

## **Amended Explanation Page**

***SummaCare, Inc.***

***Amended Cover Page***

***12/31/14***

SummaCare, Inc. has amended the 12/31/14 Annual Statement to reflect a change in its tax provision and a change in the value of common stock. The financial statement changes are as follows:

Assets:

Line 2.2, Common stocks increased by \$978,818.

Line 18.1, Federal income taxes recoverable decreased by \$322,746.

Liabilities:

Line 31, Unassigned funds increased by \$656,072.

The Annual Statement pages affected by these changes were:

|    |      |      |       |
|----|------|------|-------|
| 2  | 26   | SI03 | Supp2 |
| 3  | 29   | SI04 | MD&A  |
| 5  | 37   | E12  |       |
| 15 | SI01 | E16  |       |



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Document Code: 201

**ANNUAL STATEMENT**  
**For the Year Ending DECEMBER 31, 2014**  
**OF THE CONDITION AND AFFAIRS OF THE**  
**SummaCare, Inc.**

|                                       |   |  |  |            |                      |            |
|---------------------------------------|---|--|--|------------|----------------------|------------|
| NAIC Group Code                       | 3259<br>(Current Period)  | 3259<br>(Prior Period)   | NAIC Company Code  | 95202      | Employer's ID Number | 34-1726655 |
| 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[ ]<br>Dental Service Corporation[ ]<br>Other[ ] | Property/Casualty[ ]<br>Vision Service Corporation[ ]<br>Is HMO Federally Qualified? Yes[ ] No[ ] N/A[X] | Hospital, Medical & Dental Service or Indemnity[ ]<br>Health Maintenance Organization[X]         |            |                      |            |
| Incorporated/Organized                | 10/23/1992  |  | Commenced Business   | 03/01/1993 |                      |            |
| Statutory Home Office                 | 10 North Main Street<br>(Street and Number)                             |  | Akron, OH, 44308<br>(City or Town, State, Country and Zip Code)                                  |            |                      |            |
| Main Administrative Office            | 10 North Main Street<br>Akron, OH, 44308<br>(Street and Number)         |  | (330)996-8410<br>(Area Code) (Telephone Number)  |            |                      |            |
| Primary Location of Books and Records | 10 North Main Street<br>Akron, OH, 44308<br>(Street and Number)         |  | (330)996-8410<br>(Area Code) (Telephone Number)  |            |                      |            |
| Internet Website Address              | SummaCare.com   |  |  |            |                      |            |
| Statutory Statement Contact           | Roy Douglas Hall<br>hallroy@summacare.com<br>(E-Mail Address)           |  | (330)996-8410-62057<br>(Area Code)(Telephone Number)(Extension)<br>(330)996-8553<br>(Fax Number) |            |                      |            |

**OFFICERS**

| Name                     | Title               |
|--------------------------|---------------------|
| Martin Paul Hauser       | CEO                 |
| Robert Andrew Gerberry   | Secretary           |
| Thomas Gene Knoll        | Chairman            |
| Kathleen Tirbovich Geier | Vice Chairman       |
| Judith Ann Macro         | Assistant Secretary |
| James Edward McNutt      | Assistant Treasurer |
| Brian Keith Derrick      | Treasurer           |

**OTHERS**

Kevin Cavalier, VP - Sales  
 Judith Macro, VP - Corporate Services, Compliance Officer  
 Annette Ruby, VP - Health Services Management

Keith Johnson, VP - Third Party Administrator  
 James McNutt, VP - Finance, CFO  
 Mumtaz Ibrahim M.D., Chief Medical Officer

**DIRECTORS OR TRUSTEES**

Martin Paul Hauser  
 Vincent Hadar Johnson Jr. M.D.  
 Erik Newman Steele D.O.  
 Richard Allen Merolla  
 Kenneth Eugene Berkovitz M.D.  
 Richard Howard Marsh  
 Rajiv Vishnu Taliwal M.D.

Thomas Gene Knoll  
 Thomas Joseph Strauss  
 John Byron Silvers Ph.D.  
 Jay Curtis Williamson M.D.  
 Bradley Hall Crombie M.D.  
 Kathleen Tirbovich Geier  
 James Ross McIlvaine

State of Ohio  
 County of Summit 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)  
 Claude Maurius Vincenti  
 (Printed Name)  
 1.  
 President  
 (Title)

(Signature)  
 Robert Andrew Gerberry  
 (Printed Name)  
 2.  
 Secretary  
 (Title)

(Signature)  
 Brian Keith Derrick  
 (Printed Name)  
 3.  
 Treasurer  
 (Title)

Subscribed and sworn to before me this  
 6th day of May, 2015

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]  
 2  
 05/12/2015  
 14

(Notary Public Signature)

**ASSETS**

|  | Current Year |                            |   | Prior Year                  |
|--|--------------|----------------------------|---|-----------------------------|
|  | 1<br>Assets  | 2<br>Nonadmitted<br>Assets | 3<br>Net Admitted<br>Assets<br>(Cols.1-2) | 4<br>Net Admitted<br>Assets |
| 1. Bonds (Schedule D) .....  | 39,356,279   |                            | 39,356,279                                | 66,726,800                  |
| 2. Stocks (Schedule D)   |              |                            |   |                             |
| 2.1 Preferred stocks .....   |              |                            |   |                             |
| 2.2 Common Stocks .....  | 31,459,090   |                            | 31,459,090                                |                             |
| 3. Mortgage loans on real estate (Schedule B):   |              |                            |   |                             |
| 3.1 First liens .....  |              |                            |   |                             |
| 3.2 Other than first liens .....   |              |                            |   |                             |
| 4. Real estate (Schedule A):   |              |                            |   |                             |
| 4.1 Properties occupied by the company (less \$.....0<br>encumbrances) .....   |              |                            |   |                             |
| 4.2 Properties held for the production of income (less \$.....0<br>encumbrances) .....   |              |                            |   |                             |
| 4.3 Properties held for sale (less \$.....0 encumbrances) .....  |              |                            |   |                             |
| 5. Cash (\$.....5,157,571, Schedule E Part 1), cash equivalents<br>(\$.....0, Schedule E Part 2) and short-term investments<br>(\$.....198,792, Schedule DA) ..... | 5,356,363    |                            | 5,356,363                                 | 29,355,170                  |
| 6. Contract loans (including \$.....0 premium notes) .....   |              |                            |   |                             |
| 7. Derivatives (Schedule DB) .....   |              |                            |   |                             |
| 8. Other invested assets (Schedule BA) .....   |              |                            |   | 4,415,441                   |
| 9. Receivables for securities .....  |              |                            |   |                             |
| 10. Securities Lending Reinvested Collateral Assets (Schedule DL) .....  |              |                            |   |                             |
| 11. Aggregate write-ins for invested assets .....  |              |                            |   |                             |
| 12. Subtotals, cash and invested assets (Lines 1 to 11) .....  | 76,171,732   |                            | 76,171,732                                | 100,497,411                 |
| 13. Title plants less \$.....0 charged off (for Title insurers only) .....   |              |                            |   |                             |
| 14. Investment income due and accrued .....  | 147,640      |                            | 147,640                                   | 337,254                     |
| 15. Premiums and considerations:   |              |                            |   |                             |
| 15.1 Uncollected premiums and agents' balances in the course of<br>collection .....  | 272,980      | 244,511                    | 28,469                                    | 65,002                      |
| 15.2 Deferred premiums, agents' balances and installments booked<br>but deferred and not yet due (Including \$.....0 earned but<br>unbilled premiums) .....        |              |                            |   |                             |
| 15.3 Accrued retrospective premiums .....  |              |                            |   |                             |
| 16. Reinsurance:   |              |                            |   |                             |
| 16.1 Amounts recoverable from reinsurers .....   |              |                            |   | 16,592                      |
| 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 .....   |              |                            |   | 322,745                     |
| 18.2 Net deferred tax asset .....  | 1,426,202    | 72,990                     | 1,353,212                                 | 1,326,941                   |
| 19. Guaranty funds receivable or on deposit .....  |              |                            |   |                             |
| 20. Electronic data processing equipment and software .....  |              |                            |   |                             |
| 21. Furniture and equipment, including health care delivery assets<br>(\$.....0) .....   | 257,101      | 257,101                    |   |                             |
| 22. Net adjustment in assets and liabilities due to foreign exchange rates .....   |              |                            |   |                             |
| 23. Receivables from parent, subsidiaries and affiliates .....   | 924,988      |                            | 924,988                                   | 497,960                     |
| 24. Health care (\$.....6,540,592) and other amounts receivable .....  | 8,006,750    | 1,466,158                  | 6,540,592                                 | 2,264,763                   |
| 25. Aggregate write-ins for other than invested assets .....   | 1,462,436    | 1,462,436                  |   |                             |
| 26. TOTAL Assets excluding Separate Accounts, Segregated Accounts and<br>Protected Cell Accounts (Lines 12 to 25) .....  | 88,669,829   | 3,503,196                  | 85,166,633                                | 105,328,668                 |
| 27. From Separate Accounts, Segregated Accounts and Protected Cell<br>Accounts .....   |              |                            |   |                             |
| 28. TOTAL (Lines 26 and 27) .....  | 88,669,829   | 3,503,196                  | 85,166,633                                | 105,328,668                 |
| <b>DETAILS OF WRITE-INS</b>  |              |                            |   |                             |
| 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 assets .....   | 1,462,436    | 1,462,436                  |   |                             |
| 2502. Deposits .....   |              |                            |   |                             |
| 2503. Pharmacy Rebates .....   |              |                            |   |                             |
| 2598. Summary of remaining write-ins for Line 25 from overflow page .....  |              |                            |   |                             |
| 2599. TOTALS (Lines 2501 through 2503 plus 2598) (Line 25 above) .....   | 1,462,436    | 1,462,436                  |   |                             |

