



ANNUAL STATEMENT
FOR THE YEAR ENDING DECEMBER 31, 2012
OF THE CONDITION AND AFFAIRS OF THE

CARESOURCE

NAIC Group Code 3683, 3683 NAIC Company Code 95201 Employer's ID Number 31-1143265
Organized under the Laws of Ohio, State of Domicile or Port of Entry Ohio
Country of Domicile United States
Licensed as business type: Life, Accident & Health [], Property/Casualty [], Hospital, Medical & Dental Service or Indemnity []
Dental Service Corporation [], Vision Service Corporation [], Health Maintenance Organization [X]
Other [], Is HMO, Federally Qualified? Yes [] No [X]
Incorporated/Organized 06/12/1985 Commenced Business 10/01/1988
Statutory Home Office 230 North Main Street, Dayton, OH, US 45402
Main Administrative Office 230 North Main Street, Dayton, OH, US 45402
Mail Address PO Box 8738, Dayton, OH, US 45401-8738
Primary Location of Books and Records 230 North Main Street, Dayton, OH, US 45402
Internet Web Site Address www.caresource.com
Statutory Statement Contact L. Tarlton Thomas III, 937-531-2159

OFFICERS

Table with 4 columns: Name, Title, Name, Title. Rows include Pamela B. Morris (President & Chief Executive Officer), L. Tarlton Thomas III (Chief Financial Officer), Bobby L. Jones (Chief Operating Officer), and Craig Thiele M.D. (Chief Medical Officer).

OTHER OFFICERS

Blank lines for other officers.

DIRECTORS OR TRUSTEES

Table with 4 columns: Name, Name, Name, Name. Rows include Pamela B. Morris, William F. Marsteller D.C., Michael E. Ervin M.D., Morris L. Brown M.D., Ellen S. Leffak, David T. Miller, Lisa Kloppenberg #, and Craig Brown.

State of Ohio ss
County of Montgomery

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

Signature lines for Pamela B. Morris (President & Chief Executive Officer), Bobby L. Jones (Chief Operating Officer), and L. Tarlton Thomas III (Chief Financial Officer). Includes a question: a. Is this an original filing? Yes [X] No [] and a list: b. If no: 1. State the amendment number, 2. Date filed, 3. Number of pages attached.

ANNUAL STATEMENT FOR THE YEAR 2012 OF THE CARESOURCE

ASSETS

	Current Year			Prior Year
	1	2	3	4
	Assets	Nonadmitted Assets	Net Admitted Assets (Cols. 1 - 2)	Net Admitted Assets
1. Bonds (Schedule D).....	411,976,135		411,976,135	315,929,911
2. Stocks (Schedule D):				
2.1 Preferred stocks	0		0	0
2.2 Common stocks	49,730,592		49,730,592	37,167,471
3. Mortgage loans on real estate (Schedule B):				
3.1 First liens			0	0
3.2 Other than first liens			0	0
4. Real estate (Schedule A):				
4.1 Properties occupied by the company (less \$ encumbrances).....			0	2,100,000
4.2 Properties held for the production of income (less \$ encumbrances)			0	0
4.3 Properties held for sale (less \$ encumbrances)			0	0
5. Cash (\$2,431,764 , Schedule E-Part 1), cash equivalents (\$206,542,193 , Schedule E-Part 2) and short-term investments (\$101,174,177 , Schedule DA).....	310,148,134		310,148,134	378,008,244
6. Contract loans (including \$ premium notes).....			0	0
7. Derivatives (Schedule DB).....			0	0
8. Other invested assets (Schedule BA)	0		0	0
9. Receivables for securities			0	0
10. Securities lending reinvested collateral assets (Schedule DL).....			0	0
11. Aggregate write-ins for invested assets	1,554,881	1,554,881	0	0
12. Subtotals, cash and invested assets (Lines 1 to 11)	773,409,742	1,554,881	771,854,861	733,205,625
13. Title plants less \$ charged off (for Title insurers only).....			0	0
14. Investment income due and accrued	5,407,098		5,407,098	3,606,842
15. Premiums and considerations:				
15.1 Uncollected premiums and agents' balances in the course of collection	95,666,548		95,666,548	68,200,102
15.2 Deferred premiums, agents' balances and installments booked but deferred and not yet due (including \$ earned but unbilled premiums).....			0	0
15.3 Accrued retrospective premiums.....			0	0
16. Reinsurance:				
16.1 Amounts recoverable from reinsurers	1,380,620		1,380,620	3,663,369
16.2 Funds held by or deposited with reinsured companies			0	0
16.3 Other amounts receivable under reinsurance contracts			0	0
17. Amounts receivable relating to uninsured plans	0		0	0
18.1 Current federal and foreign income tax recoverable and interest thereon			0	0
18.2 Net deferred tax asset.....			0	0
19. Guaranty funds receivable or on deposit			0	0
20. Electronic data processing equipment and software.....			0	0
21. Furniture and equipment, including health care delivery assets (\$)			0	0
22. Net adjustment in assets and liabilities due to foreign exchange rates			0	0
23. Receivables from parent, subsidiaries and affiliates			0	0
24. Health care (\$61,630,584) and other amounts receivable.....	65,810,777	4,180,193	61,630,584	50,737,261
25. Aggregate write-ins for other than invested assets	69,527	69,527	0	0
26. Total assets excluding Separate Accounts, Segregated Accounts and Protected Cell Accounts (Lines 12 to 25).....	941,744,312	5,804,601	935,939,711	859,413,199
27. From Separate Accounts, Segregated Accounts and Protected Cell Accounts.....			0	0
28. Total (Lines 26 and 27)	941,744,312	5,804,601	935,939,711	859,413,199
DETAILS OF WRITE-INS				
1101. Investment in CareSource Foundation.....	1,554,881	1,554,881	0	0
1102.			0	0
1103.			0	0
1198. Summary of remaining write-ins for Line 11 from overflow page	0	0	0	0
1199. Totals (Lines 1101 through 1103 plus 1198) (Line 11 above)	1,554,881	1,554,881	0	0
2501. Prepaid Assets.....	69,527	69,527	0	0
2502.	0	0	0	0
2503.	0	0	0	0
2598. Summary of remaining write-ins for Line 25 from overflow page	0	0	0	0
2599. Totals (Lines 2501 through 2503 plus 2598) (Line 25 above)	69,527	69,527	0	0

ANNUAL STATEMENT FOR THE YEAR 2012 OF THE CARESOURCE

LIABILITIES, CAPITAL AND SURPLUS

	Current Year			Prior Year
	1 Covered	2 Uncovered	3 Total	4 Total
1. Claims unpaid (less \$7,211,680 reinsurance ceded)	303,312,703		303,312,703	354,070,579
2. Accrued medical incentive pool and bonus amounts	1,529,088		1,529,088	1,481,928
3. Unpaid claims adjustment expenses	6,895,453		6,895,453	6,736,572
4. Aggregate health policy reserves, including the liability of \$ for medical loss ratio rebate per the Public Health Service Act	0		0	0
5. Aggregate life policy reserves	0		0	0
6. Property/casualty unearned premium reserves	0		0	0
7. Aggregate health claim reserves	0		0	0
8. Premiums received in advance	1,973,952		1,973,952	4,624,141
9. General expenses due or accrued	74,639,151		74,639,151	70,268,868
10.1 Current federal and foreign income tax payable and interest thereon (including \$ on realized capital gains (losses))	0		0	0
10.2 Net deferred tax liability	0		0	0
11. Ceded reinsurance premiums payable	0		0	0
12. Amounts withheld or retained for the account of others	0		0	0
13. Remittances and items not allocated	0		0	0
14. Borrowed money (including \$ current) and interest thereon \$ (including \$ current)	0		0	0
15. Amounts due to parent, subsidiaries and affiliates	10,118,356		10,118,356	7,516,286
16. Derivatives	0		0	0
17. Payable for securities	2,384,160		2,384,160	0
18. Payable for securities lending	0		0	0
19. Funds held under reinsurance treaties (with \$ authorized reinsurers, \$ unauthorized reinsurers and (\$ certified reinsurers)	0		0	0
20. Reinsurance in unauthorized and certified (\$) companies	0		0	0
21. Net adjustments in assets and liabilities due to foreign exchange rates	0		0	0
22. Liability for amounts held under uninsured plans	0		0	0
23. Aggregate write-ins for other liabilities (including \$ current)	0	0	0	0
24. Total liabilities (Lines 1 to 23)	400,852,863	0	400,852,863	444,698,374
25. Aggregate write-ins for special surplus funds	XXX	XXX	0	0
26. Common capital stock	XXX	XXX	0	0
27. Preferred capital stock	XXX	XXX	0	0
28. Gross paid in and contributed surplus	XXX	XXX	22,314,177	17,200,000
29. Surplus notes	XXX	XXX	0	0
30. Aggregate write-ins for other than special surplus funds	XXX	XXX	0	2,100,000
31. Unassigned funds (surplus)	XXX	XXX	512,772,671	395,414,825
32. Less treasury stock, at cost:				
32.1 shares common (value included in Line 26 \$)	XXX	XXX		0
32.2 shares preferred (value included in Line 27 \$)	XXX	XXX		0
33. Total capital and surplus (Lines 25 to 31 minus Line 32)	XXX	XXX	535,086,848	414,714,825
34. Total liabilities, capital and surplus (Lines 24 and 33)	XXX	XXX	935,939,711	859,413,199
DETAILS OF WRITE-INS				
2301.			0	0
2302.			0	0
2303.			0	0
2398. Summary of remaining write-ins for Line 23 from overflow page	0	0	0	0
2399. Totals (Lines 2301 through 2303 plus 2398) (Line 23 above)	0	0	0	0
2501.	XXX	XXX		0
2502.	XXX	XXX		0
2503.	XXX	XXX		0
2598. Summary of remaining write-ins for Line 25 from overflow page	XXX	XXX	0	0
2599. Totals (Lines 2501 through 2503 plus 2598) (Line 25 above)	XXX	XXX	0	0
3001. Contributed Surplus (Land)	XXX	XXX	0	2,100,000
3002.	XXX	XXX		0
3003.	XXX	XXX		0
3098. Summary of remaining write-ins for Line 30 from overflow page	XXX	XXX	0	0
3099. Totals (Lines 3001 through 3003 plus 3098) (Line 30 above)	XXX	XXX	0	2,100,000

ANNUAL STATEMENT FOR THE YEAR 2012 OF THE CARESOURCE

STATEMENT OF REVENUE AND EXPENSES

	Current Year		Prior Year
	1 Uncovered	2 Total	3 Total
1. Member Months.....	XXX	10,851,256	10,266,935
2. Net premium income (including \$0 non-health premium income).....	XXX	3,682,585,418	2,965,644,060
3. Change in unearned premium reserves and reserve for rate credits	XXX	0	0
4. Fee-for-service (net of \$ medical expenses)	XXX	0	0
5. Risk revenue	XXX	0	0
6. Aggregate write-ins for other health care related revenues	XXX	20,885,155	0
7. Aggregate write-ins for other non-health revenues	XXX	0	0
8. Total revenues (Lines 2 to 7)	XXX	3,703,470,573	2,965,644,060
Hospital and Medical:			
9. Hospital/medical benefits		2,268,748,757	2,089,072,735
10. Other professional services		38,603,201	32,536,094
11. Outside referrals		0	0
12. Emergency room and out-of-area		196,748,102	181,501,985
13. Prescription drugs		624,566,431	168,674,459
14. Aggregate write-ins for other hospital and medical.....	0	0	0
15. Incentive pool, withhold adjustments and bonus amounts.....		3,575,962	2,671,308
16. Subtotal (Lines 9 to 15)	0	3,132,242,453	2,474,456,581
Less:			
17. Net reinsurance recoveries		6,745,227	8,997,939
18. Total hospital and medical (Lines 16 minus 17)	0	3,125,497,226	2,465,458,642
19. Non-health claims (net).....		0	0
20. Claims adjustment expenses, including \$56,558,473 cost containment expenses.....		69,729,398	54,723,564
21. General administrative expenses.....		406,027,083	326,984,445
22. Increase in reserves for life and accident and health contracts (including \$ increase in reserves for life only).....		0	0
23. Total underwriting deductions (Lines 18 through 22)	0	3,601,253,707	2,847,166,651
24. Net underwriting gain or (loss) (Lines 8 minus 23)	XXX	102,216,866	118,477,409
25. Net investment income earned (Exhibit of Net Investment Income, Line 17).....		12,881,006	13,086,076
26. Net realized capital gains (losses) less capital gains tax of \$		1,383,923	(355,393)
27. Net investment gains (losses) (Lines 25 plus 26)	0	14,264,929	12,730,683
28. Net gain or (loss) from agents' or premium balances charged off [(amount recovered \$) (amount charged off \$)]		0	0
29. Aggregate write-ins for other income or expenses	0	0	0
30. Net income or (loss) after capital gains tax and before all other federal income taxes (Lines 24 plus 27 plus 28 plus 29).....	XXX	116,481,795	131,208,092
31. Federal and foreign income taxes incurred	XXX	0	0
32. Net income (loss) (Lines 30 minus 31)	XXX	116,481,795	131,208,092
DETAILS OF WRITE-INS			
0601. Pay for Performance Revenue (P4P).....	XXX	20,885,155	0
0602.	XXX	0	0
0603.	XXX	0	0
0698. Summary of remaining write-ins for Line 6 from overflow page	XXX	0	0
0699. Totals (Lines 0601 through 0603 plus 0698) (Line 6 above)	XXX	20,885,155	0
0701.	XXX	0	0
0702.	XXX	0	0
0703.	XXX	0	0
0798. Summary of remaining write-ins for Line 7 from overflow page	XXX	0	0
0799. Totals (Lines 0701 through 0703 plus 0798) (Line 7 above)	XXX	0	0
1401.		0	0
1402.		0	0
1403.		0	0
1498. Summary of remaining write-ins for Line 14 from overflow page	0	0	0
1499. Totals (Lines 1401 through 1403 plus 1498) (Line 14 above)	0	0	0
2901.		0	0
2902.		0	0
2903.		0	0
2998. Summary of remaining write-ins for Line 29 from overflow page	0	0	0
2999. Totals (Lines 2901 through 2903 plus 2998) (Line 29 above)	0	0	0

STATEMENT OF REVENUE AND EXPENSES (Continued)

	1 Current Year	2 Prior Year
CAPITAL & SURPLUS ACCOUNT		
33. Capital and surplus prior reporting year	414,714,825	293,290,427
34. Net income or (loss) from Line 32	116,481,795	131,208,092
35. Change in valuation basis of aggregate policy and claim reserves		0
36. Change in net unrealized capital gains (losses) less capital gains tax of \$	4,993,164	(2,117,163)
37. Change in net unrealized foreign exchange capital gain or (loss)		0
38. Change in net deferred income tax		0
39. Change in nonadmitted assets	(5,001,406)	(99,848)
40. Change in unauthorized and certified reinsurance	0	0
41. Change in treasury stock	0	0
42. Change in surplus notes	0	0
43. Cumulative effect of changes in accounting principles		0
44. Capital Changes:		
44.1 Paid in	0	0
44.2 Transferred from surplus (Stock Dividend)		0
44.3 Transferred to surplus		0
45. Surplus adjustments:		
45.1 Paid in	5,114,177	0
45.2 Transferred to capital (Stock Dividend)	0	0
45.3 Transferred from capital	(1,215,708)	(1,478,203)
46. Dividends to stockholders	0	(6,000,000)
47. Aggregate write-ins for gains or (losses) in surplus	0	(88,480)
48. Net change in capital and surplus (Lines 34 to 47)	120,372,023	121,424,398
49. Capital and surplus end of reporting year (Line 33 plus 48)	535,086,848	414,714,825
DETAILS OF WRITE-INS		
4701.		0
4702. Non-credit related impairment of residential mortgage-based securities.....	0	(88,480)
4703.		
4798. Summary of remaining write-ins for Line 47 from overflow page	0	0
4799. Totals (Lines 4701 through 4703 plus 4798) (Line 47 above)	0	(88,480)

