

Amended Statement Cover

The following pages have been changed for this amended filing:

Jurat Page – was changed to reflect the fact that this is an amended filing. The electronic Jurat was changed to add a name and address for the Cyber-security Contact.

Page 2 – Assets – Line 16.1 was changed to reflect the movement of reinsurance recoverable on unpaid claims to Page 3 Line 1.

Page 3 – Liabilities, Capital and Surplus:

Line 1 was changed to reflect the movement of reinsurance recoverable on unpaid claims from Page 2 Line 16.1.

All items in Column 2 were moved to Column 1 to reflect “Covered” liabilities instead of “Uncovered”.

Page 9 – Underwriting and Investment Exhibit – Columns 2 and 4 were changed to move pharmacy expenses and liabilities from Line 8 (Other Health) to Line 1 (Comprehensive – hospital/medical). Column 4 Line 1 was changed to reflect the movement of reinsurance recoverable on unpaid claims to Page 3 Line 1 from Page 2 Line 16.1.

Page 10 – Notes to the Financials have been revised to properly address those notes required for the quarterly statement.



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2014

Document Code: 201

QUARTERLY STATEMENT
AS OF JUNE 30, 2014
OF THE CONDITION AND AFFAIRS OF THE
COORDINATED HEALTH MUTUAL, INC.

NAIC Group Code	0000 (Current Period)	0000 (Prior Period)	NAIC Company Code	15314	Employer's ID Number	45-4748792
Organized under the Laws of	Ohio		State of Domicile or Port of Entry		Ohio	
Country of Domicile	United States of America					
Licensed as business type:	Life, Accident & Health[<input type="checkbox"/>]	Property/Casualty[<input checked="" type="checkbox"/>]	Hospital, Medical & Dental Service or Indemnity[<input type="checkbox"/>]			
	Dental Service Corporation[<input type="checkbox"/>]	Vision Service Corporation[<input type="checkbox"/>]	Health Maintenance Organization[<input type="checkbox"/>]			
	Other[<input type="checkbox"/>]	Is HMO Federally Qualified? Yes[<input type="checkbox"/>] No[<input type="checkbox"/>] N/A[<input checked="" type="checkbox"/>]				
Incorporated/Organized	03/22/2012		Commenced Business		09/27/2013	
Statutory Home Office	501 West Schrock Road, Suite 310 (Street and Number)				Westerville, OH, US 43081 (City or Town, State, Country and Zip Code)	
Main Administrative Office	501 West Schrock Road, Suite 310 (Street and Number)				Westerville, OH, US 43081 (City or Town, State, Country and Zip Code)	
Primary Location of Books and Records	501 West Schrock Road, Suite 310 (Street and Number)				Westerville, OH, US 43081 (City or Town, State, Country and Zip Code)	
Internet Web Site Address	inhealthohio.org				(Area Code) (Telephone Number)	
Statutory Statement Contact	Christopher William Larkin (Name) clarkin@inhealthohio.org (E-Mail Address)				(614)212-6004 (Area Code)(Telephone Number)(Extension) (800)538-0372 (Fax Number)	

OFFICERS

Name	Title
Jesse Lee Thomas Jr.	President
Nicholas Zaferakes Alexander	Secretary
Christopher William Larkin	Treasurer

OTHERS

DIRECTORS OR TRUSTEES

Nicholas Zaferakes Alexander
Arthur Clifton Huston Jr.
Stephen Michael Lundregan
Michael Peter Stinziiano

Barbara Lynn Freeman
Owen Elwood Johnson
Mark Wilbert Poeppelman
Jerry Randall Stephens

State of Ohio
County of Franklin ss

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

(Signature)
Jesse Lee Thomas Jr.
(Printed Name)
1.
President
(Title)

(Signature)
Nicholas Zaferakes Alexander
(Printed Name)
2.
Secretary
(Title)

(Signature)
Christopher William Larkin
(Printed Name)
3.
Treasurer
(Title)

