line 5 from overflow page										X X X
0599. TOTALS (Lines 0501 through 0503 plus 0598) (Line 5 above)										X X X
0601.		X X X	X X X	X X X	X X X	X X X	X X X	X X X	X X X	
0602.		X X X	X X X	X X X	X X X	X X X	X X X	X X X	X X X	
0603.		X X X	X X X	X X X	X X X	X X X	X X X	X X X	X X X	
0698. Summary of remaining write-ins for Line 6 from overflow page		X X X	X X X	X X X	X X X	X X X	X X X	X X X	X X X	
0699. TOTALS (Lines 0601 through 0603 plus 0698) (Line 6 above)		X X X	X X X	X X X	X X X	X X X	X X X	X X X	X X X	
1301. Reinsurance Claims	12,559,972								12,559,972	X X X
1302.										X X X
1303.										X X X
1398. Summary of remaining write-ins for Line 13 from overflow page										X X X
1399. TOTALS (Lines 1301 through 1303 plus 1398) (Line 13 above)	12,559,972								12,559,972	X X X

UNDERWRITING AND INVESTMENT EXHIBIT

PART 1 - PREMIUMS

		1	2	3	4
	Line of Business	Direct Business	Reinsurance Assumed	Reinsurance Ceded	Net Premium Income (Columns 1 + 2 - 3)
1.	Comprehensive (hospital and medical)	194,465,678		6,076,055	188,389,623
2.	Medicare Supplement	143,280			143,280
3.	Dental only	2,724,805			2,724,805
4.	Vision only				
5.	Federal Employees Health Benefits Plan	14,447,486		274,951	14,172,536
6.	Title XVIII - Medicare	251,864,803		816,152	251,048,651
7.	Title XIX - Medicaid				
8.	Other health	15,424,386		3,435,424	11,988,962
9.	Health subtotal (Lines 1 through 8)	479,070,438		10,602,582	468,467,856
10.	Life				
11.	Property/casualty				
12.	TOTALS (Lines 9 to 11)	479,070,438		10,602,582	468,467,856

UNDERWRITING AND INVESTMENT EXHIBIT

PART 2 - CLAIMS INCURRED DURING THE YEAR

	1	2	3	4	5	6	7	8	9	10
	Total	Comprehensive (Hospital & 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	429,479,358	160,474,255	109,092	1,883,593		13,849,571	234,263,845		18,899,002	
1.2 Reinsurance assumed										
1.3 Reinsurance ceded	4,916,629	1,446,739				6,860	536,773		2,926,257	
1.4 Net	424,562,730	159,027,516	109,092	1,883,593		13,842,711	233,727,072		15,972,745	
2. Paid medical incentive pools and bonuses	4,933,114	876,870				61,890	3,994,353			
3. Claim liability December 31, current year from Part 2A:										
3.1 Direct	32,758,480	12,290,164		255,168		605,734	17,887,414		1,720,000	
3.2 Reinsurance assumed										
3.3 Reinsurance ceded	1,030,900	420,425				19,075	591,400			
3.4 Net	31,727,580	11,869,739		255,168		586,659	17,296,014		1,720,000	
4. Claim reserve December 31, current year from Part 2D:										
4.1 Direct										
4.2 Reinsurance assumed										
4.3 Reinsurance ceded										
4.4 Net										
5. Accrued medical incentive pools and bonuses, current year	2,377,535	473,013				38,289	1,866,233			
6. Net healthcare receivables (a)	(695,934)	(695,934)								
7. Amounts recoverable from reinsurers December 31, current year										
8. Claim liability December 31, prior year from Part 2A:										
8.1 Direct	41,115,317	13,952,049				622,479	24,970,789		1,570,000	
8.2 Reinsurance assumed										
8.3 Reinsurance ceded	1,341,000	456,765				25,935	858,300			
8.4 Net	39,774,317	13,495,284				596,544	24,112,489		1,570,000	
9. Claim reserve December 31, prior year from Part 2D:										
9.1 Direct										
9.2 Reinsurance assumed										
9.3 Reinsurance ceded										
9.4 Net										
10. Accrued medical incentive pools and bonuses, prior year	2,693,514	532,909				42,431	2,118,174			
11. Amounts recoverable from reinsurers December 31, prior year										
12. Incurred benefits:										
12.1 Direct	421,818,456	159,508,304	109,092	2,138,762		13,832,826	227,180,470		19,049,002	
12.2 Reinsurance assumed										
12.3 Reinsurance ceded	4,606,529	1,410,399					269,873		2,926,257	
12.4 Net	417,211,927	158,097,906	109,092	2,138,762		13,832,826	226,910,596		16,122,745	
13. Incurred medical incentive pools and bonuses	4,617,135	816,975				57,747	3,742,413			

(a) Excludes \$.....2,900,000 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	Compre- hensive (Hospital & Medical)	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										
1.2 Reinsurance assumed										
1.3 Reinsurance ceded										
1.4 Net										
2. Incurred but Unreported:										
2.1 Direct	32,758,480	12,290,164		255,168		605,734	17,887,414		1,720,000	
2.2 Reinsurance assumed										
2.3 Reinsurance ceded	1,030,900	420,425				19,075	591,400			
2.4 Net	31,727,580	11,869,739		255,168		586,659	17,296,014		1,720,000	
3. Amounts Withheld from Paid Claims and Capitations:										
3.1 Direct										
3.2 Reinsurance assumed										
3.3 Reinsurance ceded										
3.4 Net										
4. TOTALS										
4.1 Direct	32,758,480	12,290,164		255,168		605,734	17,887,414		1,720,000	
4.2 Reinsurance assumed										
4.3 Reinsurance ceded	1,030,900	420,425				19,075	591,400			
4.4 Net	31,727,580	11,869,739		255,168		586,659	17,296,014		1,720,000	

UNDERWRITING AND INVESTMENT EXHIBIT
PART 2B - ANALYSIS OF CLAIMS UNPAID-PRIOR YEAR-NET OF REINSURANCE

Line of Business	Claims Paid During the Year		Claim Reserve and Claim Liability December 31 of Current Year		5	6
	1 On Claims Incurred Prior to January 1 of Current Year	2 On Claims Incurred During the Year	3 On Claims Unpaid December 31 of Prior Year	4 On Claims Incurred During the Year	Claims Incurred in Prior Years (Columns 1 + 3)	Estimated Claim Reserve and Claim Liability December 31 of Prior Year
1. Comprehensive (hospital and medical)	10,866,800	148,160,716		11,869,739	10,866,800	13,495,284
2. Medicare Supplement		109,092				
3. Dental only		1,883,593		255,168		
4. Vision only						
5. Federal Employees Health Benefits Plan	597,191	13,245,521		586,659	597,191	596,544
6. Title XVIII - Medicare	24,558,500	209,168,572		17,296,014	24,558,500	24,112,489
7. Title XIX - Medicaid						
8. Other health	1,685,600	14,287,145		1,720,000	1,685,600	1,570,000
9. Health subtotal (Lines 1 to 8)	37,708,091	386,854,639		31,727,580	37,708,091	39,774,317
10. Healthcare receivables (a)	1,599,304				1,599,304	2,295,238
11. Other non-health						
12. Medical incentive pool and bonus amounts	3,133,114	1,800,000	(439,600)	2,817,135	2,693,514	2,693,514
13. TOTALS (Lines 9 - 10 + 11 + 12)	39,241,901	388,654,639	(439,600)	34,544,715	38,802,301	40,172,593

(a) Excludes \$.....2,900,000 loans or advances to providers not yet expensed.

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

Grand Total

Section A - Paid Health Claims

Year in Which Losses Were Incurred		Cumulative Net Amounts Paid				
		1 2008	2 2009	3 2010	4 2011	5 2012
1.	Prior	41,291	41,291	41,291	41,291	41,291
2.	2008	356,993	391,255	391,255	391,255	391,255
3.	2009	X X X	354,900	386,361	386,361	386,361
4.	2010	X X X	X X X	340,505	376,472	376,472
5.	2011	X X X	X X X	X X X	354,846	394,153
6.	2012	X X X	X X X	X X X	X X X	388,655

Section B - Incurred Health Claims

Year in Which Losses Were Incurred		Sum of Cumulative Net Amount Paid and Claim Liability, Claim Reserve and Medical Incentive Pool and Bonuses Outstanding at End of Year				
		1 2008	2 2009	3 2010	4 2011	5 2012
1.	Prior	41,291	41,291	41,291	41,291	41,291
2.	2008	400,237	391,255	391,255	391,255	391,255
3.	2009	X X X	394,287	386,361	386,361	386,361
4.	2010	X X X	X X X	378,054	376,472	376,472
5.	2011	X X X	X X X	X X X	397,314	394,153
6.	2012	X X X	X X X	X X X	X X X	422,760

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

Years in Which Premiums were Earned and Claims were Incurred		1 Premiums Earned	2 Claims Payments	3 Claim Adjustment Expense Payments	4 (Col. 3/2) Percent	5 Claim and Claim Adjustment Expense Payments (Col. 2 + 3)	6 (Col. 5/1) Percent	7 Claims Unpaid	8 Unpaid Claims Adjustment Expenses	9 Total Claims and Claims Adjustment Expense Incurred (Col. 5 + 7 + 8)	10 (Col. 9/1) Percent
1.	2008	452,804	391,255	6,319	1.615	397,574	87.803			397,574	87.803
2.	2009	429,473	386,361	6,163	1.595	392,524	91.397			392,524	91.397
3.	2010	417,361	376,472	6,316	1.678	382,788	91.716			382,788	91.716
4.	2011	440,529	394,153	9,712	2.464	403,865	91.677			403,865	91.677
5.	2012	468,468	388,655	6,692	1.722	395,347	84.392	34,105	573	430,025	91.794

12 Total

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

Hospital and Medical
Section A - Paid Health Claims

Year in Which Losses Were Incurred	Cumulative Net Amounts Paid				
	1 2008	2 2009	3 2010	4 2011	5 2012
1. Prior	21,065	21,065	21,065	21,065	21,065
2. 2008	190,783	207,596	207,596	207,596	207,596
3. 2009	X X X	167,665	179,941	179,941	179,941
4. 2010	X X X	X X X	144,255	157,172	157,172
5. 2011	X X X	X X X	X X X	144,974	157,440
6. 2012	X X X	X X X	X X X	X X X	149,961

Section B - Incurred Health Claims

Year in Which Losses Were Incurred	Sum of Cumulative Net Amount Paid and Claim Liability, Claim Reserve and Medical Incentive Pool and Bonuses Outstanding at End of Year				
	1 2008	2 2009	3 2010	4 2011	5 2012
1. Prior	21,065	21,065	21,065	21,065	21,065
2. 2008	212,006	207,596	207,596	207,596	207,596
3. 2009	X X X	185,775	179,941	179,941	179,941
4. 2010	X X X	X X X	160,692	157,172	157,172
5. 2011	X X X	X X X	X X X	161,162	157,440
6. 2012	X X X	X X X	X X X	X X X	164,208