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CASH FLOW

	1 Current Year	2 Prior Year
Cash from Operations		
1. Premiums collected net of reinsurance	3,673,859,135	2,928,903,236
2. Net investment income	14,141,222	14,050,011
3. Miscellaneous income	0	0
4. Total (Lines 1 through 3)	3,688,000,357	2,942,953,247
5. Benefit and loss related payments	3,188,937,271	2,303,399,115
6. Net transfers to Separate Accounts, Segregated Accounts and Protected Cell Accounts	0	0
7. Commissions, expenses paid and aggregate write-ins for deductions	471,732,514	409,264,705
8. Dividends paid to policyholders	0	0
9. Federal and foreign income taxes paid (recovered) net of \$ tax on capital gains (losses)	0	0
10. Total (Lines 5 through 9)	3,660,669,785	2,712,663,820
11. Net cash from operations (Line 4 minus Line 10)	27,330,572	230,289,427
Cash from Investments		
12. Proceeds from investments sold, matured or repaid:		
12.1 Bonds	144,897,854	41,610,079
12.2 Stocks	29,418,530	13,036,315
12.3 Mortgage loans	0	0
12.4 Real estate	1,750,000	0
12.5 Other invested assets	0	0
12.6 Net gains or (losses) on cash, cash equivalents and short-term investments	(10,800)	0
12.7 Miscellaneous proceeds	2,384,160	0
12.8 Total investment proceeds (Lines 12.1 to 12.7)	178,439,744	54,646,394
13. Cost of investments acquired (long-term only):		
13.1 Bonds	242,608,704	91,965,911
13.2 Stocks	36,639,609	25,144,303
13.3 Mortgage loans	0	0
13.4 Real estate	0	0
13.5 Other invested assets	0	0
13.6 Miscellaneous applications	0	0
13.7 Total investments acquired (Lines 13.1 to 13.6)	279,248,314	117,110,214
14. Net increase (decrease) in contract loans and premium notes	0	0
15. Net cash from investments (Line 12.8 minus Line 13.7 minus Line 14)	(100,808,569)	(62,463,820)
Cash from Financing and Miscellaneous Sources		
16. Cash provided (applied):		
16.1 Surplus notes, capital notes	0	0
16.2 Capital and paid in surplus, less treasury stock	3,027,223	(2,108,761)
16.3 Borrowed funds	0	0
16.4 Net deposits on deposit-type contracts and other insurance liabilities	0	0
16.5 Dividends to stockholders	0	6,000,000
16.6 Other cash provided (applied)	2,590,665	(2,474,801)
17. Net cash from financing and miscellaneous sources (Lines 16.1 to 16.4 minus Line 16.5 plus Line 16.6)	5,617,888	(10,583,562)
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)	(67,860,109)	157,242,045
19. Cash, cash equivalents and short-term investments:		
19.1 Beginning of year	378,008,244	220,766,198
19.2 End of year (Line 18 plus Line 19.1)	310,148,134	378,008,244

ANNUAL STATEMENT FOR THE YEAR 2012 OF THE CARESOURCE
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	3,682,585,418	0	0	0	0	0	20,435,357	3,660,710,774	1,439,287	0
2. Change in unearned premium reserves and reserve for rate credit	0	0	0	0	0	0	0	0	0	0
3. Fee-for-service (net of \$ medical expenses)	0	0	0	0	0	0	0	0	0	XXX
4. Risk revenue	0	0	0	0	0	0	0	0	0	XXX
5. Aggregate write-ins for other health care related revenues	20,885,155	0	0	0	0	0	0	20,885,155	0	XXX
6. Aggregate write-ins for other non-health care related revenues	0	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	0
7. Total revenues (Lines 1 to 6)	3,703,470,573	0	0	0	0	0	20,435,357	3,681,595,929	1,439,287	0
8. Hospital/medical benefits	2,268,748,757	0	0	0	0	0	13,055,005	2,254,804,118	889,634	XXX
9. Other professional services	38,603,201	0	0	0	0	0	151,373	38,451,828	0	XXX
10. Outside referrals	0	0	0	0	0	0	0	0	0	XXX
11. Emergency room and out-of-area	196,748,102	0	0	0	0	0	779,133	195,963,439	5,530	XXX
12. Prescription drugs	624,566,431	0	0	0	0	0	4,538,184	619,484,124	544,123	XXX
13. Aggregate write-ins for other hospital and medical	0	0	0	0	0	0	0	0	0	XXX
14. Incentive pool, withhold adjustments and bonus amounts	3,575,962	0	0	0	0	0	4,773	3,571,189	0	XXX
15. Subtotal (Lines 8 to 14)	3,132,242,453	0	0	0	0	0	18,528,468	3,112,274,698	1,439,287	XXX
16. Net reinsurance recoveries	6,745,227	0	0	0	0	0	18,588	6,726,639	0	XXX
17. Total hospital and medical (Lines 15 minus 16)	3,125,497,226	0	0	0	0	0	18,509,880	3,105,548,059	1,439,287	XXX
18. Non-health claims (net)	0	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	0
19. Claims adjustment expenses including \$ 56,558,473 cost containment expenses	69,729,398	0	0	0	0	0	886,381	68,664,163	178,854	0
20. General administrative expenses	406,027,083	0	0	0	0	0	2,073,409	403,771,008	182,666	0
21. Increase in reserves for accident and health contracts	0	0	0	0	0	0	0	0	0	XXX
22. Increase in reserves for life contracts	0	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	0
23. Total underwriting deductions (Lines 17 to 22)	3,601,253,707	0	0	0	0	0	21,469,670	3,577,983,230	1,800,807	0
24. Net underwriting gain or (loss) (Line 7 minus Line 23)	102,216,866	0	0	0	0	0	(1,034,313)	103,612,699	(361,520)	0
DETAILS OF WRITE-INS										
0501. Pay for Performance Revenue (P4P)	20,885,155	0	0	0	0	0	0	20,885,155	0	XXX
0502.										XXX
0503.										XXX
0598. Summary of remaining write-ins for Line 5 from overflow page	0	0	0	0	0	0	0	0	0	XXX
0599. Totals (Lines 0501 through 0503 plus 0598) (Line 5 above)	20,885,155	0	0	0	0	0	0	20,885,155	0	XXX
0601.		XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX
0602.		XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX
0603.		XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX
0698. Summary of remaining write-ins for Line 6 from overflow page	0	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	0
0699. Totals (Lines 0601 through 0603 plus 0698) (Line 6 above)	0	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	0
1301.										XXX
1302.										XXX
1303.										XXX
1398. Summary of remaining write-ins for Line 13 from overflow page	0	0	0	0	0	0	0	0	0	XXX
1399. Totals (Lines 1301 through 1303 plus 1398) (Line 13 above)	0	0	0	0	0	0	0	0	0	XXX

ANNUAL STATEMENT FOR THE YEAR 2012 OF THE CARESOURCE

UNDERWRITING AND INVESTMENT EXHIBIT
PART 1 - PREMIUMS

Line of Business	1 Direct Business	2 Reinsurance Assumed	3 Reinsurance Ceded	4 Net Premium Income (Cols. 1+2-3)
1. Comprehensive (hospital and medical) .....	.0	.0	.0	.0
2. Medicare Supplement .....	.0	.0	.0	.0
3. Dental only.....	.0	.0	.0	.0
4. Vision only.....	.0	.0	.0	.0
5. Federal Employees Health Benefits Plan .....	.0	.0	.0	.0
6. Title XVIII - Medicare	20,607,084	.0	171,727	20,435,357
7. Title XIX - Medicaid.....	3,677,624,551	.0	16,913,777	3,660,710,774
8. Other health.....	1,439,287	.0	.0	1,439,287
9. Health subtotal (Lines 1 through 8)	3,699,670,922	.0	17,085,504	3,682,585,418
10. Life .....	.0	.0	.0	.0
11. Property/casualty.....	.0	.0	.0	.0
12. Totals (Lines 9 to 11)	3,699,670,922	0	17,085,504	3,682,585,418

**ANNUAL STATEMENT FOR THE YEAR 2012 OF THE CARESOURCE
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	3,199,043,409	0	0	0	0	0	19,157,536	3,178,198,011	1,687,862	0
1.2 Reinsurance assumed	0	0	0	0	0	0	0	0	0	0
1.3 Reinsurance ceded	8,258,361	0	0	0	0	0	4,940	8,253,421	0	0
1.4 Net	3,190,785,048	0	0	0	0	0	19,152,596	3,169,944,590	1,687,862	0
2. Paid medical incentive pools and bonuses	3,528,802	0	0	0	0	0	4,773	3,524,029	0	0
3. Claim liability December 31, current year from Part 2A:										
3.1 Direct	310,524,383	0	0	0	0	0	2,628,373	307,466,070	429,940	0
3.2 Reinsurance assumed	0	0	0	0	0	0	0	0	0	0
3.3 Reinsurance ceded	7,211,680	0	0	0	0	0	81,272	7,130,408	0	0
3.4 Net	303,312,703	0	0	0	0	0	2,547,101	300,335,662	429,940	0
4. Claim reserve December 31, current year from Part 2D:										
4.1 Direct	0	0	0	0	0	0	0	0	0	0
4.2 Reinsurance assumed	0	0	0	0	0	0	0	0	0	0
4.3 Reinsurance ceded	0	0	0	0	0	0	0	0	0	0
4.4 Net	0	0	0	0	0	0	0	0	0	0
5. Accrued medical incentive pools and bonuses, current year	1,529,088	0	0	0	0	0	0	1,529,088	0	0
6. Net healthcare receivables (a)	20,388,657	0	0	0	0	0	1,054,098	19,011,487	323,072	0
7. Amounts recoverable from reinsurers December 31, current year	1,380,620	0	0	0	0	0	0	1,380,620	0	0
8. Claim liability December 31, prior year from Part 2A:										
8.1 Direct	360,512,644	0	0	0	0	0	2,208,116	357,949,085	355,443	0
8.2 Reinsurance assumed	0	0	0	0	0	0	0	0	0	0
8.3 Reinsurance ceded	6,442,065	0	0	0	0	0	67,624	6,374,441	0	0
8.4 Net	354,070,579	0	0	0	0	0	2,140,492	351,574,644	355,443	0
9. Claim reserve December 31, prior year from Part 2D:										
9.1 Direct	0	0	0	0	0	0	0	0	0	0
9.2 Reinsurance assumed	0	0	0	0	0	0	0	0	0	0
9.3 Reinsurance ceded	0	0	0	0	0	0	0	0	0	0
9.4 Net	0	0	0	0	0	0	0	0	0	0
10. Accrued medical incentive pools and bonuses, prior year	1,481,928	0	0	0	0	0	0	1,481,928	0	0
11. Amounts recoverable from reinsurers December 31, prior year	3,663,369	0	0	0	0	0	0	3,663,369	0	0
12. Incurred benefits:										
12.1 Direct	3,128,666,491	0	0	0	0	0	18,523,695	3,108,703,509	1,439,287	0
12.2 Reinsurance assumed	0	0	0	0	0	0	0	0	0	0
12.3 Reinsurance ceded	6,745,227	0	0	0	0	0	18,588	6,726,639	0	0
12.4 Net	3,121,921,264	0	0	0	0	0	18,505,107	3,101,976,870	1,439,287	0
13. Incurred medical incentive pools and bonuses	3,575,962	0	0	0	0	0	4,773	3,571,189	0	0

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

ANNUAL STATEMENT FOR THE YEAR 2012 OF THE CARESOURCE

UNDERWRITING AND INVESTMENT EXHIBIT

PART 2A - CLAIMS LIABILITY END OF CURRENT YEAR

	1	2	3	4	5	6	7	8	9	10
	Total	Comprehensive (Hospital and Medical)	Medicare Supplement	Dental Only	Vision Only	Federal Employees Health Benefits Plan	Title XVIII Medicare	Title XIX Medicaid	Other Health	Other Non-Health
1. Reported in Process of Adjustment:										
1.1. Direct	61,645,841	0	0	0	0	0	61,432	61,584,409	0	0
1.2. Reinsurance assumed	0	0	0	0	0	0	0	0	0	0
1.3. Reinsurance ceded	0	0	0	0	0	0	0	0	0	0
1.4. Net	61,645,841	0	0	0	0	0	61,432	61,584,409	0	0
2. Incurred but Unreported:										
2.1. Direct	248,878,542	0	0	0	0	0	2,566,941	245,881,661	429,940	0
2.2. Reinsurance assumed	0	0	0	0	0	0	0	0	0	0
2.3. Reinsurance ceded	7,211,680	0	0	0	0	0	81,272	7,130,408	0	0
2.4. Net	241,666,862	0	0	0	0	0	2,485,669	238,751,253	429,940	0
3. Amounts Withheld from Paid Claims and Capitations:										
3.1. Direct	0	0	0	0	0	0	0	0	0	0
3.2. Reinsurance assumed	0	0	0	0	0	0	0	0	0	0
3.3. Reinsurance ceded	0	0	0	0	0	0	0	0	0	0
3.4. Net	0	0	0	0	0	0	0	0	0	0
4. TOTALS:										
4.1. Direct	310,524,383	0	0	0	0	0	2,628,373	307,466,070	429,940	0
4.2. Reinsurance assumed	0	0	0	0	0	0	0	0	0	0
4.3. Reinsurance ceded	7,211,680	0	0	0	0	0	81,272	7,130,408	0	0
4.4. Net	303,312,703	0	0	0	0	0	2,547,101	300,335,662	429,940	0

ANNUAL STATEMENT FOR THE YEAR 2012 OF THE CARESOURCE

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 Dec. 31 of Current Year		5 Claims Incurred in Prior Years (Columns 1 + 3)	6 Estimated Claim Reserve and Claim Liability December 31 of Prior Year
	1 On Claims Incurred Prior to January 1 of Current Year	2 On Claims Incurred During the Year	3 On Claims Unpaid December 31 of Prior Year	4 On Claims Incurred During the Year		
1. Comprehensive (hospital and medical)	0	0	0	0	0	0
2. Medicare Supplement	0	0	0	0	0	0
3. Dental Only.....	0	0	0	0	0	0
4. Vision Only.....	0	0	0	0	0	0
5. Federal Employees Health Benefits Plan	0	0	0	0	0	0
6. Title XVIII - Medicare	2,096,634	17,060,902	(8,862)	2,555,963	2,087,772	2,521,470
7. Title XIX - Medicaid.....	339,086,527	2,839,111,483	(41,900)	300,377,562	339,044,627	351,176,169
8. Other health	51,832	1,636,031	0	429,940	51,832	372,939
9. Health subtotal (Lines 1 to 8).....	341,234,993	2,857,808,416	(50,762)	303,363,465	341,184,231	354,070,578
10. Healthcare receivables (a).....	1,804,940	24,559,329	0	0	1,804,940	0
11. Other non-health.....	0	0	0	0	0	0
12. Medical incentive pools and bonus amounts	1,695,760	1,833,042	0	1,529,088	1,695,760	1,481,928
13. Totals (Lines 9-10+11+12)	341,125,813	2,835,082,129	(50,762)	304,892,553	341,075,051	355,552,506