Subscribed and sworn to before me this
____ day of _____, 2014

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

Yes[] No[]
1
10/07/2014
11

(Notary Public Signature)

ASSETS

	Current Statement Date			4 December 31 Prior Year Net Admitted Assets
	1 Assets	2 Nonadmitted Assets	3 Net Admitted Assets (Cols. 1 - 2)	
1. Bonds	37,938,329		37,938,329	49,533
2. Stocks:				
2.1 Preferred stocks				
2.2 Common stocks	5,199,353		5,199,353	
3. Mortgage loans on real estate:				
3.1 First liens				
3.2 Other than first liens				
4. Real estate:				
4.1 Properties occupied by the company (less \$.....0 encumbrances)				
4.2 Properties held for the production of income (less \$.....0 encumbrances)				
4.3 Properties held for sale (less \$.....0 encumbrances)				
5. Cash (\$.....1,756,994), cash equivalents (\$.....3,726,677) and short-term investments (\$.....26,053,168)	31,536,839		31,536,839	72,718,545
6. Contract loans (including \$.....0 premium notes)				
7. Derivatives				
8. Other invested assets				
9. Receivables for securities				
10. Securities lending reinvested collateral assets				
11. Aggregate write-ins for invested assets				
12. Subtotals, cash and invested assets (Lines 1 to 11)	74,674,521		74,674,521	72,768,078
13. Title plants less \$.....0 charged off (for Title insurers only)				
14. Investment income due and accrued	170,261		170,261	80,718
15. Premiums and considerations:				
15.1 Uncollected premiums and agents' balances in the course of collection	218,630		218,630	
15.2 Deferred premiums, agents' balances and installments booked but deferred and not yet due (including \$.....0 earned but unbilled premiums)				
15.3 Accrued retrospective premiums				
16. Reinsurance:				
16.1 Amounts recoverable from reinsurers	3,942		3,942	
16.2 Funds held by or deposited with reinsured companies				
16.3 Other amounts receivable under reinsurance contracts				
17. Amounts receivable relating to uninsured plans				
18.1 Current federal and foreign income tax recoverable and interest thereon				
18.2 Net deferred tax asset				
19. Guaranty funds receivable or on deposit				
20. Electronic data processing equipment and software	211,821	211,821		
21. Furniture and equipment, including health care delivery assets (\$.....0)	29,614	29,614		
22. Net adjustments in assets and liabilities due to foreign exchange rates				
23. Receivables from parent, subsidiaries and affiliates				
24. Health care (\$.....0) and other amounts receivable				
25. Aggregate write-ins for other than invested assets	53,099	53,099		12,673
26. TOTAL assets excluding Separate Accounts, Segregated Accounts and Protected Cell Accounts (Lines 12 to 25)	75,361,888	294,534	75,067,354	72,861,469
27. From Separate Accounts, Segregated Accounts and Protected Cell Accounts				
28. TOTAL (Lines 26 and 27)	75,361,888	294,534	75,067,354	72,861,469
DETAILS OF WRITE-INS				
1101.				
1102.				
1103.				
1198. Summary of remaining write-ins for Line 11 from overflow page				
1199. TOTALS (Lines 1101 through 1103 plus 1198) (Line 11 above)				
2501. Prepaid expenses	53,099	53,099		
2502. Other accounts receivable				12,673
2503.				
2598. Summary of remaining write-ins for Line 25 from overflow page				
2599. TOTALS (Lines 2501 through 2503 plus 2598) (Line 25 above)	53,099	53,099		12,673

