
AMENDED FILING EXPLANATION

AMENDED DATE FILED: OCTOBER 6, 2014

Per instructions from the Ohio Department of Insurance, this filing was amended so that the 2013 Statutory Financial Statements reconcile with the 2013 Audited Financial Statements. The net income difference of \$812,154 was corrected and the pages that were amended are as follows:

- Pg. 26 EF #1 Summary of Significant Accounting Policies
- Pg. 26 EF #9 Income Taxes
- Pg. 4 Statement of Revenue and Expenses
- Pg. 5 Statement of Revenue and Expenses (cont)
- Pg. 6 Cash Flow
- Pg. 26 Notes to Financial Statements
- Pg. 29 Five-Year Historical Data



ANNUAL STATEMENT

For the Year Ended December 31, 2013
of the Condition and Affairs of the

Vision Service Plan

NAIC Group Code.....1189, 1189 (Current Period) (Prior Period)	NAIC Company Code..... 54380	Employer's ID Number..... 31-0725743
Organized under the Laws of Ohio	State of Domicile or Port of Entry Ohio	Country of Domicile US
Licensed as Business Type.....Vision Service Corporation	Is HMO Federally Qualified? Yes [] No [X]	
Incorporated/Organized..... November 4, 1966	Commenced Business..... March 29, 1967	
Statutory Home Office	3400 Morse Crossing P.O. Box 2487..... Columbus OH US 43215 (Street and Number) (City or Town, State, Country and Zip Code)	
Main Administrative Office	3333 Quality Drive..... Rancho Cordova CA US 95670 (Street and Number) (City or Town, State, Country and Zip Code)	916-851-5000 (Area Code) (Telephone Number)
Mail Address	3333 Quality Drive..... Rancho Cordova CA US 95670 (Street and Number or P. O. Box) (City or Town, State, Country and Zip Code)	
Primary Location of Books and Records	3333 Quality Drive..... Rancho Cordova CA US 95670 (Street and Number) (City or Town, State, Country and Zip Code)	916-851-5000 (Area Code) (Telephone Number)
Internet Web Site Address	www.vsp.com	
Statutory Statement Contact	Laura Olson (Name) laurol@vsp.com (E-Mail Address)	916-851-5000 (Area Code) (Telephone Number) (Extension) 916-858-5388 (Fax Number)

OFFICERS

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

OTHER

DIRECTORS OR TRUSTEES

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

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

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

(Signature) James Robinson Lynch	(Signature) James Michael McGrann	(Signature) Lester Earl Passuello
1. (Printed Name) President	2. (Printed Name) Secretary	3. (Printed Name) Treasurer
(Title)	(Title)	(Title)
Subscribed and sworn to before me This _____ day of _____ 2014 By: James Robinson Lynch , James Michael McGrann, Lester Earl Passuello	a. Is this an original filing? b. If no 1. State the amendment number 2. Date filed 3. Number of pages attached	Yes [] No [X] 1 10/6/2014 7

STATEMENT OF REVENUE AND EXPENSES

	Current Year		Prior Year
	1 Uncovered	2 Total	3 Total
1. Member months.....	XXX.....	15,139,969.....	15,931,692.....
2. Net premium income (including \$.....0 non-health premium income).....	XXX.....	90,534,630.....	87,673,525.....
3. Change in unearned premium reserves and reserve for rate credits.....	XXX.....		
4. Fee-for-service (net of \$.....14,028,200 medical expenses).....	XXX.....	2,419,158.....	1,971,360.....
5. Risk revenue.....	XXX.....	138,340.....	229,808.....
6. Aggregate write-ins for other health care related revenues.....	XXX.....	.0.....	29,118,662.....
7. Aggregate write-ins for other non-health revenues.....	XXX.....	.0.....	.0.....
8. Total revenues (Lines 2 to 7).....	XXX.....	93,092,128.....	118,993,355.....
Hospital and Medical:			
9. Hospital/medical benefits.....			
10. Other professional services.....		72,422,560.....	72,168,510.....
11. Outside referrals.....			
12. Emergency room and out-of-area.....			
13. Prescription drugs.....			
14. Aggregate write-ins for other hospital and medical.....	.0.....	.0.....	.0.....
15. Incentive pool, withhold adjustments and bonus amounts.....			
16. Subtotal (Lines 9 to 15).....	.0.....	72,422,560.....	72,168,510.....
Less:			
17. Net reinsurance recoveries.....			
18. Total hospital and medical (Lines 16 minus 17).....	.0.....	72,422,560.....	72,168,510.....
19. Non-health claims (net).....			
20. Claims adjustment expenses, including \$.....0 cost containment expenses.....		912,688.....	842,306.....
21. General administrative expenses.....		9,168,130.....	8,580,141.....
22. Increase in reserves for life and accident and health contracts including \$.....0 increase in reserves for life only).....			826,378.....
23. Total underwriting deductions (Lines 18 through 22).....	.0.....	82,503,378.....	82,417,335.....
24. Net underwriting gain or (loss) (Lines 8 minus 23).....	XXX.....	10,588,750.....	36,576,020.....
25. Net investment income earned (Exhibit of Net Investment Income, Line 17).....		663,728.....	803,365.....
26. Net realized capital gains or (losses) less capital gains tax of \$.....289,100.....		536,901.....	78,782.....
27. Net investment gains or (losses) (Lines 25 plus 26).....	.0.....	1,200,629.....	882,147.....
28. Net gain or (loss) from agents' or premium balances charged off [(amount recovered \$.....0) (amount charged off \$.....7,023)].....		(7,023).....	(3,168).....
29. Aggregate write-ins for other income or expenses.....	.0.....	(1,890,308).....	(30,779,624).....
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.....	9,892,048.....	6,675,375.....
31. Federal and foreign income taxes incurred.....	XXX.....	2,986,255.....	2,452,905.....
32. Net income (loss) (Lines 30 minus 31).....	XXX.....	6,905,793.....	4,222,470.....

