
AMENDED FILING EXPLANATION

Consumers Life Insurance Company

NAIC 62375

December 31, 2016 Annual Statement

Pursuant to an NAIC Financial Reporting & Analysis Data Validation Notification dated March 8, 2017, certain Notes to the Financial Statements were not presented in the exact format required by the NAIC. The Notes specifically mentioned were amended, as well as several others for consistency. The amendments do not represent material changes, financial or otherwise, and offer no additional information to the reader.



ANNUAL STATEMENT

For the Year Ended December 31, 2016
of the Condition and Affairs of the

Consumers Life Insurance Company

NAIC Group Code.....730, 730 (Current Period) (Prior Period)	NAIC Company Code..... 62375	Employer's ID Number..... 21-0706531
Organized under the Laws of OH	State of Domicile or Port of Entry OH	Country of Domicile US
Incorporated/Organized..... October 3, 1955	Commenced Business..... October 3, 1955	
Statutory Home Office	2060 East Ninth Street..... Cleveland OH US 44115-1355 (Street and Number) (City or Town, State, Country and Zip Code)	
Main Administrative Office	2060 East Ninth Street..... Cleveland OH US..... 44115-1355 (Street and Number) (City or Town, State, Country and Zip Code)	216-687-7000 (Area Code) (Telephone Number)
Mail Address	2060 East Ninth Street..... Cleveland OH US 44115-1355 (Street and Number or P. O. Box) (City or Town, State, Country and Zip Code)	
Primary Location of Books and Records	2060 East Ninth Street..... Cleveland OH US 44115-1355 (Street and Number) (City or Town, State, Country and Zip Code)	216-687-7000 (Area Code) (Telephone Number)
Internet Web Site Address	www.ConsumersLife.com	
Statutory Statement Contact	Sharon Matonis (Name) Sharon.Matonis@medmutual.com (E-Mail Address)	216-687-6049 (Area Code) (Telephone Number) (Extension) 216-360-4073 (Fax Number)

OFFICERS

Name	Title	Name	Title
1. Richard Alan Chiricosta	President & CEO	2. Patricia Bunn Decensi #	Secretary
3. Raymond Karl Mueller	Treasurer	4.	

OTHER

DIRECTORS OR TRUSTEES

James Charles Cellura	Jared Paul Chaney	Richard Alan Chiricosta	Steffany Matticola Larkins
Raymond Karl Mueller			

State of..... Ohio
County of..... Cuyahoga

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

(Signature) Richard Alan Chiricosta	(Signature) Patricia Bunn Decensi	(Signature) Raymond Karl Mueller
1. (Printed Name) President & CEO	2. (Printed Name) Secretary	3. (Printed Name) Treasurer
(Title)	(Title)	(Title)

Subscribed and sworn to before me	a. Is this an original filing?	Yes [] No [X]
This _____ day of _____ 2017	b. If no	
	1. State the amendment number	1
	2. Date filed	3/21/17
	3. Number of pages attached	2

NOTES TO FINANCIAL STATEMENTS

Note 1 – Summary of Significant Accounting Policies and Going Concern

A. Accounting Practices

	SSAP #	F/S Page	F/S Line #	2016	2015
NET INCOME					
(1) Consumers Life Insurance Company state basis (Page 4, Line 35, Columns 1 & 2)	XXX	XXX	XXX	\$ 646,968	\$ 1,348,699
(2) State Prescribed Practices that increase/decrease NAIC SAP					
(3) State Permitted Practices that increase/decrease NAIC SAP					
(4) NAIC SAP (1 – 2 – 3 = 4)	XXX	XXX	XXX	\$ 646,968	\$ 1,348,699
SURPLUS					
(5) Consumers Life Insurance Company state basis (Page 3, line 37, Columns 1 & 2)	XXX	XXX	XXX	\$ 23,296,096	\$ 21,607,971
(6) State Prescribed Practices that increase/decrease NAIC SAP					
(7) State Permitted Practices that increase/decrease NAIC SAP					
(8) NAIC SAP (5 – 6 – 7 = 8)	XXX	XXX	XXX	\$ 23,296,096	\$ 21,607,971

B. Use of Estimates in the Preparation of the Financial Statements

The preparation of the financial statements requires management to make estimates and assumptions that affect amounts reported in the statutory financial statements and accompanying notes. Such estimates and assumptions could change in the future as more information becomes known, which could impact the amounts reported and disclosed herein.

C. Accounting Policy

Basis of Presentation

The accompanying financial statements of Consumers Life Insurance Company (the Company) have been prepared in conformity with the National Association of Insurance Commissioners' (NAIC) *Accounting Practices and Procedures Manual* (NAIC SAP), as prescribed by the Ohio Department of Insurance (ODI). No accounting practices were employed by the Company in 2016 and 2015 that departed from NAIC SAP. Statutory accounting practices vary from generally accepted accounting principles (GAAP). The more significant accounting differences from GAAP are as follows:

Nonadmitted Assets

Certain assets designated as "nonadmitted," principally healthcare and other receivables and prepaid expenses not specifically identified as admitted assets in the NAIC's *Accounting Practices and Procedures Manual*, are excluded from the statutory-basis statements of admitted assets, liabilities and capital and surplus and are charged directly to capital and surplus. Under GAAP, such assets are included in the balance sheet, net of valuation allowance, if necessary. Capital and surplus was reduced by nonadmitted assets of \$66,000 and \$105,000 at December 31, 2016 and 2015, respectively.

Deferred Income Taxes

The Company computes deferred income taxes in accordance with Statement of Statutory Accounting Principle (SSAP) No. 101, *Income Taxes, A Replacement of SSAP No. 10R and SSAP No. 10*. Under SSAP No. 101, gross deferred tax assets are reduced by a statutory valuation allowance adjustment if, based on the weight of available evidence, it is more-likely-than-not that some portion or all of the gross deferred tax assets will not be realized to calculate the adjusted gross deferred tax assets.

Considerable judgment is required in determining whether a valuation allowance is necessary, and if so, the amount of such valuation allowance. In evaluating the need for a valuation allowance the Company considers many factors, including: (1) the nature of the deferred tax assets and liabilities; (2) whether they are ordinary or capital; (3) the timing of reversal; (4) taxable income in prior carry back years as well as projected taxable earnings exclusive of reversing temporary differences and carryforwards; (5) the length of time that carryovers can be used; (6) unique tax rules that would impact the utilization of the deferred tax assets; (7) any tax planning strategies that the Company would employ to avoid a tax benefit expiring unused.

Admitted adjusted deferred income tax assets are limited to (1) the amount of federal income taxes paid in prior years that can be recovered through loss carrybacks for existing temporary differences that reverse during a timeframe corresponding with the Internal Revenue Service tax loss carryback provisions, not to exceed three years, plus (2) the amount of adjusted gross deferred income tax assets expected to be realized within three years limited to an amount that is no greater than 15% of current period's adjusted statutory capital and surplus, plus 3) the amount of remaining adjusted gross deferred income tax assets that can be offset against existing gross deferred income tax liabilities after considering the character (i.e., ordinary versus capital) and reversal patterns of the deferred tax assets and liabilities. The remaining adjusted deferred income tax assets are nonadmitted.