**LIABILITIES, CAPITAL AND SURPLUS**

|   | Current Year |                |            | Prior Year  |
|---|--------------|----------------|------------|-------------|
|   | 1<br>Covered | 2<br>Uncovered | 3<br>Total | 4<br>Total  |
| 1. Claims unpaid (less \$.....0 reinsurance ceded) .....  | 30,744,997   |                | 30,744,997 | 30,198,125  |
| 2. Accrued medical incentive pool and bonus amounts .....   | 105,000      |                | 105,000    | 84,000      |
| 3. Unpaid claims adjustment expenses .....  | 563,174      |                | 563,174    | 506,160     |
| 4. Aggregate health policy reserves, including the liability of \$.....0 for medical loss ratio rebate per the Public Health Service Act .....            |              |                |            |             |
| 5. Aggregate life policy reserves .....   |              |                |            |             |
| 6. Property/casualty unearned premium reserves .....  |              |                |            |             |
| 7. Aggregate health claim reserves .....  |              |                |            |             |
| 8. Premiums received in advance .....   | 875,708      |                | 875,708    | 355,212     |
| 9. General expenses due or accrued .....  | 5,815,882    |                | 5,815,882  | 3,722,261   |
| 10.1 Current federal and foreign income tax payable and interest thereon (including \$.....0 on realized capital gains (losses)) .....                    |              |                |            |             |
| 10.2 Net deferred tax liability .....   |              |                |            |             |
| 11. Ceded reinsurance premiums payable .....  |              |                |            |             |
| 12. Amounts withheld or retained for the account of others .....  |              |                |            |             |
| 13. Remittances and items not allocated .....   | 263,639      |                | 263,639    | 631,988     |
| 14. Borrowed money (including \$.....0 current) and interest thereon \$.....0 (including \$.....0 current) .....  |              |                |            |             |
| 15. Amounts due to parent, subsidiaries and affiliates .....  | 4,037,599    |                | 4,037,599  | 39,241,363  |
| 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) ..... |              |                |            | 7,246       |
| 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) .....  |              |                |            |             |
| 24. TOTAL Liabilities (Lines 1 to 23) .....   | 42,405,999   |                | 42,405,999 | 74,746,355  |
| 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            | 30,084,767 | 30,084,767  |
| 29. Surplus notes .....   | XXX          | XXX            |            |             |
| 30. Aggregate write-ins for other than special surplus funds .....  | XXX          | XXX            |            |             |
| 31. Unassigned funds (surplus) .....  | XXX          | XXX            | 12,675,867 | 497,546     |
| 32. Less treasury stock, at cost:   |              |                |            |             |
| 32.1 .....0 shares common (value included in Line 26 \$.....0) .....  | XXX          | XXX            |            |             |
| 32.2 .....0 shares preferred (value included in Line 27 \$.....0) .....   | XXX          | XXX            |            |             |
| 33. TOTAL Capital and Surplus (Lines 25 to 31 minus Line 32) .....  | XXX          | XXX            | 42,760,634 | 30,582,313  |
| 34. TOTAL Liabilities, Capital and Surplus (Lines 24 and 33) .....  | XXX          | XXX            | 85,166,633 | 105,328,668 |
| <b>DETAILS OF WRITE-INS</b>   |              |                |            |             |
| 2301. Payroll liability .....   |              |                |            |             |
| 2302. Other accrued liabilities .....   |              |                |            |             |
| 2303. Medicaid Pharmacy Reserve .....   |              |                |            |             |
| 2398. Summary of remaining write-ins for Line 23 from overflow page .....   |              |                |            |             |
| 2399. TOTALS (Lines 2301 through 2303 plus 2398) (Line 23 above) .....  |              |                |            |             |
| 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            |            |             |

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

|  | 1<br>Current Year | 2<br>Prior Year |
|--|-------------------|-----------------|
| <b>CAPITAL &amp; SURPLUS ACCOUNT</b>   |                   |                 |
| 33. Capital and surplus prior reporting year .....                                     | 30,582,313        | 52,161,524      |
| 34. Net income or (loss) from Line 32 .....  | 1,981,388         | 9,115,187       |
| 35. Change in valuation basis of aggregate policy and claim reserves .....             |                   |                 |
| 36. Change in net unrealized capital gains (losses) less capital gains tax of \$.....0 | (18,540,910)      |                 |
| 37. Change in net unrealized foreign exchange capital gain or (loss) .....             |                   |                 |
| 38. Change in net deferred income tax .....  | (10,365,062)      | 9,279,805       |
| 39. Change in nonadmitted assets .....   | 40,601,392        | (40,689,030)    |
| 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 .....  |                   | (670)           |
| 45. Surplus adjustments:   |                   |                 |
| 45.1 Paid in .....   |                   | 670             |
| 45.2 Transferred to capital (Stock Dividend) .....                                     |                   |                 |
| 45.3 Transferred from capital .....  |                   |                 |
| 46. Dividends to stockholders .....  |                   |                 |
| 47. Aggregate write-ins for gains or (losses) in surplus .....                         | (1,498,487)       | 714,827         |
| 48. Net change in capital and surplus (Lines 34 to 47) .....                           | 12,178,321        | (21,579,211)    |
| 49. Capital and surplus end of reporting year (Line 33 plus 48) .....                  | 42,760,634        | 30,582,313      |
| <b>DETAILS OF WRITE-INS</b>  |                   |                 |
| 4701. Change in Minimum Pension Liability - Unrestricted Funds .....                   | (1,058,010)       | 714,827         |
| 4702. Gain on sale of bonds .....  | (117,730)         |                 |
| 4703. Federal income tax adjustment .....  | (322,746)         |                 |
| 4798. Summary of remaining write-ins for Line 47 from overflow page .....              | (1)               |                 |
| 4799. TOTALS (Lines 4701 through 4703 plus 4798) (Line 47 above) .....                 | (1,498,487)       | 714,827         |