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

Pt 2C - Sn A - Paid Claims - Comp

NONE

Pt 2C - Sn A - Paid Claims - MS

NONE

Pt 2C - Sn A - Paid Claims - DO

NONE

Pt 2C - Sn A - Paid Claims - VO

NONE

Pt 2C - Sn A - Paid Claims - FE

NONE

ANNUAL STATEMENT FOR THE YEAR 2012 OF THE CARESOURCE

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

Section A - Paid Health Claims - Medicare

Year in Which Losses Were Incurred	Cumulative Net Amounts Paid				
	1 2008	2 2009	3 2010	4 2011	5 2012
1. Prior .....	.0	.0	.0	.0	.0
2. 2008	602	1,898	1,898	1,898	1,898
3. 2009	XXX	3,126	3,684	3,684	3,684
4. 2010	XXX	XXX	7,392	8,426	8,439
5. 2011	XXX	XXX	XXX	9,047	11,125
6. 2012	XXX	XXX	XXX	XXX	17,066

Section B - Incurred Health Claims - Medicare

Year in Which Losses Were Incurred	Sum of Cumulative Net Amount Paid and Claim Liability, Claim Reserve and Medical Incentive Pool and Bonuses Outstanding at End of Year				
	1 2008	2 2009	3 2010	4 2011	5 2012
1. Prior .....	.0	.0	.0	.0	.0
2. 2008	1,257	1,898	1,898	1,898	1,898
3. 2009	XXX	3,463	4,015	4,015	4,015
4. 2010	XXX	XXX	8,870	8,429	8,443
5. 2011	XXX	XXX	XXX	11,251	13,321
6. 2012	XXX	XXX	XXX	XXX	19,622

Section C – Incurred Year Health Claims and Claims Adjustment Expense Ratio – Medicare

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.....	1,429	1,898	48	2.5	1,946	136.2	.0	.0	1,946	136.2
2. 2009.....	4,666	3,684	84	2.3	3,768	80.8	.0	.0	3,768	80.8
3. 2010.....	9,852	8,439	134	1.6	8,573	87.0	.0	.0	8,573	87.0
4. 2011.....	11,664	11,125	808	7.3	11,934	102.3	(9)	.0	11,925	102.2
5. 2012.....	20,435	17,066	759	4.4	17,825	87.2	2,556	58	20,438	100.0

ANNUAL STATEMENT FOR THE YEAR 2012 OF THE CARESOURCE

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

Section A - Paid Health Claims - Title XIX Medicaid

Year in Which Losses Were Incurred	Cumulative Net Amounts Paid				
	1 2008	2 2009	3 2010	4 2011	5 2012
1. Prior	4,046,765	4,046,765	4,046,765	4,046,765	4,046,586
2. 2008	1,535,596	1,715,231	1,715,231	1,715,231	1,715,009
3. 2009	XXX	1,967,947	2,207,277	2,207,277	2,207,018
4. 2010	XXX	XXX	1,878,971	2,076,610	2,076,835
5. 2011	XXX	XXX	XXX	2,124,111	2,457,076
6. 2012	XXX	XXX	XXX	XXX	2,840,940

Section B – Incurred Health Claims - Title XIX Medicaid

Year in Which Losses Were Incurred	Sum of Cumulative Net Amount Paid and Claim Liability, Claim Reserve and Medical Incentive Pool and Bonuses Outstanding at End of Year				
	1 2008	2 2009	3 2010	4 2011	5 2012
1. Prior	4,352,240	4,352,240	4,352,240	4,352,240	4,352,061
2. 2008	1,535,596	1,715,231	1,715,231	1,715,231	1,715,009
3. 2009	XXX	1,967,947	2,207,277	2,207,277	2,207,018
4. 2010	XXX	XXX	1,878,971	2,071,194	2,071,419
5. 2011	XXX	XXX	XXX	2,481,035	2,813,957
6. 2012	XXX	XXX	XXX	XXX	3,142,846

Section C – Incurred Year Health Claims and Claims Adjustment Expense Ratio – Title XIX Medicaid

Years in which Premiums were Earned and Claims were Incurred	1 Premiums Earned	2 Claim Payments	3 Claim Adjustment Expense Payments	4 (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.....	1,870,187	1,715,009	33,780	2.0	1,748,789	93.5	.0	.0	1,748,789	93.5
2. 2009.....	2,435,985	2,207,018	39,256	1.8	2,246,274	92.2	.0	.0	2,246,274	92.2
3. 2010.....	2,548,129	2,076,835	43,358	2.1	2,120,192	83.2	.0	.0	2,120,192	83.2
4. 2011.....	2,953,188	2,457,076	63,778	2.6	2,520,854	85.4	(42)	.0	2,520,812	85.4
5. 2012.....	3,660,711	2,840,940	58,914	2.1	2,899,854	79.2	301,907	6,828	3,208,589	87.6

ANNUAL STATEMENT FOR THE YEAR 2012 OF THE CARESOURCE

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

Section A - Paid Health Claims - Other

Year in Which Losses Were Incurred	Cumulative Net Amounts Paid				
	1 2008	2 2009	3 2010	4 2011	5 2012
1. Prior .....	.0	.0	.0	.0	.0
2. 2008 .....	.3	.3	.3	.3	.3
3. 2009	XXX	.7	.7	.7	.7
4. 2010	XXX	XXX	.58	.64	.64
5. 2011	XXX	XXX	XXX	.417	.468
6. 2012	XXX	XXX	XXX	XXX	1,636

Section B – Incurred Health Claims - Other

Year in Which Losses Were Incurred	Sum of Cumulative Net Amount Paid and Claim Liability, Claim Reserve and Medical Incentive Pool and Bonuses Outstanding at End of Year				
	1 2008	2 2009	3 2010	4 2011	5 2012
1. Prior .....	.0	.0	.0	.0	.0
2. 2008 .....	.3	.3	.3	.3	.3
3. 2009	XXX	.7	.7	.7	.7
4. 2010	XXX	XXX	.156	.162	.162
5. 2011	XXX	XXX	XXX	.772	.824
6. 2012	XXX	XXX	XXX	XXX	2,066

Section C – Incurred Year Health Claims and Claims Adjustment Expense Ratio – Other

Years in which Premiums were Earned and Claims were Incurred	1 Premiums Earned	2 Claim Payments	3 Claim Adjustment Expense Payments	4 (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 .....	.3	.3	.0	0.0	.3	100.0	.0	.0	.3	100.0
2. 2009 .....	.7	.7	.0	0.0	.7	100.0	.0	.0	.7	100.0
3. 2010 .....	.65	.64	.2	2.5	.65	100.0	.0	.0	.65	100.0
4. 2011793	.468	.33	7.0	.501	.63.2	.0	.0	.501	.63.2
5. 2012	1,439	1,636	159	9.7	1,795	124.7	430	10	2,234	155.2

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ANNUAL STATEMENT FOR THE YEAR 2012 OF THE CARESOURCE

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

Section A - Paid Health Claims - Grand Total

Year in Which Losses Were Incurred	Cumulative Net Amounts Paid				
	1 2008	2 2009	3 2010	4 2011	5 2012
1. Prior	4,046,765	4,046,765	4,046,765	4,046,765	4,046,586
2. 2008	1,536,201	1,717,133	1,717,133	1,717,133	1,716,910
3. 2009	XXX	1,971,079	2,210,968	2,210,968	2,210,709
4. 2010	XXX	XXX	1,886,422	2,085,100	2,085,337
5. 2011	XXX	XXX	XXX	2,133,575	2,468,670
6. 2012	XXX	XXX	XXX	XXX	2,859,641

Section B - Incurred Health Claims - Grand Total

Year in Which Losses Were Incurred	Sum of Cumulative Net Amount Paid and Claim Liability, Claim Reserve and Medical Incentive Pool and Bonuses Outstanding at End of Year				
	1 2008	2 2009	3 2010	4 2011	5 2012
1. Prior	4,352,240	4,352,240	4,352,240	4,352,240	4,352,061
2. 2008	1,536,856	1,717,133	1,717,133	1,717,133	1,716,910
3. 2009	XXX	1,971,416	2,211,298	2,211,298	2,211,039
4. 2010	XXX	XXX	1,887,997	2,079,786	2,080,023
5. 2011	XXX	XXX	XXX	2,493,058	2,828,102
6. 2012	XXX	XXX	XXX	XXX	3,164,534

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

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	1,871,619	1,716,910	33,828	2.0	1,750,739	93.5	.0	.0	1,750,739	93.5
2. 2009	2,440,657	2,210,709	39,340	1.8	2,250,049	92.2	.0	.0	2,250,049	92.2
3. 2010	2,558,046	2,085,337	43,493	2.1	2,128,831	83.2	.0	.0	2,128,831	83.2
4. 2011	2,965,644	2,468,670	64,619	2.6	2,533,289	85.4	(51)	.0	2,533,238	85.4
5. 2012	3,682,585	2,859,641	59,832	2.1	2,919,473	79.3	304,893	6,895	3,231,261	87.7

12-GT

Pt 2C - Sn B - Incurred Claims - Comp

NONE

Pt 2C - Sn B - Incurred Claims - MS

NONE

Pt 2C - Sn B - Incurred Claims - DO

NONE

Pt 2C - Sn B - Incurred Claims - VO

NONE

Pt 2C - Sn B - Incurred Claims - FE

NONE

Part 2C - Sn C - Claims Expense Ratio Co

NONE

Part 2C - Sn C - Claims Expense Ratio MS

NONE

Part 2C - Sn C - Claims Expense Ratio DO

NONE

Part 2C - Sn C - Claims Expense Ratio VO

NONE

Part 2C - Sn C - Claims Expense Ratio FE

NONE

ANNUAL STATEMENT FOR THE YEAR 2012 OF THE CARESOURCE

UNDERWRITING AND INVESTMENT EXHIBIT

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

	1	2	3	4	5	6	7	8	9
	Total	Comprehensive (Hospital & Medical)	Medicare Supplement	Dental Only	Vision Only	Federal Employees Health Benefit Plan	Title XVIII Medicare	Title XIX Medicaid	Other
1. Unearned premium reserves.....	.0								
2. Additional policy reserves (a).....	.0								
3. Reserve for future contingent benefits.....	.0								
4. Reserve for rate credits or experience rating refunds (including \$ for investment income).....	.0								
5. Aggregate write-ins for other policy reserves .....	.0	.0	.0	.0	.0	.0	.0	.0	.0
6. Totals (gross) .....	.0	.0	.0	.0	.0	.0	.0	.0	.0
7. Reinsurance ceded .....	.0								
8. Totals (Net) (Page 3, Line 4)	0	0	0	0	0	0	0	0	0
9. Present value of amounts not yet due on claims .....	.0	NONE							
10. Reserve for future contingent benefits .....	.0								
11. Aggregate write-ins for other claim reserves .....	.0								
12. Totals (gross) .....	.0								
13. Reinsurance ceded .....	.0								
14. Totals (Net) (Page 3, Line 7)	0	0	0	0	0	0	0	0	0
DETAILS OF WRITE-INS									
0501.									
0502.									
0503.									
0598. Summary of remaining write-ins for Line 5 from overflow page .....	.0	.0	.0	.0	.0	.0	.0	.0	.0
0599. Totals (Lines 0501 through 0503 plus 0598) (Line 5 above)	0	0	0	0	0	0	0	0	0
1101.									
1102.									
1103.									
1198. Summary of remaining write-ins for Line 11 from overflow page .....	.0	.0	.0	.0	.0	.0	.0	.0	.0
1199. Totals (Lines 1101 through 1103 plus 1198) (Line 11 above)	0	0	0	0	0	0	0	0	0

(a) Includes \$ premium deficiency reserve.

ANNUAL STATEMENT FOR THE YEAR 2012 OF THE CARESOURCE

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 (\$7,333,581 for occupancy of own building).....	0	0	7,333,581	0	7,333,581
2. Salaries, wages and other benefits.....	45,883,635	7,136,815	51,897,842	0	104,918,292
3. Commissions (less \$ceded plus \$assumed).....	0	0	472,279	0	472,279
4. Legal fees and expenses.....	0	0	1,232,722	0	1,232,722
5. Certifications and accreditation fees.....	0	0	0	0	0
6. Auditing, actuarial and other consulting services.....	1,498,637	610,929	11,184,083	0	13,293,649
7. Traveling expenses.....	1,532,648	128,158	840,116	0	2,500,921
8. Marketing and advertising.....	11,853	12,188	818,802	0	842,843
9. Postage, express and telephone.....	18,703	1,544	4,965,619	0	4,985,866
10. Printing and office supplies.....	750,085	22,445	3,384,500	0	4,157,030
11. Occupancy, depreciation and amortization.....	0	0	8,401,192	0	8,401,192
12. Equipment.....	0	0	870,173	0	870,173
13. Cost or depreciation of EDP equipment and software.....	0	0	13,086,642	0	13,086,642
14. Outsourced services including EDP, claims, and other services.....	4,168,605	4,863,377	5,435,882	0	14,467,864
15. Boards, bureaus and association fees.....	63,051	19,822	957,983	0	1,040,857
16. Insurance, except on real estate.....	0	0	1,304,868	0	1,304,868
17. Collection and bank service charges.....	0	0	242,648	0	242,648
18. Group service and administration fees.....	0	0	0	0	0
19. Reimbursements by uninsured plans.....	0	0	0	0	0
20. Reimbursements from fiscal intermediaries.....	0	0	0	0	0
21. Real estate expenses.....	0	0	0	0	0
22. Real estate taxes.....	0	0	0	0	0
23. Taxes, licenses and fees:					
23.1 State and local insurance taxes.....	0	0	0	0	0
23.2 State premium taxes.....	0	0	289,218,846	0	289,218,846
23.3 Regulatory authority licenses and fees.....	0	0	89,175	0	89,175
23.4 Payroll taxes.....	2,453,394	373,397	3,955,390	0	6,782,180
23.5 Other (excluding federal income and real estate taxes).....	0	0	0	0	0
24. Investment expenses not included elsewhere.....	0	0	0	53,645	53,645
25. Aggregate write-ins for expenses.....	177,862	2,250	334,741	0	514,853
26. Total expenses incurred (Lines 1 to 25).....	56,558,473	13,170,925	406,027,083	53,645	(a) .....475,810,126
27. Less expenses unpaid December 31, current year.....	0	6,895,453	74,639,151	0	81,534,604
28. Add expenses unpaid December 31, prior year.....	0	6,736,572	70,268,868	0	77,005,440
29. Amounts receivable relating to uninsured plans, prior year.....	0	0	0	0	0
30. Amounts receivable relating to uninsured plans, current year.....	0	0	0	0	0
31. Total expenses paid (Lines 26 minus 27 plus 28 minus 29 plus 30)	56,558,473	13,012,044	401,656,800	53,645	471,280,962
DETAILS OF WRITE-INS					
2501. CHARITABLE CONTRIBUTIONS.....	0	0	334,741	0	334,741
2502. Gift Certificates.....	177,862	2,250	0	0	180,112
2503.	0	0	0	0	0
2598. Summary of remaining write-ins for Line 25 from overflow page.....	0	0	0	0	0
2599. Totals (Line 2501 through 2503 + 2598) (Line 25 above)	177,862	2,250	334,741	0	514,853