Under GAAP, a deferred income tax asset is recorded for the amount of gross deferred income tax assets expected to be realized in all future years, and a valuation allowance is established for deferred income tax assets not realizable.

Reinsurance

Policy and contract liabilities ceded to reinsurers have been reported as reductions of the related reserves rather than as assets as would be required under GAAP.

Valuations Reserves

Capital gains on bonds, net of taxes, that arise from interest rate fluctuations are credited to an interest maintenance reserve (IMR), and the IMR is amortized over the remaining life of the bond sold. For GAAP, capital gain and losses are recognized as current income or loss. An asset valuation reserve (AVR) is maintained for the risk of asset defaults based on an NAIC prescribed formula with changes reflected in unassigned surplus. AVR is not recognized for GAAP.

Health Insurer Fee

The estimated liability and corresponding expense for the mandatory annual nondeductible assessment imposed by the ACA (the Health Insurer Fee) are both recognized in full on January 1 of the applicable calendar year in which the assessment is paid. In accordance with GAAP, the liability is recognized in full on January 1 with a corresponding deferred cost that is amortized to expense using a straight-line method of allocation.

NOTES TO FINANCIAL STATEMENTS

Statutory Statements of Cash Flow

Cash and short-term investments in the statutory statements of cash flow represent cash balances and investments with initial maturities of one year or less. Under GAAP, the corresponding caption of cash and cash equivalents includes cash balances and investments with initial maturities of three months or less.

Other significant accounting practices are as follows:

Investments

U.S. government securities and corporate bonds not backed by other assets are recorded at cost adjusted for amortization of premiums and discounts using the interest method. The fair values disclosed for these securities are obtained from independent pricing services.

Other-Than-Temporary Impairment

The Company reviews the values of the Company's investments on a quarterly basis. If the value of the investment falls below its cost basis, the decline is analyzed to determine whether it is an other-than-temporary decline in value. To make this determination for each security, the following is considered:

- The length of time and the extent to which the fair value has been less than the amortized cost basis.
- The Company's ability and intent to hold the security long enough for it to recover its value.
- A significant deterioration in the earning performance, credit rating, asset quality or business prospects of the investee.
- A significant adverse change in the regulatory, economic, or technological environment of the investee.
- Factors that raise significant concerns about the investee's ability to continue as a going concern such as negative cash flows from operations, working capital deficiencies, or noncompliance with statutory capital requirements or debt covenants.

Fair Value Measurements

Assets recorded in the statutory statements of admitted assets, liabilities and capital and surplus are categorized based on the level of judgment associated with the inputs used to measure their fair value. Level inputs are as follows:

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

Premiums

Premiums are earned and recorded, net of amounts assumed and ceded under reinsurance agreements, pro rata over the period for which coverage is provided. Uncollected premiums include uncollected amounts from insured individuals and groups and are reported net of an allowance for amounts deemed uncollectible. Premium payments received prior to the period of coverage are classified as advance premiums.

The Company is subject to experience refund agreements with certain life insurance customers whereby life insurance premiums may be refunded based upon the loss experience of the customer. These retrospective premium adjustments are recognized as adjustments to earned premium in the period in which it is determined that adjustments are required. Total net premiums subject to retrospective rating features in 2016 and 2015 was approximately \$421,000 and \$408,000, respectively, which represents 1.9% and 1.8%, respectively, of the Company's net life insurance premiums. As of December 31, 2016 and 2015, the Company recognized a liability of \$4,736,000 and \$5,950,000, respectively, to refund premiums to customers. Net earned premiums for the years ended December 31, 2016 and 2015, have been reduced by \$75,000 and \$24,000, respectively, due to the experience refund agreements.

Federal Medical Loss Ratio Rebate

The Company is subject to the ACA, which requires the payment of rebates to eligible policyholders or enrollees when the amounts paid for healthcare benefits and quality improvement initiatives fall below specified thresholds. Separate calculations are performed by employer group size (individual, small group, and large group). At December 31, 2016, no liability was recognized on the accompanying statutory statements of admitted assets, liabilities and capital and surplus as the calculated amounts exceeded the applicable thresholds. At December 31, 2015 there were no policies subject to the Federal Medical Loss Ratio requirement.

Uncertain Tax Policies

The Company records uncertain tax positions on the basis of a two-step process whereby (1) the Company determines whether it is more likely than not that the tax positions will be sustained on the basis of the technical merits of the position and (2) for those tax positions that meet the more-likely-than-not recognition threshold, the Company recognizes the largest amount of tax benefit that is more than 50 percent likely to be realized upon ultimate settlement with the related tax authority.

Changes to liabilities for uncertain tax positions are recorded as income tax expense in the accompanying statutory statements of revenue and expenses. The total liability for uncertain tax positions at December 31, 2016 and 2015 was \$12,000 and \$5,000, respectively. The Company does not expect any significant changes in its uncertain tax positions in 2017.

NOTES TO FINANCIAL STATEMENTS

Premium Subsidy and Cost Sharing Subsidy

Under regulations established by the ACA, the U.S. Department of Health and Human Services (HHS) pays the Company a portion of the premium (Premium Subsidy) and/or a portion of the health care costs (Cost Sharing Subsidy) for qualifying individual members. The Company recognizes monthly premiums received from members and the Premium Subsidy as premium revenue ratably over the contract period. The Premium Subsidy totaled \$1,607,000 in 2016 and is included in net premiums earned. The Cost Sharing Subsidy offsets health care costs when incurred. The Company records the Cost Sharing Subsidy payments when received. Qualified individuals incurred \$207,000 of claims covered by the Cost Sharing Subsidy in 2016. This amount is reported as reduction of disability and accident and health benefits on the statutory statements of revenue and expenses.

Health Insurer Fee

The Company is subject to a mandatory annual non tax-deductible assessment on health insurers imposed by the ACA. The Company estimates the expense for the Health Insurer Fee based upon the ratio of the Company's applicable net written premium compared to the U.S. health insurance industry total applicable net written premium. The Consolidated Appropriation Act of 2016, Title 11, section 201, Moratorium on Annual Fee on Health Insurance Providers, suspended the Health Insurer Fee for 2017. Therefore, no amounts were reclassified to special surplus at December 31, 2016.

Premium Stabilization Programs

The ACA authorized three programs designed to stabilize health insurance markets (Premium Stabilization Programs): a transitional reinsurance program; a temporary risk corridors program; and a permanent risk adjustment program. The Company accounts for the Premium Stabilization Programs in accordance with SSAP No.107, *Accounting for the Risk-Sharing Provisions of the Affordable Care Act* (SSAP No. 107). Details about each program are as follows:

Transitional Reinsurance Program

The transitional reinsurance program, effective for policy years 2014, 2015, and 2016, requires all issuers of major medical commercial insurance products and self-insured plan sponsors to contribute funding in amounts set by HHS. Funds collected will be distributed by HHS to reimburse issuers' high claims costs incurred for qualified individual members.