**EXHIBIT OF NET INVESTMENT INCOME**

|   |           | 1<br>Collected<br>During Year | 2<br>Earned<br>During Year |
|---|-----------|-------------------------------|----------------------------|
| 1. U.S. Government bonds .....  | (a) ..... | 1,181,854                     | 1,181,854                  |
| 1.1 Bonds exempt from U.S. tax .....  | (a) ..... | .....                         | .....                      |
| 1.2 Other bonds (unaffiliated) .....  | (a) ..... | .....                         | .....                      |
| 1.3 Bonds of affiliates .....   | (a) ..... | .....                         | .....                      |
| 2.1 Preferred stocks (unaffiliated) .....                                     | (b) ..... | .....                         | .....                      |
| 2.11 Preferred stocks of affiliates .....                                     | (b) ..... | .....                         | .....                      |
| 2.2 Common stocks (unaffiliated) .....  | .....     | .....                         | .....                      |
| 2.21 Common stocks of affiliates .....  | .....     | .....                         | .....                      |
| 3. Mortgage loans .....   | (c) ..... | .....                         | .....                      |
| 4. Real estate .....  | (d) ..... | .....                         | .....                      |
| 5. Contract loans .....   | .....     | .....                         | .....                      |
| 6. Cash, cash equivalents and short-term investments .....                    | (e) ..... | 16,473                        | 16,473                     |
| 7. Derivative instruments .....   | (f) ..... | .....                         | .....                      |
| 8. Other invested assets .....  | .....     | .....                         | .....                      |
| 9. Aggregate write-ins for investment income .....                            | .....     | .....                         | .....                      |
| 10. TOTAL Gross investment income .....                                       | 1,198,327 | 1,198,327                     | 1,198,327                  |
| 11. Investment expenses .....   | (g) ..... | 206,403                       | 206,403                    |
| 12. Investment taxes, licenses and fees, excluding federal income taxes ..... | (g) ..... | .....                         | .....                      |
| 13. Interest expense .....  | (h) ..... | .....                         | .....                      |
| 14. Depreciation on real estate and other invested assets .....               | (i) ..... | .....                         | .....                      |
| 15. Aggregate write-ins for deductions from investment income .....           | .....     | .....                         | .....                      |
| 16. TOTAL Deductions (Lines 11 through 15) .....                              | .....     | 206,403                       | 206,403                    |
| 17. Net Investment income (Line 10 minus Line 16) .....                       | .....     | 991,924                       | 991,924                    |
| <b>DETAILS OF WRITE-INS</b>   |           |                               |                            |
| 0901. ....  | .....     | .....                         | .....                      |
| 0902. ....  | .....     | .....                         | .....                      |
| 0903. ....  | .....     | .....                         | .....                      |
| 0998. Summary of remaining write-ins for Line 9 from overflow page .....      | .....     | .....                         | .....                      |
| 0999. TOTALS (Lines 0901 through 0903 plus 0998) (Line 9 above) .....         | .....     | .....                         | .....                      |
| 1501. ....  | .....     | .....                         | .....                      |
| 1502. ....  | .....     | .....                         | .....                      |
| 1503. ....  | .....     | .....                         | .....                      |
| 1598. Summary of remaining write-ins for Line 15 from overflow page .....     | .....     | .....                         | .....                      |
| 1599. TOTALS (Lines 1501 through 1503 plus 1598) (Line 15 above) .....        | .....     | .....                         | .....                      |

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

**EXHIBIT OF CAPITAL GAINS (LOSSES)**

|  | 1<br>Realized Gain<br>(Loss) on Sales<br>or Maturity | 2<br>Other Realized<br>Adjustments | 3<br>Total Realized<br>Capital Gain<br>(Loss)<br>(Columns 1 + 2) | 4<br>Change in<br>Unrealized Capital<br>Gain (Loss) | 5<br>Change in<br>Unrealized Foreign<br>Exchange Capital<br>Gain (Loss) |
|--|--|------------------------------------|--|---|---|
| 1. U.S. Government bonds .....                             | 899,878  | .....                              | 899,878  | .....   | .....   |
| 1.1 Bonds exempt from U.S. tax .....                       | .....  | .....                              | .....  | .....   | .....   |
| 1.2 Other bonds (unaffiliated) .....                       | .....  | .....                              | .....  | .....   | .....   |
| 1.3 Bonds of affiliates .....                              | .....  | .....                              | .....  | .....   | .....   |
| 2.1 Preferred stocks (unaffiliated) .....                  | .....  | .....                              | .....  | .....   | .....   |
| 2.11 Preferred stocks of affiliates .....                  | .....  | .....                              | .....  | .....   | .....   |
| 2.2 Common stocks (unaffiliated) .....                     | .....  | .....                              | .....  | .....   | .....   |
| 2.21 Common stocks of affiliates .....                     | .....  | .....                              | .....  | (18,540,910)  | .....   |
| 3. Mortgage loans .....                                    | .....  | .....                              | .....  | .....   | .....   |
| 4. Real estate .....                                       | .....  | .....                              | .....  | .....   | .....   |
| 5. Contract loans .....                                    | .....  | .....                              | .....  | .....   | .....   |
| 6. Cash, cash equivalents and short-term investments ..... | .....  | .....                              | .....  | .....   | .....   |
| 7. Derivative instruments .....                            | .....  | .....                              | .....  | .....   | .....   |
| 8. Other invested assets .....                             | .....  | .....                              | .....  | .....   | .....   |
| 9. Aggregate write-ins for capital gains (losses) .....    | .....  | .....                              | .....  | .....   | .....   |
| 10. TOTAL Capital gains (losses) .....                     | 899,878  | .....                              | 899,878  | (18,540,910)  | .....   |

**DETAILS OF WRITE-INS**

|  |       |       |       |       |       |
|--|-------|-------|-------|-------|-------|
| 0901. ....   | ..... | ..... | ..... | ..... | ..... |
| 0902. ....   | ..... | ..... | ..... | ..... | ..... |
| 0903. ....   | ..... | ..... | ..... | ..... | ..... |
| 0998. Summary of remaining write-ins for Line 9 from overflow page ..... | ..... | ..... | ..... | ..... | ..... |
| 0999. TOTALS (Lines 0901 through 0903 plus 0998) (Line 9 above) .....    | ..... | ..... | ..... | ..... | ..... |

# Notes to Financial Statements

## 1. Summary of Significant Accounting Policies

### A. Accounting Practices

SummaCare, Inc.'s (the Company or SC) statutory financial statements are presented on the basis of accounting practices prescribed or permitted by the Ohio Department of Insurance (ODI) and in accordance with the Accounting Practices and Procedures Manual.

The ODI recognizes only statutory accounting practices prescribed or permitted by the State of Ohio (the State) for determining its solvency under Ohio Insurance Law. NAIC SAP has been adopted as a component of the prescribed or permitted practices by the State with some modifications. These modifications include a five-year life on Electronic Data Processing (EDP) equipment and a 90-day limitation on collection of affiliate balances. Accordingly, the admitted assets, liabilities, capital and surplus of the Company as of December 31, 2014 and December 31, 2013 and the results of its operations and its cash flow for the years then ended have been determined in accordance with accounting principles prescribed or permitted by the ODI. Management believes the monetary effect on net income and statutory surplus between NAIC SAP and accounting principles prescribed or permitted by the ODI is not material.

|  | State of<br>Domicile | Dec-14            | Dec-13            |
|--|----------------------|-------------------|-------------------|
| <b><u>Net Income</u></b>   |                      |                   |                   |
| 1) SummaCare state basis (Page 4, Line 32, Columns 2 & 3)          | OH                   | 1,981,388         | 9,115,187         |
| 2) State Prescribed Practices that increase / (decrease) NAIC SAP: | OH                   | -                 | -                 |
| 3) State Permitted Practices that increase / (decrease) NAIC SAP:  | OH                   | -                 | -                 |
| 4) NAIC SAP  | OH                   | <u>1,981,388</u>  | <u>9,115,187</u>  |
| <b><u>Surplus</u></b>  |                      |                   |                   |
| 5) SummaCare state basis (Page 3, Line 33, Columns 3 & 4)          | OH                   | 42,760,634        | 30,582,313        |
| 6) State Prescribed Practices that increase / (decrease) NAIC SAP: | OH                   | -                 | -                 |
| 7) State Permitted Practices that increase / (decrease) NAIC SAP:  | OH                   | -                 | -                 |
| 8) NAIC SAP  | OH                   | <u>42,760,634</u> | <u>30,582,313</u> |

### B. Use of Estimates

The preparation of financial statements in conformity with *Accounting Practices and Procedures Manual*, the NAIC Annual Statement Instructions and other accounting practices prescribed or permitted by the ODI 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 significantly from those estimates.