(a) Includes management fees of \$180,977,632 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).....168,895	.....(475,655)
1.1 Bonds exempt from U.S. tax	(a).....5,266	.....5,266
1.2 Other bonds (unaffiliated)	(a).....11,300,391	.....12,830,514
1.3 Bonds of affiliates	(a).....0	.....0
2.1 Preferred stocks (unaffiliated)	(b).....0	.....0
2.11 Preferred stocks of affiliates	(b).....0	.....0
2.2 Common stocks (unaffiliated)	.....1,178,073	.....1,178,073
2.21 Common stocks of affiliates	.....0	.....0
3. Mortgage loans	(c).....	.....
4. Real estate	(d).....	.....
5. Contract loans	.....	.....
6. Cash, cash equivalents and short-term investments	(e).....4,256	.....928,624
7. Derivative instruments	(f).....	.....
8. Other invested assets	.....	.....
9. Aggregate write-ins for investment income	.....0	.....0
10. Total gross investment income	12,656,881	14,466,822
11. Investment expenses		(g).....53,645
12. Investment taxes, licenses and fees, excluding federal income taxes		(g).....
13. Interest expense		(h).....1,532,171
14. Depreciation on real estate and other invested assets		(i).....0
15. Aggregate write-ins for deductions from investment income		.....
16. Total deductions (Lines 11 through 15)		.....1,585,816
17. Net investment income (Line 10 minus Line 16)		12,881,006
DETAILS OF WRITE-INS		
0901.		
0902.		
0903.		
0998. Summary of remaining write-ins for Line 9 from overflow page	0	0
0999. Totals (Lines 0901 through 0903) plus 0998 (Line 9 above)	0	0
1501.		
1502.		
1503.		
1598. Summary of remaining write-ins for Line 15 from overflow page		0
1599. Totals (Lines 1501 through 1503) plus 1598 (Line 15 above)		0

(a) Includes \$ 211,654 accrual of discount less \$ 3,272,126 amortization of premium and less \$ 1,469,628 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 \$ 130,222 accrual of discount less \$ 2,737,168 amortization of premium and less \$ 1,166,482 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			0		
1.1 Bonds exempt from U.S. tax			0		
1.2 Other bonds (unaffiliated)	1,469,569		1,469,569	(73,724)	
1.3 Bonds of affiliates	0	0	0	0	0
2.1 Preferred stocks (unaffiliated)	0	0	0	0	0
2.11 Preferred stocks of affiliates	0	0	0	0	0
2.2 Common stocks (unaffiliated)	275,153	0	275,153	5,066,888	0
2.21 Common stocks of affiliates	0	0	0	0	0
3. Mortgage loans	0	0	0	0	0
4. Real estate	(350,000)	0	(350,000)	0	0
5. Contract loans	0	0	0	0	0
6. Cash, cash equivalents and short-term investments	(10,800)	0	(10,800)	0	0
7. Derivative instruments	0	0	0	0	0
8. Other invested assets	0	0	0	0	0
9. Aggregate write-ins for capital gains (losses)	0	0	0	0	0
10. Total capital gains (losses)	1,383,923	0	1,383,923	4,993,164	0
DETAILS OF WRITE-INS					
0901.			0		
0902.			0		
0903.			0		
0998. Summary of remaining write-ins for Line 9 from overflow page	0	0	0	0	0
0999. Totals (Lines 0901 through 0903) plus 0998 (Line 9 above)	0	0	0	0	0

ANNUAL STATEMENT FOR THE YEAR 2012 OF THE CARESOURCE

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).....	.0	.0	.0
2. Stocks (Schedule D):			
2.1 Preferred stocks .....	.0	.0	.0
2.2 Common stocks .....	.0	.0	.0
3. Mortgage loans on real estate (Schedule B):			
3.1 First liens .....	.0	.0	.0
3.2 Other than first liens .....	.0	.0	.0
4. Real estate (Schedule A):			
4.1 Properties occupied by the company .....	.0	.0	.0
4.2 Properties held for the production of income.....	.0	.0	.0
4.3 Properties held for sale .....	.0	.0	.0
5. Cash (Schedule E-Part 1), cash equivalents (Schedule E-Part 2) and short-term investments (Schedule DA).....	.0	.0	.0
6. Contract loans .....	.0	.0	.0
7. Derivatives (Schedule DB).....	.0	.0	.0
8. Other invested assets (Schedule BA) .....	.0	.0	.0
9. Receivables for securities .....	.0	.0	.0
10. Securities lending reinvested collateral assets (Schedule DL).....	.0	.0	.0
11. Aggregate write-ins for invested assets	1,554,881	678,507	(876,374)
12. Subtotals, cash and invested assets (Lines 1 to 11)	1,554,881	678,507	(876,374)
13. Title plants (for Title insurers only).....	.0	.0	.0
14. Investment income due and accrued .....	.0	.0	.0
15. Premiums and considerations:			
15.1 Uncollected premiums and agents' balances in the course of collection.....	.0	.0	.0
15.2 Deferred premiums, agents' balances and installments booked but deferred and not yet due.....	.0	.0	.0
15.3 Accrued retrospective premiums.....	.0	.0	.0
16. Reinsurance:			
16.1 Amounts recoverable from reinsurers .....	.0	.0	.0
16.2 Funds held by or deposited with reinsured companies .....	.0	.0	.0
16.3 Other amounts receivable under reinsurance contracts .....	.0	.0	.0
17. Amounts receivable relating to uninsured plans .....	.0	.0	.0
18.1 Current federal and foreign income tax recoverable and interest thereon .....	.0	.0	.0
18.2 Net deferred tax asset.....	.0	.0	.0
19. Guaranty funds receivable or on deposit .....	.0	.0	.0
20. Electronic data processing equipment and software.....	.0	.0	.0
21. Furniture and equipment, including health care delivery assets .....	.0	.0	.0
22. Net adjustment in assets and liabilities due to foreign exchange rates .....	.0	.0	.0
23. Receivables from parent, subsidiaries and affiliates .....	.0	.0	.0
24. Health care and other amounts receivable.....	4,180,193	61,438	(4,118,755)
25. Aggregate write-ins for other than invested assets	69,527	63,250	(6,277)
26. Total assets excluding Separate Accounts, Segregated Accounts and Protected Cell Accounts (Lines 12 to 25).....	5,804,601	803,195	(5,001,406)
27. From Separate Accounts, Segregated Accounts and Protected Cell Accounts.....	0	0	0
28. Total (Lines 26 and 27)	5,804,601	803,195	(5,001,406)
DETAILS OF WRITE-INS			
1101. Investment in Foundation.....	1,554,881	678,507	(876,374)
1102. ....	.0	.0	.0
1103. ....	.0	.0	.0
1198. Summary of remaining write-ins for Line 11 from overflow page .....	.0	.0	.0
1199. Totals (Lines 1101 through 1103 plus 1198) (Line 11 above)	1,554,881	678,507	(876,374)
2501. PREPAID EXPENSE.....	69,527	63,250	(6,277)
2502. LEASEHOLD IMPROVEMENT.....	.0	.0	.0
2503. ....	.0	.0	.0
2598. Summary of remaining write-ins for Line 25 from overflow page .....	.0	.0	.0
2599. Totals (Lines 2501 through 2503 plus 2598) (Line 25 above)	69,527	63,250	(6,277)

ANNUAL STATEMENT FOR THE YEAR 2012 OF THE CARESOURCE

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.....	875,545	885,261	912,662	952,673	891,565	10,851,256
2. Provider Service Organizations.....	.0	.0	.0	.0	.0	.0
3. Preferred Provider Organizations.....	.0	.0	.0	.0	.0	.0
4. Point of Service.....	.0	.0	.0	.0	.0	.0
5. Indemnity Only.....	.0	.0	.0	.0	.0	.0
6. Aggregate write-ins for other lines of business.....	.0	.0	.0	.0	.0	.0
7. Total	875,545	885,261	912,662	952,673	891,565	10,851,256
DETAILS OF WRITE-INS						
0601. ....	.0					
0602. ....	.0					
0603. ....	.0					
0698. Summary of remaining write-ins for Line 6 from overflow page .....	.0	.0	.0	.0	.0	.0
0699. Totals (Lines 0601 through 0603 plus 0698) (Line 6 above)	0	0	0	0	0	0

NOTES TO FINANCIAL STATEMENTS

1A. Summary of Significant Accounting Policies

Basis of Presentation – CareSource (CS’s) statutory-basis financial statements are presented on the basis of accounting practices prescribed or permitted by the ODI. The ODI requires that insurance companies domiciled in the State of Ohio prepare their statutory financial statements in accordance with the NAIC *Accounting Practices and Procedures Manual* (NAIC AP&P) subject to any deviation prescribed or permitted by the ODI.

Accounting practices and procedures of the NAIC, as prescribed or permitted by the insurance department of the applicable states of domicile, comprise a comprehensive basis of accounting other than accounting principles generally accepted in the United States (GAAP). The more significant differences are as follows:

Non-admitted Assets: Certain assets designated as “non-admitted,” principally prepaid assets, investments in CareSource Foundation, past due healthcare receivables, furniture and equipment, and other assets not specifically identified as an admitted asset within the NAIC AP&P are excluded from the accompanying balance sheets and are charged directly to unassigned surplus. In accordance with GAAP, such assets are included in the balance sheet to the extent that those assets are not impaired.

Reinsurance: Unpaid claims liabilities and premiums received in advance ceded to reinsurers have been reported as reductions of the related balances rather than as assets as would be required in accordance with GAAP.

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

The effects of the foregoing variances from GAAP on the accompanying statutory-basis financial statements have not been quantified.

No significant differences exist between prescribed or permitted practices by the State of Ohio and NAIC SAP which materially affect the statutory basis net income or capital and surplus, as illustrated in the table below.

	<u>December 31, 2012</u>	<u>December 31, 2011</u>
<u>NET INCOME</u>		
1) State of Ohio Basis	\$ 116,481,795	\$ 131,208,092
2) State prescribed practices that increase/(decrease) SAP	-	-
3) State permitted practices that increase/(decrease) SAP	-	-
4) NAIC SAP	\$ 116,481,795	\$ 131,208,092
<u>SURPLUS</u>		
1) State of Ohio Basis	\$ 535,086,848	\$ 414,714,825
2) State prescribed practices that increase/(decrease) SAP	-	-
3) State permitted practices that increase/(decrease) SAP	-	-
4) NAIC SAP	\$ 535,086,848	\$ 414,714,825

1B. Use of Estimates

The preparation of financial statements in accordance with statutory accounting principles requires management to make estimates and assumptions that affect the reported amount of admitted assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

1C. Accounting Policy

1. Short term investments include investments with remaining maturities of one year or less at the time of acquisition and are principally stated at amortized cost.
2. Bonds not backed by other loans are principally stated at amortized cost using the interest method. Realized capital gains and losses are determined using the first in, first out method.
3. Common stocks are reported at fair value as determined by the SVO and the related net unrealized capital gains (losses) are reported in unassigned surplus. There are no restrictions on common stock.
4. CS does not engage in subprime residential lending, nor maintain any preferred stock.

NOTES TO FINANCIAL STATEMENTS

5. CS does not hold any mortgage loans.
6. Single class and multi-class mortgage-backed/asset-backed securities are valued at amortized cost using the interest method including anticipated prepayments. Prepayment assumptions are obtained from dealer surveys and are based on the current interest rate and economic environment. The retrospective adjustment method is used to value all such securities.
7. The Company invests in the CareSource Foundation, an affiliated entity of CareSource. The Company records this investment using the GAAP equity method of accounting, and records it as a non-admitted write-in invested asset on the Assets page of the statutory filing.
8. The Company does not invest in any joint ventures, partnerships, or limited liability companies.
9. CS does not hold any derivative instruments.
10. CS would utilize anticipated investment income in the computation of the premium deficiency calculation in accordance with NAIC guidelines, but no such reserve is necessary.
11. Claims unpaid and unpaid claims adjustment expense liabilities represent management's best estimate of the ultimate net cost of all reported and unreported claims incurred through December 31. Although considerable variability is inherent in such estimates, management believes that the reserves for unpaid claims are adequate. The estimates are continually reviewed and adjusted as necessary as experience develops or new information becomes known; such adjustments are included in current operations.
12. The admitted value of CS's electronic data processing equipment and operating software was limited to three percent of capital and surplus. The admitted portion was reported at cost less accumulated depreciation. Electronic data processing equipment and operating or non-operating software was depreciated using the straight line method over the lesser of its useful life or three years. Other furniture and equipment was depreciated using the straight line method over five years. The Company has not modified its capitalization policy from the prior period.
13. Pharmacy rebates are attained based on agreements between CS and a third party administrator for prescription drugs. Pharmacy rebates are admitted if accrued or invoiced within 90 days of the reporting period. Pharmacy rebates are non-admitted if invoiced and uncollected over 90 days prior to the reporting period.

Other than temporary impairments

Management regularly reviews the value of CS's investments. If the value of any investment falls below its cost basis, the decline in value is analyzed to determine whether it is an other-than-temporary impairment. The decision to record an impairment loss incorporates both quantitative criteria and qualitative information. The Company considers a number of factors including, but not limited to: (a) the length of time and the extent to which the fair value has been less than book value, (b) the financial condition and near term prospects of the issuer, (c) the intent and ability of CS to retain its investment for a period of time sufficient to allow for any anticipated recovery in value, (d) whether the debtor is current on interest and principal payments and (e) general market conditions and industry or sector specific factors.

Premium Revenue

Substantially all of CS's premiums earned are related to two provider contracts with the Ohio Department of Job and Family Services (ODJFS). The contracts are subject to cancellation by CS upon one hundred twenty days written notice provided that termination must be effective on the last day of a calendar month. ODJFS can terminate the agreement, in certain circumstances, effective the last day of a calendar month. Cancellations or nonrenewal of these contracts would affect operating results adversely. Premiums are due monthly and are recognized as revenue in the period in which CS is obligated to provide services to its members. Premiums received in advance are recorded as unearned premium revenue. In accordance with Statement of Statutory Accounting Principle (SSAP) No. 61, *Life, Deposit-Type and Accident Health Reinsurance*, payments to a reinsurance carrier for a stop-loss arrangement are deducted from premiums earned.