LIABILITIES, CAPITAL AND SURPLUS

	Current Period			Prior Year
	1 Covered	2 Uncovered	3 Total	4 Total
1. Claims unpaid (less \$.....4,866 reinsurance ceded)	1,603,417		1,603,417	
2. Accrued medical incentive pool and bonus amounts				
3. Unpaid claims adjustment expenses	62,206		62,206	
4. Aggregate health policy reserves, including the liability of \$.....0 for medical loss ratio rebate per the Public Health Service Act	1,034,066		1,034,066	3,567,000
5. Aggregate life policy reserves				
6. Property/casualty unearned premium reserve				
7. Aggregate health claim reserves				
8. Premiums received in advance	222,197		222,197	113,696
9. General expenses due or accrued	535,705		535,705	360,840
10.1 Current federal and foreign income tax payable and interest thereon (including \$.....0 on realized gains (losses))				
10.2 Net deferred tax liability				
11. Ceded reinsurance premiums payable				
12. Amounts withheld or retained for the account of others				
13. Remittances and items not allocated				
14. Borrowed money (including \$.....2,695,000 current) and interest thereon \$.....0 (including \$.....0 current)	15,937,304		15,937,304	13,242,304
15. Amounts due to parent, subsidiaries and affiliates				
16. Derivatives				
17. Payable for securities				
18. Payable for securities lending				
19. Funds held under reinsurance treaties with (\$.....0 authorized reinsurers, \$.....0 unauthorized reinsurers and \$.....0 certified reinsurers)				
20. Reinsurance in unauthorized and certified (\$.....0) companies				
21. Net adjustments in assets and liabilities due to foreign exchange rates				
22. Liability for amounts held under uninsured plans				
23. Aggregate write-ins for other liabilities (including \$.....0 current)	477,098		477,098	593,167
24. Total liabilities (Lines 1 to 23)	19,871,993		19,871,993	17,877,007
25. Aggregate write-ins for special surplus funds	XXX	XXX		
26. Common capital stock	XXX	XXX		
27. Preferred capital stock	XXX	XXX		
28. Gross paid in and contributed surplus	XXX	XXX		
29. Surplus notes	XXX	XXX	63,882,304	63,882,304
30. Aggregate write-ins for other than special surplus funds	XXX	XXX		
31. Unassigned funds (surplus)	XXX	XXX	(8,686,942)	(8,897,842)
32. Less treasury stock, at cost:				
32.10 shares common (value included in Line 26 \$.....0)	XXX	XXX		
32.20 shares preferred (value included in Line 27 \$.....0)	XXX	XXX		
33. Total capital and surplus (Lines 25 to 31 minus Line 32)	XXX	XXX	55,195,362	54,984,462
34. Total Liabilities, capital and surplus (Lines 24 and 33)	XXX	XXX	75,067,354	72,861,469
DETAILS OF WRITE-INS				
2301. Accounts Payable	93,167		93,167	93,167
2302. Advance from reinsurer	383,931		383,931	500,000
2303.				
2398. Summary of remaining write-ins for Line 23 from overflow page				
2399. TOTALS (Lines 2301 through 2303 plus 2398) (Line 23 above)	477,098		477,098	593,167
2501.	XXX	XXX		
2502.	XXX	XXX		
2503.	XXX	XXX		
2598. Summary of remaining write-ins for Line 25 from overflow page	XXX	XXX		
2599. TOTALS (Lines 2501 through 2503 plus 2598) (Line 25 above)	XXX	XXX		
3001.	XXX	XXX		
3002.	XXX	XXX		
3003.	XXX	XXX		
3098. Summary of remaining write-ins for Line 30 from overflow page	XXX	XXX		
3099. TOTALS (Lines 3001 through 3003 plus 3098) (Line 30 above)	XXX	XXX		

UNDERWRITING AND INVESTMENT EXHIBIT

ANALYSIS OF CLAIMS UNPAID-PRIOR YEAR-NET OF REINSURANCE

Line of Business	Claims Paid Year to Date		Liability End of Current Quarter		5 Claims Incurred in Prior Years (Columns 1+3)	6 Estimated Claim Reserve and Claim Liability Dec 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 Dec 31 of Prior Year	4 On Claims Incurred During the Year		
1. Comprehensive (hospital & medical)		2,267,054		1,603,416		
2. Medicare Supplement						
3. Dental only						
4. Vision only						
5. Federal Employees Health Benefits Plan						
6. Title XVIII - Medicare						
7. Title XIX - Medicaid						
8. Other health						
9. Health subtotal (Lines 1 to 8)		2,267,054		1,603,416		
10. Healthcare receivables (a)						
11. Other non-health						
12. Medical incentive pools and bonus amounts						
13. Totals (Lines 9 - 10 + 11 + 12)	2,267,054			1,603,416		