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

Years in Which Premiums were Earned and Claims were Incurred	1 Premiums Earned	2 Claims Payments	3 Claim Adjustment Expense Payments	4 (Col. 3/2) Percent	5 Claim and Claim Adjustment Expense Payments (Col. 2 + 3)	6 (Col. 5/1) Percent	7 Claims Unpaid	8 Unpaid Claims Adjustment Expenses	9 Total Claims and Claims Adjustment Expense Incurred (Col. 5 + 7 + 8)	10 (Col. 9/1) Percent
1. 2008	217,202	207,596	4,737	2.282	212,334	97.758			212,334	97.758
2. 2009	196,414	179,941	4,272	2.374	184,213	93.788			184,213	93.788
3. 2010	180,231	157,172	4,738	3.014	161,910	89.835			161,910	89.835
4. 2011	181,169	157,440	6,955	4.418	164,395	90.741			164,395	90.741
5. 2012	188,390	149,961	4,043	2.696	154,004	81.747	14,247	344	168,595	89.493

12 Hospital and Medical

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

Medicare Supplement
Section A - Paid Health Claims

Year in Which Losses Were Incurred	Cumulative Net Amounts Paid				
	1 2008	2 2009	3 2010	4 2011	5 2012
1. Prior					
2. 2008					
3. 2009	X X X				
4. 2010	X X X	X X X			
5. 2011	X X X	X X X	X X X	38	38
6. 2012	X X X	X X X	X X X	X X X	109

Section B - Incurred Health Claims

Year in Which Losses Were Incurred	Sum of Cumulative Net Amount Paid and Claim Liability, Claim Reserve and Medical Incentive Pool and Bonuses Outstanding at End of Year				
	1 2008	2 2009	3 2010	4 2011	5 2012
1. Prior					
2. 2008					
3. 2009	X X X				
4. 2010	X X X	X X X			
5. 2011	X X X	X X X	X X X	38	38
6. 2012	X X X	X X X	X X X	X X X	109

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

Years in Which Premiums were Earned and Claims were Incurred	1 Premiums Earned	2 Claims Payments	3 Claim Adjustment Expense Payments	4 (Col. 3/2) Percent	5 Claim and Claim Adjustment Expense Payments (Col. 2 + 3)	6 (Col. 5/1) Percent	7 Claims Unpaid	8 Unpaid Claims Adjustment Expenses	9 Total Claims and Claims Adjustment Expense Incurred (Col. 5 + 7 + 8)	10 (Col. 9/1) Percent
1. 2008										
2. 2009										
3. 2010										
4. 2011	55	38			38	69.681			38	69.681
5. 2012	143	109			109	76.138			109	76.138

12 Medicare Supplement

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

Dental Only

Section A - Paid Health Claims

Year in Which Losses Were Incurred	Cumulative Net Amounts Paid				
	1 2008	2 2009	3 2010	4 2011	5 2012
1. Prior					
2. 2008					
3. 2009	X X X				
4. 2010	X X X	X X X	331	331	331
5. 2011	X X X	X X X	X X X	1,508	1,508
6. 2012	X X X	X X X	X X X	X X X	1,884

Section B - Incurred Health Claims

Year in Which Losses Were Incurred	Sum of Cumulative Net Amount Paid and Claim Liability, Claim Reserve and Medical Incentive Pool and Bonuses Outstanding at End of Year				
	1 2008	2 2009	3 2010	4 2011	5 2012
1. Prior					
2. 2008					
3. 2009	X X X				
4. 2010	X X X	X X X	331	331	331
5. 2011	X X X	X X X	X X X	1,508	1,508
6. 2012	X X X	X X X	X X X	X X X	2,139

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

Years in Which Premiums were Earned and Claims were Incurred	1 Premiums Earned	2 Claims Payments	3 Claim Adjustment Expense Payments	4 (Col. 3/2) Percent	5 Claim and Claim Adjustment Expense Payments (Col. 2 + 3)	6 (Col. 5/1) Percent	7 Claims Unpaid	8 Unpaid Claims Adjustment Expenses	9 Total Claims and Claims Adjustment Expense Incurred (Col. 5 + 7 + 8)	10 (Col. 9/1) Percent
1. 2008										
2. 2009										
3. 2010	441	331			331	75.101			331	75.101
4. 2011	2,115	1,508			1,508	71.298			1,508	71.298
5. 2012	2,725	1,884			1,884	69.127	255		2,139	78.492

12 Dental Only

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

Vision Only

Section A - Paid Health Claims

Year in Which Losses Were Incurred	Cumulative Net Amounts Paid				
	1 2008	2 2009	3 2010	4 2011	5 2012
1. Prior					
2. 2008					
3. 2009	X X X				
4. 2010	X X X	X X X			
5. 2011	X X X	X X X	X X X		
6. 2012	X X X	X X X	X X X	X X X	

Section B - Incurred Health Claims

Year in Which Losses Were Incurred	Sum of Cumulative Net Amount Paid and Claim Liability, Claim Reserve and Medical Incentive Pool and Bonuses Outstanding at End of Year				
	1 2008	2 2009	3 2010	4 2011	5 2012
1. Prior					
2. 2008					
3. 2009	X X X				
4. 2010	X X X	X X X			
5. 2011	X X X	X X X	X X X		
6. 2012	X X X	X X X	X X X	X X X	

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

Years in Which Premiums were Earned and Claims were Incurred	1 Premiums Earned	2 Claims Payments	3 Claim Adjustment Expense Payments	4 (Col. 3/2) Percent	5 Claim and Claim Adjustment Expense Payments (Col. 2 + 3)	6 (Col. 5/1) Percent	7 Claims Unpaid	8 Unpaid Claims Adjustment Expenses	9 Total Claims and Claims Adjustment Expense Incurred (Col. 5 + 7 + 8)	10 (Col. 9/1) Percent
1. 2008										
2. 2009										
3. 2010										
4. 2011										
5. 2012										

12 Vision Only

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

Year in Which Losses Were Incurred	Cumulative Net Amounts Paid				
	1 2008	2 2009	3 2010	4 2011	5 2012
1. Prior	501	501	501	501	501
2. 2008	8,827	9,325	9,325	9,325	9,325
3. 2009	X X X	9,799	10,854	10,854	10,854
4. 2010	X X X	X X X	11,647	12,811	12,811
5. 2011	X X X	X X X	X X X	13,572	14,169
6. 2012	X X X	X X X	X X X	X X X	13,246

Section B - Incurred Health Claims

Year in Which Losses Were Incurred	Sum of Cumulative Net Amount Paid and Claim Liability, Claim Reserve and Medical Incentive Pool and Bonuses Outstanding at End of Year				
	1 2008	2 2009	3 2010	4 2011	5 2012
1. Prior	501	501	501	501	501
2. 2008	9,408	9,325	9,325	9,325	9,325
3. 2009	X X X	10,408	10,854	10,854	10,854
4. 2010	X X X	X X X	12,211	12,811	12,811
5. 2011	X X X	X X X	X X X	14,168	14,169
6. 2012	X X X	X X X	X X X	X X X	13,832

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

Years in Which Premiums were Earned and Claims were Incurred	1 Premiums Earned	2 Claims Payments	3 Claim Adjustment Expense Payments	4 (Col. 3/2) Percent	5 Claim and Claim Adjustment Expense Payments (Col. 2 + 3)	6 (Col. 5/1) Percent	7 Claims Unpaid	8 Unpaid Claims Adjustment Expenses	9 Total Claims and Claims Adjustment Expense Incurred (Col. 5 + 7 + 8)	10 (Col. 9/1) Percent
1. 2008	12,453	9,325	342	3.665	9,667	77.625			9,667	77.625
2. 2009	13,050	10,854	322	2.969	11,176	85.642			11,176	85.642
3. 2010	10,627	12,811	343	2.676	13,154	123.780			13,154	123.780
4. 2011	14,944	14,169	286	2.019	14,455	96.730			14,455	96.730
5. 2012	14,173	13,246	253	1.913	13,499	95.247	587	22	14,108	99.542

12 Fed Emp HBPP

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

Title XVIII - Medicare

Section A - Paid Health Claims

Year in Which Losses Were Incurred		Cumulative Net Amounts Paid				
		1 2008	2 2009	3 2010	4 2011	5 2012
1.	Prior	17,892	17,892	17,892	17,892	17,892
2.	2008	149,698	164,845	164,845	164,845	164,845
3.	2009	X X X	172,780	189,078	189,078	189,078
4.	2010	X X X	X X X	178,880	199,228	199,228
5.	2011	X X X	X X X	X X X	189,393	213,952
6.	2012	X X X	X X X	X X X	X X X	209,169

Section B - Incurred Health Claims

Year in Which Losses Were Incurred		Sum of Cumulative Net Amount Paid and Claim Liability, Claim Reserve and Medical Incentive Pool and Bonuses Outstanding at End of Year				
		1 2008	2 2009	3 2010	4 2011	5 2012
1.	Prior	17,892	17,892	17,892	17,892	17,892
2.	2008	169,298	164,845	164,845	164,845	164,845
3.	2009	X X X	191,578	189,078	189,078	189,078
4.	2010	X X X	X X X	197,858	199,228	199,228
5.	2011	X X X	X X X	X X X	213,506	213,952
6.	2012	X X X	X X X	X X X	X X X	226,465

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

Years in Which Premiums were Earned and Claims were Incurred	1 Premiums Earned	2 Claims Payments	3 Claim Adjustment Expense Payments	4 (Col. 3/2) Percent	5 Claim and Claim Adjustment Expense Payments (Col. 2 + 3)	6 (Col. 5/1) Percent	7 Claims Unpaid	8 Unpaid Claims Adjustment Expenses	9 Total Claims and Claims Adjustment Expense Incurred (Col. 5 + 7 + 8)	10 (Col. 9/1) Percent
1. 2008	215,483	164,845	1,213	0.736	166,058	77.063			166,058	77.063
2. 2009	213,137	189,078	1,491	0.788	190,569	89.412			190,569	89.412
3. 2010	220,605	199,228	1,214	0.609	200,441	90.860			200,441	90.860
4. 2011	236,512	213,952	2,402	1.122	216,353	91.477			216,353	91.477
5. 2012	251,049	209,169	2,313	1.106	211,482	84.239	17,296	200	228,978	91.209

12 Title XVIII-Medicare

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

Title XIX - Medicaid

Section A - Paid Health Claims

Year in Which Losses Were Incurred	Cumulative Net Amounts Paid				
	1 2008	2 2009	3 2010	4 2011	5 2012
1. Prior					
2. 2008					
3. 2009	X X X				
4. 2010	X X X	X X X			
5. 2011	X X X	X X X	X X X		
6. 2012	X X X	X X X	X X X	X X X	