Net premium income also includes the Medicare Advantage CMS premium, and the premium under the Medicare Part D program. As a part of the Medicare Advantage program, periodic changes in member risk factor adjustment scores, for certain diagnoses, result in changes to Medicare revenues. The Company recognizes such changes when the amounts become determinable and supportable, and collectability is reasonably assured. The estimated risk adjusted payments due to the Company at December 31, 2012 are \$250,534, and are recorded as uncollected premiums in the statutory basis statements of admitted assets. The Company recognized \$707k for changes in prior year Medicare risk factor estimates during the year ended December 31, 2012, which is recorded as net premium income within the statutory basis statement of operations.

Pay for Performance Program

Under CS' contract with ODJFS, incremental revenue of up to 1% of total premium revenue is earned if certain performance measures are met. These performance measures are generally linked to various quality-of-care measures dictated by the State. CS estimates the value of potential revenues based on ongoing review against performance metrics, and recognizes the activity as aggregate write-ins for other health care related revenues on the statutory basis statements of revenue and expenses. Amounts owed from the state are recognized as write-in for other than invested assets and represent amounts confirmed from the 2012 state fiscal year and estimates for 2013 fiscal year.

Hospital and Medical Cost

CS contracts with various health care providers for the provision of certain health care services to its members. Participating physicians and hospitals are paid contractually established rates for services to members. The cost of health care services provided or contracted for is accrued in the period in which it is provided to a member, based in part, on estimates. Estimated liabilities for health care services provided to members of CS include claims reported and estimates (based upon historical experience) of health

NOTES TO FINANCIAL STATEMENTS

care services incurred but not reported (IBNR). These estimates are periodically reviewed and are adjusted in accordance with the latest available information in that period in which the information becomes available.

Reinsurance

Certain premiums and benefits are ceded to another insurance company under a reinsurance agreement. The ceded reinsurance agreement provides CS with increased capacity to write larger risks and maintain its exposure to loss within its capital resources. CS remains obligated for amounts ceded in the event that the reinsurer does not meet their obligations. CS utilizes a third party insurance company, Ace American Insurance Company, and an affiliate, CareSource Insurance, LLC, to provide reinsurance coverage. Effective March 1, 2012, CareSource modified its reinsurance agreements whereby CareSource Insurance serves as a direct reinsurer to Ace American Insurance, and premiums are no longer paid to CareSource Insurance.

	December 31, 2012	December 31, 2011
	Written & Earned Premiums	Written & Earned Premiums
Direct premiums	\$3,699,670,922	\$2,979,990,035
Ceded premiums		
Non-affiliates	(16,395,477)	(11,344,533)
Affiliates	(690,027)	(3,001,442)
Net premiums	\$3,682,585,418	\$2,965,644,060

CS does not, directly or indirectly, control any reinsurer with whom CS conducts business. CS does not have any reinsurance agreements in effect under which the reinsurer may unilaterally cancel the agreement.

Significant Provider

CS has an agreement with Children's Hospital and Physicians' Healthcare Networks dba Partners for Kids (PFK), for PFK to provide medical services to CS members. In connection with this contract, CS pays medical claims billed by non-PFK providers for CS members whom are less than 19 years old in the Central and Southeast Regions, and is later reimbursed by PFK. CS has recorded a liability for the incurred but not reported (IBNR) medical claims for these non-PFK provided services, and a related receivable which was secured by an irrevocable letter of credit from PFK's financial institution to CS in the amount of the IBNR accrual. Reinsurance for CS members for which PFK is providing the medical services are delegated to PFK with approval of the State of Ohio.

As of December 31, 2012 and 2011, PFK was paid \$279,005,885 and \$242,950,679, respectively, for services rendered, prior to chargebacks of \$185,835,427 and \$134,029,025, respectively. Chargebacks resulted from CS directly paying certain non-PFK providers under the contract. The CS membership capitated by the provider constituted approximately 18% of total CS membership in 2012 and 19% in 2011.

At December 31, 2012 and December 31, 2011, CS recorded a capitation chargeback receivable from PFK for \$16,588,546 and \$18,064,900 respectively.

Income Taxes

CS has been recognized by the Internal Revenue Service as an organization described in Internal Revenue Code Section 501(c)(3), and as such, is treated as exempt from federal income taxes, but is subject to unrelated business income tax.

2. Accounting Changes and Correction of Errors – Effective October 1, 2011, the State of Ohio began to include funding in the Medicaid capitation rates for an MCP/hospital incentive. All such funds received by the Company are required to be remitted to the Ohio Hospital Association (OHA), which in turn distributes funds only to hospitals that are contracted with Medicaid managed care plans. In the 2011 annual filing, the Company included these payments as premium income and administrative expense (as a state premium tax) and reflected the outstanding liability to the OHA as Amounts Due to Others.

Consistent with the nature of these payments, the Company has reclassified the above mentioned costs for prior year end and current year to hospital & medical expense and included the liability to the OHA in Claims Payable. The reclassification has no impact on net income.

There were no other significant changes or reclassifications during the current period.

3. Business Combinations and Goodwill – None

4. Discontinued Operations - None

5. Investments

A. Mortgage Loans - None

B. Debt Restructuring - None

C. Reverse Mortgage - None

D. Loan-Backed Securities:

(1) Prepayment Assumptions - None

(2) Securities with a recognized OTTI – None

(3) Securities by CUSIP with a recognized OTTI - None

(4) Impaired Securities without recognized OTTI – None

(5) Additional information –

Management regularly reviews the value of CS's investments. If the value of any investment falls below its cost basis, the decline in value is analyzed to determine whether it is an other-than-temporary impairment. The decision to record an impairment loss incorporates both quantitative criteria and qualitative information. The

NOTES TO FINANCIAL STATEMENTS

Company considers a number of factors including, but not limited to: (a) the length of time and the extent to which the fair value has been less than book value, (b) the financial condition and near term prospects of the issuer, (c.i.) for non-interest-related declines in corporate and government bonds, the intent and ability of CS to retain its investment for a period of time sufficient to allow for any anticipated recovery in value, (c.ii.) for interest related declines in corporate and government bonds, the intent of CS to sell the investment at the reporting date, (c.iii.) for mortgage-backed securities, whether CS expects to recover the entire amortized cost basis of the security and whether CS has the intent to sell or intent and ability to hold the investments for a period of time sufficient to allow for any anticipated recovery in value, (d) whether the debtor is current on interest and principal payments, and (e) general market conditions and industry or sector specific factors. As of December 31, 2012, the Company holds \$6.2m of mortgage backed securities, none of which meet the criteria for impairment.

Non-mortgage backed investments that are impaired, for which other-than-temporary impairments have not been recognized, consist only of corporate securities and common stocks. The impairment of investments in corporate and government bonds has been deemed as temporary due to the assigned rating and the typical fluctuations of these particular securities in the marketplace; the Company does not intend to sell these securities and has the intent and ability to hold these investments until recovery with respect to non- credit-related declines. The impairment of investments in common stocks has been deemed as temporary due to the Company's intent and ability to hold the securities to recovery.

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

a) The aggregate amount of unrealized losses:

1. Less Than 12 Months	<u>\$153,457</u>
2. 12 Months or Longer	<u>\$ -</u>

b) The aggregate amount of related fair value of securities with unrealized losses:

1. Less Than 12 Months	<u>\$7,516,726</u>
2. 12 Months or Longer	<u>\$ -</u>

E. Repurchase Agreements – None

F. Real estate

(1) Impairment Losses – None.

(2) Sale of Real Estate – During Q4 2012, CareSource Management Group refinanced the obligations related to the company headquarters building in Dayton, OH. As a part of the transaction, CareSource sold the land, previously recorded at \$2,100,000, to parent company, CareSource Management Group, for the appraised value of \$1,750,000. The realized loss of \$350,000 is included in the \$1.4m of net realized capital gains/losses on line 26 of the Statement of Revenues and Expenses.

(3) Change of Plans – None

(4) Retail Land Sales – None

(5) Real Estate with Mortgage Loans – None

G. Low income housing - None

6. Joint Ventures, Partnerships and Limited Liability Companies - None

7. Investment Income – All within 90 days and admitted.

8. Derivative Instruments – None

9. Income Taxes – Not applicable; tax exempt 501(c)3 organization.

10. Information Concerning Parent, Subsidiaries and Affiliates

A. Effective January 1, 2009, CS, CareSource Management Services (CSMS), and CareSource Management Group (CSMG) entered into a long-term management agreement, which requires CS, CSMS, and CSMG to provide services and resources to each other at actual cost. The initial term of the agreement is 15 years and shall be terminable only for cause, except that CS may terminate this agreement without cause at any time for any reason upon one year written notice. The agreement includes a cost-sharing agreement, which outlines the allocation of costs for shared resources and direct costs between CS, CSMS, and CSMG. Costs are allocated in accordance with SSAP No. 70, *Allocation of Expenses*. The ODI approved that agreement on January 17, 2009.

Effective July 1, 2011, the Company's management agreement was modified to a direct agreement with CSMG for reimbursement of costs, with CSMS as a subcontractor to CSMG to provide services and resources to CSMG. The amended and restated management agreement was approved by the ODI on July 13, 2011.

Effective March 1, 2011, CareSource entered into an agreement with CareSource Insurance, LLC, an affiliated reinsurer to provide aggregate loss coverage in excess of coverage with our primary reinsurer, Ace American Insurance. Effective March 1, 2012, CareSource modified its reinsurance agreement whereby CareSource Insurance serves as a direct reinsurer to Ace American Insurance, and premiums are no longer paid to CareSource Insurance. During 2012 and 2011, CareSource paid premiums of \$690,027 and \$3,330,694 to CareSource Insurance. Claims are submitted to the reinsurer as the aggregate stop loss threshold is reached. Total recoveries from CareSource Insurance in 2012 and 2011 were \$1,996,919 and \$0, respectively.

NOTES TO FINANCIAL STATEMENTS

In March 2012, CSMG, the parent company to CareSource, announced a strategic alliance with Humana, Inc, to provide services for those who qualify for Medicaid in various states where Humana has a contract to provide Medicaid services. The alliance also includes Humana providing some services to a subset of members who qualify for both Medicaid and Medicare in Ohio where CareSource has a contract with the state to provide those services. A new Montana domiciled entity, CareSource Reinsurance, LLC, was created in August 2012 for the purposes of capturing alliance related activity.

In April 2012, CSMG announced plans to sell CareSource Michigan, an insurance affiliate, to McLaren Health Plan. The transaction settled on Aug. 1, 2012 and did not have any material impact on CareSource. CareSource Michigan has been removed from the organization chart at Schedule Y and Schedule Y, Part 1A, however, transactions occurring through the sale date are included in Schedule Y, Part 2.

B. & C. For the years ended December 31, 2012 and 2011, CS incurred management fees of \$172,856,560 and \$147,527,325 from CSMG and \$8,121,072 and \$2,660,273 from CSMS, respectively.

D. As of December 31, 2012 and December 31, 2011, CS owed CSMG \$10,097,723 and \$7,496,667, respectively, for employee compensation and other administrative expenses incurred by the related party on behalf of CS. The terms of the settlement require that these amounts be settled within 30 days.

As of December 31, 2012 and December 31, 2011, CS owed CS Foundation \$20,633 and \$19,619 for administrative expenses.

- E. None
- F. None
- G. None
- H. None
- I. None
- J. None
- K. None
- L. None

11. Debt - None

12. Retirement Plans, Deferred Compensation, Post Employment Benefits and Other Post Retirement Benefit Plans - None

13. Capital and Surplus, Distribution Restrictions and Quasi-Reorganizations

- 1) The Company has no shares outstanding.
- 2) The Company has no preferred stock outstanding.
- 3) Distribution restrictions – N/A
- 4) Dividend or distributions paid – N/A
- 5) Portion of income payable as ordinary dividends – N/A
- 6) Restrictions on unassigned funds (surplus) - None
- 7) Mutual reciprocals - N/A
- 8) Stock held - N/A
- 9) Special surplus funds change - None
- 10) The portion of unassigned funds (surplus) represented by cumulative unrealized gains is \$4,993,164.
- 11) Surplus notes - N/A
- 12) Quasi-reorganization - N/A
- 13) Quasi-reorganization date - N/A

14. Contingencies

- A. Contingent Commitments – None
- B. Assessments - None
- C. Gain Contingencies - None
- D. Claims Related Extra Contractual Obligations – None
- E. All Other Contingencies

Other Lawsuits and Claims

The health care industry is subject to numerous laws and regulations of federal, state and local governments. Compliance with these laws and regulations can be subject to government review and interpretation, as well as regulatory actions unknown and unasserted at this time. Penalties associated with violations of these laws and regulations include significant fines and penalties, exclusion from participating in publicly-funded programs, and the repayment of previously billed and collected revenues.

From time to time we are involved in legal actions in the ordinary course of business, some of which seek monetary damages. Some lawsuits and claims are covered by insurance and others are not. The outcome of such legal actions is inherently uncertain. Nevertheless, we believe that these actions, when finally concluded and determined, are not likely to have a material adverse effect on our financial position, results of operations, or cash flows.

15. Leases

A. Lessee Operating Lease

- 1) CS leases certain office space under operating leases. CSMG pays the monthly rental payments for these leases per the management agreement and CS is responsible for an allocated portion of the future minimum lease payments, which is based on revenue at the beginning of each month. The rental payments for certain office space include annual inflationary

NOTES TO FINANCIAL STATEMENTS

adjustments. Rental expenses for the years ended 2012 and 2011, were approximately \$7,333,581 and \$7,974,390, respectively. As a result of the building refinance transaction discussed in Footnote #5, lease payments on the primary headquarters building ceased in November 2012.

2) Future minimum payments for noncancelable leases are as follows:

Year Ending December 31	Operating Leases
2013	1,328,702
2014	1,393,629
2015	1,358,547
2016	1,339,549
2017	1,360,877
2018 & beyond	907,357
Total	7,688,662

The Company is not involved in any sales-leaseback transactions.

B. Lessor Leases – None

16. Information about financial instruments with off-balance sheet risk and financial instruments with concentrations of credit risk – No such instruments.

17. Sale, transfer and servicing of financial assets and extinguishments of liabilities – None

18. Gain or Loss to the reporting entity for uninsured A&H plans and the uninsured portion of partially insured plans

A. ASO plans - N/A

B. ASC plans – N/A

C. Medicare or similarly structured cost based reimbursed contracts

- 1) Revenue from the Company's Medicare contract (excluding Part D) for the year 2012 consisted of \$14,123,245 for medical and hospital related services and \$1,935,582 for administrative expenses.
- 2) As of December 31, 2012, the Company has recorded no receivables from payors whose account balances are greater than 10% of the Company's amounts receivable from uninsured accident and health plans or \$10,000.
- 3) In connection with the Company's Medicare contract, the Company has recorded no allowances and no reserves for adjustment of recorded revenues at December 31, 2012.
- 4) The Company has made no adjustment to revenue resulting from audit receivables related to revenues recorded in the prior period.

19. Direct premium written/produced by managing general agents/third party administrator – Not applicable.

20. Fair Value Measurements –

A. The Company uses fair value measurements to record the fair value of certain assets and to estimate the fair value of financial instruments not recorded at fair value but required to be disclosed at fair value.