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

Notes to Financial Statement

1. Summary of Significant Accounting Policies

A. Accounting Practices

The accompanying financial statements of Coordinated Health Mutual, Inc. (Company) have been prepared on the basis of accounting practices prescribed or permitted by the Ohio Insurance Department.

The state of Ohio requires insurance companies domiciled in the state of Ohio to prepare their statutory financial statements in accordance with the National Association of Insurance Commissioners' (NAIC) *Accounting Practices and Procedures Manual* subject to any deviations prescribed or permitted by the Ohio Insurance Department. The Company does not have any permitted practices inconsistent with the NAIC practices.

Reconciliations of net income and policyholders' surplus between the amounts reported in the accompanying financial statements (OH basis) and NAIC SAP follow:

		<u>State of Domicile</u>	2014	2013
		OH		
<u>NET INCOME</u>				
(1)	State basis (Page 4, Line 32, Columns 2 & 3)		-0-	(7,839,990)
(2)	State Prescribed Practices that increase/(decrease) NAIC SAP:			
(201)				
(299)	Total			
(3)	State Permitted Practices that increase/(decrease) NAIC SAP:			
(301)				
(399)	Total			
(4)	NAIC SAP (1-2-3=4)		-0-	(7,839,990)
<u>SURPLUS</u>				
(5)	State basis (Page 3, Line 33, Columns 3 & 4)		55,195,362	54,984,462
(6)	State Prescribed Practices that increase/(decrease) NAIC SAP:			
(601)				
(699)	Total			
(7)	State Permitted Practices that increase/(decrease) NAIC SAP:			
(701)				
(799)	Total			
(8)	NAIC SAP (5-6-7=8)		55,195,362	54,984,462

B. Use of Estimates – No change from Annual

C. Accounting Policies – No change from Annual

2. Accounting Changes and Corrections of Errors – Not applicable

3. Business Combinations and Goodwill – Not applicable

4. Discontinued Operations – Not applicable

Notes to Financial Statement

5. Investments

- A. Mortgage Loans, Debt Restructuring, Reverse Mortgages - Not applicable
- B. Debt Restructuring – Not applicable
- C. Reverse Mortgages – Not applicable
- D. Loan-Backed Securities – Not applicable
- E. Repurchase Agreements and/or Securities Lending Transactions
 - (1), (2), (3a) – Not applicable
 - (3b) The Company has not accepted any collateral that is permitted by contract or custom to sell or repledge, therefore, the fair value as of the date of the statement of financial position presented of that collateral is zero.
 - (3c) – (4), (5) – Not applicable
- F. Real Estate – Not applicable
- G. Investments in Low Income Housing Credits – Not applicable
- H. Restricted Assets – Not applicable
- I. Working Capital Finance Investments
 - 1) Not applicable
 - 2) The Company has no working capital finance investments.
 - 3) There have been no events of default of working capital finance investments during the reporting period.

6. Joint Ventures, Partnerships and Limited Liability Companies

- A. Investments in Joint Ventures, Partnerships and Limited Liability Companies – Not applicable
- B. Impaired Investments in Joint Ventures, Partnerships and Limited Liability Companies – Not applicable

7. Investment Income

- A. There was no due and accrued investment income excluded from surplus, and therefore, the bases by category is not applicable.
- B. The amount excluded is zero.

8. Derivative Instruments

The Company holds no derivative financial instruments and therefore, Sections A. – F. are not applicable.