DETAILS OF WRITE-INS			
0601.	XXX.....		29,118,662.....
0602.	XXX.....		
0603.	XXX.....		
0698. Summary of remaining write-ins for Line 6 from overflow page.....	XXX.....	.0.....	.0.....
0699. Totals (Lines 0601 thru 0603 plus 0698) (Line 6 above).....	XXX.....	.0.....	29,118,662.....
0701.	XXX.....		
0702.	XXX.....		
0703.	XXX.....		
0798. Summary of remaining write-ins for Line 7 from overflow page.....	XXX.....	.0.....	.0.....
0799. Totals (Lines 0701 thru 0703 plus 0798) (Line 7 above).....	XXX.....	.0.....	.0.....
1401.			
1402.			
1403.			
1498. Summary of remaining write-ins for Line 14 from overflow page.....	.0.....	.0.....	.0.....
1499. Totals (Lines 1401 thru 1403 plus 1498) (Line 14 above).....	.0.....	.0.....	.0.....
2901. Lab expenses.....		(36,431,387).....	(30,779,624).....
2902. Lab Revenue.....		34,541,079.....	
2903.			
2998. Summary of remaining write-ins for Line 29 from overflow page.....	.0.....	.0.....	.0.....
2999. Totals (Lines 2901 thru 2903 plus 2998) (Line 29 above).....	.0.....	(1,890,308).....	(30,779,624).....

STATEMENT OF REVENUE AND EXPENSES (Continued)

CAPITAL AND SURPLUS ACCOUNT	1 Current Year	2 Prior Year
33. Capital and surplus prior reporting period.....	33,892,404	45,311,655
34. Net income or (loss) from Line 32.....	6,905,793	4,222,470
35. Change in valuation basis of aggregate policy and claim reserves.....	1,508,285	
36. Change in net unrealized capital gains and (losses) less capital gains tax of \$705,374.....	1,309,980	831,884
37. Change in net unrealized foreign exchange capital gain or (loss).....		
38. Change in net deferred income tax.....	1,796,237	456,696
39. Change in nonadmitted assets.....	(1,351,244)	1,868,780
40. Change in unauthorized and certified reinsurance.....		
41. Change in treasury stock.....		
42. Change in surplus notes.....		
43. Cumulative effect of changes in accounting principles.....		
44. Capital changes:		
44.1 Paid in.....		
44.2 Transferred from surplus (Stock Dividend).....		
44.3 Transferred to surplus.....		
45. Surplus adjustments:		
45.1 Paid in.....		
45.2 Transferred to capital (Stock Dividend).....		
45.3 Transferred from capital.....		
46. Dividends to stockholders.....	(4,200,000)	(18,799,081)
47. Aggregate write-ins for gains or (losses) in surplus.....	0	0
48. Net change in capital and surplus (Lines 34 to 47).....	5,969,051	(11,419,251)
49. Capital and surplus end of reporting period (Line 33 plus 48).....	39,861,455	33,892,404

DETAILS OF WRITE-INS		
4701.		
4702.		
4703.		
4798. Summary of remaining write-ins for Line 47 from overflow page.....	0	0
4799. Totals (Lines 4701 thru 4703 plus 4798) (Line 47 above).....	0	0