Expenses related to the funding of the transitional reinsurance program are reflected in general insurance expenses for all insurance products with the exception of products associated with qualified individual members, which are reflected as reduction of premiums earned. When annual claim costs incurred by qualified individual members exceed a specified attachment point, the Company is entitled to certain reimbursements from this program. Estimated recoveries are included in reinsurance recoverable and as a reduction to claims incurred on the accompanying statutory financial statements.

Temporary Risk Corridors Program

The temporary risk corridors program, effective for policy years 2014, 2015, and 2016, is intended to limit the gains and losses of qualified individual and small group health plans offered for sale on federal or state healthcare exchanges. Plans are required to calculate the ratio of allowable costs (defined as medical claims plus quality improvement costs adjusted for the impact of reinsurance recoveries and the risk adjustment program) to the defined target amount (defined as actual premiums less defined allowable administrative costs inclusive of taxes and profits). Qualified health plans with ratios below 97% are required to make payments to HHS, while plans with ratios greater than 103% are expected to receive funds from HHS.

The Company considered in its measurement of the receivable from the risk corridor programs that HHS will only be obligated to reimburse risk corridor payments up to the funds collected from qualified health plans that are required to make payments to HHS for the program, regardless of the potential gross receivable estimated. Although the Company calculated an estimated amount to be filed with CMS of \$32,000 for the year ended 2016, no receivable for risk corridor was ultimately recorded based on the uncertainty of HHS's ability to fund the program. There were no qualifying plans for 2015.

Permanent Risk Adjustment Program

The permanent risk adjustment program is designed to transfer funds from qualified individual and small group plans with below average risks scores to those respective plans with above average risk scores. The estimate of amounts owed or due from the permanent risk adjustment program is required to be reflected as an adjustment to earned premium if sufficient data is available to make an estimate. In 2016, the Company recognized a \$2,014,000 liability related to the 2016 Permanent Risk Adjustment Program based on the available, sufficient data. The liability is included in aggregate reserves on the statutory statements of admitted assets, liabilities, and capital and surplus. The Company did not offer any qualified plans in 2015.

New Accounting Standards

In December 2016, the NAIC revised SSAP No. 35R – *Guaranty Fund and Other Assessments* to address the accounting for guaranty fund assessments and related assets recognized for future premium tax credits by issuers of short-duration health insurance contracts. Effective January 1, 2017, the revised statutory accounting principal allows issuers of short-duration issuers to recognize a premium tax asset based on expected renewals in instances when retrospective premium-based assessments are imposed on short-duration contracts for losses on long-duration contracts. Previously, issuers of short-duration contracts were not permitted to consider expected renewals in determining the asset recognized for future premium tax credits.

In addition, the Company uses the following accounting policies:

- (1) Basis at which the short-term investments are stated.
Short-term investments, principally money market accounts, include investments with remaining maturities of one year or less at the time of acquisition and are principally carried at amortized cost, which approximates fair value.
- (2) Basis at which the bonds are stated and the amortization method.
Investments in bonds are reported at cost or amortized cost or fair value based on their NAIC rating; for GAAP, such fixed maturity investments are held as available-for-sale and are reported at amortized cost, and the remaining fixed maturity investments are reported at fair value, with unrealized holding gains and losses as a separate component of capital and surplus.

Under statutory accounting, a realized loss is recorded upon the sale of an investment at a loss or when a decline in the fair value of an investment is determined by management to be other than temporary. Realized capital gains and losses are determined on the first-in, first-out cost method. For GAAP, when a decline in the fair value is other than temporary, the difference between the security's fair value and carrying value (amortized cost) must be realized in earnings if the Company has the intent to sell the security or does not have the intent and ability to hold the security until recovery of the carrying value. If the Company does not intend to sell the security and it is more likely than not that the Company will be required to sell the security before recovery of its amortized cost basis, the other-than-temporary impairment (OTTI) would be separated into (a) the amount representing the credit loss and (b) the amount related to all other factors. The amount of the total OTTI related to the credit loss would be recognized in earnings. The amount of the total OTTI related to other factors would be recognized in other comprehensive income.

- (3) Basis at which the common stocks are stated.
Common stock is stated at par value.

NOTES TO FINANCIAL STATEMENTS

- (4)

Basis at which the preferred stocks are stated.
Not applicable
- (5)

Description of the valuation basis of mortgage loans.
Not applicable
- (6)

Basis at which the loan-backed securities are stated and the adjustment methodology used for each type of security.
Not applicable
- (7)

The accounting policies of the reporting entity with respect to investments in subsidiaries, controlled and affiliated entities.
Not applicable
- (8)

The accounting policies of the reporting entity with respect to investments in joint ventures, partnerships and limited liability entities.
Not applicable
- (9)

A description of the accounting policy for derivatives.
Not applicable
- (10)

Whether or not the reporting entity utilizes anticipated investment income as a factor in the premium deficiency calculation.
The Company considers anticipated net investment income as a factor in determining the premium deficiency reserve amount.
- (11)

A summary of management’s policies and methodologies for estimating the liabilities for losses and loss/claim adjustment expenses for accident and health contracts.
Under statutory accounting, life contract liabilities are based on statutory mortality tables and interest rates rather than on the basis of mortality, interest, and withdrawal assumptions anticipated by the Company as would be required under GAAP.
- (12)

If the capitalization policy and the resultant predefined thresholds changed from the prior period, the reason for the change.
Not applicable
- (13)

The method used to estimate pharmaceutical rebate receivables.
The Company accounts for pharmaceutical rebate receivables in accordance with SSAP No. 84.
- D.

Going Concern
Not applicable

Note 2 – Accounting Changes and Corrections of Errors
Not applicable

Note 3 – Business Combinations and Goodwill

- A.

Statutory Purchase Method
Not applicable
- B.

Statutory Merger
Not applicable
- C.

Assumption Reinsurance
Not applicable
- D.

Impairment Loss
Not applicable

Note 4 – Discontinued Operations

- A.

Discontinued Operation Disposed of or Classified as Held for Sale
Not applicable
- B.

Change in Plan of Sale of Discontinued Operation
Not applicable
- C.

Nature of any Significant Continuing Involvement with Discontinued Operations After Disposal
Not applicable
- D.

Equity Interest Retained in the Discontinued Operation After Disposal
Not applicable

Note 5 – Investments

- A.

Mortgage Loans, including Mezzanine Real Estate Loans
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
Not applicable
- F.

Real Estate
Not applicable
- G.

Investments in Low-Income Housing Tax Credits (LIHTC)
Not applicable
- H.

Restricted Assets
Certain state insurance laws require the Company to maintain deposits with the respective state insurance departments in connection with licensing requirements. The carrying amounts of these deposits at December 31, 2016 and 2015 were \$2,112,246 and \$2,146,000, respectively.