9. Income Taxes

The Company is currently organized as a not-for-profit mutual company in the State of Ohio. Section 501 (c)(29), added to the Code by Section 1322(h)(I) of the Affordable Care Act, provides for the exemption of qualified nonprofit health insurance issuers (QNHII) that have received a loan or grant under the CMS Co-Op program for periods that they meet both the requirements of §1322 of the Affordable Care Act and of any loan agreement with The Centers for Medicare & Medicaid Services (CMS).

Management believes that the Company remains in compliance with the general requirements of the IRS as stated above. The Company received an IRS determination letter confirming tax exempt status as a Section 501 (c)(29) entity dated August 14, 2013.

The Company is tax exempt and therefore, Sections A. – G. are Not applicable

10. Information Concerning Parent, Subsidiaries, Affiliates and Other Related Parties

The Company has no Parent, Subsidiaries, Affiliates or Other Related Parties. Therefore, Sections A. – L. are not applicable.

Notes to Financial Statement

11. Debt

A. During the period ended December 31, 2012, the Company was awarded a \$15,977,304 CO-OP Start-up Loan (Series A) as evidenced by a Loan Agreement with the U.S. Department of Health and Human Services, Centers for Medicare and Medicaid Services (CMS). In addition, the Loan Agreement with CMS provides for a CO-OP Solvency Loan (Series B) in the amount of \$113,248,300. Under terms of the Loan Agreement, CMS has disbursed \$15,937,304 as of June 30, 2014 for start-up costs under the loan provisions for Series A.

Initial disbursements for the Series B in the amount of \$63,882,304 have been received by the Company as of June 30, 2014 to satisfy the unencumbered equity requirement for the Ohio Department of Insurance. Routine disbursements for the Series B amounts are expected to continue as the Company begins operations and risk based capital measures dictate under the terms of the Loan Agreement.

The Series A loan and the Series B loan comprise the “Loans”. The Loans are intended to permit the Company to offer health insurance plans primarily in the individual and small group markets as described in 45 CFR Part 156. The Company agrees to perform all functions necessary to design, implement, and operate a CO-OP Qualified Health Plan (QHP) as set forth in the CO-OP Funding Opportunity Announcement (FOA) and consistent with the Company’s FOA proposal and approved Business Plan.

The Company has agreed that each of the Loans and all obligations arising under the Loan Agreement pertaining to the Loans, whether now, existing, or arising in the future, shall be and are hereby expressly cross-defaulted and cross-collateralized with each other, such that the occurrence of any event of default under any of the obligations shall be a default under all obligations and under all documents and instruments evidencing and/or securing the obligations.

The Company shall make principal and interest payments as stated in the Loan Agreement. The Start-up loan (Series A) is interest free, and is due no later than 5 years from the date of each disbursement received. The Solvency (Series B) bears interest at 0.34%, is classified for statutory insurance accounting as a Surplus Note, and is due no later than 15 years from the date of each disbursement date subject to the Company continuing to satisfy certain financial requirements. These financial requirements include Ohio insurance company capital and surplus requirements, benefit reserves at a level of 500% of Risk Based Capital, as defined by the National Association of Insurance Commissioners (NAIC), and prior written approval from the Ohio Department of Insurance to issue payment on the Surplus Note. Under terms of the Surplus Note, no payments are due for any disbursements made through 2018 until 2019. Beginning in 2019, interest only is due annually for a period of 7 years. In year 8, the earliest of which would be the year 2026, a series of 8 equal annual payments that include interest and principal are due each year based on the full amortization of the remaining unpaid principal over the remaining term.

At June 30, 2014, there was no interest due or accrued on the Solvency Loan (Series B) consistent with the surplus note provisions of the Loan Agreement and consistent with the surplus note provisions of the statutory accounting guidance of the NAIC.