Fair value is defined as the price that would be received to sell an asset or transfer a liability in an orderly transaction between market participants at the measurement date. The Company's financial assets carried at fair value have been classified, for disclosure purposes, based on a hierarchy that prioritizes inputs to valuation techniques used to measure fair value into three levels.

- Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities. The Company's Level 1 assets and liabilities primarily include exchange-traded equity securities.
- Level 2 – Inputs include quoted prices for similar assets or liabilities in active markets, quoted prices from those willing to trade in markets that are not active, or other inputs that are observable or can be corroborated by market data for the term of the instrument. Such inputs include market interest rates and volatilities, spreads, and yield curves.
- Level 3 – Certain inputs are unobservable (supported by little or no market activity) and significant to the fair value measurement. Unobservable inputs reflect the Company's best estimate of what hypothetical market participants would use to determine a transaction price for the asset or liability at the reporting date.

The following discussion described the valuation methodologies utilized by the Company for assets measured or disclosed at fair value. Fair value estimates are made at a specific point in time, based on available market information and judgments about

NOTES TO FINANCIAL STATEMENTS

the financial instrument, including discount rates, estimates of timing, amount of expected future cash flows, and the credit standing of the issuer.

Debt and Equity Securities

The fair values of actively traded debt and equity securities are determined through the use of third-party pricing services utilizing market observable inputs. Certain mortgage-backed securities for which the Company does not receive public quotations or for which the Company believes market activity to reflect distressed sales are valued using current market-consistent rates applicable to yield, credit quality and maturity of each security. When available, market observable inputs are used to estimate the fair values of these securities.

Cash, Cash Equivalents, and Short-Term Investments

The fair values of cash and cash equivalents are based on quoted market prices. Short term investments are stated at amortized cost, which approximates fair value.

(1) Fair Value Measurements at Reporting Date

<u>Fair Value Measurements at December 31, 2012</u>	<u>(Level 1)</u>	<u>(Level 2)</u>	<u>(Level 3)</u>	<u>Total</u>
a. Assets at fair value				
Bonds				
U.S. Governments	\$ -	\$ -	\$ -	\$ -
Industrial and Misc	\$ 4,992,660	\$ -	\$ -	\$ 4,992,660
Hybrid Securities	\$ -	\$ -	\$ -	\$ -
Parent, Subsidiaries, and Affiliates	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Total Bonds	\$ 4,992,660	\$ -	\$ -	\$ 4,992,660
Common Stock				
Industrial and Misc	\$49,730,592	\$ -	\$ -	\$49,730,592
Parent, Subsidiaries, and Affiliates	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Total Common Stocks	\$49,730,592	\$ -	\$ -	\$49,730,592
Cash Equivalents	\$ 1,353,026	\$ -	\$ -	\$ 1,353,026
Total assets at fair value	<u>\$ 56,076,278</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 56,076,278</u>

<u>Fair Value Measurements at December 31, 2011</u>	<u>(Level 1)</u>	<u>(Level 2)</u>	<u>(Level 3)</u>	<u>Total</u>
a. Assets at fair value				
Bonds				
U.S. Governments	\$ -	\$ -	\$ -	\$ -
Industrial and Misc	\$ -	\$ -	\$ 851,020	\$ 851,020
Hybrid Securities	\$ -	\$ -	\$ -	\$ -
Parent, Subsidiaries, and Affiliates	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Total Bonds	\$ -	\$ -	\$ 851,020	\$ 851,020
Common Stock				
Industrial and Misc	\$37,167,471	\$ -	\$ -	\$37,167,471
Parent, Subsidiaries, and Affiliates	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

NOTES TO FINANCIAL STATEMENTS

Total Common Stocks	\$37,167,471	\$ -	\$ -	\$37,167,471
Cash Equivalents	\$ -	\$ -	\$ -	\$ -
Total assets at fair value	<u>\$ 37,167,471</u>	<u>\$ -</u>	<u>\$ 851,020</u>	<u>\$ 38,018,491</u>

The Company did not have any significant assets or liabilities measured at fair value on a nonrecurring basis as of December 31, 2012 or December 31, 2011. There were no transfers between Level 1 and Level 2 securities during the year ended December 31, 2012.

(2) Fair Value Measurements in (Level 3) of the Fair Value Hierarchy

Description	Beginning Balance at 01/01/2012	Transfers into Level 3	Transfers out of Level 3	Total gains and (losses) included in Net Income	Total gains and (losses) included in Surplus	Purchases	Issuances	Sales	Settlements	Ending Balance at 12/31/2012
a. Assets:										
Loan-Backed and Structured Securities (NAIC 3-6)										
Residential Mortgaged- Backed Securities	851,020			7,730				(858,750)		-
Total Assets	851,020			7,730				(858,750)		-

(3) CareSource recognizes transfers between fair value levels at the end of the reporting period.

(4) As of December 31, 2011, the reported fair value of CareSource’s investment in a Level 3, NAIC rated 3, residential mortgage backed security was \$851,020. This security was a senior tranche in a securitization trust and had a weighted average coupon rate of 5.5% and a weighted average maturity of 23.6 years. 43% of the underlying loans for this security were residential subprime mortgages that originated in California in 2005. The underlying loans had a weighted average coupon rate of 5.31% and a weighted average maturity of 23.6 years. This security was currently rated below investment grade. To measure their fair value, we used an industry standard pricing model, which uses an income approach. The significant inputs for the pricing model included the following weighted averages:

Yield:	14.15%
Probability of default:	3.15% constant default rate
Loss severity:	48.24%
Prepayment:	14.31% constant prepayment rate

This asset was sold in March 2012, and no Level 3 assets are recorded as of December 31, 2012.

(5) Derivative Assets/Liabilities - Not applicable

B) Other Fair Value Measurements - Not applicable

C) Aggregate Value for All Financial Instruments

December 31, 2012	Aggregate Fair Value	Admitted Assets	(Level 1)	(Level 2)	(Level 3)	Not Practicable (Carrying Value)
Bonds	430,861,043	411,976,135	430,861,043			
Common Stock	49,730,592	49,730,592	49,730,592			
Cash, Cash Equivalents, and Short-Term Investments	310,070,868	310,148,134	310,070,868			

December 31, 2011	Aggregate Fair Value	Admitted Assets	(Level 1)	(Level 2)	(Level 3)	Not Practicable (Carrying Value)
Bonds	330,989,949	315,929,911	330,138,929		851,020	
Common Stock	37,167,471	37,167,471	49,730,592			
Cash, Cash Equivalents, and Short-Term Investments	377,932,599	378,008,244	310,070,868			

NOTES TO FINANCIAL STATEMENTS

D) Fair Value Not Estimable - Not applicable

21. Other Items

- A. Extraordinary items – None
- B. Troubled debt restructuring: Debtors - None
- C. Other Disclosures – None
- D. Uncollected premiums - None
- E. Business interruption insurance recoveries - None
- F. State transferable tax credits - None
- G. Subprime mortgage related risk – None
- H. Retained assets - None

22. Events subsequent - Subsequent events have been considered through February 28, 2013 for the statutory statements issued on that date.

- A. Type I – Recognized Subsequent Events - None
- B. Type II – Nonrecognized Subsequent Events - None

23. Reinsurance

- A. Ceded Reinsurance Report
 - Section 1 – General Interrogatories
 - 1. No
 - 2. No
 - Section 2 – Ceded Reinsurance Report – Part A
 - 1. No
 - 2. No
 - Section 3 – Ceded Reinsurance Report – Part B
 - 1. \$1,380,620
 - 2. No
- B. Uncollectible Reinsurance – None
- C. Commutation of Ceded Reinsurance - None

24. Retrospectively rated contracts & contracts subject to redetermination – None.

25. Change in Incurred Claims and Claims Adjustment Expenses Related to Prior Years

Reserves as of December 31, 2011 were \$355.5 million. As of December 31, 2012, \$341.1 million has been paid for incurred claims and claim adjustment expenses attributable to insured events of prior years. Reserves remaining for prior years are now \$0, and we expect to recover approximately \$50,762 on previously paid claims, principally on Medicaid lines of insurance. Therefore, there has been a \$14.4 million favorable prior-year development since December 31, 2011 to December 31, 2012. The decrease is generally the result of ongoing analysis of recent loss development trends. Original estimates are increased or decreased, as additional information becomes known regarding individual claims. Included in this decrease, the Company experienced \$15.6 million of favorable prior year claim development on retrospectively rated policies, combined with \$1.2 million of unfavorable experience in recoveries.

26. Intercompany Pooling Arrangements – None

27. Structured Settlements - Not applicable

28. Health Care Receivables

- A. Pharmacy rebates - As of December 31, 2012 and December 31, 2011, CS recorded a pharmacy rebate receivable of \$14,858,387 and \$1,778,471, of which \$4,180,193 and \$61,438 was non-admitted, respectively. The receivable is estimated using invoiced prescriptions and rebate dollars sent to drug manufactures for reimbursement. The Company utilizes a third party to administer the program.

	Estimated		Rebates	Rebates	Collected	
	Pharmacy		Collected	Collected	More Than	
	Rebates as	Pharmacy	Within 90	Within 91 to	180 Days	
	Reported on	Rebates as	Days of	180 Days of	After	Receivable
	Financial	Invoiced/	Invoicing/	Invoicing/	Invoicing/	As of
Quarter	Statements	Confirmed	Confirmation	Confirmation	Confirmation	31-Dec-12
12/31/2012	6,725,092	-	-	-	-	6,725,092
9/30/2012	6,447,636	6,981,870	3,147,983	-	-	3,722,868
6/30/2012	5,554,219	6,093,886	4,500,935	-	-	122,487
3/31/2012	4,032,982	3,856,943	2,070,493	752,542	-	107,747
12/31/2011	1,717,032	3,794,009	1,857,483	286,373	-	-
9/30/2011	50,127	83,990	59,823	32,012	750	-
6/30/2011	43,612	54,211	-	54,211	-	-
3/31/2011	31,561	68,079	-	47,540	20,538	-
12/31/2010	30,999	41,526	-	39,655	-	-
9/30/2010	28,692	38,560	-	33,898	4,542	-

NOTES TO FINANCIAL STATEMENTS

6/30/2010	29,245	37,407	-	35,518	898	-
3/31/2010	2,517,664	2,517,664	825,892	911,074	780,698	-

B. Risk sharing receivables – None

29. Participating Policies - Not applicable

30. Premium Deficiency Reserves - Not deemed necessary

31. Anticipated Salvage and Subrogation – Due to the type of business being written, the Company has no salvage. The Company took into account estimated anticipated salvage recoveries (in the form of coordination of benefits) in its determination of the liability for unpaid claims/losses and reduced such liability by \$18,816,506.

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 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 No N/A
- 1.3 State Regulating? Ohio.....
- 2.1 Has any change been made during the year of this statement in the charter, by-laws, articles of incorporation, or deed of settlement of the reporting entity? Yes No
- 2.2 If yes, date of change:
- 3.1 State as of what date the latest financial examination of the reporting entity was made or is being made.12/31/2012
- 3.2 State the as of date that the latest financial examination report became available from either the state of domicile or the reporting entity. This date should be the date of the examined balance sheet and not the date the report was completed or released.12/31/2009
- 3.3 State as of what date the latest financial examination report became available to other states or the public from either the state of domicile or the reporting entity. This is the release date or completion date of the examination report and not the date of the examination (balance sheet date).03/04/2011
- 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
- 3.6 Have all of the recommendations within the latest financial examination report been complied with? Yes No N/A
- 4.1 During the period covered by this statement, did any agent, broker, sales representative, non-affiliated sales/service organization or any combination thereof under common control (other than salaried employees of the reporting entity) receive credit or commissions for or control a substantial part (more than 20 percent of any major line of business measured on direct premiums) of:
- 4.11 sales of new business? Yes No
- 4.12 renewals? Yes No
- 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
- 4.22 renewals? Yes No
- 5.1 Has the reporting entity been a party to a merger or consolidation during the period covered by this statement? Yes No
- 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
- 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
- 7.2 If yes,
- 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

ANNUAL STATEMENT FOR THE YEAR 2012 OF THE CARESOURCE

GENERAL INTERROGATORIES

- 8.1 Is the company a subsidiary of a bank holding company regulated by the Federal Reserve Board? Yes [] No [X]
- 8.2 If response to 8.1 is yes, please identify the name of the bank holding company.

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

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

9. What is the name and address of the independent certified public accountant or accounting firm retained to conduct the annual audit?
Ernst & Young LLP, 1900 Scripps Center, 312 Walnut Street, Cincinnati, OH 45202.....
- 10.1 Has the insurer been granted any exemptions to the prohibited non-audit services provided by the certified independent public accountant requirements as allowed in Section 7H of the Annual Financial Reporting Model Regulation (Model Audit Rule), or substantially similar state law or regulation? Yes [] No [X]
- 10.2 If the response to 10.1 is yes, provide information related to this exemption:
- 10.3 Has the insurer been granted any exemptions related to the other requirements of the Annual Financial Reporting Model Regulation as allowed for in Section 17A of the Model Regulation, or substantially similar state law or regulation? Yes [] No [X]
- 10.4 If the response to 10.3 is yes, provide information related to this exemption:
- 10.5 Has the reporting entity established an Audit Committee in compliance with the domiciliary state insurance laws? Yes [X] No [] N/A []
- 10.6 If the 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?
Darrell Knapp, Ernst & Young LLP, One Kansas City Place, Suite 1200, 1200 Main Street, Kansas City, MO 64105.....
- 12.1 Does the reporting entity own any securities of a real estate holding company or otherwise hold real estate indirectly? Yes [] No [X]
- 12.11 Name of real estate holding company
- 12.12 Number of parcels involved
- 12.13 Total book/adjusted carrying value \$.....
- 12.2 If yes, provide explanation

13. FOR UNITED STATES BRANCHES OF ALIEN REPORTING ENTITIES ONLY:
- 13.1 What changes have been made during the year in the United States manager or the United States trustees of the reporting entity?
- 13.2 Does this statement contain all business transacted for the reporting entity through its United States Branch on risks wherever located? Yes [] No []
- 13.3 Have there been any changes made to any of the trust indentures during the year? Yes [] No []
- 13.4 If answer to (13.3) is yes, has the domiciliary or entry state approved the changes? Yes [] No [] N/A []
- 14.1 Are the senior officers (principal executive officer, principal financial officer, principal accounting officer or controller, or persons performing similar functions) of the reporting entity subject to a code of ethics, which includes the following standards?
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).

GENERAL INTERROGATORIES

- 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
.....
.....
.....