CASH FLOW

	1 Current Year	2 Prior Year
CASH FROM OPERATIONS		
1. Premiums collected net of reinsurance.....	91,180,599	87,482,516
2. Net investment income.....	949,356	1,297,586
3. Miscellaneous income.....	2,557,498	31,319,830
4. Total (Lines 1 through 3).....	94,687,453	120,099,932
5. Benefit and loss related payments.....	72,562,303	71,972,789
6. Net transfers to Separate Accounts, Segregated Accounts and Protected Cell Accounts.....		
7. Commissions, expenses paid and aggregate write-ins for deductions.....	10,757,648	38,551,691
8. Dividends paid to policyholders.....		
9. Federal and foreign income taxes paid (recovered) net of \$0 tax on capital gains (losses).....	5,031,107	3,750,073
10. Total (Lines 5 through 9).....	88,351,058	114,274,553
11. Net cash from operations (Line 4 minus Line 10).....	6,336,395	5,825,379
CASH FROM INVESTMENTS		
12. Proceeds from investments sold, matured or repaid:		
12.1 Bonds.....	1,662,152	20,994,335
12.2 Stocks.....	8,716,655	3,668,047
12.3 Mortgage loans.....		
12.4 Real estate.....		
12.5 Other invested assets.....	2,763,157	2,641,794
12.6 Net gains or (losses) on cash, cash equivalents and short-term investments.....		
12.7 Miscellaneous proceeds.....	771	14,489
12.8 Total investment proceeds (Lines 12.1 to 12.7).....	13,142,735	27,318,665
13. Cost of investments acquired (long-term only):		
13.1 Bonds.....	4,397,384	4,114,939
13.2 Stocks.....	9,099,992	4,623,554
13.3 Mortgage loans.....		
13.4 Real estate.....		
13.5 Other invested assets.....		
13.6 Miscellaneous applications.....	12,458	6,720
13.7 Total investments acquired (Lines 13.1 to 13.6).....	13,509,833	8,745,213
14. Net increase (decrease) in contract loans and premium notes.....		
15. Net cash from investments (Line 12.8 minus Lines 13.7 minus Line 14).....	(367,099)	18,573,452
CASH FROM FINANCING AND MISCELLANEOUS SOURCES		
16. Cash provided (applied):		
16.1 Surplus notes, capital notes.....		
16.2 Capital and paid in surplus, less treasury stock.....		
16.3 Borrowed funds.....		
16.4 Net deposits on deposit-type contracts and other insurance liabilities.....		
16.5 Dividends to stockholders.....	4,200,000	18,799,081
16.6 Other cash provided (applied).....	1,703,789	(1,833,300)
17. Net cash from financing and miscellaneous sources (Lines 16.1 to 16.4 minus Line 16.5 plus Line 16.6).....	(2,496,211)	(20,632,381)
RECONCILIATION OF CASH, CASH EQUIVALENTS AND SHORT-TERM INVESTMENTS		
18. Net change in cash, cash equivalents and short-term investments (Line 11 plus Line 15 plus Line 17).....	3,473,085	3,766,450
19. Cash, cash equivalents and short-term investments:		
19.1 Beginning of year.....	12,856,522	9,090,072
19.2 End of year (Line 18 plus Line 19.1).....	16,329,607	12,856,522
Note: Supplemental disclosures of cash flow information for non-cash transactions:		
20.0001		

NOTES TO FINANCIAL STATEMENTS

1. Summary of Significant Accounting Policies

- A. The accompanying financial statements of Vision Service Plan (Company) have been prepared on the statutory basis of accounting prescribed by the National Association of Insurance Commissioners' (NAIC) Accounting Practices and Procedures Manual.
- B. The preparation of financial statements in conformity with the Annual Statement Instructions and Accounting Practices and Procedures manual requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.
- C. Accounting Policies that Materially Affect Assets, Liabilities, Capital and Surplus or Results of Operations

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

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

2. Accounting Changes and Corrections of Errors The Company provides for contracts if it is probable that expected future claims, including maintenance costs, will exceed anticipated future premiums and investment income. For purposes of determining aggregate health policy reserves, contracts are grouped in a manner consistent with our method of acquiring, servicing and measuring the profitability of such contracts. Over time, the Company has experienced changes in the manner in which it acquires, services and measures the profitability of insurance contracts. Accordingly, we updated contract groupings during the third quarter of 2013. As a result of this change in estimate, surplus increased by \$1,508,285 as there was no aggregate health policy reserve at September 30, 2013 or December 31, 2013. The table below shows the impact of the change on total liabilities and surplus at December 31, 2013. There is no impact to prior year balances.

	<u>Balance Before Change</u>	<u>Change</u>	<u>Balance After Change</u>
Total Liabilities	\$ 18,318,213	\$ (2,320,439)	\$ 15,997,774
Surplus	\$ 38,353,170	\$ 1,508,285	\$ 39,861,455

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

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

5. Investments

- A. Mortgage Loans: The Company has no mortgaged loans.
- B. Restructured Debt: The Company has no restructured debt.
- C. Reverse Mortgages: The Company has no reverse mortgages.
- D. Loan Backed Securities: The Company does not hold any loan-backed or structured securities.
- E. Repurchase Agreements: The Company has no repurchase agreements.
- F. Real Estate: The Company owns land and an optical laboratory constructed during 2003 to better serve the East Coast clients. Land purchased during 2002 by the Company cost \$380,434. The optical laboratory is valued at \$2,481,329.
- G. Investments in Low-Income Housing Tax Credits(LIHTC): The Company has no LIHTC.