NOTES TO FINANCIAL STATEMENTS

(1) Restricted Assets (Including Pledged)

Restricted Asset Category	Gross (Admitted & Nonadmitted) Restricted							Current Year			
	Current Year									Percentage	
	1	2	3	4	5	6	7	8	9	10	11
	Total General Account (G/A)	G/A Supporting S/A Activity (a)	Total Separate Account (S/A) Restricted Assets	S/A Assets Supporting G/A Activity (b)	Total (1 plus 3)	Total From Prior Year	Increase/ (Decrease) (5 minus 6)	Total Nonadmitted Restricted	Total Admitted Restricted (5 minus 8)	Gross (Admitted & Nonadmitted) Restricted to Total Assets (c)	Admitted Restricted to Total Admitted Assets (d)
a. Subject to contractual obligation for which liability is not shown	-	-	-	-	-	-	-	-	-	-	-
b. Collateral held under security lending arrangements	-	-	-	-	-	-	-	-	-	-	-
c. Subject to repurchase agreements	-	-	-	-	-	-	-	-	-	-	-
d. Subject to reverse repurchase agreements	-	-	-	-	-	-	-	-	-	-	-
e. Subject to dollar repurchase agreements	-	-	-	-	-	-	-	-	-	-	-
f. Subject to dollar reverse repurchase agreements	-	-	-	-	-	-	-	-	-	-	-
g. Placed under option contracts	-	-	-	-	-	-	-	-	-	-	-
h. Letter stock or securities restricted as to sale – excluding FHLB capital stock	-	-	-	-	-	-	-	-	-	-	-
i. FHLB capital stock	-	-	-	-	-	-	-	-	-	-	-
j. On deposit with states	2,112,246	-	-	-	2,112,246	2,145,943	(33,697)	-	2,112,246	5.042	5.050
k. On deposit with other regulatory bodies	-	-	-	-	-	-	-	-	-	-	-
l. Pledged as collateral to FHLB (including assets backing funding agreements)	-	-	-	-	-	-	-	-	-	-	-
m. Pledged as collateral not captured in other categories	-	-	-	-	-	-	-	-	-	-	-
n. Other restricted assets	-	-	-	-	-	-	-	-	-	-	-
o. Total Restricted Assets	\$ 2,112,246	\$ -	\$ -	\$ -	\$ 2,112,246	\$ 2,145,943	\$ (33,697)	-	\$ 2,112,246	5.042	5.050

- (a) Subset of column 1
- (b) Subset of column 3
- (c) Column 5 divided by Asset Page, Column 1, Line 28
- (d) Column 9 divided by Asset Page, Column 3, Line 28

(2) Detail of Assets Pledged as Collateral Not Captured in Other Categories (Contracts that Share Similar Characteristics, Such as Reinsurance and Derivatives, are Reported in the Aggregate)
Not applicable

(3) Detail of Other Restricted Assets (Contracts that Share Similar Characteristics, such as Reinsurance and Derivatives, are Reported in the Aggregate)
Not applicable

(4) Collateral Received and Reflected as Assets Within the Reporting Entity's Financial Statements
Not applicable

I. Working Capital Finance Investments
Not applicable

J. Offsetting and Netting of Assets and Liabilities
Not applicable

K. Structured Notes
Not applicable

L. 5* Securities
Not applicable

Note 6 – Joint Ventures, Partnerships and Limited Liability Companies
Not applicable

Note 7 – Investment Income
Not applicable

Note 8 – Derivative Instruments
Not applicable

NOTES TO FINANCIAL STATEMENTS

Note 9 – Income Taxes

The Company is taxed as a stock property and casualty insurance company and met the requirements to file a consolidated federal income tax return with Medical Mutual of Ohio, a mutual casualty insurance organization, (MMO or Parent) and other affiliates in 2016 and 2015. The Company is party to a written tax sharing agreement with its Parent and other affiliates. According to the agreement each member pays taxes or receives credits (from the Parent) as if the member had filed a separate tax return. The payment is finalized for the tax year after the return is filed and/or after an IRS audit is completed. A member generating a taxable loss, or whose net operating losses (NOLs) are utilized in the current year, is compensated for such loss in the year absorbed by the consolidated group.

Deferred income tax assets (DTAs) and liabilities (DTLs) represent the expected future tax consequences of temporary items with differences generated by statutory accounting as defined in SSAP No. 101. DTAs and DTLs are computed by means of identifying temporary differences which are measured using a balance sheet approach whereby statutory and tax basis statutory statements of admitted assets, liabilities and capital and surplus are compared.

Current federal income tax payables to the Parent include all current income taxes, including interest, expected to be paid in a subsequent accounting period. Any tax related to the tax sharing agreement is included in the current federal income tax payable balance until the tax return is filed and amounts are then settled with the Parent.

The Company had payable balances of \$1,480,000 and \$66,000 for federal income taxes (excluding uncertain tax positions) at December 31, 2016 and 2015, respectively.

The Company can recover \$1,480,000 and \$66,000 of income taxes incurred relating to 2016 and 2015, respectively, if the Company has losses in future years.

The Company is subject to federal income tax examinations by tax authorities for the years 2013 through 2016.

A. Deferred Tax Assets/(Liabilities)

1. Components of Net Deferred Tax Asset/(Liability)

	2016			2015			Change		
	1 Ordinary	2 Capital	3 (Col 1+2) Total	4 Ordinary	5 Capital	6 (Col 4+5) Total	7 (Col 1-4) Ordinary	8 (Col 2-5) Capital	9 (Col 7+8) Total
a. Gross deferred tax assets	\$ 4,272,862	\$ -	\$ 4,272,862	\$ 3,673,664	\$ -	\$ 3,673,664	\$ 599,198	\$ -	\$ 599,198
b. Statutory valuation allowance adjustment	2,806,012	-	2,806,012	3,197,965	-	3,197,965	(391,953)	-	(391,953)
c. Adjusted gross deferred tax assets (1a-1b)	1,466,850	-	1,466,850	475,699	-	475,699	991,151	-	991,151
d. Deferred tax assets nonadmitted	-	-	-	-	-	-	-	-	-
e. Subtotal net admitted deferred tax asset (1c-1d)	1,466,850	-	1,466,850	475,699	-	475,699	991,151	-	991,151
f. Deferred tax liabilities	102	-	102	17,000	-	17,000	(16,898)	-	(16,898)
g. Net admitted deferred tax assets/(net deferred tax liability) (1e-1f)	\$ 1,466,748	\$ -	\$ 1,466,748	\$ 458,699	\$ -	\$ 458,699	\$ 1,008,049	\$ -	\$ 1,008,049

NOTES TO FINANCIAL STATEMENTS

2. Admission Calculation Components

	2016			2015			Change		
	1 Ordinary	2 Capital	3 (Col 1+2) Total	4 Ordinary	5 Capital	6 (Col 4+5) Total	7 (Col 1-4) Ordinary	8 (Col 2-5) Capital	9 (Col 7+8) Total
a. Federal income taxes paid in prior years recoverable through loss carrybacks	\$ 1,466,748	\$ -	\$ 1,466,748	\$ 458,698	\$ -	\$ 458,698	\$ 1,008,050	\$ -	\$ 1,008,050
b. Adjusted gross deferred tax assets expected to be realized (excluding the amount of deferred tax assets from 2(a) above) after application of the threshold limitation. (The lesser of 2(b)1 and 2(b)2 below:	-	-		-	-	-	-	-	-
Adjusted gross deferred tax assets expected to be realized following the balance sheet date	-	-		-	-	-	-	-	-
Adjusted gross deferred tax assets allowed per limitation threshold	-	-		-	-	-	-	-	-
c. Adjusted gross deferred tax assets (excluding the amount of deferred tax assets from 2(a) and 2(b) above) offset by gross deferred tax liabilities	102	-	102	17,001	-	17,001	(16,899)	-	(16,899)
d. Deferred tax assets admitted as the result of application of SSAP 101.									
Total 2(a)+2(b)+2(c)	\$ 1,466,850	\$ -	\$ 1,466,850	\$ 475,699	\$ -	\$ 475,699	\$ 991,151	\$ -	\$ 991,151

3. Other Admissibility Criteria

		2016	2015
a.	Ratio percentage used to determine recovery period and threshold limitation amount	605.7%	634.2%
b.	Amount of adjusted capital and surplus used to determine recovery period and threshold limitation in 2(b)2 above	\$ 21,871,445	\$ 21,185,668

4. Impact of Tax Planning Strategies

(a) Determination of adjusted gross deferred tax assets and net admitted deferred tax assets, by tax character as a percentage.