Section B - Incurred Health Claims

Year in Which Losses Were Incurred	Sum of Cumulative Net Amount Paid and Claim Liability, Claim Reserve and Medical Incentive Pool and Bonuses Outstanding at End of Year				
	1 2008	2 2009	3 2010	4 2011	5 2012
1. Prior					
2. 2008					
3. 2009	X X X				
4. 2010	X X X	X X X			
5. 2011	X X X	X X X	X X X		
6. 2012	X X X	X X X	X X X	X X X	

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

Years in Which Premiums were Earned and Claims were Incurred	1 Premiums Earned	2 Claims Payments	3 Claim Adjustment Expense Payments	4 (Col. 3/2) Percent	5 Claim and Claim Adjustment Expense Payments (Col. 2 + 3)	6 (Col. 5/1) Percent	7 Claims Unpaid	8 Unpaid Claims Adjustment Expenses	9 Total Claims and Claims Adjustment Expense Incurred (Col. 5 + 7 + 8)	10 (Col. 9/1) Percent
1. 2008										
2. 2009										
3. 2010										
4. 2011										
5. 2012										

12 Title XIX-Medicaid

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

Other

Section A - Paid Health Claims

Year in Which Losses Were Incurred	Cumulative Net Amounts Paid				
	1 2008	2 2009	3 2010	4 2011	5 2012
1. Prior	1,834	1,834	1,834	1,834	1,834
2. 2008	7,686	9,489	9,489	9,489	9,489
3. 2009	X X X	4,656	6,488	6,488	6,488
4. 2010	X X X	X X X	5,391	6,930	6,930
5. 2011	X X X	X X X	X X X	5,361	7,046
6. 2012	X X X	X X X	X X X	X X X	14,287

Section B - Incurred Health Claims

Year in Which Losses Were Incurred	Sum of Cumulative Net Amount Paid and Claim Liability, Claim Reserve and Medical Incentive Pool and Bonuses Outstanding at End of Year				
	1 2008	2 2009	3 2010	4 2011	5 2012
1. Prior	1,834	1,834	1,834	1,834	1,834
2. 2008	9,525	9,489	9,489	9,489	9,489
3. 2009	X X X	6,526	6,488	6,488	6,488
4. 2010	X X X	X X X	6,961	6,930	6,930
5. 2011	X X X	X X X	X X X	6,931	7,046
6. 2012	X X X	X X X	X X X	X X X	16,007

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

Years in Which Premiums were Earned and Claims were Incurred	1 Premiums Earned	2 Claims Payments	3 Claim Adjustment Expense Payments	4 (Col. 3/2) Percent	5 Claim and Claim Adjustment Expense Payments (Col. 2 + 3)	6 (Col. 5/1) Percent	7 Claims Unpaid	8 Unpaid Claims Adjustment Expenses	9 Total Claims and Claims Adjustment Expense Incurred (Col. 5 + 7 + 8)	10 (Col. 9/1) Percent
1. 2008	7,666	9,489	27	0.282	9,515	124.133			9,515	124.133
2. 2009	6,873	6,488	78	1.197	6,566	95.534			6,566	95.534
3. 2010	5,457	6,930	21	0.304	6,951	127.373			6,951	127.373
4. 2011	5,735	7,046	69	0.978	7,115	124.080			7,115	124.080
5. 2012	11,989	14,287	83	0.578	14,370	119.858	1,720	7	16,097	134.263

12 Other

UNDERWRITING AND INVESTMENT EXHIBIT

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

	1	2	3	4	5	6	7	8	9
	Total	Compre- hensive (Hospital & Medical)	Medicare Supplement	Dental Only	Vision Only	Federal Employees Health Benefits Plan	Title XVIII Medicare	Title XIX Medicaid	Other
1. Unearned premium reserves									
2. Additional policy reserves (a)									
3. Reserve for future contingent benefits									
4. Reserve for rate credits or experience rating refunds (including \$.....0 for investment income)	7,189,602						7,189,602		
5. Aggregate write-ins for other policy reserves									
6. TOTALS (Gross)	7,189,602						7,189,602		
7. Reinsurance ceded									
8. TOTALS (Net) (Page 3, Line 4)	7,189,602						7,189,602		
9. Present value of amounts not yet due on claims									
10. Reserve for future contingent benefits									
11. Aggregate write-ins for other claim reserves									
12. TOTALS (Gross)									
13. Reinsurance ceded									
14. TOTALS (Net) (Page 3, Line 7)									
DETAILS OF WRITE-INS									
0501.									
0502.									
0503.									
0598. Summary of remaining write-ins for Line 5 from overflow page									
0599. TOTALS (Lines 0501 through 0503 plus 0598) (Line 5 above)									
1101.									
1102.									
1103.									
1198. Summary of remaining write-ins for Line 11 from overflow page									
1199. TOTALS (Lines 1101 through 1103 plus 1198) (Line 11 above)									

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

UNDERWRITING AND INVESTMENT EXHIBIT

PART 3 - ANALYSIS OF EXPENSES

	Claim Adjustment Expenses		3 General Administrative Expenses	4 Investment Expenses	5 Total
	1 Cost Containment Expenses	2 Other Claim Adjustment Expenses			
1. Rent (\$.....0 for occupancy of own building)	84,070	57,336	561,112		702,518
2. Salaries, wages and other benefits	2,479,150	1,753,497	14,156,519		18,389,167
3. Commissions (less \$.....0 ceded plus \$.....0 assumed)			8,776,886		8,776,886
4. Legal fees and expenses	133,896	91,317	893,667		1,118,880
5. Certifications and accreditation fees					
6. Auditing, actuarial and other consulting services	900,520	466,143	4,489,297		5,855,961
7. Traveling expenses	11,226	189	204,646		216,061
8. Marketing and advertising	2,080		1,315,677		1,317,756
9. Postage, express and telephone	101,015	64,417	855,871		1,021,303
10. Printing and office supplies	157,883	6,566	1,816,945		1,981,394
11. Occupancy, depreciation and amortization	69,108	47,131	461,250		577,490
12. Equipment	6,239	1,788	319,930		327,956
13. Cost or depreciation of EDP equipment and software	361,199		899,560		1,260,759
14. Outsourced services including EDP, claims, and other services	120,969	2,745	980,318		1,104,031
15. Boards, bureaus and association fees	352,306	40,031	957,018		1,349,355
16. Insurance, except on real estate					
17. Collection and bank service charges			306,860		306,860
18. Group service and administration fees	105,019		1,150,195		1,255,213
19. Reimbursements by uninsured plans					
20. Reimbursements from fiscal intermediaries					
21. Real estate expenses					
22. Real estate taxes					
23. Taxes, licenses and fees:					
23.1 State and local insurance taxes					
23.2 State premium taxes			3,444,523		3,444,523
23.3 Regulatory authority licenses and fees					
23.4 Payroll taxes					
23.5 Other (excluding federal income and real estate taxes)			14,160		14,160
24. Investment expenses not included elsewhere					
25. Aggregate write-ins for expenses					
26. TOTAL Expenses Incurred (Lines 1 to 25)	4,884,680	2,531,159	41,604,434		(a) 49,020,273
27. Less expenses unpaid December 31, current year	377,293	195,507	4,594,143		5,166,943
28. Add expenses unpaid December 31, prior year	468,746	261,454	3,911,874		4,642,074
29. Amounts receivable relating to uninsured plans, prior year					
30. Amounts receivable relating to uninsured plans, current year					
31. TOTAL Expenses Paid (Lines 26 minus 27 plus 28 minus 29 plus 30)	4,976,133	2,597,106	40,922,165		48,495,404
DETAILS OF WRITE-INS					
2501.					
2502.					
2503.					
2598. Summary of remaining write-ins for Line 25 from overflow page					
2599. TOTALS (Lines 2501 through 2503 plus 2598) (Line 25 above)					

(a) Includes management fees of \$.....0 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) 1,835,728	1,758,256
1.1 Bonds exempt from U.S. tax	(a)	
1.2 Other bonds (unaffiliated)	(a)	
1.3 Bonds of affiliates	(a)	
2.1 Preferred stocks (unaffiliated)	(b)	
2.11 Preferred stocks of affiliates	(b)	
2.2 Common stocks (unaffiliated)	549,023	549,023
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		
7. Derivative instruments	(f)	
8. Other invested assets	(131,903)	(131,903)
9. Aggregate write-ins for investment income		
10. Total gross investment income	2,252,848	2,175,377
11. Investment expenses		(g)
12. Investment taxes, licenses and fees, excluding federal income taxes		(g)
13. Interest expense		(h)
14. Depreciation on real estate and other invested assets		(i)
15. Aggregate write-ins for deductions from investment income		
16. Total deductions (Lines 11 through 15)		
17. Net Investment income (Line 10 minus Line 16)		2,175,377
DETAILS OF WRITE-INS		
0901.		
0902.		
0903.		
0998. Summary of remaining write-ins for Line 9 from overflow page		
0999. TOTALS (Lines 0901 through 0903 plus 0998) (Line 9, above)		
1501.		
1502.		
1503.		
1598. Summary of remaining write-ins for Line 15 from overflow page		
1599. TOTALS (Lines 1501 through 1503 plus 1598) (Line 15, above)		

- (a) Includes \$.....0 accrual of discount less \$.....0 amortization of premium and less \$.....0 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	24,114		24,114		
1.1 Bonds exempt from U.S. tax					
1.2 Other bonds (unaffiliated)					
1.3 Bonds of affiliates					
2.1 Preferred stocks (unaffiliated)					
2.11 Preferred stocks of affiliates					
2.2 Common stocks (unaffiliated)	79,669		79,669	1,567,528	
2.21 Common stocks of affiliates					
3. Mortgage loans					
4. Real estate					
5. Contract loans					
6. Cash, cash equivalents and short-term investments					
7. Derivative instruments					
8. Other invested assets					
9. Aggregate write-ins for capital gains (losses)					
10. Total capital gains (losses)	103,783		103,783	1,567,528	
DETAILS OF WRITE-INS					
0901.					
0902.					
0903.					
0998. Summary of remaining write-ins for Line 9 from overflow page					
0999. TOTALS (Lines 0901 through 0903 plus 0998) (Line 9, above)					