NOTES TO FINANCIAL STATEMENTS

5. Investments(cont)
H. Restricted Assets:

(1) Restricted Assets (including Pledged)

Restricted Asset Category	1 Total Gross Restricted From Current Year	2 Total Gross Restricted From Prior Year	3 Increase/ (Decrease) (1 minus 2)	4 Total Current Year Admitted Restricted	5 Percentage Gross Restricted to Total Assets	6 Percentage Admitted Restricted to Total Admitted Assets
On deposit with states	\$ 150,235	\$ 150,431	\$ (196)	\$ 150,235	0.2%	0.3%
Total Restricted Assets	\$ 150,235	\$ 150,431	\$ (196)	\$ 150,235	0.2%	0.3%

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

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

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

9. Income Taxes

A. The components of the net deferred tax asset/(liability) at December 31 are as follows:

1.	12/31/2013		
	Ordinary	Capital	Total
(a) Gross Deferred Tax Assets	\$ 2,730,476	\$ 51,795	\$ 2,782,271
(b) Statutory Valuation Allowance	\$ -	\$ -	\$ -
(c) Adjusted Gross Deferred Tax Assets (1a -1b)	\$ 2,730,476	\$ 51,795	\$ 2,782,271
(d) Deferred Tax Assets Nonadmitted	\$ 1,833,246	\$ -	\$ 1,833,246
(e) Subtotal Net Admitted Deferred Tax Asset (1c - 1d)	\$ 897,230	\$ 51,795	\$ 949,025
(f) Deferred Tax Liabilities	\$ -	\$ (1,199,862)	\$ (1,199,862)
(g) Net Admitted Deferred Tax Asset/(Net Deferred Tax Liability) (1e -1f)	\$ 897,230	\$ (1,148,067)	\$ (250,837)
2. Admission Calculation Components SSAP No. 101			
(a) Federal Income Taxes Paid in Prior Years Recoverable Through Loss Carrybacks	\$ 897,230	\$ -	\$ 897,230
(b) Adjusted Gross Deferred Tax Assets Expected To Be Realized (Excluding The Amount of Deferred Tax Assets From 2(a) above) After Application of the Threshold Limitation. (The Lesser of 2(b)1 and 2(b)2 Below)	\$ -	\$ -	\$ -
1. Adjusted Gross Deferred Tax Assets Expected to be Realized Following the Balance Sheet Date	\$ -	\$ -	\$ -
2. Adjusted Gross Deferred Tax Assets Allowed per Limitation Threshold	N/A	N/A	\$ 5,979,218
(c) Adjusted Gross Deferred Tax Assets (Excluding The Amount of Deferred Tax Assets From 2(a) and 2(b) above) Offset by Gross Deferred Tax Liabilities	\$ -	\$ 51,795	\$ 51,795
(d) Deferred Tax Assets Admitted as the Result of Application of SSAP No. 101 (Total 2(a)+2(b)+2(c))	\$ 897,230	\$ 51,795	\$ 949,025

NOTES TO FINANCIAL STATEMENTS

9. Income Taxes(cont.)

1.	12/31/2012		
	Ordinary	Capital	Total
(a) Gross Deferred Tax Assets	\$ 2,759,093	\$ 113,573	\$ 2,872,666
(b) Statutory Valuation Allowance	\$ -	\$ -	\$ -
(c) Adjusted Gross Deferred Tax Assets (1a -1b)	\$ 2,759,093	\$ 113,573	\$ 2,872,666
(d) Deferred Tax Assets Nonadmitted	\$ -	\$ -	\$ -
(e) Subtotal Net Admitted Deferred Tax Asset (1c - 1d)	\$ 2,759,093	\$ 113,573	\$ 2,872,666
(f) Deferred Tax Liabilities	\$ (1,074,478)	\$ (494,488)	\$ (1,568,966)
(g) Net Admitted Deferred Tax Asset/(Net Deferred Tax Liability) (1e -1f)	\$ 1,684,615	\$ (380,915)	\$ 1,303,700
2. Admission Calculation Components SSAP No. 101			
(a) Federal Income Taxes Paid in Prior Years Recoverable Through Loss Carrybacks	\$ 2,759,093	\$ 42,421	\$ 2,801,514
(b) Adjusted Gross Deferred Tax Assets Expected To Be Realized (Excluding The Amount of Deferred Tax Assets From 2(a) above) After Application of the Threshold Limitation. (The Lesser of 2(b)1 and 2(b)2 Below)	\$ -	\$ 16,100	\$ 16,100
1. Adjusted Gross Deferred Tax Assets Expected to be Realized Following the Balance Sheet Date	\$ -	\$ 16,100	\$ 16,100
2. Adjusted Gross Deferred Tax Assets Allowed per Limitation Threshold	N/A	N/A	\$ 4,888,306
(c) Adjusted Gross Deferred Tax Assets (Excluding The Amount of Deferred Tax Assets From 2(a) and 2(b) above) Offset by Gross Deferred Tax Liabilities	\$ -	\$ 55,052	\$ 55,052
(d) Deferred Tax Assets Admitted as the Result of Application of SSAP No. 101 (Total 2(a)+2(b)+2(c))	\$ 2,759,093	\$ 113,573	\$ 2,872,666