Funds received to date under the Loan Agreement are summarized in the table below:

Date	<u>Series A</u>		<u>Series B</u>	
	<u>Disbursement</u>	<u>Cumulative</u>	<u>Disbursement</u>	<u>Cumulative</u>
October 2012	\$ 1,537,739	\$ 1,537,739		
January 2013	\$ 392,382	\$ 1,930,121		
February 2013	\$ 362,261	\$ 2,292,382		
March 2013	\$ 398,183	\$ 2,690,565		
May 2013			\$ 7,404,425	\$ 7,404,425
August 2013	\$ 6,005,044	\$ 8,695,609		
September 2013			\$ 56,477,879	\$ 63,882,304
December 2013	\$ 4,546,695	\$13,242,304		
March 2014	\$2,485,000	\$15,727,304		
June 2014	\$ 210,000	\$15,937,304		

B. FHLB (Federal Home Loan Bank) Agreements – Not applicable

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

Effective January 1, 2014, the Company sponsored a defined contribution (IRS Section 41K) plan for all eligible employees. Under the terms of the Plan, employees are eligible to contribute on either a pretax or post tax basis 1-90% of their compensation to the Plan subject to annual maximum contribution limitations established by the IRS. The contributions accumulate for their eventual retirement in a wide variety of diversified investment options to be selected by each employee. The Company will match 100% of the employee’s contribution up to a maximum of 4% of compensation. All contributions are vested immediately to the employee. The Company pays for all Plan administration. All of the Company’s obligations for matching contributions, or administrative costs through June 30, 2014, have been subsequently funded by the Company.

Notes to Financial Statement

The Company provides full time employees with paid time off (PTO) during the calendar year subject to company guidelines. At December 31, employees are permitted to carryover accumulated but unused paid time off (PTO) to be utilized in the following year subject to limitations and guidelines established by the Company. At June 30, 2014, the Company has accrued \$7,100 for PTO earned but not utilized to date.

- A. (1), (2), (3) Defined Benefit Plans - Not applicable
- A. (4) The company sponsors no non-contributory defined benefit pension plans.
- A. (5) – (21) The Company has no Defined Plans and therefore, these disclosures are - Not applicable
- B. The Company has no Defined Benefit plans and therefore, a disclosure of the investment policies and strategies is – Not applicable
- C. There are no Asset Classes since the Company does not have any Defined Benefit Plans.

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

- A. The Company is a nonprofit mutual company and has no stock outstanding. The Company began earning premium revenue beginning January 1, 2014, which is the first effective date of health insurance products provided to individuals and small groups. In preparation for the 2014 insurance products being offered, the Company received Series B loan disbursements of \$63,882,304 in 2013 that remain outstanding as of June 30, 2014. The Series B loan is considered a surplus note and is structured so that it meets the definition of capital and surplus within the risk based capital provisions of the state insurance law.

14. Contingencies

- A. Contingent Commitments – Not applicable
- B. Assessments – Not applicable
- C. Gain Contingencies – Not applicable
- D. Claims Related Extra Contractual Obligation and Bad Faith Stemming from Lawsuits – Not applicable
- E. Joint and Several Liabilities – Not applicable
- F. All Other Contingencies – Not applicable

15. Leases

A. Lessee Operating Lease

The Company currently occupies leased office space pursuant to an agreement that was executed on December 1, 2012 and is effective through December 1, 2015. A deposit of \$7,057 was made by the Company upon entering the lease agreement. As of June 30, 2014, noncancelable lease commitments are shown in the table below.

Lease Commitment	<u>2014</u>	<u>2015</u>	<u>TOTAL</u>
Calculations	\$ 40,291	\$ 78,216	\$118,507
Total Lease Commitment			

B. Lessor Leases – Not applicable

16. Information About Financial Instruments With Off-Balance-Sheet Risk And Financial Instruments With Concentrations of Credit Risk – Not applicable

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

- A. There were no transfers of receivables reported as sales.