### C. Accounting Policy

The Company uses the following accounting policies:

#### 1) Cash and Short-Term Investments

Cash and short-term investments include cash on hand, cash held in bank accounts (including overdrafts), interest bearing deposits, and money market instruments purchased with an original maturity of one year or less. Short-term investments are stated at amortized cost.

#### 2) Bonds not backed by other loans are stated at amortized cost using the interest method.

#### 3) Common stocks – SC carries its investment in its subsidiary, Summa Insurance Company, at audited statutory equity in accordance with SSAP No. 97, Investments in Subsidiary, Controlled and Affiliated Entities.

#### 4) Preferred stocks – None.

#### 5) Mortgage loans on real estate – None.

#### 6) Loan backed securities – None.

#### 7) In 2013, the Company carried an asset related to a Surplus Note issued by its former parent, Summa Insurance Company. This asset is classified as "Other Invested Assets" on the Assets page. Admittance of this asset was subject to section 3925.08(J) of the Ohio Revised Code.

#### 8) Investments in joint ventures, partnerships and limited liability companies – None.

#### 9) Accounting policy for derivatives – The Company does not invest in derivative instruments.

#### 10) The Company anticipates investment income as a factor in premium deficiency calculation, in accordance with SSAP No. 54, Individual Group Accident and Health Contracts.

## Notes to Financial Statements

11) The cost of healthcare services is recognized in the period in which services are provided. Healthcare expenses also include an estimate of the cost of services provided to the Company's members by third party providers, which have been incurred but not reported to the Company. The estimate for incurred but not reported claims is based on actuarial projections of costs using historical paid claims data. Estimates are continually monitored and reviewed and, as settlements are made or estimates are adjusted, differences are reflected in current operations. Such estimates are subject to the impact of changes in the regulatory environment and economic conditions. Given the inherent variability of such estimates, the actual liability could differ significantly from the amounts provided. While the ultimate amount of claims paid are dependent on future developments, management is of the opinion that the reserves for claims and the cost to process claims make a reasonable and appropriate provision to cover such claims.

12) The Company's capitalization policy and predefined thresholds have not changed from the prior period.

### 2. Accounting Changes and Corrections of Errors – None.

### 3. Business Combinations and Goodwill

- A. Statutory Purchase Method – None.
- B. Statutory Merger – None.
- C. Assumption Reinsurance – None.
- D. Impairment Loss – None.

### 4. Discontinued Operations – None.

### 5. Investments

- A. Mortgage Loans – None.
- B. Debt Restructuring – None.
- C. Reverse Mortgages – None.
- D. Loan backed securities – None.
- E. Repurchase agreements – None.
- F. Real Estate – None.
- G. Investments in low-income housing tax credits – None.
- H. Restricted Assets

## Notes to Financial Statements

|   | 1<br>Total Gross<br>Restricted from<br>Current Year | 2<br>Total Gross<br>Restricted from<br>Prior Year | 3<br>Increase /<br>(Decrease)<br>(1 minus 2) | 4<br>Total Current<br>Year Admitted<br>Restricted | 5<br>Percentage<br>Gross Restricted<br>to Total Assets | 6<br>Percentage<br>Admitted to Total<br>Admitted Assets |
|---|---|---|--|---|--|---|
| a. Subject to contractual obligation for which liability is not shown | \$0   | \$0   | \$0  | \$0   | \$0  | \$0   |
| b. Collateral held under security lending agreement:                  | \$0   | \$0   | \$0  | \$0   | \$0  | \$0   |
| c. Subject to repurchase agreements                                   | \$0   | \$0   | \$0  | \$0   | 0.000  | 0.000   |
| d. Subject to reverse repurchase agreements                           | \$0   | \$0   | \$0  | \$0   | 0.000  | 0.000   |
| e. Subject to dollar repurchase agreements                            | \$0   | \$0   | \$0  | \$0   | 0.000  | 0.000   |
| f. Subject to dollar reverse repurchase agreements                    | \$0   | \$0   | \$0  | \$0   | 0.000  | 0.000   |
| g. Placed under option contracts                                      | \$0   | \$0   | \$0  | \$0   | 0.000  | 0.000   |
| h. Letter stock or securities restricted as to sale                   | \$0   | \$0   | \$0  | \$0   | 0.000  | 0.000   |
| i. FHLB capital stock   | \$0   | \$0   | \$0  | \$0   | 0.000  | 0.000   |
| j. On deposit with states   | \$411,863   | \$467,644   | (\$55,781)                                   | \$411,863   | 0.490  | 0.511   |
| k. On deposit with other regulatory bodies                            | \$0   | \$0   | \$0  | \$0   | 0.000  | 0.000   |
| l. Pledged as collateral to FHLB                                      | \$0   | \$0   | \$0  | \$0   | 0.000  | 0.000   |
| m. Pleaded as collateral not captured in other categories             | \$0   | \$0   | \$0  | \$0   | 0.000  | 0.000   |
| n. Other restricted assets  |   |   |  |   |  |   |
| o. Total restricted assets  | \$411,863   | \$467,644   | (\$55,781)                                   | \$411,863   | 0.490  | 0.511   |

**I. Working Capital Finance Investments – None.**

**J. Offsetting and Netting of Assets and Liabilities – None.**

**K. Structured Notes – None**

**6. Joint Ventures, Partnerships and Limited Liability Companies**

- A.** For investments in joint ventures, partnerships and limited liability companies that exceed 10% of the admitted assets of the insurer – None.
- B.** Impaired investments in joint ventures, partnerships and limited liability companies – None.

**7. Investment Income**

- A.** The basis, by category of investment income, for excluding (nonadmitting) any investment income due and accrued - All accrued investment income was admitted for the period.
- B.** Total amount excluded - None

**8. Derivative Instruments – None.**

**9. Income Taxes**

- A.** The components of deferred tax asset as of December 31, 2014 and December 31, 2013 are:

# Notes to Financial Statements

|     | 12/31/14  |              |              | 12/31/2013   |              |              | Change         |             |                |             |
|-----|---|--------------|--------------|--------------|--------------|--------------|----------------|-------------|----------------|-------------|
|     | Ordinary  | Capital      | Total        | Ordinary     | Capital      | Total        | Ordinary       | Capital     | Total          |             |
| 1.  |   |              |              |              |              |              |                |             |                |             |
| (a) | Gross Deferred Tax Assets   | \$0          | \$0          | \$12,038,037 | \$0          | \$12,038,037 | (\$10,277,876) | \$0         | (\$10,277,876) |             |
| (b) | Statutory Valuation Allowance Adjustments   | \$0          | \$0          | \$0          | \$0          | \$0          | \$0            | \$0         | \$0            |             |
| (c) | Adjusted Gross DTA's (1a-1b)  | \$0          | \$0          | \$12,038,037 | \$0          | \$12,038,037 | (\$10,277,876) | \$0         | (\$10,277,876) |             |
| (d) | DTA's Nonadmitted   | \$72,990     | \$0          | \$72,990     | \$10,464,323 | \$10,464,323 | [\$10,391,333] | \$0         | [\$10,391,333] |             |
| (e) | Subtotal Net DTA's (1c-1d)  | \$1,687,171  | \$0          | \$1,687,171  | \$1,573,714  | \$1,573,714  | \$113,457      | \$0         | \$113,457      |             |
| (f) | Deferred Tax Liabilities  | \$333,959    | \$0          | \$333,959    | \$246,773    | \$246,773    | \$87,187       | \$0         | \$87,187       |             |
| (g) | Net Admitted DTA / Net DTL (1e-1f)  | \$1,353,212  | \$0          | \$1,353,212  | \$1,326,941  | \$1,326,941  | \$26,271       | \$0         | \$26,271       |             |
| 2.  | Admission Calculation Components SSAP No. 101   |              |              |              |              |              |                |             |                |             |
| (a) | Federal Income Taxes Paid In Prior Years Recoverable Through Loss Carrybacks.   | \$0          | \$0          | \$0          | \$689,135    | \$0          | \$689,135      | (\$689,135) | \$0            | (\$689,135) |
| (b) | Adjusted Gross DTA's Expected to be Realized (Excluding The Amount of DTA's From 2(a) above) After Application of the Threshold Limitation. (The Lesser of 2(b)1 and 2(b)2 Below) | \$1,464,338  | \$0          | \$1,464,338  | \$884,579    | \$0          | \$884,579      | \$579,759   | \$0            | \$579,759   |
| 1.  | Adjusted Gross DTA's Expected to be Realized Following the Balance Sheet Date.  | \$1,464,338  | \$0          | \$1,464,338  | \$884,579    | \$0          | \$884,579      | \$579,759   | \$0            | \$579,759   |
| 2.  | Adjusted Gross DTA's Allowed Per Limitation Threshold.  | XXX          | XXX          | \$4,276,063  | XXX          | XXX          | \$4,388,306    | XXX         | XXX            | (\$112,243) |
| (c) | Adjusted Gross DTA's (Excluding The Amount of DTA's from 2 (a) and 2 (b) above) Offset by Gross DTL's.  | \$295,823    | \$0          | \$295,823    | \$0          | \$0          | \$0            | \$295,823   | \$0            | \$295,823   |
| (d) | DTA's Admitted as the result of application of SSAP No. 101. Total (2(a)+2(b)+2(c))   | \$1,760,161  | \$0          | \$1,760,161  | \$1,573,714  | \$0          | \$1,573,714    | \$186,447   | \$0            | \$186,447   |
| 3.  |   |              |              |              |              |              |                |             |                |             |
| (a) | Ratio Percentage Used To Determine Recovery Period And Threshold Limitation Amount.   | 2014         | 2013         |              |              |              |                |             |                |             |
|     |   | 27%          | 30%          |              |              |              |                |             |                |             |
| (b) | Amount Of Adjusted Capital And Surplus Used To Determine Recovery Period And Threshold Limitation In 2 (b) 2 Above.   | \$42,760,634 | \$29,255,372 |              |              |              |                |             |                |             |
| 4.  | Impact of Tax-Planning Strategies   |              |              |              |              |              |                |             |                |             |
| (a) | Determination of Adjusted Gross DTA's and Net Admitted DTA's By Tax Character as a percentage.  |              |              |              |              |              |                |             |                |             |
| 1.  | Adjusted Gross DTA's from 9A1c  | \$1,760,161  | \$0          | \$1,760,161  | \$12,038,037 | \$0          | \$12,038,037   |             |                |             |
| 2.  | Percentage of Adjusted Gross DTA's  | 0%           | 0%           | 0%           | 0%           | 0%           | 0%             |             |                |             |
| 3.  | Net Admitted Gross DTA's 9A1e   | \$1,687,171  | \$0          | \$1,687,171  | \$1,573,714  | \$0          | \$1,573,714    |             |                |             |
| 4.  | Percentage of Net Admitted Adjusted Gross DTA's because of tax planning.  | 0%           | 0%           | 0%           | 0%           | 0%           | 0%             |             |                |             |
| (b) | Does the Company's tax planning strategies include reinsurance?   | Yes          | No           | X            |              |              |                |             |                |             |

**B. Regarding deferred tax liabilities not recognized – None.**

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

# Notes to Financial Statements

|  | 12/31/2014         | 12/31/2013          | Change         |
|--|--------------------|---------------------|----------------|
| 1. Current Income Tax                                      |                    |                     |                |
| (a) Federal  | \$878,831          | \$3,158,887         | (\$2,280,056)  |
| (b) Foreign  | \$0                | \$0                 | \$0            |
| (c) Subtotal   | <u>\$878,831</u>   | <u>\$3,158,887</u>  | (\$2,280,056)  |
| (d) Federal Income Tax on Net Capital Gains                | \$0                | \$0                 | \$0            |
| (e) Utilization of Capital Loss Carry Forwards             | \$0                | \$0                 | \$0            |
| (f) Other  | \$0                | \$0                 | \$0            |
| (g) Federal and Foreign Income Taxes Incurred              | <u>\$878,831</u>   | <u>\$3,158,887</u>  | (\$2,280,056)  |
| 2. Deferred Tax Assets:                                    |                    |                     |                |
| (a) Ordinary   |                    |                     |                |
| (1) Unpaid Losses  | \$94,330           | \$111,254           | (\$16,924)     |
| (2) Unearned Premium Reserve                               | \$53,548           | \$24,154            | \$35,394       |
| (3) Policyholder Reserves                                  | \$118,317          | \$141,228           | (\$22,911)     |
| (4) Investments  | \$72,930           | \$10,464,323        | (\$10,391,334) |
| (5) Deferred Acquisition Costs                             | \$0                | \$0                 | \$0            |
| (6) Policyholder Dividends Accrual                         | \$0                | \$0                 | \$0            |
| (7) Fixed Assets   | \$334,251          | \$367,004           | (\$32,753)     |
| (8) Compensation and Benefits Accrual                      | \$0                | \$0                 | \$0            |
| (9) Pension Accrual  | \$0                | \$0                 | \$0            |
| (10) Receivables - Nonadmitted                             | \$1,078,856        | \$323,648           | \$145,208      |
| (11) Net Operating Loss Carry-Forward                      | \$0                | \$0                 | \$0            |
| (12) Other (Including items < 5% of total ordinary assets) | \$1,870            | \$425               | \$1,445        |
| Subtotal   | <u>\$1,760,161</u> | <u>\$12,036,037</u> | (\$10,277,875) |
| (b) Statutory Valuation Allowance                          | \$0                | \$0                 | \$0            |
| (c) Nonadmitted  | \$72,930           | \$10,464,323        | (\$10,391,334) |
| (d) Admitted Ordinary Deferred Tax Assets                  | <u>\$1,687,171</u> | <u>\$1,573,714</u>  | \$113,457      |
| (e) Capital  |                    |                     |                |
| (1) Investments  | \$0                | \$0                 | \$0            |
| (2) Net Capital Loss Carry-Forward                         | \$0                | \$0                 | \$0            |
| (3) Real Estate  | \$0                | \$0                 | \$0            |
| (4) Other  | \$0                | \$0                 | \$0            |
| Subtotal   | <u>\$0</u>         | <u>\$0</u>          | <u>\$0</u>     |
| (f) Statutory Valuation Allowance Adjustment               | \$0                | \$0                 | \$0            |
| (g) Nonadmitted  | \$0                | \$0                 | \$0            |
| (h) Admitted Capital Deferred Tax Assets                   | \$0                | \$0                 | \$0            |
| (i) Admitted Deferred Tax Assets                           | <u>\$1,687,171</u> | <u>\$1,573,714</u>  | \$113,457      |
| 3. Deferred Tax Liabilities:                               |                    |                     |                |
| (a) Ordinary   |                    |                     |                |
| (1) Investments  | \$0                | \$0                 | \$0            |
| (2) Fixed Assets   | \$0                | \$0                 | \$0            |
| (3) Deferred and Uncollected Premium                       | \$0                | \$0                 | \$0            |
| (4) Policyholder Reserves                                  | \$0                | \$0                 | \$0            |
| (5) Other  | \$0                | \$0                 | \$0            |
| Subtotal   | <u>\$333,359</u>   | <u>\$246,773</u>    | \$87,187       |
| (b) Capital  |                    |                     |                |
| (1) Investments  | \$0                | \$0                 | \$0            |
| (2) Real Estate  | \$0                | \$0                 | \$0            |
| (3) Other  | \$0                | \$0                 | \$0            |
| Subtotal   | <u>\$0</u>         | <u>\$0</u>          | <u>\$0</u>     |
| (c) Deferred Tax Liabilities                               | <u>\$333,359</u>   | <u>\$246,773</u>    | \$87,187       |
| 4. Net Deferred Tax Assets / Liabilities                   | <u>\$1,353,212</u> | <u>\$1,326,941</u>  | \$26,271       |

**D. The provision for federal income taxes incurred is different than that which would be obtained by applying the statutory federal income tax rate to income before taxes. The significant items causing this difference are as follows:**

|                                       | December 31, 2014   | Effective<br>Tax Rate |
|---------------------------------------|---------------------|-----------------------|
| Provision computed at statutory rate  | \$972,474           | 34.0%                 |
| Change in nonadmitted assets          | <u>\$10,271,420</u> | 359.1%                |
| Total statutory income taxes incurred | <u>\$11,243,894</u> | 393.1%                |
|                                       |                     |                       |
| Federal income taxes incurred         | \$878,831           | 30.7%                 |
| Change in net deferred income taxes   | <u>\$10,365,063</u> | 362.4%                |
| Total statutory income taxes          | <u>\$11,243,894</u> | 393.1%                |

**E. Amounts of operating loss and tax credit carry-forwards available for tax purposes**

1. The company does not have net operating loss or tax credit carry-forwards as of December 31, 2014.
2. There are no income taxes available for recoupment in the event of future net losses.
3. The Company has no protective tax deposits reported as admitted assets under Section 6603 of the internal Revenue Service Code as of December 31, 2014 and December 31, 2013.