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 the end of year (inclusive of Separate Accounts, exclusive of policy loans):
- 20.21 To directors or other officers \$.....0
 - 20.22 To stockholders not officers \$.....0
 - 20.23 Trustees, supreme or grand (Fraternal only) \$.....0
- 21.1 Were any assets reported in this statement subject to a contractual obligation to transfer to another party without the liability for such obligation being reported in the statement? Yes [] No [X]
- 21.2 If yes, state the amount thereof at December 31 of the current year:
- 21.21 Rented from others \$.....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 [] NA [X]
- 24.05 If answer to 24.04 is yes, report amount of collateral for conforming programs. \$.....
- 24.06 If answer to 24.04 is no, report amount of collateral for other programs. \$.....
- 24.07 Does your securities lending program require 102% (domestic securities) and 105% (foreign securities) from the counterparty at the outset of the contract? Yes [] No [] NA [X]
- 24.08 Does the reporting entity non-admit when the collateral received from the counterparty falls below 100%? Yes [] No [] NA [X]
- 24.09 Does the reporting entity or the reporting entity's securities lending agent utilize the Master Securities Lending Agreement (MSLA) to conduct securities lending? Yes [] No [] NA [X]
- 24.10 For the reporting entity's security lending program, state the amount of the following as of December 31 of the current year:
- 24.101 Total fair value of reinvested collateral assets reported on Schedule DL, Parts 1 and 2 \$.....
 - 24.102 Total book adjusted/carrying value of reinvested collateral assets reported on Schedule DL, Parts 1 and 2 \$.....
 - 24.103 Total payable for securities lending reported on the liability page \$.....

ANNUAL STATEMENT FOR THE YEAR 2012 OF THE CARESOURCE

GENERAL INTERROGATORIES

25.1 Were any of the stocks, bonds or other assets of the reporting entity owned at December 31 of the current year not exclusively under the control of the reporting entity or has the reporting entity sold or transferred any assets subject to a put option contract that is currently in force? (Exclude securities subject to Interrogatory 21.1 and 24.03). Yes [X] No []

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

	25.21 Subject to repurchase agreements	\$
	25.22 Subject to reverse repurchase agreements	\$
	25.23 Subject to dollar repurchase agreements	\$
	25.24 Subject to reverse dollar repurchase agreements	\$
	25.25 Pledged as collateral	\$
	25.26 Placed under option agreements	\$
	25.27 Letter stock or securities restricted as to sale	\$
	25.28 On deposit with state or other regulatory body	\$3,500,000
	25.29 Other	\$

25.3 For category (25.27) provide the following:

1 Nature of Restriction	2 Description	3 Amount

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

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

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

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

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

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

1 Name of Custodian(s)	2 Custodian's Address
Citizens Bank aka Charter One.....	870 Westminster Street, RWR110, Providence, Rhode Island, 02903.....
Fifth Third Bank.....	38 Fountain Square, Cincinnati, OH 45263.....
Huntington Bank.....	41 S. High Street, Columbus, OH 43287.....
Huntington Bank.....	3805 Edwards Road, Suite 350, Cincinnati, OH 45209.....

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

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

28.03 Have there been any changes, including name changes, in the custodian(s) identified in 28.01 during the current year? Yes [] No [X]

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

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

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

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

ANNUAL STATEMENT FOR THE YEAR 2012 OF THE CARESOURCE

GENERAL INTERROGATORIES

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

29.2 If yes, complete the following schedule:

1 CUSIP #	2 Name of Mutual Fund	3 Book/Adjusted Carrying Value
29.2001. 015566-30-0	ALGER SPECTRA FUND-I	2,907,552
29.2002. 025076-10-0	AMER CENT EQUITY INCOME-INV	2,911,863
29.2003. 29875E-10-0	AMERICAN EUROPACIFIC GRTH-F2	4,301,946
29.2004. 316071-10-9	FIDELITY CONTRAFUND	3,288,574
29.2005. 316389-77-4	FIDELITY ADV S/C VALUE-I	1,444,684
29.2006. 411511-30-6	HARBOR INTERNATIONAL-INST	1,109,646
29.2007. 413838-20-2	OAKMARK INTERNATIONAL FD-I	1,108,474
29.2008. 446327-46-2	HUNTINGTON SITUS FUND-TRUST	1,998,800
29.2009. 464287-46-5	ISHARES MSCI EAFE INDEX FUND	1,142,545
29.2010. 464287-49-9	ISHARES RUSSELL MIDCAP INDEX	1,137,447
29.2011. 466000-54-4	IVY MID CAP GROWTH FUND-CL Y	1,361,890
29.2012. 47803W-40-6	JOHN HANCOCK III-DISC M/C-IS	3,841,919
29.2013. 552983-69-4	MFS VALUE FUND-I	2,829,721
29.2014. 741479-10-9	T ROWE PRICE GROWTH STK	3,264,622
29.2015. 74441C-80-8	PRUDENTIAL JENN M/C GROW-Z	1,238,151
29.2016. 76628R-67-2	RIDGEWORTH L/C VAL EQTY-I	3,121,579
29.2017. 779556-10-9	T ROWE PRICE MID CAP GR	1,309,435
29.2018. 779562-10-7	T ROWE PRICE NEW HORIZONS	1,285,915
29.2019. 780905-78-2	ROYCE SPECIAL EQUITY FUND-IV	2,901,712
29.2020. 885215-56-6	THORNBURG INTL VALUE FD-I	2,525,268
29.2021. 92206C-66-4	VANGUARD RUSSELL 2000	746,447
29.2022. 92206C-73-0	VANGUARD RUSSELL 1000	1,611,861
29.2999 TOTAL		47,390,051

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

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
ALGER SPECTRA FUND-I	Apple Inc	230,569	12/31/2012
ALGER SPECTRA FUND-I	International Business Machines Corp	79,958	12/31/2012
ALGER SPECTRA FUND-I	eBay Inc	70,654	12/31/2012
ALGER SPECTRA FUND-I	Amazon.com Inc	57,860	12/31/2012
ALGER SPECTRA FUND-I	Express Scripts	56,988	12/31/2012
AMER CENT EQUITY INCOME-INV	Wells Fargo & Co, San Francisco Ca Pfd	146,758	12/31/2012
AMER CENT EQUITY INCOME-INV	Johnson & Johnson	142,390	12/31/2012
AMER CENT EQUITY INCOME-INV	Procter & Gamble Co	116,475	12/31/2012
AMER CENT EQUITY INCOME-INV	Exxon Mobil Corporation	103,954	12/31/2012
AMER CENT EQUITY INCOME-INV	AT&T Inc	71,341	12/31/2012
AMERICAN EUROPACIFIC GRTH-F2	Apple Inc	341,144	12/31/2012
AMERICAN EUROPACIFIC GRTH-F2	International Business Machines	118,304	12/31/2012
AMERICAN EUROPACIFIC GRTH-F2	eBay Inc	104,537	12/31/2012
AMERICAN EUROPACIFIC GRTH-F2	Amazon.com Inc	85,609	12/31/2012
AMERICAN EUROPACIFIC GRTH-F2	Express Scripts	84,318	12/31/2012
FIDELITY CONTRAFUND	Apple Inc	239,408	12/31/2012
FIDELITY CONTRAFUND	Google, Inc. Class A	173,637	12/31/2012
FIDELITY CONTRAFUND	Berkshire Hathaway Inc Class A	116,744	12/31/2012
FIDELITY CONTRAFUND	Wells Fargo & Co	82,872	12/31/2012
FIDELITY CONTRAFUND	Coca-Cola Co	82,214	12/31/2012
FIDELITY ADV S/C VALUE-I	TCF Financial Corporation	41,029	12/31/2012
FIDELITY ADV S/C VALUE-I	Superior Energy Services Inc	39,006	12/31/2012
FIDELITY ADV S/C VALUE-I	DCT Industrial Trust, Inc	38,573	12/31/2012
FIDELITY ADV S/C VALUE-I	Hanesbrands Inc	38,429	12/31/2012
FIDELITY ADV S/C VALUE-I	Platinum Underwriters Holdings, Ltd	37,562	12/31/2012
HARBOR INTERNATIONAL-INST	Novo Nordisk A/A	36,063	12/31/2012
HARBOR INTERNATIONAL-INST	Atlas Copco AB	30,182	12/31/2012
HARBOR INTERNATIONAL-INST	British American Tobacco PLC	29,517	12/31/2012
HARBOR INTERNATIONAL-INST	Roche Holdings AG	26,853	12/31/2012
HARBOR INTERNATIONAL-INST	Anheuser-Busch Inbev SA	26,077	12/31/2012
OAKMARK INTERNATIONAL FD-I	Daiwa Securities Co., Ltd	45,115	12/31/2012
OAKMARK INTERNATIONAL FD-I	Daimler AG	42,787	12/31/2012
OAKMARK INTERNATIONAL FD-I	Credit Suisse Group	42,122	12/31/2012
OAKMARK INTERNATIONAL FD-I	Toyota Motor Corp	38,131	12/31/2012
OAKMARK INTERNATIONAL FD-I	Honda Motor Co Ltd	35,249	12/31/2012
HUNTINGTON SITUS FUND-TRUST	Geospace Technologies Corp	141,715	12/31/2012
HUNTINGTON SITUS FUND-TRUST	Cabela's, Inc	69,958	12/31/2012
HUNTINGTON SITUS FUND-TRUST	Flowserve Corporation	66,160	12/31/2012

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GENERAL INTERROGATORIES

1	2	3	4
Name of Mutual Fund (from above table)	Name of Significant Holding of the Mutual Fund	Amount of Mutual Fund's Book/Adjusted Carrying Value Attributable to the Holding	Date of Valuation
HUNTINGTON SITUS FUND-TRUST.....	Trinity Industries, Inc.....	62,962	12/31/2012
HUNTINGTON SITUS FUND-TRUST.....	Watson Pharmaceuticals Inc.....	61,963	12/31/2012
ISHARES MSCI EAFE INDEX FUND.....	Nestle SA.....	22,165	12/31/2012
ISHARES MSCI EAFE INDEX FUND.....	HSBC Holdings PLC.....	20,337	12/31/2012
ISHARES MSCI EAFE INDEX FUND.....	Roche Holdings AG.....	15,881	12/31/2012
ISHARES MSCI EAFE INDEX FUND.....	Novartis AG.....	15,881	12/31/2012
ISHARES MSCI EAFE INDEX FUND.....	Toyota Motor Corp.....	13,711	12/31/2012
ISHARES RUSSELL MIDCAP INDEX.....	Marathon Petroleum Corp.....	6,938	12/31/2012
ISHARES RUSSELL MIDCAP INDEX.....	Eaton Corporation PLC.....	6,825	12/31/2012
ISHARES RUSSELL MIDCAP INDEX.....	Valero Energy Corporation.....	6,370	12/31/2012
ISHARES RUSSELL MIDCAP INDEX.....	HJ Heinz Company.....	5,573	12/31/2012
ISHARES RUSSELL MIDCAP INDEX.....	HCP Inc.....	5,232	12/31/2012
IVY MID CAP GROWTH FUND-CL Y.....	CarMax, Inc.....	47,666	12/31/2012
IVY MID CAP GROWTH FUND-CL Y.....	Varian Medical Systems, Inc.....	38,814	12/31/2012
IVY MID CAP GROWTH FUND-CL Y.....	Microchip Technology, Inc.....	35,137	12/31/2012
IVY MID CAP GROWTH FUND-CL Y.....	Pall Corporation.....	33,775	12/31/2012
IVY MID CAP GROWTH FUND-CL Y.....	Fastenal Company.....	32,685	12/31/2012
JOHN HANCOCK III-DISC M/C-IS.....	Ssc Government Mm Gvxx.....	147,530	12/31/2012
JOHN HANCOCK III-DISC M/C-IS.....	CBS Corporation Class B.....	66,849	12/31/2012
JOHN HANCOCK III-DISC M/C-IS.....	Robert Half International Inc.....	64,160	12/31/2012
JOHN HANCOCK III-DISC M/C-IS.....	Wesco International, Inc.....	63,007	12/31/2012
JOHN HANCOCK III-DISC M/C-IS.....	Flowserve Corporation.....	58,397	12/31/2012
MFS VALUE FUND-I.....	Philip Morris International, Inc.....	100,455	12/31/2012
MFS VALUE FUND-I.....	JPMorgan Chase & Co.....	97,908	12/31/2012
MFS VALUE FUND-I.....	Pfizer Inc.....	95,362	12/31/2012
MFS VALUE FUND-I.....	Lockheed Martin Corporation.....	94,796	12/31/2012
MFS VALUE FUND-I.....	Johnson & Johnson.....	89,136	12/31/2012
T ROWE PRICE GROWTH STK.....	Apple Inc.....	309,160	12/31/2012
T ROWE PRICE GROWTH STK.....	Google, Inc. Class A.....	160,619	12/31/2012
T ROWE PRICE GROWTH STK.....	Amazon.com Inc.....	142,664	12/31/2012
T ROWE PRICE GROWTH STK.....	MasterCard Incorporated Class A.....	99,244	12/31/2012
T ROWE PRICE GROWTH STK.....	Crown Castle International Corp.....	97,612	12/31/2012
PRUDENTIAL JENN M/C GROW-Z.....	Crown Castle International Corp.....	39,126	12/31/2012
PRUDENTIAL JENN M/C GROW-Z.....	VeriSign, Inc.....	26,001	12/31/2012
PRUDENTIAL JENN M/C GROW-Z.....	Ametek, Inc.....	25,258	12/31/2012
PRUDENTIAL JENN M/C GROW-Z.....	DaVita HealthCare Partners Inc.....	25,134	12/31/2012
PRUDENTIAL JENN M/C GROW-Z.....	Roper Industries, Inc.....	23,896	12/31/2012
RIDGEWORTH L/C VAL EQTY-I.....	JPMorgan Chase & Co.....	103,949	12/31/2012
RIDGEWORTH L/C VAL EQTY-I.....	Exxon Mobil Corporation.....	99,891	12/31/2012
RIDGEWORTH L/C VAL EQTY-I.....	Chevron Corp.....	96,457	12/31/2012
RIDGEWORTH L/C VAL EQTY-I.....	Cigna Corp.....	91,462	12/31/2012
RIDGEWORTH L/C VAL EQTY-I.....	General Electric Co.....	90,526	12/31/2012
T ROWE PRICE MID CAP GR.....	Ametek, Inc.....	24,486	12/31/2012
T ROWE PRICE MID CAP GR.....	DENTSPLY International, Inc.....	23,046	12/31/2012
T ROWE PRICE MID CAP GR.....	IHS, Inc. Class A.....	22,260	12/31/2012
T ROWE PRICE MID CAP GR.....	Roper Industries, Inc.....	20,165	12/31/2012
T ROWE PRICE MID CAP GR.....	Fiserv, Inc.....	20,034	12/31/2012
T ROWE PRICE NEW HORIZONS.....	Regeneron Pharmaceuticals, Inc.....	29,576	12/31/2012
T ROWE PRICE NEW HORIZONS.....	Catamaran Corp.....	28,290	12/31/2012
T ROWE PRICE NEW HORIZONS.....	Clean Harbors, Inc.....	27,261	12/31/2012
T ROWE PRICE NEW HORIZONS.....	Gartner, Inc. Class A.....	24,047	12/31/2012
T ROWE PRICE NEW HORIZONS.....	Roper Industries, Inc.....	22,504	12/31/2012
ROYCE SPECIAL EQUITY FUND-IV.....	Minerals Technologies, Inc.....	112,877	12/31/2012
ROYCE SPECIAL EQUITY FUND-IV.....	Bio-Rad Laboratories Inc.....	110,555	12/31/2012
ROYCE SPECIAL EQUITY FUND-IV.....	UniFirst Corporation.....	106,783	12/31/2012
ROYCE SPECIAL EQUITY FUND-IV.....	Teradyne Inc.....	105,042	12/31/2012
ROYCE SPECIAL EQUITY FUND-IV.....	Molex, Inc. Class A.....	103,881	12/31/2012
THORNBURG INTL VALUE FD-I.....	LVMH Moet Hennessy Louis Vuitton SA.....	67,677	12/31/2012
THORNBURG INTL VALUE FD-I.....	Mitsubishi UFJ Financial Group, Inc.....	65,657	12/31/2012
THORNBURG INTL VALUE FD-I.....	Novo Nordisk A/S.....	65,152	12/31/2012
THORNBURG INTL VALUE FD-I.....	Reckitt Benckiser Group PLC.....	62,879	12/31/2012

GENERAL INTERROGATORIES

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
THORNBURG INTL VALUE FD-I.....	Toyota Motor Corp.....	61,364	12/31/2012
VANGUARD RUSSELL 2000.....	Ocwen Financial Corporation.....	2,314	12/31/2012
VANGUARD RUSSELL 2000.....	Genesee & Wyoming, Inc. Class A.....	2,090	12/31/2012
VANGUARD RUSSELL 2000.....	Two Harbors Investment Corp.....	2,015	12/31/2012
VANGUARD RUSSELL 2000.....	Pharmacyclics, Inc.....	1,941	12/31/2012
VANGUARD RUSSELL 2000.....	CommVault Systems, Inc.....	1,941	12/31/2012
VANGUARD RUSSELL 1000.....	Apple Inc.....	54,964	12/31/2012
VANGUARD RUSSELL 1000.....	Exxon Mobil Corporation.....	44,649	12/31/2012
VANGUARD RUSSELL 1000.....	General Electric Co.....	24,500	12/31/2012
VANGUARD RUSSELL 1000.....	Chevron Corp.....	23,533	12/31/2012
VANGUARD RUSSELL 1000.....	International Business Machines Corp.....	23,050	12/31/2012

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

	1 Statement (Admitted) Value	2 Fair Value	3 Excess of Statement over Fair Value (-), or Fair Value over Statement (+)
30.1 Bonds.....	514,503,338	533,310,979	18,807,641
30.2 Preferred Stocks.....	0	0	0
30.3 Totals	514,503,338	533,310,979	18,807,641

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

Fair values are determined by the individual bond custodians and based on quoted market prices.....