Notes to Financial Statement

B. Transfer and Servicing of Financial Assets

- (1) The Company has no loaned securities.
- (2) a. The Company has no servicing assets or liabilities.
 - b. Since there are no servicing assets or liabilities, there are no fees earned for the period.
 - c. Not applicable
- (3) Not applicable
- (4) a. Securitizations, asset-backed financing arrangements and similar transfers – Not applicable
 - b. – d. Not applicable
- (5) - (7) Not applicable

C. There were no wash sales for the reporting period.

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

- A. ASO Plans – Not applicable
- B. ASC Plans – Not applicable
- C. Medicare or Similarly Structured Cost Based Reimbursement Contracts – Not applicable

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

The total premium written/produced by managing general agents through June 30, 2014, is \$2,170,786.

20. Fair Value Measurements

Items Measured at Fair Value by Levels 1, 2 and 3.

The Company has categorized its assets and liabilities that are reported on the balance sheet at fair value into the three-level fair value hierarchy as reflected in the table below. The three-level fair value hierarchy is based on the degree of subjectivity inherent in the valuation method by which fair value was determined. The three levels are defined as follows:

Level I – Quoted Prices in Active Markets for Identical Assets and Liabilities: This category, for items measured at fair value on a recurring basis, includes exchange-traded common stocks, mutual funds and most U.S. Government and agency securities. The estimated fair value of the equity securities within this category are based on quoted prices in active markets and are therefore classified as Level 1.

Level 2 – Significant Other Observable Inputs: This category, for items measured at fair value on a recurring basis, includes bonds which are not exchanged traded and common stock of a subsidiary which is valued using an adjusted market method. The Company has not Level 2 assets.

Level 3 – Significant Unobservable Inputs: This category is for items whose values are based on prices or valuation techniques that require inputs that are both unobservable and significant to the overall fair value measurement. These inputs reflect management's own assumptions about the assumptions a market participant would use in pricing the asset or liability. The Company has no Level 3 assets.

Notes to Financial Statement

A. Fair Value Measurements at Reporting Date – Only common stock is carried at fair value.

	Description for each class of asset or liability	(Level 1)	(Level 2)	(Level 3)	Total
a.	Assets at fair value				
01	Common Stock	5,199,353	-0-	-0-	5,199,353
02					
99	Subtotal – Assets at fair value	5,199,353	-0-	-0-	5,199,353
b.	Liabilities at fair value				
01					
02					
99	Subtotal – Liabilities at fair value				

- (1) There were no transfers between Level (1) and Level (2)
- (2) The Company has no Level (3) assets.
- (3) There have been no Level (1) transfers this year.
- 4) There are no Level (2) or Level (3) assets therefore, a description of the valuation technique and input values is – Not applicable
- 5) The Company has no derivative assets or liabilities.

B. Combination of the fair value information – Not applicable

C. Fair Value of All Financial Instruments by Level

Type of Financial Instrument	Aggregate Fair Value	Admitted Assets	(Level 1)	(Level 2)	(Level 3)	Not Practicable (Carrying Value)
Bonds	38,049,459	37,938,329	38,049,459			
Common Stock	5,199,353	5,199,353	5,199,353			
Cash equivalents and short term investments	29,788,493	29,779,845	29,788,493			

D. The Company has no securities Not Practicable to Estimate Fair Value

21. Other Items

- A. Extraordinary Items – Not applicable
- B. Troubled Debt Restructuring: Debtors – Not applicable
- C. Other Disclosures and Unusual Items – Not applicable
- D. Business Interruption Insurance Recoveries – Not applicable
- E. State Transferable and Non-Transferable Tax Credits – Not applicable
- F. Subprime-Mortgage-Related Risk Exposure – Not applicable
- G. Retained Assets – Not applicable
- H. The Company does not hold any derivative, repurchase, reverse repurchase, securities borrowing or securities lending assets or liabilities therefore, no offsetting has been done of any assets and liabilities.
- J. Risk Sharing Provision of the Affordable Care Act

Under the Affordable Care Act (ACA), three programs which were designed to spread adverse claims experience from the Individual markets amongst the health insurers in the country became effective in 2014. The three programs are the Reinsurance, the Risk Adjustment, and the Risk Corridors programs and together are commonly referred to as the 3Rs. The Risk Adjustment program under the ACA is to remain in place indefinitely while the other two programs will expire after 2016. The impacts of these three programs on the financial results of the Company are as follows:

Notes to Financial Statement

All of the Company's direct written accident and health insurance premiums of \$4,908,956 are subject to portions of the Affordable Health Care Act risk sharing programs.