**F. Consolidation of Federal Income Tax Return**

Summa Health System Corporation files a consolidated federal income tax which includes the following entities: SummaCare, Inc., Summa Insurance Company, Summa Integrated Services Organization, Apex Benefits Services, LLC, Summa Insurance Agency, LLC, Wadsworth-Rittman Professional Services Corporation, Ohio Health

## **Notes to Financial Statements**

Choice, Summa Management Services Organization, Health Care Center Physicians, Patient Centered Collaborative and Cornerstone Medical Services. Allocation of federal income taxes is based upon separate income tax return calculations with credit for net losses that can be used on a consolidated basis.

### **10. Information Concerning Parent, Subsidiaries, and Affiliates**

#### **A. Nature of the Relationships**

SummaCare, Inc. is a wholly owned subsidiary of Summa Health System Corporation (SHSC). Summa Insurance Company (SIC) is a wholly-owned subsidiary of SummaCare, Inc.

Other affiliated organizations of SummaCare include Summa Health System Community, HealthSpan Partners, Summa Health System (SHS), Summa Akron City & St. Thomas Hospitals (SACH/STH), Summa Health Network LLC (SHN), Apex Benefits Services, LLC (Apex), Summa Insurance Agency, LLC (SIA), Summa Barberton Hospital (BCH), Wadsworth-Rittman Professional Services Corporation, Summa Physicians, Inc. (SPI), Summa Foundation, Health Care Center Physicians Inc. (HCCP), Middlebury Assurance Corp. (MAC), Summa Enterprise Group (SEG), Summa Enterprise Group Properties (SEG Properties), Summa Rehabilitation Hospital, LLC, Ohio Health Choice, Inc. (OHC), Cornerstone Medical Services (Cornerstone), ARIS Teleradiology LLC (ARIS), Summa Western Reserve Hospital (SWRH), Ohio Sleep Disorders, Summa Accountable Care Organization (ACO), Akron Endoscopy Associates (Akron Endoscopy) Summa Integrated Services Organization (SISO), Summa Management Services Organization (SMSO), Patient Centered Collaborative, Health Innovations Ohio, LLC, and Medina-Summit ASC, LLC, Summa Robinson Health Ventures.

The Company is licensed in Ohio as a health-insuring corporation (HIC) under Chapter 1751 of the Ohio Revised Code. SC contracts with providers to provide comprehensive health care services to a defined enrolled population (members) for a predetermined monthly fee. The population from which the Company draws its membership is predominately located in Northeast Ohio. The Company is subject to competition from other health insuring companies as well as to the regulations of certain state and federal agencies. The Company is also subject to periodic financial examinations by those regulatory authorities.

#### **B. & C. Transactions with Affiliated Organizations**

SC members receive various medical services from SACH/STH, and other SHS subsidiaries. Certain members of the Board of Directors of the Company are members of the Board of Trustees of SACH/STH's and SHS's subsidiary and affiliated organizations.

The operating activities with affiliated entities as of December 31, 2014 and December 31, 2013 are as follows:

|  | <b>2014</b>   | <b>2013</b> |
|--|---------------|-------------|
| Claims expense related to affiliated entities: |               |             |
| SACH/STH                                       | \$ 54,939,335 | 50,207,107  |
| SPI  | 9,971,047     | 8,878,755   |
| BCH  | 10,908,634    | 9,485,500   |
| WRH  | 1,437,614     | 2,733,419   |
| ACO  | 1,722,972     | 988,241     |
| Management fees charged to OHC                 | 1,360         | 1,649       |
| Management fees charged to SHN                 | 78,178        | —           |
| Management fees charged from SMSO              | 15,245,202    | 13,603,181  |
| Management fees charged from SHN               | 268,394       | 333,500     |
| Management fees charged from Apex              | 966,049       | 1,033,944   |
| Corporate expense allocation paid to SHS       | 1,030,500     | 1,692,053   |

## Notes to Financial Statements

**D.** The balances outstanding with affiliated entities as of December 31, 2014 and December 31, 2013 are as follows:

|            | Due from                |                      | Due to                 |                         |
|------------|-------------------------|----------------------|------------------------|-------------------------|
|            | 2014                    | 2013                 | 2014                   | 2013                    |
| SHN        | \$ —                    | —                    | 30,740                 | 9,127                   |
| SIC        | —                       | —                    | 910,756                | 37,435,158              |
| SACH / STH | —                       | —                    | 405,065                | 311,110                 |
| OHC        | 98                      | 118                  | —                      | —                       |
| Apex       | 924,890                 | 497,842              | —                      | —                       |
| SMSO       | —                       | —                    | 1,504,453              | 1,306,374               |
| SIA        | —                       | —                    | —                      | 20,437                  |
| ACO        | —                       | —                    | 1,186,585              | 159,157                 |
|            | <hr/> <u>\$ 924,988</u> | <hr/> <u>497,960</u> | <hr/> <u>4,037,599</u> | <hr/> <u>39,241,363</u> |

**E.** Guarantees or undertakings – None.

**F.** In 2014 and 2013, the Company had a contract with SHN in which network contracting services and financial modeling services were provided by SHN. The Company recognized expense of \$268,394 and \$333,500 in 2014 and 2013, respectively, related to this arrangement, which is recorded within management and other fees paid to affiliates in the consolidated statements of income.

In 2014 and 2013 the Company contracted with SMSO for general administrative services, which include but are not limited to claims processing, customer service, eligibility, human resources, computer support, programming, finance, and other general administrative services. Fees are based on actual expenses allocated from SMSO to the Company. The Company recognized expense of \$15,245,202 and \$13,603,181 in 2014 and 2013, respectively

**G.** The Company's common membership is held by its parent, Summa Health System Corporation.

**H.** Investments in upstream intermediate entities or ultimate parent – None.

**I.** Investments in SCA Entities

In 2014, the Company entered into an internal restructuring transaction in which SHSC contributed its stock ownership in SIC to SC. As part of this transaction, SHSC's Class A nonvoting preferred membership interest in SC was cancelled. In addition, SC and SIC cancelled the \$35 million surplus note issued by SIC to SC, and the funds were reclassified as a capital contribution from SC to SIC. SC also made an additional capital contribution to SIC in the amount of \$15 million. As of December 31, 2014, the Company owned 100% of the common stock of SIC, whose carrying value is exceeds 10% of the admitted assets of SC. The Company carries SIC at audited statutory equity. Assets, liabilities and net losses of SIC as of December 31, 2014 were:

Assets - \$71,513,629  
 Liabilities - \$40,054,539  
 Net Loss - \$13,508,684

In 2013, the Company carried an asset related to a Surplus Note issued by its former parent, Summa Insurance Company. This asset was classified as "Other Invested Assets" on the Assets page. Admittance of this asset was subject to section 3925.08(J) of the Ohio Revised Code. The total amount invested was \$35,000,000. After application of 3925.08(J) of the Ohio Revised Code, the amount admitted related to this asset is \$4,276,063 as of December 31, 2013.

**J.** Investments in impaired SCA entities – None.

**K.** Investments in foreign insurance subsidiaries – None.

**L.** Investment in downstream noninsurance holding company – None.

### 11. Debt

SC has no debt as of December 31, 2014.