EXHIBIT OF NONADMITTED ASSETS

	1	2	3
	Current Year Total Nonadmitted Assets	Prior Year Total Nonadmitted Assets	Change in Total Nonadmitted Assets (Col. 2 - Col. 1)
1. Bonds (Schedule D)			
2. Stocks (Schedule D):			
2.1 Preferred stocks			
2.2 Common stocks			
3. Mortgage loans on real estate (Schedule B):			
3.1 First liens			
3.2 Other than first liens			
4. Real estate (Schedule A):			
4.1 Properties occupied by the company			
4.2 Properties held for the production of income			
4.3 Properties held for sale			
5. Cash (Schedule E-Part 1), cash equivalents (Schedule E-Part 2) and short-term investments (Schedule DA)			
6. Contract loans			
7. Derivatives (Schedule DB)			
8. Other invested assets (Schedule BA)			
9. Receivables for securities			
10. Securities lending reinvested collateral assets (Schedule DL)			
11. Aggregate write-ins for invested assets			
12. Subtotals, cash and invested assets (Lines 1 to 11)			
13. Title plants (for Title insurers only)			
14. Invested income due and accrued			
15. Premium and considerations:			
15.1 Uncollected premiums and agents' balances in the course of collection			
15.2 Deferred premiums, agents' balances and installments booked but deferred and not yet due			
15.3 Accrued retrospective premiums			
16. Reinsurance:			
16.1 Amounts recoverable from reinsurers			
16.2 Funds held by or deposited with reinsured companies			
16.3 Other amounts receivable under reinsurance contracts			
17. Amounts receivable relating to uninsured plans			
18.1 Current federal and foreign income tax recoverable and interest thereon			
18.2 Net deferred tax asset			
19. Guaranty funds receivable or on deposit			
20. Electronic data processing equipment and software			
21. Furniture and equipment, including health care delivery assets			
22. Net adjustment in assets and liabilities due to foreign exchange rates			
23. Receivables from parent, subsidiaries and affiliates			
24. Health care and other amounts receivable	350,534	23,885	(326,649)
25. Aggregate write-ins for other than invested assets			
26. Total assets excluding Separate Accounts, Segregated Accounts and Protected Cell Accounts (Lines 12 to 25)	350,534	23,885	(326,649)
27. From Separate Accounts, Segregated Accounts and Protected Cell Accounts			
28. Total (Lines 26 and 27)	350,534	23,885	(326,649)
DETAILS OF WRITE-INS			
1101.			
1102.			
1103.			
1198. Summary of remaining write-ins for Line 11 from overflow page			
1199. TOTALS (Lines 1101 through 1103 plus 1198) (Line 11 above)			
2501. Prepaid Expense			
2502.			
2503.			
2598. Summary of remaining write-ins for Line 25 from overflow page			
2599. TOTALS (Lines 2501 through 2503 plus 2598) (Line 25 above)			

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	24,760	24,906	24,903	25,017	25,255	300,454
2. Provider Service Organizations						
3. Preferred Provider Organizations	66,615	64,466	64,034	64,703	64,602	774,354
4. Point of Service						
5. Indemnity Only						
6. Aggregate write-ins for other lines of business	29,700	29,040	29,109	29,146	30,365	349,726
7. TOTAL	121,075	118,412	118,046	118,866	120,222	1,424,534
DETAILS OF WRITE-INS						
0601. Reinsurance	29,700	28,149	28,015	27,891	29,132	336,822
0602. Part D Prescription Drug Plan		891	1,094	1,255	1,233	12,904
0603.						
0698. Summary of remaining write-ins for Line 6 from overflow page						
0699. TOTALS (Lines 0601 through 0603 plus 0698) (Line 6 above)	29,700	29,040	29,109	29,146	30,365	349,726

Notes to Financial Statements

SECTION A

1. Summary of Significant Accounting Policies

- A. The accompanying financial statements of AultCare Insurance Company are presented on the basis of accounting practices prescribed or permitted by the Ohio Department of Insurance.

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

Effective January 12, 2012, the Company changed its corporate name from "McKinley Life Insurance Company" to "AultCare Insurance Company". This corporate name change was made so that AultCare's corporate name was the same as the "AultCare" trade name, which the Company uses in the community. The name change does not reflect a change in ownership, management, or operations of the company, which will all remain the same. This corporate name change has been approved by the Ohio Secretary of State and Ohio Department of Insurance.

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

C. Accounting Policy

- (1) Short-term investments are stated at amortized cost.
- (2) Bonds were stated at amortized cost using the straight-line method.
- (3) Common stock is stated at market value.
- (4) The Company had no preferred stock.
- (5) The Company had no mortgage loans.
- (6) The Company had no loan backed securities.
- (7) The Company has investments in subsidiaries and affiliates with a book adjusted carrying value totaling \$16,478,301. Of this amount, \$116,926 is invested in McKinley Life Agency, Ltd. \$7,634,423 is invested in AultCare Corporation. The remaining \$8,726,953 is invested in West Tuscarawas Property Management.
- (8) The Company had no investments in joint ventures, partnerships, or limited liability companies.
- (9) The Company had no derivatives.
- (10) The Company does not utilize anticipated investment income as a factor in the premium deficiency calculation.
- (11) The Company estimated the liabilities for losses based on independent actuary calculations received quarterly.
- (12) The Company has not modified its capitalization policy from the prior period.

2. Accounting Changes and Corrections of Errors

- A. The Company had no change in accounting principles and/or correction of errors in 2012.

3. Business Combinations and Goodwill

- A. The Company had no business combinations accounted for under the statutory purchase method.
- B. The Company was not part of any merger.
- C. The Company had no assumption of reinsurance.
- D. An impairment loss was not recognized.

4. Discontinued Operations

- A. The Company did not discontinue any operations.

5. Investments

- A. The Company had no mortgage Loan Investments.
- B. The Company had no recorded investments in Restructured Loans.
- C. The Company had no recorded investments in Reverse Mortgages.
- D. The Company had no recorded investments in Loan-Backed Securities.
- E. The Company had no recorded investments in Repurchase Agreements.

Notes to Financial Statements

- F. The Company owns \$8,726,953 worth of shares in West Tuscarawas Property Management, an affiliate company.
- G. The Company has no investments in Low-Income Housing Tax Credits.
6. Joint Ventures, Partnerships and Limited Liability Companies
- A. The Company had no investments in joint ventures, partnerships or limited liability companies.
- B. The Company had no impaired investments in joint ventures, partnerships or limited liability companies.
7. Investment Income
- A. The Company did not exclude any investment income due and accrued.
8. Derivative Instruments
- A. The Company had no derivative instruments.
9. Income Taxes
- A. The components of the net deferred tax asset/ (liability) at December 31, 2012 are as follows:

1. (reported in thousands)		12/31/2012			12/31/2011			Change		
		(1) Ordinary	(2) Capital	(3) Col 1+2 Total	(4) Ordinary	(5) Capital	(6) Col 4+5 Total	(7) Col 1-4 Ordinary	(8) Col 2-5 Capital	(9) Col 7+8 Total
(a)	Gross Deferred Tax Assets	\$4,694	\$ -	\$4,694	\$4,694	\$ -	\$4,694	\$ -	\$ -	\$ -
(b)	Statutory Valuation Allowance Adjustment	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
(c)	Adjusted Gross Deferred Tax Assets(1a-1b)	\$4,694	\$ -	\$4,694	\$4,694	\$ -	\$4,694	\$ -	\$ -	\$ -
(d)	Deferred Tax Assets Nonadmitted	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
(e)	Subtotal (Net Deferred Tax Assets) (1c-1d)	\$4,694	\$ -	\$4,694	\$4,694	\$ -	\$4,694	\$ -	\$ -	\$ -
(f)	Deferred Tax Liabilities	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
(g)	Net Admitted Deferred Tax Asset/(Net Deferred Tax Liability) (1e-1f)	\$4,694	\$ -	\$4,694	\$4,694	\$ -	\$4,694	\$ -	\$ -	\$ -
2. (reported in thousands)		12/31/2012			12/31/2011			Change		
Admission Calculation Components SSAP No. 101		(1) Ordinary	(2) Capital	(3) Col 1+2 Total	(4) Ordinary	(5) Capital	(6) Col 4+5 Total	(7) Col 1-4 Ordinary	(8) Col 2-5 Capital	(9) Col 7+8 Total
(a)	Federal Income Taxes Paid in Prior Years Recoverable Through Loss Carrybacks	\$3,771	\$ -	\$3,771	\$3,771	\$ -	\$3,771	\$ -	\$ -	\$ -
(b)	Adjusted Gross Deferred Tax Assets Expected to be Realized (Excluding the Amount of Deferred Tax Assets from 2(a) above) After Application of the Threshold Limitation. (The lessor of 2(b)1 and 2(b)2 Below)	\$923	\$ -	\$923	\$923	\$ -	\$923	\$ -	\$ -	\$ -

Cont. Note 9 A 2

	1	Adjusted Gross Deferred Tax Assets Expected to be Realized Following the Balance Sheet Date	\$923	\$ -	\$923	\$923	\$ -	\$923	\$ -	\$ -	\$ -
	2	Adjusted Gross Deferred Tax Assets Allowed per Limitation Threshold	XXX	XXX	\$7,911	XXX	XXX	\$7,911	XXX	XXX	\$ -
(c)		Adjusted Gross Deferred Tax Assets (Excluding The Amount of Deferred Tax Assets from 2(a) and 2(b) above) Offset by Gross Deferred Tax Liabilities	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
(d)		Deferred Tax Assets Admitted as the Result of Application of SSAP No. 101 Total (2(a) + 2(b) + 2(c))	\$4,694	\$ -	\$4,694	\$4,694	\$ -	\$4,694	\$ -	\$ -	\$ -
3. (reported in thousands)		2012		2011							
(a)		Ratio Percentage Used to Determine Recovery Period and Threshold Limitation Amount	15%		15%						
(b)		Amount of Adjusted Capital and Surplus Used to Determine Recovery Period and Threshold Limitation in 2(b)2 Above	\$52,742		\$52,742						
4. (reported in thousands)		12/31/2012			12/31/2011			Change			
Impact of Tax Planning Strategies		(1) Ordinary	(2) Capital	(3) Col 1+2 Total	(4) Ordinary	(5) Capital	(6) Col 4+5 Total	(7) Col 1-4 Ordinary	(8) Col 2-5 Capital	(9) Col 7+8 Total	
(a)		Adjusted Gross DTA's (% of total adjusted gross DTA's)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	
(b)		Net Admitted Adjusted Gross DTA's (% of total net admitted adjusted gross DTA's)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	
(c)		Does the Company's Tax Planning Strategies Include the Use of Reinsurance?	Yes	No X							

B. Not Applicable

C. Current Income Taxes Incurred consist of the following major components:

		(1)	(2)	(3)
1. Current Income Tax		12/31/2012	12/31/2011	(Col 1-2) Change
(a)	Federal	\$193,231	\$407,580	\$(211,349)
(b)	Foreign	\$ -	\$ -	\$ -