	12/31/2016		12/31/2015		Change	
	1 Ordinary	2 Capital	3 Ordinary	4 Capital	5 (Col. 1-3) Ordinary	6 (Col. 2-4) Capital
1. Adjusted gross DTAs amount from Note 9A1(c)	\$ 1,466,850	\$ -	\$ 475,699	\$ -	\$ 991,151	\$ -
2. Percentage of adjusted gross DTAs by tax character attributable to the impact of tax planning strategies	0 %	0 %	0 %	0 %	0 %	0 %
3. Net Admitted Adjusted Gross DTAs amount from Note 9A1(e)	\$ 1,466,850	\$ -	\$ 475,699	\$ -	\$ 991,151	\$ -
4. Percentage of net admitted adjusted gross DTAs by tax character admitted because of the impact of tax planning strategies	0 %	0 %	0 %	0 %	0 %	0 %

(b) Does the company's tax planning strategies include the use of reinsurance? NO

B. Deferred Tax Liabilities Not Recognized
There were no temporary differences for deferred tax liabilities that are not recognized at December 31, 2016 and 2015.

NOTES TO FINANCIAL STATEMENTS

C. Current and Deferred Income Taxes

1. Current Income Tax

	1	2	3
	2016	2015	(Col 1-2) Change
a. Federal	\$ 1,484,351	\$ 68,660	\$ 1,415,691
b. Foreign	-	-	-
c. Subtotal	\$ 1,484,351	\$ 68,660	\$ 1,415,691
d. Federal income tax on net capital gains	-	-	-
e. Utilization of capital loss carry-forwards	-	-	-
f. Other	(63,795)	122,220	(186,015)
g. Federal and Foreign income taxes incurred	\$ 1,420,556	\$ 190,880	\$ 1,229,676

2. Deferred Tax Assets

	1	2	3
	2016	2015	(Col 1-2) Change
a. Ordinary:			
1. Discounting of unpaid losses	\$ -	\$ -	\$ -
2. Unearned premium reserve	54,687	17,527	37,160
3. Policyholder reserves	380,636	3,020	377,616
4. Investments	-	-	-
5. Deferred acquisition costs	-	-	-
6. Policyholder dividends accrual	-	-	-
7. Fixed assets	-	-	-
8. Compensation and benefits accrual	-	-	-
9. Pension accrual	-	-	-
10. Receivables - nonadmitted	-	-	-
11. Net operating loss carry-forward	871,299	898,911	(27,612)
12. Tax credit carry-forward	-	-	-
13. Other (including items <5% of total ordinary tax assets)	2,966,240	2,754,206	212,034
99. Subtotal	\$ 4,272,862	\$ 3,673,664	\$ 599,198
b. Statutory valuation allowance adjustment	2,806,012	3,197,965	(391,953)
c. Nonadmitted	-	-	-
d. Admitted ordinary deferred tax assets (2a99-2b-2c)	\$ 1,466,850	\$ 475,699	\$ 991,151
e. Capital:			
1. Investments	\$ -	\$ -	\$ -
2. Net capital loss carry-forward	-	-	-
3. Real estate	-	-	-
4. Other (including items <5% of total capital tax assets)	-	-	-
99. Subtotal	\$ -	\$ -	\$ -
f. Statutory valuation allowance adjustment	-	-	-
g. Nonadmitted	-	-	-
h. Admitted capital deferred tax assets (2e99-2f-2g)	-	-	-
i. Admitted deferred tax assets (2d+2h)	\$ 1,466,850	\$ 475,699	\$ 991,151

3. Deferred Tax Liabilities

	1	2	3
	2016	2015	(Col 1-2) Change
a. Ordinary:			
1. Investments	\$ -	\$ -	\$ -
2. Fixed assets	-	17,000	(17,000)
3. Deferred and uncollected premium	-	-	-
4. Policyholder reserves	-	-	-
5. Other (including items <5% of total ordinary tax liabilities)	102	-	102
99. Subtotal	\$ 102	\$ 17,000	\$ (16,898)
b. Capital:			
1. Investments	\$ -	\$ -	\$ -
2. Real estate	-	-	-
3. Other (including items <5% of total capital tax liabilities)	-	-	-
99. Subtotal	-	-	-
c. Deferred tax liabilities (3a99+3b99)	\$ 102	\$ 17,000	\$ (16,898)

4. Net Deferred Tax Assets (2i – 3c)	\$ 1,466,748	\$ 458,699	\$ 1,008,049
--------------------------------------	--------------	------------	--------------

NOTES TO FINANCIAL STATEMENTS

D. Reconciliation of Federal Income Tax Rate to Actual Effective Rate
Among the more significant book to tax adjustments were the following:

Description	December 31, 2016			December 31, 2015		
	Amount	Tax Effect	Tax Rate	Amount	Tax Effect	Effective Tax Rate
Income before taxes	\$ 2,068,000	\$ 724,000	35.0 %	\$ 1,540,000	\$ 539,000	35.0 %
Permanent items	56,000	20,000	1.0	(36,000)	(13,000)	(0.8)
Change in valuation allowance	(1,120,000)	(392,000)	(19.0)	(2,483,000)	(869,000)	(56.4)
DTA adjustments	4,000	1,000	0.1	127,000	45,000	2.9
Change in other reserves	21,000	7,000	0.3	5,000	2,000	0.1
Change in nonadmitted assets	39,000	14,000	0.7	83,000	29,000	1.9
Other	112,000	39,000	1.9	(2,000)	(1,000)	(0.1)
	<u>\$ 1,180,000</u>	<u>\$ 413,000</u>	<u>20.0 %</u>	<u>\$ (766,000)</u>	<u>\$ (268,000)</u>	<u>(17.4) %</u>
Federal income taxes incurred		\$ 1,421,000	68.7 %		\$ 191,000	12.4 %
Change in net deferred income taxes		(1,008,000)	(48.7)		(459,000)	(29.8)
Total statutory income taxes		<u>\$ 413,000</u>	<u>20.0 %</u>		<u>\$ (268,000)</u>	<u>(17.4)%</u>

E. Operating Loss and Tax Credit Carryforwards and Protective Tax Deposits
At December 31, 2016, the Company had net operating loss carryforwards of approximately \$2,489,000 expiring through 2022, all of which are limited by Internal Revenue Code (IRC) Section 382. The Company holds no alternative minimum tax (AMT) credit carryforwards at December 31, 2016. The Company has no capital loss carryforwards to utilize in future years at December 31, 2016.