### 12. Retirement Plans

**A.** Defined Benefit Plan - None.

**B.** A narrative description of investment policy and strategies – Not applicable.

## **Notes to Financial Statements**

- C. The fair value of each class of plan asset – Not applicable.
- D. A narrative description of the basis used to determine the long-term rate of return – Not applicable.
- E. Defined Contribution Plan – None.
- A. Multiemployer Plan – None.
- B. Consolidated / Holding Company Plan – None.
- C. Postemployment Benefits and Compensated Absences – None.
- D. Impact of Medicare Modernization Act on Postretirement Benefits – None.

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

- 1.) On November 15, 2013, the Company converted from a for-profit corporation to a nonprofit corporation under Ohio law. At the time of conversion, the holder of all issued and outstanding shares of common stock (SIC) became a common member of the Corporation and such issued and outstanding shares of common stock were cancelled and extinguished.

Additionally, the holder of all issued and outstanding shares of Class A preferred stock (SHS) became a Class A preferred member of the Corporation and such issued and outstanding shares of Class A preferred stock were cancelled and extinguished.

In 2014, the Company entered into an internal restructuring transaction in which SHSC, which owned all of the outstanding stock of SIC, contributed its stock ownership in SIC to SC. As part of this transaction, SHSC's Class A nonvoting preferred membership interest in SC was cancelled.

- 2.) Dividends rate, liquidation value – Not applicable.
- 3.) Dividend Restrictions – Not applicable.
- 4.) Date and amounts of dividends paid – Not applicable.
- 5.) Portion of reporting entity's profits that can be paid as ordinary dividends – Not applicable.
- 6.) Restrictions on unassigned funds – None.
- 7.) Mutual Reciprocals - None.
- 8.) Stock held by the Company for special purposes – None.
- 9.) Special surplus funds – None.
- 10.) The portion of unassigned funds represented or reduced by :

Nonadmitted Asset Values – \$3,503,196  
Unrealized Gains (Losses) – \$533,673

- 11.) Surplus notes – None.
- 12.) Restatement in a quasi-reorganization – Not applicable
- 13.) Quasi-reorganization – Not applicable.

### **14. Contingencies**

- A. Contingent commitments – None.
- B. Assessments – None
- C. Gain contingencies – None.
- D. Claims related extra contractual obligation and bad faith losses stemming from lawsuits – None.
- E. All other contingencies – None.

### **15. Leases**

## **Notes to Financial Statements**

### **A. Lessee Leasing Arrangements.**

1.) The company leases equipment and its facility under noncancelable operating leases expiring at various dates from 2013 to 2016. Rent expense was approximately \$1,116,790 as of December 31, 2014 and was \$1,024,620 for year ending December 31, 2013.

2.) Future minimum payments under noncancelable operating leases are as follows:

| Year ended December 31:         |                     |
|---------------------------------|---------------------|
| 2014                            | 2,059,232           |
| 2015                            | 2,115,030           |
| 2016                            | 1,938,777           |
| Total minimum future commitment | \$ <u>6,113,039</u> |

3.) The Company has not entered into any sale-leaseback transactions.

### **B. Lessor Leasing Arrangements - None**

**16. Information Regarding Off-Balance Sheet Risk – Not Applicable.**

**17. Sale, Transfer and Servicing of Financial Assets and Extinguishments of Liability – Not Applicable.**

**18. Gains or Loss to the Reporting Entity from Uninsured Plans – Not Applicable.**

**19. Direct Premium Written / Produced by Managing General Agents / Third Party Administrators – Not Applicable.**

**20. Fair Value Measurement –** The Company does not have any financial instruments carried at fair value.

**21. Other Items**

- A. Extraordinary Items – None.**
- B. Troubled Debt Restructuring – None.**
- C. Other Disclosures and Unusual Items – None.**
- D. Business Interruption Insurance Recoveries – None.**
- E. State Transferable and Non-transferable Tax Credits – None.**
- F. Subprime Mortgage Related Exposure – None.**
- G. Retained Assets – None.**

**22. Events Subsequent – None.**

**23. Reinsurance**

### **A. Ceded Reinsurance Report**

## Notes to Financial Statements

### Section 1 – General Interrogatories

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

If yes, give full details.

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

Yes ( ) No (X)

If yes, give full details.

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

(1) Does the company have any reinsurance agreements in effect under which the reinsurer may unilaterally cancel any reinsurance for reasons other than for nonpayment of premium or other similar credit?  
 Yes ( ) No (X)

a. If yes, what is the estimated amount of the aggregate reduction in surplus of a unilateral cancellation by the reinsurer as of the date of this statement, for those agreements in which cancellation results in a net obligation of the reporting entity to the reinsurer, and for which such obligation is not presently accrued? Where necessary, the reporting entity may consider the current or anticipated experience of the business reinsured in making this estimate. \$ \_\_\_\_\_  
 b. What is the total amount of reinsurance credits taken, whether as an asset or as a reduction of liability for these agreements in this statement? \$ \_\_\_\_\_

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

Yes ( ) No (X)

If yes, give full details.

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

(1) What is the estimated amount of the aggregate reduction in surplus, (for agreements other than those under which the reinsurer may unilaterally cancel for reasons other than for nonpayment of premium or other similar credits reflected in Section 2 above) of termination of all reinsurance agreements, by either party, as of the date of this statement? Where necessary, the company may consider the current or anticipated experience of the business reinsured in making this estimate. \$0

(2) Have any new agreements been executed or existing agreements amended, since January 1 of the year of this statement, to include policies or contracts that were in force or which had existing reserves established by the company as of the effective date of the agreement?

Yes ( ) No (X)

If yes, what is the amount of the reinsurance credits, whether an asset or a reduction of a liability, taken for such new agreements or amendments? \$ \_\_\_\_\_

**B. Uncollectible Reinsurance – None.**

**C. Commutation of Ceded Reinsurance – None.**

**D. Certified Reinsurer Rating Downgraded or Status Subject to Revocation – None.**

**24. Retrospectively Rated Contracts & Contracts Subject to Redetermination – None.**

**25. Changes in Incurred Claims and Claims Adjustment Expenses**

Activity in claims unpaid is summarized as follows:

## Notes to Financial Statements

|                          | <u>2014</u>          | <u>2013</u>        |
|--------------------------|----------------------|--------------------|
| Balance at January 1     | \$ 30,198,125        | 25,647,359         |
| Incurred related to:     |                      |                    |
| Current year             | 284,511,631          | 244,990,032        |
| Prior years              | (677,125)            | (8,816,359)        |
| Total                    | <u>283,834,506</u>   | <u>236,173,673</u> |
| Paid related to:         |                      |                    |
| Current year             | 253,766,634          | 214,818,907        |
| Prior years              | 29,521,000           | 16,804,000         |
| Total                    | <u>283,287,634</u>   | <u>231,622,907</u> |
| Balance at End of Period | <u>\$ 30,744,997</u> | <u>30,198,125</u>  |

Reserves as of December 31, 2013 were \$30,198,125. As of December 31, 2014, \$29,521,000 has been paid for incurred claims attributable to insured events of prior years. There are no reserves remaining for prior years as of December 31, 2014. Therefore, there has been \$677,125 in favorable development since December 31, 2013 to December 31, 2014. This favorable development 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.