Notes to Financial Statements

(c)	Subtotal	\$193,231	\$407,580	\$(211,349)
(d)	Federal Income Tax on Net Capital Gains	\$ -	\$ -	\$ -
(e)	Utilization of Capital Loss Carry-Forwards	\$ -	\$ -	\$ -
(f)	Other	\$ -	\$ -	\$ -
(g)	Federal and Foreign Income Taxes Incurred	\$193,231	\$407,580	\$(211,349)
2. Deferred Tax Assets				
(a)	Ordinary			
(1)	Discounting of Unpaid Losses	\$228,056	\$228,056	\$ -
(2)	Unearned Premium Reserve	\$331,154	\$331,154	\$ -
(3)	Reserve for Return of Premium	\$3,740,000	\$3,740,000	\$ -
(4)	Other Accrued Expenses	\$ -	\$ -	\$ -
(5)	Contribution Carryover	\$ -	\$ -	\$ -
(6)	Policyholder Dividends Accrual	\$ -	\$ -	\$ -
(7)	Pension Accrual	\$ -	\$ -	\$ -
(8)	Compensation and Benefits Accrual	\$317,003	\$317,003	\$ -
(9)	Pension Accrual	\$ -	\$ -	\$ -
(10)	Receivables – Allowance	\$77,787	\$77,787	\$ -
(11)	Net Operating Loss Carry-Forward	\$ -	\$ -	\$ -
(12)	Tax Credit Carry-Forward	\$ -	\$ -	\$ -
(13)	Other (including items <5% of total ordinary tax assets)	\$ -	\$ -	\$ -

Cont. Note 9 C 2

(14)	Subtotal	\$4,694,000	\$4,694,000	\$ -
(b)	Statutory valuation allowance adjustment	\$ -	\$ -	\$ -
(c)	Nonadmitted	\$ -	\$ -	\$ -
(d)	Admitted ordinary deferred tax assets (2a14- 2b-2c)	\$4,694,000	\$4,694,000	\$ -
(e)	Capital			
(1)	Net Capital Loss Carry-Forward	\$ -	\$ -	\$ -
(2)	Subtotal	\$ -	\$ -	\$ -
(f)	Statutory valuation allowance adjustment	\$ -	\$ -	\$ -
(g)	Nonadmitted	\$ -	\$ -	\$ -
(h)	Admitted capital deferred tax assets (2e2 - 2f - 2g)	\$ -	\$ -	\$ -
(i)	Admitted deferred tax assets (2d + 2h)	\$4,694,000	\$4,694,000	\$ -
3. Deferred Tax Liabilities				
(a)	Ordinary			
(1)	Investments	\$ -	\$ -	\$ -
(2)	Subtotal	\$ -	\$ -	\$ -
(b)	Capital	\$ -	\$ -	\$ -
(1)	Investments	\$ -	\$ -	\$ -
(2)	Subtotal	\$ -	\$ -	\$ -
(c)	Deferred tax liabilities (3a2 + 3b2)	\$ -	\$ -	\$ -
4. Net deferred tax assets/liabilities (2i - 3c)				
		\$4,694,000	\$4,694,000	\$ -

D. Among the more significant book to tax adjustments were the following:

	12/31/2012	Effective Tax Rate
Provision computed at statutory rate	\$(39,603)	34.0%
Change in nonadmitted assets	\$326,649	-280.4%
Tax exempt income, net of proration	\$ -	0.0%
Dividends received deduction, net of proration	\$ -	0.0%
Nondeductible expenses	\$29,260	-25.1%
Elimination of IMR Amortization	\$ -	0.0%
Small Life Insurance Company Deduction	\$ -	0.0%
Prior year under (over) accrual	\$(111,751)	95.9%
Other	\$(8,324)	7.1%
Total statutory income tax expense (benefit)	\$196,231	-168.5%
	12/31/2012	Effective Tax Rate
Federal and foreign income taxes incurred	\$196,231	-168.5%
Realized capital gains (losses) tax	\$ -	0.0%
Change in net deferred income taxes	\$ -	0.0%
Total statutory income tax expense (benefit)	\$196,231	-168.5%

E. Operating Loss and Tax Credit Carry forwards and Protective Tax Deposits

- At December 31, 2012, the Company had no net operating loss carry forwards available to offset against future taxable income.
- The following are income taxes incurred in the current and prior years that will be available for recoupment in the event of future net losses:

Notes to Financial Statements

- (a) 2012 \$0
- (b) 2011 \$1,751,011
- (c) 2010 \$3,382,964

F. Not Applicable.

Cont. Note 9

G. Federal or Foreign Income Tax Loss Contingencies

(1) The Company does not have any tax loss contingencies for which it is reasonably possible that the total liability will significantly increase within twelve months of the reporting date.

10. Information Concerning Parent, Subsidiaries and Affiliates

A, B, C, The following transactions are all as of December 31, 2012; The Company has a capitation arrangement with Aultman Hospital and has paid \$34,752,942 in capitated claims for its commercial enrollees under the terms of the existing agreement. Effective May 1, 2012, the Company entered into a capitation arrangement with Aultman Hospital for their Medicare enrollees and has paid \$47,404,032 in capitated claims for its Medicare enrollees under the terms of the new agreement. The Company has paid a total of \$82,156,974 in capitated claims to Aultman Hospital for its enrollees.

The Company has a management services agreement with Aultman Health Foundation, the parent and AultCare Corporation, an affiliate that allows various administrative, marketing, and claims processing services to be completed on behalf of the Company. The Company paid \$669,687 to Aultman Health Foundation for management services that were provided and paid \$23,526,038 of expense from AultCare Corporation for management services. The Company has an operating lease for office space and paid \$702,518 to Aultman Health Foundation for rent.

D. At December 31, 2012, the Company reported \$0 due from the parent company, Aultman Health Foundation. The Company has an intercompany revolving credit facility in place with AultCare Corporation, an affiliate that allows AultCare to borrow and repay operating funds. As of December 31, 2012, AultCare owes \$7,634,423 under the terms of the agreement. The Company also has capitation arrangement with the parent company for anticipation of future services. As of December 31, 2012, the Company has paid \$2,900,000 to Aultman Health Foundation for these future services.

E. The Company did not make any guarantees or undertakings, written or otherwise, for the benefit of an affiliate or related party which resulted in a material contingent exposure of the Company's assets to any liabilities.

F. Both Aultman Health Foundation, the parent, and AultCare Corporation, an affiliate, provided various administrative, marketing, and claims processing services for the Company.

G. All outstanding shares of the Company were owned by the parent company, Aultman Health Foundation, a not-for-profit foundation domiciled in the State of Ohio.

H. The Company has an investment in West Tuscarawas Property Management with an admitted asset value of \$8,726,953. The Company also had an investment in a subsidiary, McKinley Life Agency, Ltd. of \$116,926. Also, the Company had an investment in an affiliate, AultCare Corporation of \$7,634,423.

I. The Company did not have an investment in an SCA entity that exceeds 10% of admitted assets of the insurer.

J. The Company did not realize any impairment write down for its investments in Subsidiary, Controlled or Affiliated Companies during the statement period.

K. The Company does not have an investment in a foreign insurance subsidiary.

L. The Company did not hold an investment in a downstream non insurance holding company.

11. Debt

A. The Company did not have any debt including capital notes.

12. Retirement Plans, Deferred Compensation, Postemployment Benefits and Compensated Absences and Other Postretirement Benefit Plans

A. The Company had no defined benefit plans.

B. Contributions of 3% of each employee's compensation are made each year. The Company's contribution for the defined contribution plan was \$395,687 and \$367,093 for 2012 and 2011 respectively.

C – F The Company had no multiemployer plans, consolidated company plans, post-employment plans, compensated absences, or postretirement benefit plans.

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

(1) The Company has \$1,000,000 in common stock outstanding, which is owned by the parent, Aultman Health Foundation.

(2) The Company had no preferred stock outstanding.

Notes to Financial Statements

- (3) Without prior approval of its domiciliary commissioner, dividends to shareholders are limited by the laws of the Company's state of incorporation, Ohio, to an amount that is based on restrictions relating to statutory surplus and net income.
- (4) The Company paid no dividends in 2012.
- (5) There were no restrictions placed on the Company's profits that may be paid as ordinary dividends to stock holders.
- (6) There were no restrictions placed on the Company's surplus.
- (7) The Total Amount of advances to surplus not repaid is \$0.
- (8) The Amounts of stock held by the Company, including stock of affiliated companies, for special purposes was:
For conversion of preferred stock: 0 shares.
A. For employee stock options: 0 shares.
B. For stock purchase warrants: 0 shares.
- (9) The Company did not have changes in the balances of any special surplus funds.
- (10) The Company did not have any surplus funds represented that were reduced
- (11) The Company had no outstanding surplus debentures of similar obligations.
- (12) The Company had no restatements due to prior quasi-reorganizations.
- (13) The Company was not involved in quasi-reorganization.
14. Contingencies
- A. The Company is not aware of any material contingent commitments.
- B. The Company was not aware of any assessments that could have a material financial effect.
- C. The Company had no Gain Contingencies.
- D. Contingent liabilities arising from litigation, income taxes and other matters were not considered material in relation to the financial position of the Company.
- E. During 2008, the Company underwent a Medicare Risk Adjustment Validation ("RADV") audit by the Centers for Medicare and Medicaid Services on the Company's 2006 Medicare Advantage data. Based on current available information obtained from the preliminary results of the Medicare RADV audit, the Company has established a reserve of \$6,750,000 as of December 31, 2012, which represents Management's best estimate of potential liability. Final audit results are pending Centers for Medicare & Medicaid Services review and pronouncement of findings.
15. Leases
- A. Lessee Operating Lease
- (1) The Company leases office space in buildings from Aultman Health Foundation through operating lease agreements that will expire December 31, 2013. In 2012 and 2011 respectively, the company paid \$702,518 and \$679,559 to Aultman Health Foundation for rent expense. Certain rental commitments have renewal options extending through the year 2019. Some of these renewals are subject to adjustments in future periods.
- (2) At January 1, 2012, the minimum aggregate rental commitments are as follows:
- | | Year Ending December 31 | Operating Leases |
|----|-------------------------|------------------|
| 1. | 2013 | \$ 658,116 |
- B. Leasing is not a significant part of the lessor's business activities in terms of revenue, net income, or assets.
16. Information About Financial Instruments With Off-Balance Sheet Risk and Financial Instruments With Concentrations of Credit Risk
- A. The Company had no financial instruments with off-balance sheet risk.
17. Sale, Transfer and Servicing of Financial Assets and Extinguishments of Liabilities
- A. The Company had no transfers of receivables reported as sales.
- B. The Company had no transfers of financial assets.
- C. The Company had no wash sales.
18. Gain or Loss to the Reporting Entity from Uninsured Plans and the Uninsured Portion of Partially Insured Plans (N/A – Title)
- A. The Company had no Uninsured A&H Plans or Uninsured Portion of Partially Insured Plans.
19. Direct Premium Written/Produced by Managing General Agents/Third Party Administrators (N/A – Title)

Notes to Financial Statements

- A. The Company had no direct premium written or produced by managing general agents or third party administrators.
20. Fair Value Measurement
- A. The Company has assets that are measured at fair value on a recurring basis.