The following is income tax expense for 2016 and 2015 that is available for recoupment in the event of future net losses:

Year	Amount
2016	\$ 1,480,000
2015	\$ 66,000

The Company did not have any protective tax deposits under Section 6603 of the Internal Revenue Code.

F. Consolidated Federal Income Tax Return
Not applicable

G. Federal or Foreign Federal Income Tax Loss Contingencies
Not applicable

Note 10 – Information Concerning Parent, Subsidiaries, Affiliates and Other Related Parties

A – L The Company is a stock life insurance company which is wholly-owned by MMO.

MMO provides administrative services, including billing, claims adjudication, accounting, marketing, provider relations, and management information systems to the Company in connection with an administrative services agreement. In 2016 and 2015, charges to the Company for these services totaled \$953,000 and \$829,000, respectively. These charges could vary if the administrative services were provided by an unaffiliated vendor. Amounts receivable and payable between the Company and MMO are settled within three months.

During 2016 and 2015, the Company provided life, accidental death and dismemberment, and long term disability coverage to employees of MMO and its subsidiaries, and recognized net earned premium of \$1,471,000 and \$1,406,000 for 2016 and 2015, respectively, related to such coverage.

M. All SCA Investments
Not applicable

N. Investment in Insurance SCAs
Not applicable

Note 11 – Debt
Not applicable

Note 12 – Retirement Plans, Deferred Compensation, Postemployment Benefits and Compensated Absences and Other Postretirement Benefit Plans
Not applicable

Note 13 – Capital and Surplus, Dividend Restrictions and Quasi-Reorganizations

(1) The Company has 50,000 shares of common stock authorized; 16,000 shares issued and outstanding. All shares have a par value of \$100.

(2) The Company has no preferred stock authorized or outstanding.

(3) The payment of dividends by the Company to MMO is limited and can only be made from earned profits unless prior approval is received from the Ohio Insurance Commissioner. The maximum amount of dividends that may be paid without prior approval of the Ohio Insurance Commissioner is also subject to restrictions relating to statutory capital and surplus and net income. There were no dividends paid by the Company in 2016 or 2015.

(4) Dates dividends were paid out. Not applicable.

(5) Within the limitations of (3) above, there are no restrictions placed on the portion of the Company profits that may be paid as ordinary dividends to stockholders.

NOTES TO FINANCIAL STATEMENTS

- (6) There were no restrictions placed on the Company’s surplus, including for whom the surplus is being held.
- (7) There were no advances to surplus not repaid.
- (8) - (13) Not applicable

Note 14 – Liabilities, Contingencies and Assessments

- A. Contingent Commitments
Not applicable
- B. Assessments
Not applicable
- C. Gain Contingencies
Not applicable
- D. Claims Related Extra Contractual Obligation and Bad Faith Losses Stemming from Lawsuits
Not applicable
- E. Joint and Several Liabilities
Not applicable
- F. All Other Contingencies
Various lawsuits against the Company have arisen in the ordinary course of business. While the outcome of these matters cannot be predicted with certainty at this time, management believes they will not have a material adverse effect on the Company’s financial position or results of operations.

The Company is subject to regulations that may result in assessments under state insurance guaranty association laws. The Company is aware that Penn Treaty Network America Insurance Company and its subsidiary American Network Insurance Company (Penn Treaty) has been placed in rehabilitation, an intermediate action before insolvency. Penn Treaty remains in rehabilitation at this time. If rehabilitation is not successful and Penn Treaty is placed in liquidation, the Company expects to be required to pay a portion of the policyholder claims through state guaranty association assessments in future periods and estimates that the amount ranges between \$250,000 and \$750,000. No amounts have been accrued at December 31, 2016.

Note 15 – Leases
Not applicable

Note 16 – Information About Financial Instruments with Off-Balance Sheet Risk and Financial Instruments with Concentrations of Credit Risk
Not applicable

Note 17 – Sale, Transfer and Servicing of Financial Assets and Extinguishments of Liabilities
Not applicable

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

- A. ASO Plans

The gain from operations from Administrative Services Only (ASO) uninsured plans and the uninsured portion of partially insured plans was as follows during 2016:

		ASO Uninsured Plans	Uninsured Portion of Partially Insured Plans	Total ASO
a.	Net reimbursement for administrative expenses (including administrative fees) in excess of actual expenses	\$ 86,863	\$ -	\$ 86,863
b.	Total net other income or expenses (including interest paid to or receive from plans)	-	-	-
c.	Net gain or (loss) from operations	86,863	-	86,863
d.	Total claim payment volume	\$ 26,941	\$ -	\$ 26,941
- B. ASC Plans
Not applicable
- C. Medicare or Other Similarly Structured Cost Based Reimbursement Contract
Not applicable

Note 19 – Direct Premium Written/Produced by Managing General Agents/Third Party Administrators
Not applicable

Note 20 – Fair Value Measurements

- A. The Company has no assets or liabilities that are reported at fair value as of December 31, 2016.
- B. Not applicable
- C. Aggregate Fair Value of Financial Instruments

Type of Financial Instrument	Aggregate Fair Value	Admitted Assets	(Level 1)	(Level 2)	(Level 3)	Not Practicable (Carrying Value)
Bonds	\$ 22,017,435	\$ 22,277,908	\$ -	\$ 22,017,435	\$ -	\$ -

- D. Not Practicable to Estimate Fair Value
Not applicable

Note 21 – Other Items

- A. Unusual or Infrequent Items
Not applicable

NOTES TO FINANCIAL STATEMENTS

- B.

Troubled Debt Restructuring: Debtors
Not applicable
- C.

Other Disclosures
The Company is subject to certain Risk-Based Capital (RBC) requirements specified by the NAIC and required by the ODI. Under those requirements, the amount of capital and surplus maintained by the Company is determined based on various risk factors. At December 31, 2016 and 2015, the Company met the minimum RBC requirements.
- 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.

Insurance-Linked Securities (ILS) Contracts
Not applicable

Note 22 – Events Subsequent

The Company has evaluated subsequent events from the end of the most recent fiscal year through February 27, 2017, the date the statutory-basis financial statements were available to be issued, noting no reportable events.

A.

Did the reporting entity write accident and health insurance premium that is subject to Section 9010 of the Federal Affordable Care Act (YES/NO)?

Yes [X]

No []

B.	ACA fee assessment payable for the upcoming year	\$ -	\$ -
C.	ACA fee assessment paid	87,708	-
D.	Premium written subject to ACA 9010 assessment	-	-
E.	Total adjusted capital before surplus adjustment (Five-Year Historical Line 30)	23,338,193	
F.	Total adjusted capital (Five-Year Historical Line 30 minus 22B above)	23,338,193	
G.	Authorized control level (Five-Year Historical Line 31)	\$ 3,611,034	
H.	Would reporting the ACA assessment as of December 31, 2016 have triggered an RBC action level (YES/NO)?	Yes [] No [X]	

Note 23 – Reinsurance

- A.