**26. Intercompany Pooling Arrangements** – None.

**27. Structured Settlements** – None.

**28. Healthcare Receivables**

The company receives pharmacy rebates on a quarterly basis. As of December 31, 2014, a receivable was recorded equal to two quarters of rebates. For quarter ending December 31, 2014, pharmacy rebates receivable were estimated by multiplying the most recent rebate received by two (two quarters). Pharmacy rebates receivable are recorded as nonadmitted assets in accordance with SSAP No. 84.

| <u>Quarter</u> | <u>Estimated Pharmacy Rebates as Reported on Financial Statements</u> | <u>Actual Pharmacy Rebates Received as of Statement Date</u> | <u>Actual Rebates Received</u> | <u>Actual Rebates Received More Than 180 Days After Billing</u> |
|----------------|---|--|--------------------------------|---|
| 12/31/2014     | \$1,601,646   | \$561,092  | \$0                            | \$561,092   |
| 9/30/2014      | \$1,944,155   | \$1,310,354  | \$0                            | \$1,310,354   |
| 6/30/2014      | \$1,680,029   | \$1,973,930  | \$0                            | \$1,973,930   |
| 3/31/2014      | \$1,536,507   | \$2,079,178  | \$0                            | \$2,079,178   |
| 12/31/2013     | \$1,700,000   | \$1,982,004  | \$0                            | \$1,982,004   |
| 9/30/2013      | \$1,000,000   | \$1,318,428  | \$0                            | \$1,318,428   |
| 6/30/2013      | \$1,220,851   | \$1,742,117  | \$0                            | \$1,742,117   |
| 3/31/2013      | \$1,025,020   | \$1,090,029  | \$0                            | \$1,090,029   |
| 12/31/2012     | \$1,242,133   | \$1,479,198  | \$0                            | \$1,479,198   |
| 9/30/2012      | \$1,077,790   | \$1,470,868  | \$0                            | \$1,470,868   |
| 6/30/2012      | \$1,342,850   | \$1,406,969  | \$0                            | \$1,406,969   |
| 3/31/2012      | \$866,461   | \$924,093  | \$0                            | \$924,093   |
| 12/31/2011     | \$1,368,000   | \$1,473,271  | \$0                            | \$1,473,271   |

**29. Participating Policies** – None.

**30. Premium Deficiency Reserves**

## Notes to Financial Statements

Premium deficiency losses are recognized when it is probable that expected claim expenses will exceed future premiums on existing health contracts. For purposes of premium deficiency losses, contracts are grouped in a manner consistent with the Company's method of acquiring, servicing and measuring the profitability of such contracts. There were no premium deficiency reserves recorded as of December 31, 2014 and December 31, 2013, respectively.

### **31. Anticipated Salvage Value and Subrogation – None**

**FIVE-YEAR HISTORICAL DATA**

|  | 1<br>2014   | 2<br>2013   | 3<br>2012   | 4<br>2011   | 5<br>2010   |
|--|-------------|-------------|-------------|-------------|-------------|
| <b>BALANCE SHEET (Pages 2 and 3)</b>   |             |             |             |             |             |
| 1. TOTAL Admitted Assets (Page 2, Line 28) .....   | 85,166,633  | 105,328,668 | 88,308,822  | 93,089,313  | 86,953,205  |
| 2. TOTAL Liabilities (Page 3, Line 24) .....   | 42,405,999  | 74,746,355  | 36,147,298  | 44,599,264  | 42,545,736  |
| 3. Statutory surplus .....   | 1,500,000   | 1,500,000   | 1,500,000   | 1,500,000   | 1,500,000   |
| 4. TOTAL Capital and Surplus (Page 3, Line 33) .....   | 42,760,634  | 30,582,313  | 52,161,524  | 48,490,049  | 44,407,469  |
| <b>INCOME STATEMENT (Page 4)</b>   |             |             |             |             |             |
| 5. TOTAL Revenues (Line 8) .....   | 315,686,847 | 277,576,364 | 283,277,051 | 277,256,846 | 294,198,694 |
| 6. TOTAL Medical and Hospital Expenses (Line 18) .....   | 283,915,317 | 236,239,851 | 218,409,628 | 217,980,323 | 228,155,325 |
| 7. Claims adjustment expenses (Line 20) .....  | 3,971,607   | 3,584,312   | 4,681,575   | 4,130,890   | 4,585,416   |
| 8. TOTAL Administrative Expenses (Line 21) .....   | 26,842,932  | 26,835,927  | 55,971,272  | 50,064,537  | 54,139,480  |
| 9. Net underwriting gain (loss) (Line 24) .....  | 956,991     | 10,916,274  | 4,214,576   | 5,081,096   | 7,318,473   |
| 10. Net investment gain (loss) (Line 27) .....   | 1,891,802   | 1,354,383   | 1,435,275   | 1,278,041   | 1,057,153   |
| 11. TOTAL Other Income (Lines 28 plus 29) .....  | 11,426      | 3,417       | 19,978      | 23,342      | 15,132      |
| 12. Net income or (loss) (Line 32) .....   | 1,981,388   | 9,115,187   | 3,898,469   | 3,646,758   | 5,145,543   |
| <b>Cash Flow (Page 6)</b>  |             |             |             |             |             |
| 13. Net cash from operations (Line 11) .....   | (6,010,493) | 19,280,548  | 4,434,149   | 1,576,141   | 11,017,718  |
| <b>RISK-BASED CAPITAL ANALYSIS</b>   |             |             |             |             |             |
| 14. TOTAL Adjusted Capital .....   | 42,760,634  | 30,582,313  | 52,161,524  | 48,490,049  | 44,407,469  |
| 15. Authorized control level risk-based capital .....  | 15,778,766  | 9,523,332   | 8,989,756   | 8,946,199   | 9,646,442   |
| <b>ENROLLMENT (Exhibit 1)</b>  |             |             |             |             |             |
| 16. TOTAL Members at End of Period (Column 5, Line 7) .....  | 32,654      | 28,447      | 24,556      | 23,367      | 27,567      |
| 17. TOTAL Members Months (Column 6, Line 7) .....  | 395,053     | 336,743     | 290,327     | 281,800     | 331,836     |
| <b>OPERATING PERCENTAGE (Page 4)</b>   |             |             |             |             |             |
| (Item divided by Page 4, sum of Lines 2, 3 and 5) x 100.0  |             |             |             |             |             |
| 18. Premiums earned plus risk revenue (Line 2 plus Lines 3 and 5) .....                                  | 100.0       | 100.0       | 100.0       | 100.0       | 100.0       |
| 19. TOTAL Hospital and Medical plus other non-health (Lines 18 plus Line 19) .....                       | 90.0        | 85.1        | 85.5        | 85.0        | 84.4        |
| 20. Cost containment expenses .....  | 0.2         | 0.2         | 0.6         | 0.7         | 0.6         |
| 21. Other claims adjustment expenses .....   | 1.0         | 1.1         | 1.2         | 1.0         | 1.1         |
| 22. TOTAL Underwriting Deductions (Line 23) .....  | 99.7        | 96.1        | 109.3       | 106.1       | 106.1       |
| 23. TOTAL Underwriting Gain (Loss) (Line 24) .....   | 0.3         | 3.9         | 1.7         | 2.0         | 2.7         |
| <b>UNPAID CLAIMS ANALYSIS</b>  |             |             |             |             |             |
| (U&I Exhibit, Part 2B)   |             |             |             |             |             |
| 24. TOTAL Claims Incurred for Prior Years (Line 13, Column 5) .....                                      | 29,615,812  | 16,887,178  | 23,184,175  | 20,754,940  | 18,885,621  |
| 25. Estimated liability of unpaid claims-[prior year (Line 13, Column 6)] .....                          | 30,282,125  | 25,693,359  | 26,678,944  | 23,437,007  | 23,262,255  |
| <b>INVESTMENTS IN PARENT, SUBSIDIARIES AND AFFILIATES</b>  |             |             |             |             |             |
| 26. Affiliated bonds (Sch. D Summary, Line 12, Column 1) .....   |             |             |             |             |             |
| 27. Affiliated preferred stocks (Sch. D Summary, Line 18, Column 1) .....                                |             |             |             |             |             |
| 28. Affiliated common stocks (Sch. D Summary, Line 24, Column 1) .....                                   | 31,459,090  |             |             |             |             |
| 29. Affiliated short-term investments (subtotal included in Sch. DA Verification, Col. 5, Line 10) ..... |             |             |             |             |             |
| 30. Affiliated mortgage loans on real estate .....   |             |             |             |             |             |
| 31. All other affiliated .....   |             | 4,415,441   |             |             |             |
| 32. TOTAL of Above Lines 26 to 31 .....  | 31,459,090  | 4,415,441   |             |             |             |
| 33. TOTAL Investment in Parent Included in Lines 26 to 31 above .....                                    |             | 4,415,441   |             |             |             |

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

If no, please explain::