1.	Change		
	Ordinary	Capital	Total
(a) Gross Deferred Tax Assets	\$ (28,617)	\$ (61,778)	\$ (90,395)
(b) Statutory Valuation Allowance	\$ -	\$ -	\$ -
(c) Adjusted Gross Deferred Tax Assets (1a - 1b)	\$ (28,617)	\$ (61,778)	\$ (90,395)
(d) Deferred Tax Assets Nonadmitted	\$ 1,833,246	\$ -	\$ 1,833,246
(e) Subtotal Net Admitted Deferred Tax Asset (1c - 1d)	\$ (1,861,863)	\$ (61,778)	\$ (1,923,641)
(f) Deferred Tax Liabilities	\$ 1,074,478	\$ (705,374)	\$ 369,104
(g) Net Admitted Deferred Tax Asset/(Net Deferred Tax Liability) (1e - 1f)	\$ (787,385)	\$ (767,152)	\$ (1,554,537)
2. Admission Calculation Components SSAP No. 101			
(a) Federal Income Taxes Paid in Prior Years Recoverable Through Loss Carrybacks	\$ (1,861,863)	\$ (42,421)	\$ (1,904,284)
(b) Adjusted Gross Deferred Tax Assets Expected To Be Realized (Excluding The Amount of Deferred Tax Assets From 2(a) above) After Application of the Threshold Limitation. (The Lesser of 2(b)1 and 2(b)2 Below)	\$ -	\$ (16,100)	\$ (16,100)
1. Adjusted Gross Deferred Tax Assets Expected to be Realized Following the Balance Sheet Date	\$ -	\$ (16,100)	\$ (16,100)
2. Adjusted Gross Deferred Tax Assets Allowed per Limitation Threshold			
(c) Adjusted Gross Deferred Tax Assets (Excluding The Amount of Deferred Tax Assets From 2(a) and 2(b) above) Offset by Gross Deferred Tax Liabilities	\$ -	\$ (3,257)	\$ (3,257)
(d) Deferred Tax Assets Admitted as the Result of Application of SSAP No. 101 (Total 2(a) + 2(b) + 2©)	\$ (1,861,863)	\$ (61,778)	\$ (1,923,641)

NOTES TO FINANCIAL STATEMENTS

9. Income Taxes(cont.)

3.		2013	2012
(a)	Ratio Percentage Used to Determine Recovery Period and Threshold Limitation Amount	1425%	N/A
(b)	Amount of Adjusted Capital and Surplus Used to Determine Recovery Period and Threshold Limitation Amount	\$ 39,861,455	\$ N/A

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

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

C. Current income taxes incurred consist of the following major components:

	(1)	(2)	(3)
	12/31/2013	12/31/2012	(Col 1-2) Change
1. Current Income Tax			
(a) Federal	\$ 2,861,415	\$ 2,317,594	\$ 543,821
(b) Foreign	-	-	-
(c) Subtotal	\$ 2,861,415	\$ 2,317,594	\$ 543,821
(d) Federal income tax on net capital gains/(losses)	289,100	42,421	246,679
(e) Utilization of capital loss carry-forwards	106,172	98,638	7,534
(f) Other	18,668	36,673	(18,005)
(g) Federal and foreign income taxes incurred	\$ 3,275,355	\$ 2,495,326	\$ 780,029
2. Deferred Tax Assets:			
(a) Ordinary:			
(1) Discounting of unpaid losses	\$ 272,032	\$ 277,519	\$ (5,487)
(2) Unearned premium reserve	\$ 129,484	\$ 79,188	\$ 50,296
(3) Policyholder reserves	\$ -	\$ 812,154	\$ (812,154)
(4) Investments	\$ -	\$ -	\$ -
(5) Deferred acquisition costs	\$ -	\$ -	\$ -
(6) Policyholder dividends accrual	\$ -	\$ -	\$ -
(7) Fixed assets	\$ -	\$ -	\$ -
(8) Compensation and benefits accrual	\$ -	\$ -	\$ -
(9) Pension accrual	\$ -	\$ -	\$ -
(10) Receivables - nonadmitted	\$ 2,252,163	\$ 1,453,759	\$ 798,404
(11) Net operating loss carry-forward	\$ -	\$ -	\$ -
(12) Tax credit carry-forward	\$ -	\$ -	\$ -
(13) Other (including items <5% of total ordinary tax assets)	\$ 76,797	\$ 136,473	\$ (59,676)
(99) Subtotal	\$ 2,730,476	\$ 2,759,093	\$ (28,617)
(b) Statutory valuation allowance adjustment	\$ -	\$ -	\$ -
(c) Nonadmitted	\$ (1,833,246)	\$ -	\$ (1,833,246)
(d) Admitted ordinary deferred tax assets	\$ 897,230	\$ 2,759,093	\$ (1,861,863)
(e) Capital:			
(1) Investments	\$ 51,795	\$ 76,413	\$ (24,618)
(2) Net capital loss carry-forward	\$ -	\$ 37,160	\$ (37,160)
(99) Subtotal	\$ 51,795	\$ 113,573	\$ (61,778)
(f) Statutory valuation allowance adjustment	\$ -	\$ -	\$ -
(g) Nonadmitted	\$ -	\$ -	\$ -
(h) Admitted capital deferred tax assets (2e99 - 2f - 2g)	\$ 51,795	\$ 113,573	\$ (61,778)
(i) Admitted deferred tax assets (2d + 2h)	\$ 949,025	\$ 2,872,666	\$ (1,923,641)