Ceded Reinsurance Report
Certain premiums and benefits are ceded to other insurance companies under various reinsurance agreements. The ceded reinsurance agreements provide the Company with increased capacity to write larger risks and maintain its exposure to loss within its capital resources. The Company remains obligated for amounts ceded in the event that the reinsurers do not meet their obligations.

For the majority of groups, the Company cedes claims incurred on accidental death and dismemberment coverages and life claims in excess of \$200,000 on any individual life. In addition, the Company cedes all of the risk for long-term disability coverage.

The effects of reinsurance on earned life premiums are as follows:

	Year Ended December 31	
	2016	2015
Direct life insurance premiums	\$ 24,445,000	\$ 25,180,000
Ceded life insurance premiums	2,021,000	2,037,000
Net life insurance premiums	\$ 22,424,000	\$ 23,143,000

The effects of reinsurance on earned accident and health premiums are as follows:

	Year Ended December 31	
	2016	2015
Direct accident and health insurance premiums	\$ 11,300,000	\$ 8,240,000
Ceded accident and health insurance premiums	2,306,000	2,406,000
Ceded ACA Transitional Reinsurance (see Note 24)	29,000	-
Net accident and health insurance premiums	\$ 8,965,000	\$ 5,834,000

Differences between written and earned premiums subject to reinsurance are not significant.

The Company’s ceded reinsurance arrangements reduced certain other items in the accompanying statutory financial statements by the following amounts:

	Year Ended December 31	
	2016	2015
Benefit expenses	\$ 3,955,000	\$ 4,427,000
Aggregate reserves and contract claim reserves	10,337,000	10,167,000

Section1 – 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?

No

NOTES TO FINANCIAL STATEMENTS

- (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? No

Section 2 – Ceded Reinsurance Report – Part A

- (1) Does the company have any reinsurance agreements in effect under which the reinsurer may unilaterally cancel any reinsurance for reasons other than for nonpayment of premium or other similar credits? No
- 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. \$ 0
- 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? \$ 0
- (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 the reinsured policies? No

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 that are reflected in Section 2 above) of termination of ALL reinsurance agreements, by either party, as of the date of this statement? Where necessary, the company may consider the current or anticipated experience of the business reinsured in making this estimate. \$ 0
- (2) Have any new agreements been executed or existing agreements amended, since January 1 of the year 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? No
- If yes, what is the amount of reinsurance credits, whether an asset or a reduction of liability, taken for such new agreements or amendments? \$ 0

- B. Uncollectible Reinsurance
Not applicable
- C. Commutation of Ceded Reinsurance
Not applicable
- D. Certified Reinsurer Rating Downgraded or Status Subject to Revocation
Not applicable
- E. Not applicable
- F. Not applicable
- G. Ceding Entities That Utilize Captive Reinsurers to Assume Reserves Subject to the XXX/AXXX Captive Framework
Not applicable

Note 24 – Retrospectively Rated Contracts and Contracts Subject to Redetermination

- A. Not applicable
- B. Not applicable
- C. Not applicable
- D. Medical Loss Ratio Rebates Required Pursuant to the Public Health Service Act.
At December 31, 2016, no liability was recognized on the accompanying statutory statements of admitted assets, liabilities and capital and surplus as the calculated amounts exceeded the applicable thresholds. At December 31, 2015 there were no policies subject to the Federal Medical Loss Ratio requirement.

		1	2	3	4	5
		Individual	Small Group Employer	Large Group Employer	Other Categories with Rebates	Total
Prior Reporting Year						
(1)	Medical loss ratio rebates incurred	\$ -	\$ -	\$ -	\$ -	\$ -
(2)	Medical loss ratio rebates paid	-	-	-	-	-
(3)	Medical loss ratio rebates unpaid	-	-	-	-	-
(4)	Plus reinsurance assumed amounts	XXX	XXX	XXX	XXX	
(5)	Less reinsurance ceded amounts	XXX	XXX	XXX	XXX	
(6)	Rebates unpaid net of reinsurance	XXX	XXX	XXX	XXX	
Current Reporting Year-to-Date						
(7)	Medical loss ratio rebates incurred	\$ -	\$ -	\$ -	\$ -	\$ -
(8)	Medical loss ratio rebates paid	-	-	-	-	-
(9)	Medical loss ratio rebates unpaid	-	-	-	-	-
(10)	Plus reinsurance assumed amounts	XXX	XXX	XXX	XXX	-
(11)	Less reinsurance ceded amounts	XXX	XXX	XXX	XXX	-
(12)	Rebates unpaid net of reinsurance	XXX	XXX	XXX	XXX	-

- E. Risk Sharing Provisions of the Affordable Care Act
- (1) Did the reporting entity write accident and health insurance premium which is subject to the Affordable Care Act risk sharing provisions
- Yes [X] No []

For the year ended December 31, 2016, the Company wrote accident and health insurance premiums subject to Affordable Care Act risk sharing provisions. The Company did not write accident and health insurance premiums subject to Affordable Care Act risk sharing provisions in 2015.

NOTES TO FINANCIAL STATEMENTS

(2) Impact of Risk Sharing Provisions of the Affordable Care Act on admitted assets, liabilities and revenue for the current year:

a.	Permanent ACA Risk Adjustment Program	AMOUNT
	Assets	
1.	Premium adjustments receivable due to ACA Risk Adjustment	\$ -
	Liabilities	
2.	Risk adjustment user fees payable for ACA Risk Adjustment	2,360
3.	Premium adjustments payable due to ACA Risk Adjustment	2,014,000
	Operations (Revenue & Expenses)	
4.	Reported as revenue in premium for accident and health contracts (written/collected) due to ACA Risk Adjustment	(2,014,000)
5.	Reported in expenses as ACA Risk Adjustment user fees (incurred/paid)	\$ 2,360
b.	Transitional ACA Reinsurance Program	
	Assets	
1.	Amounts recoverable for claims paid due to ACA Reinsurance	\$ 7,875
2.	Amounts recoverable for claims unpaid due to ACA Reinsurance (contra liability)	970
3.	Amounts receivable relating to uninsured plans for contributions for ACA Reinsurance	-
	Liabilities	
4.	Liabilities for contributions payable due to ACA Reinsurance – not reported as ceded premium	7,258
5.	Ceded reinsurance premiums payable due to ACA Reinsurance	-
6.	Liabilities for amounts held under uninsured plans contributions for ACA Reinsurance	\$ -
	Operations (Revenue & Expenses)	
7.	Ceded reinsurance premiums due to ACA Reinsurance	\$ 29,038
8.	Reinsurance recoveries (income statement) due to ACA Reinsurance payments or expected payments	8,845
9.	ACA Reinsurance contributions – not reported as ceded premium	\$ 7,250
c.	Temporary ACA Risk Corridors Program	
	Assets	
1.	Accrued retrospective premium due to ACA Risk Corridors	\$ -
	Liabilities	
2.	Reserve for rate credits or policy experience rating refunds due to ACA Risk Corridors	-
	Operations (Revenue & Expenses)	
3.	Effect of ACA Risk Corridors on net premium income (paid/received)	-
4.	Effect of ACA Risk Corridors on change in reserves for rate credits	\$ -