31.1 Was the rate used to calculate fair value determined by a broker or custodian for any of the securities in Schedule D? Yes [X] No []

31.2 If the answer to 31.1 is yes, does the reporting entity have a copy of the broker's or custodian's pricing policy (hard copy or electronic copy) for all brokers or custodians used as a pricing source? Yes [X] No []

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

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

32.2 If no, list exceptions:

GENERAL INTERROGATORIES

OTHER

- 33.1 Amount of payments to Trade associations, service organizations and statistical or rating bureaus, if any? \$55,289
- 33.2 List the name of the organization and the amount paid if any such payment represented 25% or more of the total payments to trade associations, service organizations and statistical or rating bureaus during the period covered by this statement.

1 Name	2 Amount Paid
Ohio Association of Health Plans.....	\$.....48,750

- 34.1 Amount of payments for legal expenses, if any? \$983,095
- 34.2 List the name of the firm and the amount paid if any such payment represented 25% or more of the total payments for legal expenses during the period covered by this statement.

1 Name	2 Amount Paid
Brickler & Eckler, LLP.....	\$.....523,737

- 35.1 Amount of payments for expenditures in connection with matters before legislative bodies, officers or departments of government, if any? \$474,501
- 35.2 List the name of the firm and the amount paid if any such payment represented 25% or more of the total payment expenditures in connection with matters before legislative bodies, officers or departments of government during the period covered by this statement.

1 Name	2 Amount Paid
MCDONALD HOPKINS LLC.....	\$.....111,839
Carpenter Lipps & Leland LLP.....	\$.....168,050
Thorn Run Partners.....	\$.....135,096

GENERAL INTERROGATORIES

PART 2 - HEALTH INTERROGATORIES

- 1.1 Does the reporting entity have any direct Medicare Supplement Insurance in force? Yes [] No [X]
- 1.2 If yes, indicate premium earned on U. S. business only. \$0
- 1.3 What portion of Item (1.2) is not reported on the Medicare Supplement Insurance Experience Exhibit? \$
- 1.31 Reason for excluding
- 1.4 Indicate amount of earned premium attributable to Canadian and/or Other Alien not included in Item (1.2) above. \$0
- 1.5 Indicate total incurred claims on all Medicare Supplement insurance. \$0
- 1.6 Individual policies:
- Most current three years:
- 1.61 Total premium earned \$0
- 1.62 Total incurred claims \$0
- 1.63 Number of covered lives0
- 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 lives0
- 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 lives0
- 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 lives0

2. Health Test:

	1		2
	Current Year		Prior Year
2.1 Premium Numerator	\$3,681,146,131	\$	.....2,964,851,211
2.2 Premium Denominator	\$3,682,585,418	\$	.....2,965,644,060
2.3 Premium Ratio (2.1/2.2)	.....1.000		.....1.000
2.4 Reserve Numerator	\$304,841,791	\$	.....314,562,607
2.5 Reserve Denominator	\$304,841,791	\$	.....314,562,607
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 []
- 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 \$750,000
- 5.32 Medical Only \$
- 5.33 Medicare Supplement \$
- 5.34 Dental and Vision \$
- 5.35 Other Limited Benefit Plan \$
- 5.36 Other \$
6. Describe arrangement which the reporting entity may have to protect subscribers and their dependents against the risk of insolvency including hold harmless provisions, conversion privileges with other carriers, agreements with providers to continue rendering services, and any other agreements:
The risk of insolvency is covered under a reinsurance agreement and is limited to \$5 million in coverage as outlined in the policy.
- 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 year25,218
- 8.2 Number of providers at end of reporting year26,475
- 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
- 9.22 Business with rate guarantees over 36 months

GENERAL INTERROGATORIES

PART 2 - HEALTH INTERROGATORIES

- 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 \$.....1,529,088
 - 10.22 Amount actually paid for year bonuses \$.....3,528,802
 - 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 [X] No []
- 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. State of Ohio.....
- 11.4 If yes, show the amount required. \$.....221,213,346
- 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 reporting entity is licensed to operate:

1 Name of Service Area
All 88 counties in State of 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. \$.....
- 13.3 Do you act as an administrator for health savings accounts? Yes [] No [X]
- 13.4 If yes, please provide the balance of the funds administered as of the reporting date. \$.....

FIVE - YEAR HISTORICAL DATA

	1 2012	2 2011	3 2010	4 2009	5 2008
Balance Sheet (Pages 2 and 3)					
1. Total admitted assets (Page 2, Line 28)	935,939,711	859,413,199	591,054,831	673,431,157	354,998,905
2. Total liabilities (Page 3, Line 24)	400,852,863	444,698,374	297,764,404	492,634,573	222,590,089
3. Statutory surplus	221,213,346	176,182,362	155,165,014	157,672,342	123,925,790
4. Total capital and surplus (Page 3, Line 33)	535,086,848	414,714,825	293,290,427	180,796,584	132,408,816
Income Statement (Page 4)					
5. Total revenues (Line 8)	3,703,470,573	2,965,644,060	2,558,117,692	2,440,658,793	1,871,618,739
6. Total medical and hospital expenses (Line 18)	3,125,497,226	2,424,468,742	2,122,502,161	2,155,813,181	1,700,437,446
7. Claims adjustment expenses (Line 20)	69,729,398	54,723,564	43,491,237	39,339,741	33,828,345
8. Total administrative expenses (Line 21)	406,027,083	367,974,345	291,151,293	221,217,339	152,760,238
9. Net underwriting gain (loss) (Line 24)	102,216,866	118,477,409	100,973,001	24,288,532	(15,407,290)
10. Net investment gain (loss) (Line 27)	14,264,929	12,730,683	10,615,195	10,624,218	14,588,211
11. Total other income (Lines 28 plus 29)	0	0	0	0	0
12. Net income or (loss) (Line 32)	116,481,795	131,208,092	111,588,196	34,912,750	(819,079)
Cash Flow (Page 6)					
13. Net cash from operations (Line 11)	27,330,572	189,299,527	(76,754,575)	296,988,752	(71,336,839)
Risk-Based Capital Analysis					
14. Total adjusted capital	535,086,848	414,714,825	293,290,427	180,796,584	132,408,816
15. Authorized control level risk-based capital	110,595,128	88,091,181	77,582,507	78,836,171	61,962,895
Enrollment (Exhibit 1)					
16. Total members at end of period (Column 5, Line 7)	891,565	875,545	839,491	761,874	643,849
17. Total members months (Column 6, Line 7)	10,851,256	10,266,935	9,656,578	8,443,967	7,248,614
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)	84.9	81.8	83.0	88.3	90.9
20. Cost containment expenses	1.5	1.2	1.2	1.2	1.4
21. Other claims adjustment expenses	0.4	0.6	0.5	0.4	0.4
22. Total underwriting deductions (Line 23)	97.8	96.0	96.1	99.0	100.8
23. Total underwriting gain (loss) (Line 24)	2.8	4.0	3.9	1.0	(0.8)
Unpaid Claims Analysis					
(U&I Exhibit, Part 2B)					
24. Total claims incurred for prior years (Line 13, Col. 5)	341,075,051	194,548,402	224,614,992	182,054,922	116,933,883
25. Estimated liability of unpaid claims – [prior year (Line 13, Col. 6)]	355,552,506	224,030,157	216,291,088	181,588,375	128,356,490
Investments In Parent, Subsidiaries and Affiliates					
26. Affiliated bonds (Sch. D Summary, Line 12, Col. 1)	0	0	0	0	0
27. Affiliated preferred stocks (Sch. D Summary, Line 18, Col. 1)	0	0	0	0	0
28. Affiliated common stocks (Sch. D Summary, Line 24, Col. 1)	0	0	0	0	0
29. Affiliated short-term investments (subtotal included in Sch. DA Verification, Col. 5, Line 10)	0	0	0	0	0
30. Affiliated mortgage loans on real estate	0	0	0	0	0
31. All other affiliated	0	0	0	0	0
32. Total of above Lines 26 to 31	0	0	0	0	0
33. Total investment in parent included in Lines 26 to 31 above	0	0	0	0	0

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

If no, please explain

ANNUAL STATEMENT FOR THE YEAR 2012 OF THE CARESOURCE

SCHEDULE T - PREMIUMS AND OTHER CONSIDERATIONS

Allocated by States and Territories

State, Etc.	1 Active Status	Direct Business Only							9 Deposit-Type Contracts	
		2 Accident & Health Premiums	3 Medicare Title XVIII	4 Medicaid Title XIX	5 Federal Employees Health Benefits Program Premiums	6 Life & Annuity Premiums & Other Considerations	7 Property/Casualty Premiums	8 Total Columns 2 Through 7		
1. Alabama	AL	N							0	0
2. Alaska	AK	N							0	0
3. Arizona	AZ	N							0	0
4. Arkansas	AR	N							0	0
5. California	CA	N							0	0
6. Colorado	CO	N							0	0
7. Connecticut	CT	N							0	0
8. Delaware	DE	N							0	0
9. District of Columbia	DC	N							0	0
10. Florida	FL	N							0	0
11. Georgia	GA	N							0	0
12. Hawaii	HI	N							0	0
13. Idaho	ID	N							0	0
14. Illinois	IL	N							0	0
15. Indiana	IN	N							0	0
16. Iowa	IA	N							0	0
17. Kansas	KS	N							0	0
18. Kentucky	KY	N							0	0
19. Louisiana	LA	N							0	0
20. Maine	ME	N							0	0
21. Maryland	MD	N							0	0
22. Massachusetts	MA	N							0	0
23. Michigan	MI	N							0	0
24. Minnesota	MN	N							0	0
25. Mississippi	MS	N							0	0
26. Missouri	MO	N							0	0
27. Montana	MT	N							0	0
28. Nebraska	NE	N							0	0
29. Nevada	NV	N							0	0
30. New Hampshire	NH	N							0	0
31. New Jersey	NJ	N							0	0
32. New Mexico	NM	N							0	0
33. New York	NY	N							0	0
34. North Carolina	NC	N							0	0
35. North Dakota	ND	N							0	0
36. Ohio	OH	L	1,439,287	20,607,084	3,677,624,551				3,699,670,922	0
37. Oklahoma	OK	N							0	0
38. Oregon	OR	N							0	0
39. Pennsylvania	PA	N							0	0
40. Rhode Island	RI	N							0	0
41. South Carolina	SC	N							0	0
42. South Dakota	SD	N							0	0
43. Tennessee	TN	N							0	0
44. Texas	TX	N							0	0
45. Utah	UT	N							0	0
46. Vermont	VT	N							0	0
47. Virginia	VA	N							0	0
48. Washington	WA	N							0	0
49. West Virginia	WV	N							0	0
50. Wisconsin	WI	N							0	0
51. Wyoming	WY	N							0	0
52. American Samoa	AS	N							0	0
53. Guam	GU	N							0	0
54. Puerto Rico	PR	N							0	0
55. U.S. Virgin Islands	VI	N							0	0
56. Northern Mariana Islands	MP	N							0	0
57. Canada	CAN	N							0	0
58. Aggregate Other Alien	OT	XXX	0	0	0	0	0	0	0	0
59. Subtotal	XXX		1,439,287	20,607,084	3,677,624,551	0	0	0	3,699,670,922	0
60. Reporting entity contributions for Employee Benefit Plans	XXX								0	0
61. Total (Direct Business)	(a) 1		1,439,287	20,607,084	3,677,624,551	0	0	0	3,699,670,922	0
DETAILS OF WRITE-INS										
58001.	XXX									
58002.	XXX									
58003.	XXX									
58998. Summary of remaining write-ins for Line 58 from overflow page	XXX		0	0	0	0	0	0	0	0
58999. Totals (Lines 58001 through 58003 plus 58998) (Line 58 above)	XXX		0	0	0	0	0	0	0	0

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

Explanation of basis of allocation by states, premiums by state, etc. All premiums were incurred in the State of Ohio. No allocation was used.

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

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

Corporate Structure

CareSource Management Group Co
Ohio Nonprofit
Tax Exempt
NAIC(00000); FedID(31-1703368); ST(OH)

CareSource
Ohio Nonprofit
Tax Exempt
NAIC(95201);
FedID(31-1143265);
ST(OH)
6/12/85

CareSource Management
Services Co
Ohio For Profit
NAIC(00000); FedID(31-
1703371); ST(OH)
4/15/99

CareSource Reinsurance LLC
Montana Nonprofit
Tax Exempt
NAIC(00000);
FedID(45-4937120); ST(MT)
8/24/12

CareSource Illinois
Illinois Nonprofit
Tax Exempt
NAIC(00000);
FedID(27-2202797);
ST(IL)
3/10/10

CareSource Indiana Inc
Indiana Nonprofit
Tax Exempt
NAIC(10142); FedID(32-
0121856); ST(IN)
7/15/04

CareSource Insurance, LLC
Vermont Nonprofit
Tax Exempt
NAIC(00000); FedID(27-
1368371); ST(VT)
11/6/09

The CareSource Foundation
Ohio Nonprofit
Tax Exempt
NAIC(00000);
FedID(56-2582561); ST(OH)
4/24/06

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