NOTES TO FINANCIAL STATEMENTS

9.	Income Taxes(cont.)			
3.	Deferred Tax Liabilities			
	(a) Ordinary:			
	(1) Investments	\$ -	\$ -	\$ -
	Fixed assets	\$ -	\$ -	\$ -
	Deferred and uncollected premium	\$ -	\$ -	\$ -
	Policyholder reserves	\$ -	\$ -	\$ -
	Other (including items <5% of total ordinary tax liabilities)	\$ -	\$ (1,074,478)	\$ 1,074,478
	(99) Subtotal	\$ -	\$ (1,074,478)	\$ 1,074,478
	(b) Capital:			
	(1) Investments	\$ (1,199,862)	\$ (494,488)	\$ (705,374)
	(2) Real estate	\$ -	\$ -	\$ -
	(3) Other (including items <5% of total capital tax liabilities)	\$ -	\$ -	\$ -
	(99) Subtotal	(1,199,862)	(494,488)	(705,374)
	(c) Deferred tax liabilities (3a99 + 3b99)	\$ (1,199,862)	\$ (1,568,966)	\$ 369,104
4.	Net deferred tax assets/liabilities (2i - 3c)	\$ (250,837)	\$ 1,303,700	\$ (1,554,537)

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

	2013	2012	Change
Total deferred tax assets	\$ 2,782,271	\$ 2,872,666	\$ (90,395)
Total deferred tax liabilities	(1,199,862)	(1,568,966)	369,104
Net deferred tax asset	\$ 1,582,409	\$ 1,303,700	\$ 278,709
Tax effect of changes in aggregate valuation basis of policy and claims reserves			812,154
Tax effect of unrealized gains			705,374
Change in net deferred income tax			\$ 1,796,237

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

	2013		
	Amount	Tax Effect	Effective Tax Rate
Income before federal income taxes	\$ 10,181,148	\$ 3,563,402	35.0%
Tax-exempt income	(21,514)	(7,527)	(0.1%)
Dividends received deduction	(134,572)	(47,100)	(0.5%)
Change in non-admitted assets	(2,281,155)	(798,404)	(7.8%)
Change in depreciation	(3,069,937)	(1,074,478)	(10.6%)
Other	(447,929)	(156,775)	(1.5%)
Total	\$ 4,226,041	\$ 1,479,118	14.5%
Federal income taxes incurred		\$ 2,986,255	
Tax on capital gains/(losses)		289,100	
Change in net deferred income taxes		(1,796,237)	
Total statutory income taxes		\$ 1,479,118	

At December 31, 2013, the Company had no net operating loss credit carryforwards, AMT credit carryforwards or capital loss carryforwards.

NOTES TO FINANCIAL STATEMENTS

9. **Income Taxes(cont.)**

The following is income tax expense for 2011, 2012 and 2013 that is available for recoupment in the event of future net losses.

Year	Ordinary	Capital	Total
2011	\$ -	\$ -	\$ -
2012	2,434,900	42,421	2,477,321
2013	2,967,587	289,100	3,256,687
Total	\$ 5,402,487	\$ 331,521	\$ 5,734,008

There were no deposits admitted under IRC section 6603.

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

Vision Service Plan (CA), Altair Eyewear, Inc., Eyefinity, Inc., Vision Service Plan, Inc. (NV), Eastern Vision Service Plan, Inc., Vision Services Plan, Inc., Oklahoma, Vision Service Plan of Illinois, NFP, Massachusetts Vision Service Plan, Inc., Vision Service Plan (OH), Vision Service Plan Insurance Company (CT), Eastern Vision Service Plan IPA, Inc., Vision Service Plan Insurance Company (MO), VSP Holding Company, Inc., Marchon Eyewear, Inc., Marchon International Ltd., Marchon BRL Ltd., Alaska Vision Services, Inc., Indiana Vision Services, Inc., Mid-Atlantic Vision Service Plan, Inc. (VA), Southwest Vision Service Plan, Inc., Vision Service Plan (HI), Vision Service Plan (WA), Vision Service Plan of Idaho, Inc., Vision Service Plan of Wyoming, Wisconsin Vision Service Plan, Inc., Marchon France SAS, Marchon Hispana S.L., SX Holdings, LLC, VSP Optical Group, Inc., Plexus Optix, Inc., VSP Labs, Inc., VSP Ceres, Inc., Eyeconic, Inc., VSP Global, Inc., Optical Opportunities, Eyefinity Europe, Eyefinity France and Dragon Acquisition Co., Inc.

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

10. Information Concerning Parent, Subsidiaries and Affiliates

- A. The Company is a wholly owned subsidiary of Vision Service Plan (a California non-profit corporation).
- B. No assets have been transferred to or from the Company to a related party.
- C. The Company incurred expenses during 2013 and 2012 of \$11,700,206 and \$10,966,342, respectively for such services.
- D. Amounts due to Vision Service Plan as of December 31, 2013 and 2012, respectively are \$5,548,720 and \$983,718. Amounts due to Vision Service Plan for December 31, 2013 are primarily related to employee benefits for the Ohio lab. The balance will be repaid in first quarter 2014.
- E. There are no guarantees or undertakings in place between the Company and any related party.
- F. Vision Service Plan provides the Company with data processing, employee related services and other administrative services for an agreed upon fee under the Administrative and Marketing Agreement.
- G. Not applicable.
- H. Not applicable.
- I. Not applicable.
- J. Not applicable.
- K. Not applicable.
- L. Not applicable.