(3) Not applicable

(4) Not applicable

(5) ACA Risk Corridors Receivable as of Reporting Date

Risk Corridors Program Year	1 Estimated Amount to be Filed or Final Amount Filed with CMS	2 Non-Accrued Amounts for Impairment or Other Reasons	3 Amounts Received from CMS	4 Asset Balance (Gross of Non-Admissions) (1-2-3)	5 Non-Admitted Amount	5 Net Admitted Asset (4–5)
a. 2014	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
b. 2015	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
c. 2016	\$ 31,734	\$ 31,734	\$ -	\$ -	\$ -	\$ -
d. Total (a+b+c)	\$ 31,734	\$ 31,734	\$ -	\$ -	\$ -	\$ -

Note 25 – Change in Incurred Losses and Loss Adjustment Expenses

A 1,377,000 redundancy in the December 31, 2015, reserves emerged in 2016 and a \$1,103,000 redundancy in the December 31, 2014, reserves emerged in 2015. The deviations in the year end reserves that emerged in 2016 and 2015 were due in part to the ultimate reserves developing differently as a result of lower claims than estimated.

Note 26 – Intercompany Pooling Arrangements

Not applicable

Note 27 – Structured Settlements

Not applicable

NOTES TO FINANCIAL STATEMENTS

Note 28 – Health Care Receivables

A. Pharmaceutical Rebate Receivables
The admitted receivable balance of \$57,000 was included in other receivables on the statutory statement of admitted assets, liabilities and capital and surplus at December 31, 2016. This amount was comprised of the estimated pharmacy rebates for the current quarter as reported in the statutory financial statements plus the pharmacy rebates invoiced/confirmed for the preceding quarter. There were no health contracts eligible for pharmaceutical rebates in 2015; therefore, there were no receivable balances as of December 31, 2015. Additional details of 2016 and 2014 are included in the table below:

Quarter	Estimated Pharmacy Rebates as Reported on Financial Statements	Pharmacy Rebates as Invoiced/ Confirmed	Actual Rebates		
			Collected Within 90 Days of Invoicing/ Confirmation	Collected Within 91 to 180 Days of Invoicing/ Confirmation	Collected More than 180 Days After Invoicing/ Confirmation
December 31, 2016	\$ 30,000	\$ -	\$ -	\$ -	\$ -
September 30, 2016	28,000	27,000	-	-	-
June 30, 2016	34,000	35,000	35,000	-	-
March 31, 2016	24,000	26,000	26,000	-	-
December 31, 2015	\$ -	\$ -	\$ -	\$ -	\$ -
September 30, 2015	-	-	-	-	-
June 30, 2015	-	-	-	-	-
March 31, 2015	-	-	-	-	-
December 31, 2014	\$ 225,000	\$ 225,000	\$ -	\$ (266,000)	\$ -
September 30, 2014	160,000	210,000	9,000	189,000	12,000
June 30, 2014	150,000	150,000	2,000	148,000	-
March 31, 2014	180,000	180,000	-	180,000	-

B. Risk Sharing Receivables
Not applicable

Note 29 – Participating Policies
Not applicable

Note 30 – Premium Deficiency Reserves

1. Liability carried for premium deficiency reserve: \$1,074,000
2. Date of most recent evaluation of this liability: December 31, 2016
3. Was anticipated investment income utilized in the calculation? Yes [X] No []

Note 31 – Reserves for Life Contracts and Annuity Contracts

(1) Aggregate reserves include premium deficiency reserves. The Company considers anticipated net investment income as a factor in determining the premium deficiency reserve amount. Aggregate reserves also include future policy benefit reserves for disability policies which are required on claims involving continuing losses. The reserve is a measure of the present value of future benefits or amounts not yet due as of the statement date. Finally, aggregate reserves includes active life reserves for accident and health insurance policies active life reserves are based on the net level premium method, and estimates of future premium, claims, and lapses using the Company’s experience and actuarial judgment.

The liabilities for contract claims represent management’s best estimate of the ultimate net cost of all reported and unreported accident and health and life claims, less the estimated amount recoverable from claim overpayments and subrogation. The liabilities are actuarially estimated based on a review of historical claim payment patterns and claim trends. The estimates are subject to the effects of trends in claim severity and frequency, and a reasonable provision for adverse development has been incorporated in management’s best estimate. Although considerable variability is inherent in such estimates, management believes that the amounts reported are adequate. The estimates are continually reviewed and adjusted as necessary as experience develops or new information becomes known; such adjustments are included in current operations.

(2) – (6) Not applicable

Note 32 – Analysis of Annuity Actuarial Reserves and Deposit Liabilities by Withdrawal Characteristics
Not applicable

Note 33 – Premium and Annuity Considerations Deferred and Uncollected

A. Deferred and uncollected life insurance premiums and annuity considerations as of December 31, 2016 were:

		Gross	Net of Loading
(1)	Industrial	\$ -	\$ -
(2)	Ordinary new business	-	-
(3)	Ordinary renewal	20,607	17,351
(4)	Credit life	-	-
(5)	Group life	(2,519,991)	(2,121,832)
(6)	Group annuity	-	-
(7)	Totals	\$ (2,499,384)	\$ (2,104,481)

NOTES TO FINANCIAL STATEMENTS

Note 34 – Separate Accounts

- A.

Separate Account Activity
Not applicable
- B.

General Nature and Characteristics of Separate Accounts Business
Not applicable
- C.

Reconciliation of Net Transfers to or (from) Separate Accounts
Not applicable

Note 35 – Loss/Claim Adjustment Expenses

The following table provides a reconciliation of the beginning and ending balances for reserves for contract claims and claims adjustment expenses (CAE), net of recoveries and reinsurance. This table is also net of healthcare receivables of \$71,000 and \$0 for 2016 and 2015, respectively.

	Years Ended December 31	
	2016	2015
Reserves for contract claims and CAE at beginning of year, net of reinsurance recoverables	\$ 3,376,000	\$ 3,859,000
Add provision for benefits and CAE, net of reinsurance, occurring in:		
Current year	25,196,000	23,343,000
Prior years	(1,377,000)	(1,103,000)
Net benefit expenses and CAE during the current year	23,819,000	22,240,000
Deduct payments for benefits and CAE, net of reinsurance, occurring in:		
Current year	22,600,000	20,198,000
Prior years	1,516,000	2,525,000
Net benefits and CAE payments during the current year	24,116,000	22,723,000
Reserves for contract claims and CAE at end of year, net of reinsurance recoverables	\$ 3,079,000	\$ 3,376,000

At December 31, 2016 and 2015, health care receivables include \$14,000 and \$0, respectively, that are nonadmitted in accordance with SSAP No. 84, *Certain Health Care Receivables and Receivables Under Government Insured Plans* (SSP No. 84).

The reserves for contract claims and CAE at December 31, 2016 and 2015, has been reduced by \$38,000 and \$75,000, respectively, related to anticipated subrogation claims recoverable.