(1)

Fair Value Measurements at Reporting Date				
(1) Description	(2) (Level 1)	(3) (Level 2)	(4) (Level 3)	(5) Total
a. Assets at fair value				
Common Stock	\$ 17,844,193	\$ -	\$ -	\$ -
Total assets at fair value	\$ 17,844,193	\$ -	\$ -	\$ -

- (2) The Company had no assets with fair value measurements using significant unobservable inputs.
- (3) The Company uses the valuation technique that is based on the quoted prices in the active markets.
21. Other Items
- A. The Company did not experience an extraordinary event or transaction that resulted in a gain or loss.
- B. The Company had no troubled debt to restructure.
- C. There are no other disclosures.

Cont. Note 21

- D. At December 31, 2012 the Company had admitted assets of \$3,079,565 in accounts receivable and amounts due from agents. The Company routinely assesses the collectability of these receivables. Based upon Company experience, less than 1% of the balance may become uncollectible and the potential loss is not material to the Company's financial condition.
- E. The Company did not have any Business Interruption Insurance Recoveries.
- F. The Company did not have any State Transferable Tax Credits.
- G. The Company had no Subprime Mortgage Related Risk Exposure.
- H. On or about December 27, 2007, CSAHS/UHHS-Canton, Inc. d/b/a Mercy Medical Center ("Mercy"), a competitor of Aultman Hospital in Stark County, Ohio, filed an action in the Stark County Court of Common Pleas against Aultman Health Foundation, AultCare Corporation, Aultman Hospital, and AultCare Insurance Company (formerly McKinley Life Insurance Company) (collectively, "Defendants"). Mercy alleged that the four Defendants had each, among other things, violated Ohio's antitrust laws, tortuously interfered with Mercy's business relationships, engaged in unfair competition and deceptive practices, participated in a civil conspiracy, and violated Ohio's Pattern of Corrupt Activities Statute. The action went to trial, and in June, 2010, the jury rendered judgment in favor of the Defendants on five of the six Mercy claims that were still at issue by that time. With respect to the sixth claim, for an alleged violation of Ohio's Pattern of Corrupt Activities Statute, the jury found "Aultman" liable to Mercy for \$6,148,000 in damages. Mercy had sought \$110,000,000 in damages.
- On October 19, 2010, the trial judge overruled the four Defendants' motion for judgment notwithstanding the verdict and for a new trial, but denied Mercy's claim for prejudgment interest. The trial judge also granted Mercy injunctive relief and attorneys fees of \$4,000,000. Neither the one verdict on which Mercy prevailed nor any of the Court's October 19 orders allocated the jury's award among the four Defendants. The four Defendants appealed the jury verdict and the judge's orders on October 22, 2010. On March 5, 2012, the Court of Appeals affirmed the monetary awards to Mercy, but reversed the Trial Court's injunctive relief requiring payments to non-parties. On April 19, 2012, the Defendants filed an appeal to the Ohio Supreme Court. On July 25, 2012, the Ohio Supreme Court accepted jurisdiction to hear that appeal. Oral Arguments before the Ohio Supreme Court are scheduled for April 9, 2013.
22. Events Subsequent
- A. As of March 1, 2013, there have been no Type I events subsequent to December 31, 2012, which would have a material effect on the financial condition of the Company or on the financial statement issued March 1, 2013.
- B. As of March 1, 2013, there have been no Type II events subsequent to December 31, 2012, which would have a material effect on the financial condition of the Company or on the financial statement issued March 1, 2013.

Notes to Financial Statements

23. Reinsurance

A. Ceded Reinsurance Report

Section 1 – General Interrogatories

- (1) Are any of the reinsurers, listed in Schedule S as non-affiliated, owned in excess of 10% or controlled, either directly or indirectly, by the Company or by any representative, officer, trustee, or director of the company?
Yes () No (X)

Cont. Note 23 A, Section 1

- (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)

Section 2 – Ceded Reinsurance Report – Part A

- (1) Does the Company have any reinsurance agreements in effect under which the reinsurer may unilaterally cancel any reinsurance for reasons other than for nonpayment of premium or other similar credits?
Yes () No (X)
- (2) Does the company have any reinsurance agreements in effect such that the amount of losses paid or accrued through the statement date may result in a payment to the reinsurer of amounts which, in aggregate and allowing for offset of mutual credits from other reinsurance agreements with the same reinsurers exceed the total direct premium collected under the reinsured policies?
Yes () No (X)

Section 3 – Ceded Reinsurance Report – part B

- (1) What is the estimated amount of the aggregate reduction in surplus, (for agreements other than those under which the reinsurer may unilaterally cancel 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? Where necessary, the company may consider the current or anticipated experience of the business reinsured in making this estimate. \$0
- (2) Have any new agreements been executed or existing agreements amended, since January 1 of the year this statement, to included policies or contracts that were in force or which had existing reserves established by the company as of the effective date of the agreement?
Yes () No (X)

B. The Company did not write off any uncollectible reinsurance during the year.

C. The Company did not have any commutation of ceded reinsurance during the year.

24. Retrospectively Rated Contracts & Contracts Subject to Redetermination (N/A –Title)

A. The Company has one contract with Federal Employees Health Benefit Plan that is subject to redetermination upon audits performed by the Office of Personnel Management.

B. The Company records accrued retrospective premiums as an adjustment to earned premiums.

C. The Company has accrued \$0 of net premiums written as of December 31, 2012 for the group health plan. No other net premiums written by the Company are subject to retrospective rating features.

25. Change in Incurred Claims and Claims Adjustment Expenses

A. The Company did not make any changes in the provision for incurred loss and loss adjustment expenses attributable to insured events of prior years.

26. Intercompany Pooling Arrangements

A. The Company had no intercompany pooling arrangements.

27. Structured Settlements

A. The Company had no structured settlements.

28. Health Care Receivables

Quarter	Estimated Rx Rebates as Reported on Statement	Rx Rebates as Invoiced	Actual Rebates Received Within 90 days of Invoicing	Rebates Received Within 91 to 180 days of Invoicing	Rebates Received More Than 180 days of Invoicing
12/31/12	\$1,375,797	\$16,618	\$ -	\$ -	\$ -
9/30/12	\$1,565,867	\$14,048	\$ -	\$ -	\$ -

Notes to Financial Statements

A.	6/30/12	\$1,849,809	\$11,356	\$2,214	\$847,167	\$ -
	3/31/12	\$2,079,769	\$24,451	\$3,674	\$1,334,531	\$194,358
	12/31/11	\$2,088,068	\$16,152	\$ -	\$961,472	\$15,482
	9/30/11	\$1,639,697	\$14,523	\$ -	\$784,612	\$10,203
	6/30/11	\$1,177,689	\$176,531	\$ -	\$913,051	\$11,507
	3/31/11	\$1,141,863	\$212,357	\$157,057	\$1,083,839	\$11,165
	12/31/10	\$534,006	\$820,214	\$583,468	\$248,771	\$11,429
	9/30/10	\$578,128	\$776,092	\$603,248	\$202,522	\$ -
	6/30/10	\$607,772	\$746,448	\$557,521	\$216,316	\$ -
	3/31/10	\$652,256	\$701,964	\$553,547	\$182,843	\$ -

B. The Company does not estimate risk sharing receivables.

29. Participating Policies

A. The Company does not have participating policies or policyholder dividends.

30. Premium Deficiency Reserves

A. The Company does not have Premium Deficiency Reserves.

31. Anticipated Salvage and Subrogation

A. The Company did not have anticipated salvage and subrogation included as a reduction of loss reserves.

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: 01/17/2012
-
- 3.1 State as of what date the latest financial examination of the reporting entity was made or is being made. 12/31/2010
- 3.2 State the as of date that the latest financial examination report became available from either the state of domicile or the reporting entity. This date should be the date of the examined balance sheet and not the date the report was completed or released. 12/31/2010
- 3.3 State as of what date the latest financial examination report became available to other states or the public from either the state of domicile or the reporting entity. This is the release date or completion date of the examination report and not the date of the examination (balance sheet date). 09/21/2011
- 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 Company Code	3 State of Domicile

- 6.1 Has the reporting entity had any Certificates of Authority, licenses or registrations (including corporate registration, if applicable) suspended or revoked by any governmental entity during the reporting period? Yes[] No[X]
- 6.2 If yes, give full information:
-
- 7.1 Does any foreign (non-United States) person or entity directly or indirectly control 10% or more of the reporting entity? Yes[] No[X]
- 7.2 If yes, 0.000%
- 7.21 State the percentage of foreign control
- 7.22 State the nationality(s) of the foreign person(s) or entity(s); or if the entity is a mutual or reciprocal, the nationality of its manager or attorney-in-fact and identify the type of entity(s) (e.g., individual, corporation, government, manager or attorney-in-fact)

1 Nationality	2 Type of Entity

- 8.1 Is the company a subsidiary of a bank holding company regulated by the Federal Reserve Board? Yes[] No[X]
- 8.2 If response to 8.1 is yes, please identify the name of the bank holding company.
- 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 location (city and state of the main office) of any affiliates regulated by a federal financial regulatory services agency [i.e., the Federal Reserve Board (FRB), the Office of the Comptroller of the Currency (OCC), the 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
		Yes[] No[X]	Yes[] No[X]	Yes[] No[X]	Yes[] No[X]

9. What is the name and address of the independent certified public accountant or accounting firm retained to conduct the annual audit?
Bruner-Cox, 4505 Stephen Circle NW, Suite 200, Canton, OH 44718
- 10.1 Has the insurer been granted any exemptions to the prohibited non-audit services provided by the certified independent public accountant requirements as allowed in Section 7H of the Annual Financial Reporting Model Regulation (Model Audit Rule), or substantially similar state law or regulation? Yes[] No[X]
- 10.2 If response to 10.1 is "yes," provide information related to this exemption:
- 10.3 Has the insurer been granted any exemptions related to the other requirements of the Annual Financial Reporting Model Regulation as allowed for in Section 17A of the Model Regulation, or substantially similar state law or regulation? Yes[] No[X]
- 10.4 If 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 response 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?
Lee Benefits Consulting, 702 Saxony Drive, Seven Fields, PA 16046 - Actuary - Mr. Duane P. Lee
- 12.1 Does the reporting entity own any securities of a real estate holding company or otherwise hold real estate indirectly? Yes[X] No[]

GENERAL INTERROGATORIES (Continued)