ACA Reinsurance Program

To date, the Company has recorded as an expense and a liability \$34,923 for contributions required by the ACA Reinsurance Program for Group policies in force that are subject to the funding requirement of the program but are not eligible for reinsurance recoveries under the program.

To date the Company has recorded as ceded premiums and a liability of \$30,970 for contributions required by the ACA Reinsurance Program for Individual policies in force that are both subject to the funding requirement of the program and are eligible for reinsurance recoveries under the program.

The amounts recoverable at the end of the period for claims paid on Individual policies subject to the ACA Reinsurance Program are \$3,942. The amounts recoverable for claims unpaid and related to Individual policies subject to the ACA Reinsurance Program are \$4,866. The total reinsurance recoverables related to the ACA Reinsurance Program recorded for the period ended are \$8,808.

ACA Risk Adjustment Program

The Company became operational in 2014, and to date does not have statistically reliable data to reasonably estimate any premium adjustment receivable or payable for the period ended. As a result, there are no revenues or expenses recorded for the period to date related to the ACA Risk Adjustment Program.

ACA Risk Corridor Program

The Company in 2014 is not offering any Qualified Health Plans in the Individual or Group marketplace exchanges. As a result, there is no impact on the Company in 2014, for the ACA Risk Corridor Program.

22. Events Subsequent – Not applicable

23. Reinsurance

- A. The Company has committed to contract with Partner Re America Insurance Company (Partner Re) to provide reinsurance coverage on all Group and Individual insurance contracts issued by the Company in 2014. The more significant terms under the commitment of the two parties to contract include, a deposit funded by the Company of \$50,000, a ceding commission of 15.7% and a related allowance to fund the Company's marketing efforts of \$500,000 funded by Partner Re, and a specific excess of loss agreement where Partner Re reimburses the Company for 90% of all covered expenses in excess of \$215,000 for Group insurance contracts and \$250,000 for Individual insurance contracts. Ceded Premiums are subject to a minimum of \$2,871,995 over the two year agreement term and are due on a per member per month basis.
- B. Uncollectible Reinsurance – Not applicable
- C. Commutation of Ceded Reinsurance – Not applicable
- D. Certified Reinsurer Rating Downgraded or Status Subject to Revocation – Not applicable

24. Retrospectively Rated Contracts & Contracts Subject to Redetermination

- A. Medical loss ratio rebates required pursuant to the Public Health Service Act – Not applicable
- B. There were no accrued retrospective premiums recorded through written premium or as an adjustment to earned premium.
- C. There are no net written premiums subject to retrospective rating features.
- D. The Company has recorded no medical loss rebates for the reporting period.

25. Changes in Incurred Losses and Loss Adjustment Expenses as a Result of Prior-Year effects. – Not applicable

26. Intercompany Pooling Arrangements – Not applicable

27. Structured Settlements – Not applicable

Notes to Financial Statement**28. Health Care Receivables**

- A. Pharmaceutical Rebate Receivables – Not applicable
- B. Risk Sharing Receivables – Not applicable

29. Participating Policies – Not applicable**30. Premium Deficiency Reserves**

1. Liability carried for premium deficiency reserves	(1)
2. Date of the most recent evaluation of this liability	<u>\$ 1,034,066</u>
3. Was anticipated investment income utilized in the calculation? (Yes / No)	<u>1/22/2014</u>
	<u>Yes</u>

31. Anticipated Salvage and Subrogation – Not applicable