11. Debt

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

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

The Company has no retirement plans, deferred compensation, postemployment benefits or compensated balances and postretirement benefit plans.

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

- (1) Not applicable.
- (2) Not applicable.
- (3) The Company declared an extraordinary dividend in the amount of \$4,200,000 on August 7, 2013 to it's parent company, Vision Service Plan (CA). The dividend was paid on September 3, 2013.
- (4) Not applicable.
- (5) Not applicable.
- (6) Not applicable.
- (7) Not applicable.
- (8) Not applicable.
- (9) Not applicable.
- (10) The portion of unassigned funds (surplus) represented or reduced for cumulative unrealized gains and losses is \$3,428,177.
- (11) The Company has no surplus notes at December 31, 2013.
- (12) Not applicable.
- (13) Not applicable.

14. Contingencies

The Company has no contingencies to disclose.

NOTES TO FINANCIAL STATEMENTS

15. Leases
The Company has no leases.
16. Information about Financial Instruments with Off-Balance Sheet Risk and Financial Instruments with Concentrations of Credit Risk
The Company has no financial instruments.
17. Sale, Transfer and Servicing of Financial Assets and Extinguishments of Liabilities Including Wash Sales
The Company does not sell, transfer or service financial instruments or extinguishments of liabilities. The Company has no wash sales.
18. Gain or Loss to the Insurer from Uninsured A&H Plans and the Uninsured Portion of Partially Insured Plans

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

	2013	2012
a. Net reimbursement for administrative expenses (including administrative fees) in excess of actual expenses	\$ 4,139,321	\$ 4,076,817
b. Total net other income or expenses (including interest paid to or received from plans)	\$ (4,268,246)	\$ (4,114,343)
c. Net gain from operations	\$ (128,925)	\$ (37,526)
d. Total claim payment volume	252,341	253,017

*The Company has no partially insured plans.

19. Direct Premium Written/Produced by Managing General Agents/Third Party Administrators
The Company has no premiums written by managing general agents or third party administrators.
20. Fair Value Measurements
A summary of assets measured at fair value on a recurring basis at December 31, 2013 follows:

Description	Level 1	Level 2	Level 3	Total
Preferred stock				
Industrial and Miscellaneous (Unaffiliated)	\$ -	\$ 29,463	\$ -	\$ 29,463
Total preferred stock	\$ -	\$ 29,463	\$ -	\$ 29,463
Common stock				
Industrial and Miscellaneous (Unaffiliated)	\$ 11,236,198	\$ 2,218,384	\$ -	\$13,454,582
Total common stock	\$ 11,236,198	\$ 2,218,384	\$ -	\$13,454,582
Total assets at fair value	\$ 11,236,198	\$ 2,247,847	\$ -	\$13,484,045
Total liabilities at fair value	\$ -	\$ -	\$ -	\$ -

There were no fair value measurements categorized within Level 3 of the fair value hierarchy.

Type of Financial Instrument	Aggregate Fair Value	Admitted Assets	(Level 1)	(Level 2)	(Level 3)	Not Practicable (Carrying Value)
Bonds	\$14,659,636	\$14,619,105	\$ 156,357	\$14,503,279	\$ -	\$ -
Preferred stock	\$ 29,463	\$ 29,463	\$ -	\$ 29,463	\$ -	\$ -
Common Stock	\$13,454,582	\$13,454,582	\$ 11,236,198	\$ 2,218,384	\$ -	\$ -

21. Other Items
A. The Company has had no extraordinary events.
B. The Company has no troubled debt restructuring.
C. The Company has no other unusual items.
D. The Company has no business interruption insurance recoveries.
E. The Company has no state transferable or non-transferable tax credits.
F. The Company has no sub prime mortgage related risk exposure.
G. The Company has no retained asset accounts.

NOTES TO FINANCIAL STATEMENTS

22. Events Subsequent
Type I - Recognized Subsequent Events:
No events have occurred subsequent to the close of the books or accounts for this statement that may have a material effect on the financial condition of the Company.

Type II - Nonrecognized Subsequent Events:
On January 1, 2014, the Company will be subject to an annual fee under section 9010 of the Affordable Care Act (ACA). This annual fee will be allocated to individual health insurers as defined in the guidance, based on the ratio of the amount of the entity's net premiums written during the preceding calendar year to the amount of health insurance for any U.S. health risk that is written during the preceding calendar year. A health insurance entity's portion of the annual fee becomes payable once the entity provides health insurance for any U.S. health risk for each calendar year beginning on or after January 1, 2014. As of December 31, 2013, the Company has written health insurance subject to the ACA assessment, expects to conduct health insurance business in 2014, and estimates their portion of the annual health insurance industry fee to be payable on September 30, 2014 to be \$1,810,693. This assessment is expected to impact risk based capital ratio by (2.4%).
23. Reinsurance
The Company does not reinsure its business.
24. Retrospectively Rated Contracts
The Company has no retrospectively rated contracts
25. Change in Incurred Claims & Claim Adjustment Expenses