- 12.11 Name of real estate holding company
West Tuscarawas Property Management
- 12.12 Number of parcels involved 1
- 12.13 Total book/adjusted carrying value \$ 8,726,953
- 12.2 If yes, provide explanation
McKinley owns \$8,726,952.65 worth of shares of West Tusc. Property Management, which is a for profit real estate holding company located in Canton OH.
13. FOR UNITED STATES BRANCHES OF ALIEN REPORTING ENTITIES ONLY:
- 13.1 What changes have been made during the year in the United States manager or the United States trustees of the reporting entity?
- 13.2 Does this statement contain all business transacted for the reporting entity through its United States Branch on risks wherever located? Yes[] No[] N/A[X]
- 13.3 Have there been any changes made to any of the trust indentures during the year? Yes[] No[] N/A[X]
- 13.4 If answer to (13.3) is yes, has the domiciliary or entry state approved the changes? Yes[] No[] N/A[X]
- 14.1 Are the senior officers (principal executive officer, principal financial officer, principal accounting officer or controller, or persons performing similar functions) of the reporting entity subject to a code of ethics, which includes the following standards? Yes[X] No[]
- a. Honest and ethical conduct, including the ethical handling of actual or apparent conflicts of interest between personal and professional relationships;
- b. Full, fair, accurate, timely and understandable disclosure in the periodic reports required to be filed by the reporting entity;
- c. Compliance with applicable governmental laws, rules and regulations;
- d. The prompt internal reporting of violations to an appropriate person or persons identified in the code; and
- e. Accountability for adherence to the code.
- 14.11 If the response to 14.1 is no, please explain:
- 14.2 Has the code of ethics for senior managers been amended? Yes[] No[X]
- 14.21 If the response to 14.2 is yes, provide information related to amendment(s).
- 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
15.2001

BOARD OF DIRECTORS

16. Is the purchase or sale of all investments of the reporting entity passed upon either by the Board of Directors or a subordinate committee thereof? Yes[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[]

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 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 \$ 0
- 21.22 Borrowed from others \$ 0
- 21.23 Leased from others \$ 0
- 21.24 Other \$ 0
- 22.1 Does this statement include payments for assessments as described in the Annual Statement Instructions other than guaranty fund or guaranty association assessments? Yes[] No[X]
- 22.2 If answer is yes:
- 22.21 Amount paid as losses or risk adjustment \$ 0
- 22.22 Amount paid as expenses \$ 0
- 22.23 Other amounts paid \$ 0
- 23.1 Does the reporting entity report any amounts due from parent, subsidiaries or affiliates on Page 2 of this statement? Yes[] No[X]
- 23.2 If yes, indicate any amounts receivable from parent included in the Page 2 amount: \$ 0

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
- 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. \$ 0
- 24.06 If answer to 24.04 is no, report amount of collateral for other programs. \$ 0
- 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]

GENERAL INTERROGATORIES (Continued)

- 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. \$ 0
- 24.102 Total book/adjusted carrying value of reinvested collateral assets reported on Schedule DL, Parts 1 and 2. \$ 0
- 24.103 Total payable for securities lending reported on the liability page. \$ 0

- 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[] No[X]
- 25.2 If yes, state the amount thereof at December 31 of the current year:
- 25.21 Subject to repurchase agreements \$ 0
- 25.22 Subject to reverse repurchase agreements \$ 0
- 25.23 Subject to dollar repurchase agreements \$ 0
- 25.24 Subject to reverse dollar repurchase agreements \$ 0
- 25.25 Pledged as collateral \$ 0
- 25.26 Placed under option agreements \$ 0
- 25.27 Letter stock or securities restricted as to sale \$ 0
- 25.28 On deposit with state or other regulatory body \$ 0
- 25.29 Other \$ 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. \$ 0

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

1 Name of Custodian(s)	2 Custodian's Address
FirstMerit Trust Company	4481 Munson St. NW #200, Canton, OH 44718
The Vanguard Group	P.O. Box 2600 Valley Forge, PA 19482

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

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

- 28.03 Have there been any changes, including name changes, in the custodian(s) identified in 28.01 during the current year? Yes[] No[X]
- 28.04 If yes, give full and complete information relating thereto:

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

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

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

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

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

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

GENERAL INTERROGATORIES (Continued)

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

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	43,931,860	47,418,686	3,486,826
30.2 Preferred stocks			
30.3 Totals	43,931,860	47,418,686	3,486,826

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

The market value of the bonds reported on the FirstMerit Investment statements are used to report Fair Value.

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[] No[X] N/A[]

31.3 If the answer to 31.2 is no, describe the reporting entity's process for determining a reliable pricing source for purposes of disclosure of fair value for Schedule D:

32.1 Have all the filing requirements of the Purposes and Procedures Manual of the NAIC Securities Valuation Office been followed? Yes[X] No[]

32.2 If no, list exceptions:

OTHER

33.1 Amount of payments to Trade Associations, Service Organizations and Statistical or Rating Bureaus, if any? \$ 490,487

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

1 Name	2 Amount Paid

34.1 Amount of payments for legal expenses, if any? \$ 1,118,880

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

1 Name	2 Amount Paid

35.1 Amount of payments for expenditures in connection with matters before legislative bodies, officers or department of government, if any? \$ 25,533

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

1 Name	2 Amount Paid
American Health Insurance Plans	16,893

GENERAL INTERROGATORIES (Continued)

PART 2 - HEALTH INTERROGATORIES

- 1.1 Does the reporting entity have any direct Medicare Supplement Insurance in force? Yes[X] No[]
- 1.2 If yes, indicate premium earned on U.S. business only: \$ 143,280
- 1.3 What portion of Item (1.2) is not reported on the Medicare Supplement Insurance Experience Exhibit? \$ 0
 - 1.31 Reason for excluding:
No policy greater than 3 years and no mass market group policies
- 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. \$ 109,092
- 1.6 Individual policies - Most current three years:
 - 1.61 Total premium earned \$ 143,280
 - 1.62 Total incurred claims \$ 109,092
 - 1.63 Number of covered lives 84
 - All years prior to most current three years:
 - 1.64 Total premium earned \$ 0
 - 1.65 Total incurred claims \$ 0
 - 1.66 Number of covered lives 0
- 1.7 Group policies - Most current three years:
 - 1.71 Total premium earned \$ 0
 - 1.72 Total incurred claims \$ 0
 - 1.73 Number of covered lives 0
 - All years prior to most current three years:
 - 1.74 Total premium earned \$ 0
 - 1.75 Total incurred claims \$ 0
 - 1.76 Number of covered lives 0

2. Health Test

	1 Current Year	2 Prior Year
2.1 Premium Numerator	468,467,855	440,528,542
2.2 Premium Denominator	468,467,855	438,117,371
2.3 Premium Ratio (2.1 / 2.2)	1.000	1.006
2.4 Reserve Numerator	41,294,717	53,451,834
2.5 Reserve Denominator	41,294,717	53,467,830
2.6 Reserve Ratio (2.4 / 2.5)	1.000	1.000

- 3.1 Has the reporting entity received any endowment or gift from contracting hospitals, physicians, dentists, or others that is agreed will be returned when, as and if the earnings of the reporting entity permits? Yes[] No[X]
- 3.2 If yes, give particulars:
- 4.1 Have copies of all agreements stating the period and nature of hospitals', physicians', and dentists' care offered to subscribers and dependents been filed with the appropriate regulatory agency? Yes[X] No[]
- 4.2 If not previously filed furnish herewith a copy(ies) of such agreement(s). Do these agreements include additional benefits offered? Yes[] No[X] N/A[]
- 5.1 Does the reporting entity have stop-loss reinsurance? Yes[X] No[]
- 5.2 If no, explain:
- 5.3 Maximum retained risk (see instructions):
 - 5.31 Comprehensive Medical \$ 400,000
 - 5.32 Medical Only \$ 0
 - 5.33 Medicare Supplement \$ 0
 - 5.34 Dental & Vision \$ 0
 - 5.35 Other Limited Benefit Plan \$ 0
 - 5.36 Other \$ 0
- 6. Describe arrangement which the reporting entity may have to protect subscribers and their dependents against the risk of insolvency including hold harmless provisions, conversion privileges with other carriers, agreements with providers to continue rendering services, and any other agreements:
N/A
- 7.1 Does the reporting entity set up its claim liability for provider services on a service date basis? Yes[X] No[]
- 7.2 If no, give details:
- 8. Provide the following information regarding participating providers:
 - 8.1 Number of providers at start of reporting year 2,511
 - 8.2 Number of providers at end of reporting year 2,485
- 9.1 Does the reporting entity have business subject to premium rate guarantees? Yes[] No[X]
- 9.2 If yes, direct premium earned:
 - 9.21 Business with rate guarantees between 15-36 months 0
 - 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 \$ 4,617,135
 - 10.22 Amount actually paid for year bonuses \$ 4,933,114
 - 10.23 Maximum amount payable withholds \$ 0
 - 10.24 Amount actually paid for year withholds \$ 0
- 11.1 Is the reporting entity organized as:
 - 11.12 A Medical Group/Staff Model, Yes[] 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. \$ 1,500,000
- 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.
- 12. List service areas in which the reporting entity is licensed to operate:

1 Name of Service Area
Ohio

- 13.1 Do you act as a custodian for health savings accounts? Yes[] No[X]
- 13.2 If yes, please provide the amount of custodial funds held as of the reporting date: \$ 0
- 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: \$ 0

FIVE-YEAR HISTORICAL DATA

	1 2012	2 2011	3 2010	4 2009	5 2008
BALANCE SHEET (Pages 2 and 3)					
1. TOTAL Admitted Assets (Page 2, Line 28)	112,832,900	122,133,875	118,783,783	103,486,875	97,266,372
2. TOTAL Liabilities (Page 3, Line 24)	54,468,637	64,697,779	59,209,217	54,248,021	54,710,986
3. Statutory surplus	1,500,000	1,500,000	1,500,000	1,500,000	.....
4. TOTAL Capital and Surplus (Page 3, Line 33)	58,364,264	57,436,096	59,574,566	49,238,854	42,555,386
INCOME STATEMENT (Page 4)					
5. TOTAL Revenues (Line 8)	468,467,855	438,117,371	417,360,736	429,473,436	452,803,837
6. TOTAL Medical and Hospital Expenses (Line 18)	421,829,062	397,252,309	371,546,129	387,047,579	404,702,038
7. Claims adjustment expenses (Line 20)	7,415,839	6,837,553	6,317,250	6,218,497	6,384,812
8. TOTAL Administrative Expenses (Line 21)	41,618,594	38,119,722	35,872,539	33,411,596	35,425,767
9. Net underwriting gain (loss) (Line 24)	(2,395,640)	(4,092,214)	3,624,818	2,795,764	6,291,219
10. Net investment gain (loss) (Line 27)	2,279,160	1,388,809	2,367,187	2,406,190	1,175,003
11. TOTAL Other Income (Lines 28 plus 29) .....	.....	.....	.....	.....	.....
12. Net income or (loss) (Line 32)	(312,711)	(3,110,984)	2,494,361	3,975,865	4,171,416
Cash Flow (Page 6)					
13. Net cash from operations (Line 11)	(15,260,611)	(2,086,019)	9,001,488	9,093,574	17,383,431
RISK-BASED CAPITAL ANALYSIS					
14. TOTAL Adjusted Capital	58,364,264	57,436,096	59,574,566	49,238,854	42,555,386
15. Authorized control level risk-based capital	16,301,478	16,383,118	15,397,121	15,982,916	16,355,886
ENROLLMENT (Exhibit 1)					
16. TOTAL Members at End of Period (Column 5, Line 7)	120,222	121,075	110,584	109,906	130,823
17. TOTAL Members Months (Column 6, Line 7)	1,424,534	1,393,715	1,293,750	1,403,584	1,605,609
OPERATING PERCENTAGE (Page 4)					
(Item divided by Page 4, sum of Lines 2, 3 and 5) x 100.0					
18. Premiums earned plus risk revenue (Line 2 plus Lines 3 and 5)	100.0	100.0	100.0	100.0	100.0
19. TOTAL Hospital and Medical plus other non-health (Lines 18 plus Line 19)	90.0	90.7	89.0	90.1	89.4
20. Cost containment expenses	1.0	1.0	0.9	0.9	0.9
21. Other claims adjustment expenses	0.5	0.6	0.6	0.6	0.5
22. TOTAL Underwriting Deductions (Line 23)	100.5	100.9	99.1	99.3	98.6
23. TOTAL Underwriting Gain (Loss) (Line 24)	(0.5)	(0.9)	0.9	0.7	1.4
UNPAID CLAIMS ANALYSIS					
(U&I Exhibit, Part 2B)					
24. TOTAL Claims Incurred for Prior Years (Line 13, Column 5)	38,802,301	35,783,073	31,544,657	34,261,606	41,290,784
25. Estimated liability of unpaid claims-[prior year (Line 13, Column 6)]	40,172,593	36,028,285	37,969,363	41,500,679	36,825,287
INVESTMENTS IN PARENT, SUBSIDIARIES AND AFFILIATES					
26. Affiliated bonds (Sch. D Summary, Line 12, Column 1) .....	.....	.....	.....	.....	.....
27. Affiliated preferred stocks (Sch. D Summary, Line 18, Column 1) .....	.....	.....	.....	.....	.....
28. Affiliated common stocks (Sch. D Summary, Line 24, Column 1) .....	.....	.....	.....	.....	.....
29. Affiliated short-term investments (subtotal included in Sch. DA Verification, Col. 5, Line 10) .....	.....	.....	.....	.....	.....
30. Affiliated mortgage loans on real estate .....	.....	.....	.....	.....	.....
31. All other affiliated	16,478,301	18,067,146	15,630,026	17,268,504	8,370,807
32. TOTAL of Above Lines 26 to 31	16,478,301	18,067,146	15,630,026	17,268,504	8,370,807
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[] N/A[X]

If no, please explain::

SCHEDULE T - PREMIUMS AND OTHER CONSIDERATIONS ALLOCATED BY STATES AND TERRITORIES

State, Etc.	1 Active Status	Direct Business Only							
		2 Accident & Health Premiums	3 Medicare Title XVIII	4 Medicaid Title XIX	5 Federal Employees Health Benefits Program Premiums	6 Life & Annuity Premiums & Other Considerations	7 Property/Casualty Premiums	8 Total Columns 2 Through 7	9 Deposit - Type Contracts
1. Alabama (AL)	N								
2. Alaska (AK)	N								
3. Arizona (AZ)	N								
4. Arkansas (AR)	N								
5. California (CA)	N								
6. Colorado (CO)	N								
7. Connecticut (CT)	N								
8. Delaware (DE)	N								
9. District of Columbia (DC)	N								
10. Florida (FL)	N								
11. Georgia (GA)	N								
12. Hawaii (HI)	N								
13. Idaho (ID)	N								
14. Illinois (IL)	N								
15. Indiana (IN)	N								
16. Iowa (IA)	N								
17. Kansas (KS)	N								
18. Kentucky (KY)	N								
19. Louisiana (LA)	N								
20. Maine (ME)	N								
21. Maryland (MD)	N								
22. Massachusetts (MA)	N								
23. Michigan (MI)	N								
24. Minnesota (MN)	N								
25. Mississippi (MS)	N								
26. Missouri (MO)	N								
27. Montana (MT)	N								
28. Nebraska (NE)	N								
29. Nevada (NV)	N								
30. New Hampshire (NH)	N								
31. New Jersey (NJ)	N								
32. New Mexico (NM)	N								
33. New York (NY)	N								
34. North Carolina (NC)	N								
35. North Dakota (ND)	N								
36. Ohio (OH)	L	212,758,149	251,864,803		14,447,486		479,070,438		
37. Oklahoma (OK)	N								
38. Oregon (OR)	N								
39. Pennsylvania (PA)	N								
40. Rhode Island (RI)	N								
41. South Carolina (SC)	N								
42. South Dakota (SD)	N								
43. Tennessee (TN)	N								
44. Texas (TX)	N								
45. Utah (UT)	N								
46. Vermont (VT)	N								
47. Virginia (VA)	N								
48. Washington (WA)	N								
49. West Virginia (WV)	N								
50. Wisconsin (WI)	N								
51. Wyoming (WY)	N								
52. American Samoa (AS)	N								
53. Guam (GU)	N								
54. Puerto Rico (PR)	N								
55. U.S. Virgin Islands (VI)	N								
56. Northern Marianas Islands (MP)	N								
57. Canada (CAN)	N								
58. Aggregate other alien (OT)	X X X								
59. Subtotal	X X X	212,758,149	251,864,803		14,447,486		479,070,438		
60. Reporting entity contributions for Employee Benefit Plans	X X X								
61. TOTAL (Direct Business)	(a) 1	212,758,149	251,864,803		14,447,486		479,070,438		
DETAILS OF WRITE-INS									
5801.	X X X								
5802.	X X X								
5803.	X X X								
5898. Summary of remaining write-ins for Line 58 from overflow page	X X X								
5899. TOTALS (Lines 5801 through 5803 plus 5898) (Line 58 above)	X X X								

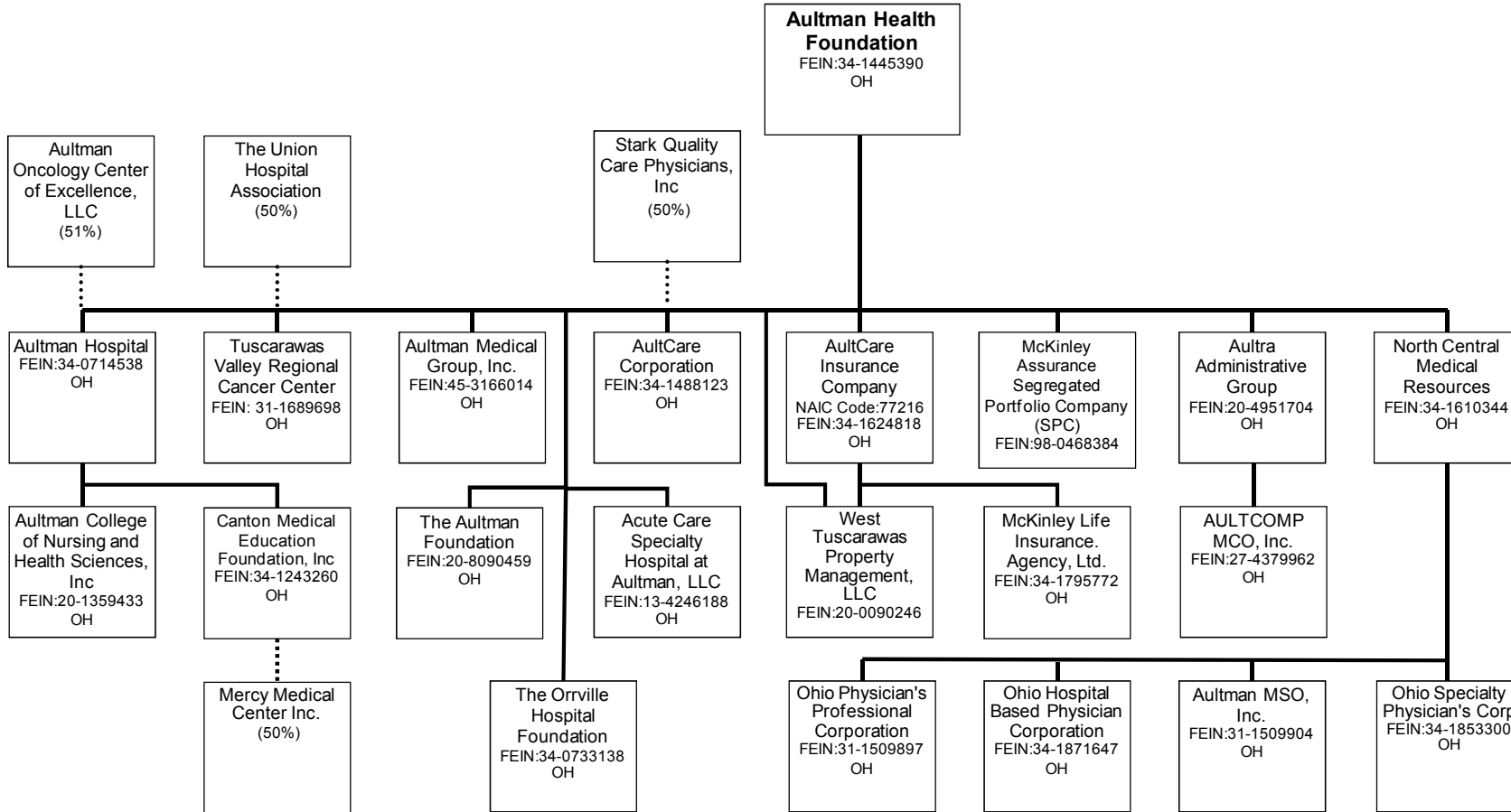
(L) Licensed or Chartered - Licensed Insurance Carrier or Domiciled RRG; (R) Registered - Non-domiciled RRGs; (Q) Qualified - Qualified or Accredited Reinsurer; (E) Eligible - Reporting Entities eligible or approved to write Surplus Lines in the state; (N) None of the above - Not allowed to write business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

(a) Insert the number of L responses except for Canada and Other Alien.
Explanation of basis of allocation of premiums by states, etc.: The company only has business in the State of Ohio.

SCHEDULE Y - INFORMATION CONCERNING ACTIVITIES OF INSURER

MEMBERS OF A HOLDING COMPANY GROUP

PART 1 - ORGANIZATIONAL CHART



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