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

	2013	2012
BALANCE—January 1	\$ 4,644,099	\$ 4,441,210
Incurred related to:		
Current year	74,164,333	73,397,913
Prior years	(769,011)	(514,279)
Total incurred	73,395,322	72,883,634
Paid related to:		
Current year	(69,607,141)	(68,715,187)
Prior years	(3,926,987)	(3,965,558)
Total paid	(73,534,128)	(72,680,745)
BALANCE—December 31	\$ 4,505,293	\$ 4,644,099
26. Intercompany Pooling Arrangements
The Company has no intercompany pooling arrangements.
27. Structured Settlements
The Company has no structured settlements.
28. Health Care Receivables
The Company has no health care receivables.
29. Participating Policies
The Company has no participating policies.
30. Premium Deficiency Reserves

	(1)
1. Liability carried for premium deficiency reserves	\$ 0
2. Date of the most recent evaluation of this liability	01/24/2014
3. Was anticipated investment income utilized in the calculation?	Yes[] No[X]
31. Anticipated Salvage and Subrogation
Salvage and subrogation are not applicable to the Company.

FIVE-YEAR HISTORICAL DATA

	1 2013	2 2012	3 2011	4 2010	5 2009
Balance Sheet Items (Pages 2 and 3)					
1. Total admitted assets (Page 2, Line 28).....	55,859,229	48,076,366	57,912,362	74,305,658	68,335,739
2. Total liabilities (Page 3, Line 24).....	15,997,774	14,183,962	12,600,699	12,296,470	11,002,953
3. Statutory surplus.....	500,000	500,000	500,000	500,000	500,000
4. Total capital and surplus (Page 3, Line 33).....	39,861,455	33,892,404	45,311,655	62,009,187	57,332,786
Income Statement Items (Page 4)					
5. Total revenues (Line 8).....	93,092,128	118,993,355	101,685,667	94,544,912	94,702,410
6. Total medical and hospital expenses (Line 18).....	72,422,560	72,168,510	68,674,928	66,730,424	66,355,975
7. Claims adjustment expenses (Line 20).....	912,688	842,306	606,522	575,386	598,731
8. Total administrative expenses (Line 21).....	9,168,130	8,580,141	7,662,970	7,257,831	6,768,625
9. Net underwriting gain (loss) (Line 24).....	10,588,750	36,576,020	25,089,171	20,321,490	19,868,795
10. Net investment gain (loss) (Line 27).....	1,200,629	882,147	1,613,675	1,124,194	663,246
11. Total other income (Lines 28 plus 29).....	(1,897,331)	(30,782,792)	(18,504,992)	(14,993,048)	(16,602,469)
12. Net income or (loss) (Line 32).....	6,905,793	4,222,470	6,118,674	4,627,831	2,968,014
Cash Flow (Page 6)					
13. Net cash from operations (Line 11).....	6,336,395	5,825,379	8,791,396	5,047,904	5,827,160
Risk-Based Capital Analysis					
14. Total adjusted capital.....	39,861,455	33,892,404	45,311,655	62,009,187	57,332,786
15. Authorized control level risk-based capital.....	2,796,835	2,645,099	2,483,730	2,392,902	2,334,984
Enrollment (Exhibit 1)					
16. Total members at end of period (Column 5, Line 7).....	1,264,709	1,231,878	1,095,665	1,113,245	1,080,463
17. Total member months (Column 6, Line 7).....	15,139,969	15,931,692	13,453,190	13,412,488	13,131,171
Operating Percentage (Page 4) (Item divided by Page 4, sum of Lines 2, 3, and 5) x 100 .0					
18. Premiums earned plus risk revenue (Line 2 plus Lines 3 and 5).....	100.0	100.0	100.0	100.0	100.0
19. Total hospital and medical plus other non-health (Line 18 plus Line 19).....	79.9	82.1	83.6	85.7	86.6
20. Cost containment expenses.....					
21. Other claims adjustment expenses.....	1.0	1.0	0.7	0.7	0.8
22. Total underwriting deductions (Line 23).....	91.0	93.8	93.2	95.4	97.7
23. Total underwriting gain (loss) (Line 24).....	11.7	41.6	30.5	26.1	25.9
Unpaid Claims Analysis (U&I Exhibit, Part 2B)					
24. Total claims incurred for prior years (Line 13 Col. 5).....	3,875,088	3,926,931	3,867,186	3,349,488	3,159,169
25. Estimated liability of unpaid claims - [prior year (Line 13, Col. 6)]	4,590,170	4,394,449	3,934,943	3,380,458	3,438,411
Investments in Parent, Subsidiaries and Affiliates					
26. Affiliated bonds (Sch. D Summary, Line 12, Col. 1).....					
27. Affiliated preferred stocks (Sch D. Summary, Line 18, Col. 1).....					
28. Affiliated common stocks (Sch D. Summary, Line 24, Col. 1).....					
29. Affiliated short-term investments (subtotal included in Sch. DA, Verification, Column 5, Line 10).....					
30. Affiliated mortgage loans on real estate.....					
31. All other affiliated.....					
32. Total of above Lines 26 to 31.....	0	0	0	0	0
33. Total investment in parent included in Lines 26 to 31 above.....					

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

Yes[] No[]

If no, please explain: