

Final adjustments posted as a result of audit procedures. Adjustment of MyCare business into Medicaid and Medicare columns of underwriting exhibits.



ANNUAL STATEMENT  
FOR THE YEAR ENDING DECEMBER 31, 2016  
OF THE CONDITION AND AFFAIRS OF THE

CareSource

NAIC Group Code

3683

(Current Period)

,

3683

(Prior Period)

NAIC Company Code

95201

Employer's ID Number

31-1143265

Organized under the Laws of

Ohio

State of Domicile or Port of Entry

Ohio

Country of Domicile

United States

Licensed as business type:

Life, Accident & Health [ ]

Property/Casualty [ ]

Hospital, Medical & Dental Service or Indemnity [ ]

Dental Service Corporation [ ]

Vision Service Corporation [ ]

Health Maintenance Organization [ X ]

Other [ ]

Is HMO, Federally Qualified? Yes [ ] No [ X ]

Incorporated/Organized

06/12/1985

Commenced Business

10/01/1988

Statutory Home Office

230 North Main Street

(Street and Number)

,

Dayton, OH, US 45402

(City or Town, State, Country and Zip Code)

Main Administrative Office

230 North Main Street

(Street and Number)

Dayton, OH, US 45402

(City or Town, State, Country and Zip Code)

937-531-3300

(Area Code) (Telephone Number)

Mail Address

PO Box 8738

(Street and Number or P.O. Box)

,

Dayton, OH, US 45401-8738

(City or Town, State, Country and Zip Code)

Primary Location of Books and Records

230 North Main Street

(Street and Number)

Dayton, OH, US 45402

(City or Town, State, Country and Zip Code)

937-531-2159

(Area Code) (Telephone Number) (Extension)

Internet Web Site Address

www.caresource.com

Statutory Statement Contact

Dawn Huff

(Name)

,

937-531-2957

(Area Code) (Telephone Number) (Extension)

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(E-Mail Address)

(Fax Number)

OFFICERS

Name	Title	Name	Title
Pamela B. Morris	President & Chief Executive Officer	L. Tarlton Thomas III	EVP, Operations and Chief Financial Officer
Stephen L. Ringel	President, Ohio Market	Craig S. Thiele M.D.	Chief Medical Officer

OTHER OFFICERS

DIRECTORS OR TRUSTEES

Pamela B. Morris	Michael E. Ervin M.D.	William F. Marsteller D.C.	Gary L. LeRoy M.D.
Craig Brown	Ellen S. Leffak	Douglas A. Fecher	David T. Miller
David Kaelber M.D.			

State of Ohio

County of Montgomery

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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.

Craig Thiele M.D.

Chief Medical Officer

L. Tarlton Thomas III

EVP, Operations and Chief Financial Officer

Stephen L. Ringel

President, Ohio Market

Subscribed and sworn to before me this

day of

a. Is this an original filing? Yes [ ] No [ X ]

b. If no:

1. State the amendment number 1

2. Date filed 04/18/2017

3. Number of pages attached 32

ASSETS

	Current Year			Prior Year
	1	2	3	4
	Assets	Nonadmitted Assets	Net Admitted Assets (Cols. 1 - 2)	Net Admitted Assets
1. Bonds (Schedule D).....	610,827,995		610,827,995	751,632,166
2. Stocks (Schedule D):				
2.1 Preferred stocks .....	0		0	0
2.2 Common stocks .....	139,185,426		139,185,426	107,596,205
3. Mortgage loans on real estate (Schedule B):				
3.1 First liens .....			0	0
3.2 Other than first liens .....			0	0
4. Real estate (Schedule A):				
4.1 Properties occupied by the company (less \$ ..... encumbrances).....			0	0
4.2 Properties held for the production of income (less \$ ..... encumbrances) .....			0	0
4.3 Properties held for sale (less \$ ..... encumbrances) .....			0	0
5. Cash (\$ .....461,528,646 , Schedule E-Part 1), cash equivalents (\$ .....25,833,525 , Schedule E-Part 2) and short-term investments (\$ .....22,946,511 , Schedule DA).....	510,308,682		510,308,682	609,875,903
6. Contract loans (including \$ ..... premium notes).....			0	0
7. Derivatives (Schedule DB).....	0		0	0
8. Other invested assets (Schedule BA) .....	0		0	0
9. Receivables for securities .....	0		0	0
10. Securities lending reinvested collateral assets (Schedule DL).....			0	0
11. Aggregate write-ins for invested assets .....	(767,863)	(767,863)	0	0
12. Subtotals, cash and invested assets (Lines 1 to 11) .....	1,259,554,240	(767,863)	1,260,322,103	1,469,104,274
13. Title plants less \$ ..... charged off (for Title insurers only).....			0	0
14. Investment income due and accrued .....	5,181,066		5,181,066	6,835,142
15. Premiums and considerations:				
15.1 Uncollected premiums and agents' balances in the course of collection .....	179,524,186	2,432,818	177,091,368	144,987,238
15.2 Deferred premiums, agents' balances and installments booked but deferred and not yet due (including \$ ..... earned but unbilled premiums).....			0	0
15.3 Accrued retrospective premiums (\$ ..... ) and contracts subject to redetermination (\$ .....3,574,848 ) .....	3,574,848		3,574,848	4,110,823
16. Reinsurance:				
16.1 Amounts recoverable from reinsurers .....	7,814,874		7,814,874	14,223,636
16.2 Funds held by or deposited with reinsured companies .....			0	0
16.3 Other amounts receivable under reinsurance contracts .....			0	0
17. Amounts receivable relating to uninsured plans .....	34,280,048		34,280,048	25,644,759
18.1 Current federal and foreign income tax recoverable and interest thereon .....	2,220,391		2,220,391	0
18.2 Net deferred tax asset.....			0	410,205
19. Guaranty funds receivable or on deposit .....			0	0
20. Electronic data processing equipment and software.....			0	0
21. Furniture and equipment, including health care delivery assets (\$ ..... ) .....			0	0
22. Net adjustment in assets and liabilities due to foreign exchange rates .....			0	0
23. Receivables from parent, subsidiaries and affiliates .....			0	0
24. Health care (\$ .....118,212,739 ) and other amounts receivable.....	142,386,901	24,174,162	118,212,739	96,696,645
25. Aggregate write-ins for other-than-invested assets .....	135,220	135,220	0	0
26. Total assets excluding Separate Accounts, Segregated Accounts and Protected Cell Accounts (Lines 12 to 25).....	1,634,671,774	25,974,336	1,608,697,438	1,762,012,722
27. From Separate Accounts, Segregated Accounts and Protected Cell Accounts.....			0	0
28. Total (Lines 26 and 27)	1,634,671,774	25,974,336	1,608,697,438	1,762,012,722
DETAILS OF WRITE-INS				
1101. Investment in CareSource Foundation.....	(767,863)	(767,863)	0	0
1102. ....			0	0
1103. ....			0	0
1198. Summary of remaining write-ins for Line 11 from overflow page .....	0	0	0	0
1199. Totals (Lines 1101 through 1103 plus 1198) (Line 11 above)	(767,863)	(767,863)	0	0
2501. Prepaid Assets.....	135,220	135,220	0	0
2502. ....			0	0
2503. ....			0	0
2598. Summary of remaining write-ins for Line 25 from overflow page .....	0	0	0	0
2599. Totals (Lines 2501 through 2503 plus 2598) (Line 25 above)	135,220	135,220	0	0

LIABILITIES, CAPITAL AND SURPLUS

	Current Year			Prior Year
	1 Covered	2 Uncovered	3 Total	4 Total
1. Claims unpaid (less \$ .....23,345,166 reinsurance ceded)	553,708,369		553,708,369	588,988,692
2. Accrued medical incentive pool and bonus amounts .....			0	638,500
3. Unpaid claims adjustment expenses .....	13,532,687		13,532,687	13,143,789
4. Aggregate health policy reserves, including the liability of \$ ..... for medical loss ratio rebate per the Public Health Service Act .....	32,803,520		32,803,520	22,331,630
5. Aggregate life policy reserves .....			0	0
6. Property/casualty unearned premium reserves .....			0	0
7. Aggregate health claim reserves .....			0	0
8. Premiums received in advance .....	100,670,331		100,670,331	37,397,711
9. General expenses due or accrued .....	145,361,070		145,361,070	140,922,091
10.1 Current federal and foreign income tax payable and interest thereon (including \$ ..... on realized capital gains (losses)) .....			0	1,124,292
10.2 Net deferred tax liability .....			0	0
11. Ceded reinsurance premiums payable .....			0	8,824
12. Amounts withheld or retained for the account of others .....			0	0
13. Remittances and items not allocated .....			0	0
14. Borrowed money (including \$ ..... current) and interest thereon \$ ..... (including \$ ..... current) .....			0	0
15. Amounts due to parent, subsidiaries and affiliates .....	18,051,449		18,051,449	27,178,671
16. Derivatives .....		0	0	0
17. Payable for securities .....	499,116		499,116	0
18. Payable for securities lending .....			0	0
19. Funds held under reinsurance treaties (with \$ ..... authorized reinsurers, \$ ..... unauthorized reinsurers and \$ ..... certified reinsurers) .....			0	0
20. Reinsurance in unauthorized and certified (\$ .....) companies .....			0	0
21. Net adjustments in assets and liabilities due to foreign exchange rates .....			0	0
22. Liability for amounts held under uninsured plans .....	3,134,975		3,134,975	1,075,488
23. Aggregate write-ins for other liabilities (including \$ ..... current) .....	0	0	0	0
24. Total liabilities (Lines 1 to 23) .....	867,761,517	0	867,761,517	832,809,688
25. Aggregate write-ins for special surplus funds .....	XXX	XXX	0	0
26. Common capital stock .....	XXX	XXX		0
27. Preferred capital stock .....	XXX	XXX		0
28. Gross paid in and contributed surplus .....	XXX	XXX	17,200,000	17,200,000
29. Surplus notes .....	XXX	XXX		0
30. Aggregate write-ins for other-than-special surplus funds .....	XXX	XXX	0	0
31. Unassigned funds (surplus) .....	XXX	XXX	723,735,921	912,003,036
32. Less treasury stock, at cost: 32.1 ..... shares common (value included in Line 26 \$ ..... ) .....	XXX	XXX		0
32.2 ..... shares preferred (value included in Line 27 \$ ..... ) .....	XXX	XXX		0
33. Total capital and surplus (Lines 25 to 31 minus Line 32) .....	XXX	XXX	740,935,921	929,203,036
34. Total liabilities, capital and surplus (Lines 24 and 33)	XXX	XXX	1,608,697,438	1,762,012,724
DETAILS OF WRITE-INS				
2301. ....			0	0
2302. ....			0	0
2303. ....			0	0
2398. Summary of remaining write-ins for Line 23 from overflow page .....	0	0	0	0
2399. Totals (Lines 2301 through 2303 plus 2398) (Line 23 above)	0	0	0	0
2501. ....	XXX	XXX		0
2502. ....	XXX	XXX		0
2503. ....	XXX	XXX		0
2598. Summary of remaining write-ins for Line 25 from overflow page .....	XXX	XXX	0	0
2599. Totals (Lines 2501 through 2503 plus 2598) (Line 25 above)	XXX	XXX	0	0
3001. Contributed Surplus (Land) .....	XXX	XXX		0
3002. ....	XXX	XXX		0
3003. ....	XXX	XXX		0
3098. Summary of remaining write-ins for Line 30 from overflow page .....	XXX	XXX	0	0
3099. Totals (Lines 3001 through 3003 plus 3098) (Line 30 above)	XXX	XXX	0	0

STATEMENT OF REVENUE AND EXPENSES

	Current Year		Prior Year
	1 Uncovered	2 Total	3 Total
1. Member Months.....	XXX	16,371,227	15,557,976
2. Net premium income (including \$ .....0 non-health premium income).....	XXX	6,988,681,694	6,707,503,283
3. Change in unearned premium reserves and reserve for rate credits .....	XXX	(274,573)	(4,631,630)
4. Fee-for-service (net of \$ ..... medical expenses) .....	XXX		0
5. Risk revenue .....	XXX		0
6. Aggregate write-ins for other health care related revenues .....	XXX	42,304,577	21,039,731
7. Aggregate write-ins for other non-health revenues .....	XXX	0	0
8. Total revenues (Lines 2 to 7) .....	XXX	7,030,711,698	6,723,911,384
Hospital and Medical:			
9. Hospital/medical benefits .....		4,415,981,939	4,067,486,515
10. Other professional services .....		34,017,785	27,486,412
11. Outside referrals .....			0
12. Emergency room and out-of-area .....		337,133,900	306,771,450
13. Prescription drugs .....		1,456,771,007	1,318,211,803
14. Aggregate write-ins for other hospital and medical .....	0	0	0
15. Incentive pool, withhold adjustments and bonus amounts.....		12,453,227	4,416,889
16. Subtotal (Lines 9 to 15) .....	0	6,256,357,858	5,724,373,069
Less:			
17. Net reinsurance recoveries .....		19,308,282	42,834,673
18. Total hospital and medical (Lines 16 minus 17) .....	0	6,237,049,576	5,681,538,396
19. Non-health claims (net).....			0
20. Claims adjustment expenses, including \$ .....117,285,139 cost containment expenses.....		135,863,383	105,978,482
21. General administrative expenses.....		870,020,180	767,831,741
22. Increase in reserves for life and accident and health contracts (including \$ ..... increase in reserves for life only).....		0	0
23. Total underwriting deductions (Lines 18 through 22) .....	0	7,242,933,139	6,555,348,619
24. Net underwriting gain or (loss) (Lines 8 minus 23) .....	XXX	(212,221,441)	168,562,765
25. Net investment income earned (Exhibit of Net Investment Income, Line 17).....		25,074,635	19,644,423
26. Net realized capital gains (losses) less capital gains tax of \$ .....275,148 .....		275,148	4,118,700
27. Net investment gains (losses) (Lines 25 plus 26) .....	0	25,349,783	23,763,123
28. Net gain or (loss) from agents' or premium balances charged off [(amount recovered \$ ..... ) (amount charged off \$ ..... )] .....		0	0
29. Aggregate write-ins for other income or expenses .....	0	0	0
30. Net income or (loss) after capital gains tax and before all other federal income taxes (Lines 24 plus 27 plus 28 plus 29).....	XXX	(186,871,659)	192,325,888
31. Federal and foreign income taxes incurred .....	XXX	(714,087)	714,087
32. Net income (loss) (Lines 30 minus 31) .....	XXX	(186,157,572)	191,611,801
DETAILS OF WRITE-INS			
0601. Pay for Performance Revenue (P4P).....	XXX	42,304,577	21,039,731
0602. ....	XXX		0
0603. ....	XXX		0
0698. Summary of remaining write-ins for Line 6 from overflow page .....	XXX	0	0
0699. Totals (Lines 0601 through 0603 plus 0698) (Line 6 above) .....	XXX	42,304,577	21,039,731
0701. ....	XXX		0
0702. ....	XXX		0
0703. ....	XXX		0
0798. Summary of remaining write-ins for Line 7 from overflow page .....	XXX	0	0
0799. Totals (Lines 0701 through 0703 plus 0798) (Line 7 above) .....	XXX	0	0
1401. ....			0
1402. ....			0
1403. ....			0
1498. Summary of remaining write-ins for Line 14 from overflow page .....	0	0	0
1499. Totals (Lines 1401 through 1403 plus 1498) (Line 14 above) .....	0	0	0
2901. ....			0
2902. ....			0
2903. ....			0
2998. Summary of remaining write-ins for Line 29 from overflow page .....	0	0	0
2999. Totals (Lines 2901 through 2903 plus 2998) (Line 29 above) .....	0	0	0

STATEMENT OF REVENUE AND EXPENSES (Continued)

	1 Current Year	2 Prior Year
CAPITAL & SURPLUS ACCOUNT		
33. Capital and surplus prior reporting year .....	929,203,035	743,533,386
34. Net income or (loss) from Line 32 .....	(186,157,572)	191,611,801
35. Change in valuation basis of aggregate policy and claim reserves .....		0
36. Change in net unrealized capital gains (losses) less capital gains tax of \$ .....	7,014,726	(5,409,042)
37. Change in net unrealized foreign exchange capital gain or (loss) .....		0
38. Change in net deferred income tax .....		0
39. Change in nonadmitted assets .....	(6,109,619)	1,898,771
40. Change in unauthorized and certified reinsurance .....	0	0
41. Change in treasury stock .....	0	0
42. Change in surplus notes .....	0	0
43. Cumulative effect of changes in accounting principles .....		0
44. Capital Changes:		
44.1 Paid in .....	0	0
44.2 Transferred from surplus (Stock Dividend) .....		0
44.3 Transferred to surplus .....		0
45. Surplus adjustments:		
45.1 Paid in .....	0	0
45.2 Transferred to capital (Stock Dividend) .....	0	0
45.3 Transferred from capital .....	(3,014,650)	(2,431,882)
46. Dividends to stockholders .....		0
47. Aggregate write-ins for gains or (losses) in surplus .....	0	0
48. Net change in capital and surplus (Lines 34 to 47) .....	(188,267,114)	185,669,649
49. Capital and surplus end of reporting year (Line 33 plus 48)	740,935,920	929,203,035
DETAILS OF WRITE-INS		
4701. ....		0
4702. ....		0
4703. ....		
4798. Summary of remaining write-ins for Line 47 from overflow page .....	0	0
4799. Totals (Lines 4701 through 4703 plus 4798) (Line 47 above)	0	0

CASH FLOW

Cash from Operations		1 Current Year	2 Prior Year
1. Premiums collected net of reinsurance		7,039,436,468	6,734,311,866
2. Net investment income		33,154,191	25,397,157
3. Miscellaneous income		40,493,753	(6,344,403)
4. Total (Lines 1 through 3)		7,113,084,412	6,753,364,620
5. Benefit and loss related payments		6,298,378,342	5,916,232,984
6. Net transfers to Separate Accounts, Segregated Accounts and Protected Cell Accounts			0
7. Commissions, expenses paid and aggregate write-ins for deductions		1,020,975,635	844,797,316
8. Dividends paid to policyholders			0
9. Federal and foreign income taxes paid (recovered) net of \$ tax on capital gains (losses)		2,220,391	0
10. Total (Lines 5 through 9)		7,321,574,368	6,761,030,300
11. Net cash from operations (Line 4 minus Line 10)		(208,489,956)	(7,665,680)
Cash from Investments			
12. Proceeds from investments sold, matured or repaid:			
12.1 Bonds		253,131,347	260,413,494
12.2 Stocks		62,785,666	35,642,439
12.3 Mortgage loans		0	0
12.4 Real estate		0	0
12.5 Other invested assets		0	0
12.6 Net gains or (losses) on cash, cash equivalents and short-term investments		(45,729)	(1,015)
12.7 Miscellaneous proceeds		499,116	0
12.8 Total investment proceeds (Lines 12.1 to 12.7)		316,370,400	296,054,918
13. Cost of investments acquired (long-term only):			
13.1 Bonds		119,570,589	426,410,598
13.2 Stocks		86,220,302	36,884,437
13.3 Mortgage loans		0	0
13.4 Real estate		0	0
13.5 Other invested assets		0	0
13.6 Miscellaneous applications		1,049	535,718
13.7 Total investments acquired (Lines 13.1 to 13.6)		205,791,940	463,830,752
14. Net increase (decrease) in contract loans and premium notes		0	0
15. Net cash from investments (Line 12.8 minus Line 13.7 minus Line 14)		110,578,460	(167,775,835)
Cash from Financing and Miscellaneous Sources			
16. Cash provided (applied):			
16.1 Surplus notes, capital notes		0	0
16.2 Capital and paid in surplus, less treasury stock		(2,000,000)	(2,000,000)
16.3 Borrowed funds		0	0
16.4 Net deposits on deposit-type contracts and other insurance liabilities			0
16.5 Dividends to stockholders		0	0
16.6 Other cash provided (applied)		244,275	639,792
17. Net cash from financing and miscellaneous sources (Lines 16.1 to 16.4 minus Line 16.5 plus Line 16.6)		(1,755,725)	(1,360,208)
RECONCILIATION OF CASH, CASH EQUIVALENTS AND SHORT-TERM INVESTMENTS			
18. Net change in cash, cash equivalents and short-term investments (Line 11, plus Lines 15 and 17)		(99,667,221)	(176,801,722)
19. Cash, cash equivalents and short-term investments:			
19.1 Beginning of year		609,875,905	786,677,628
19.2 End of year (Line 18 plus Line 19.1)		510,208,684	609,875,905

ANNUAL STATEMENT FOR THE YEAR 2016 OF THE CareSource

ANALYSIS OF OPERATIONS BY LINES OF BUSINESS

	1	2	3	4	5	6	7	8	9	10
	Total	Comprehensive (Hospital & Medical)	Medicare Supplement	Dental Only	Vision Only	Federal Employees Health Benefit Plan	Title XVIII Medicare	Title XIX Medicaid	Other Health	Other Non-Health
1. Net premium income .....	6,988,681,694	179,019,966	0	0	0	0	284,317,646	6,525,344,081	0	0
2. Change in unearned premium reserves and reserve for rate credit .....	(274,573)						(274,573)			
3. Fee-for-service (net of \$ ..... medical expenses) .....	0									XXX
4. Risk revenue.....	0									XXX
5. Aggregate write-ins for other health care related revenues.....	42,304,577	0	0	0	0	0	1,342,047	40,962,530	0	XXX
6. Aggregate write-ins for other non-health care related revenues .....	0	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	0
7. Total revenues (Lines 1 to 6).....	7,030,711,698	179,019,966	0	0	0	0	285,385,120	6,566,306,611	0	0
8. Hospital/medical benefits .....	4,415,981,939	141,364,251					243,600,748	4,031,016,941		XXX
9. Other professional services .....	34,017,785	129,404					1,071,216	32,817,165		XXX
10. Outside referrals .....	0									XXX
11. Emergency room and out-of-area .....	337,133,900	5,558,357					4,738,153	326,837,389		XXX
12. Prescription drugs .....	1,456,771,007	54,288,159					20,405,359	1,382,077,490		XXX
13. Aggregate write-ins for other hospital and medical.....	0	0	0	0	0	0	0	0	0	XXX
14. Incentive pool, withhold adjustments and bonus amounts.....	12,453,227	1,055					3,467	12,448,705		XXX
15. Subtotal (Lines 8 to 14) .....	6,256,357,858	201,341,226	0	0	0	0	269,818,943	5,785,197,689	0	XXX
16. Net reinsurance recoveries .....	19,308,282	11,031,710					(746,006)	9,022,577		XXX
17. Total hospital and medical (Lines 15 minus 16) .....	6,237,049,576	190,309,516	0	0	0	0	270,564,948	5,776,175,112	0	XXX
18. Non-health claims (net) .....	0	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	0
19. Claims adjustment expenses including \$ .....117,285,139 cost containment expenses.....	135,863,383	4,467,623					3,760,018	127,635,742		
20. General administrative expenses .....	870,020,180	27,759,039					24,658,294	819,970,233		(2,367,386)
21. Increase in reserves for accident and health contracts .....	0									XXX
22. Increase in reserves for life contracts.....	0	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	
23. Total underwriting deductions (Lines 17 to 22) .....	7,242,933,139	222,536,178	0	0	0	0	298,983,260	6,723,781,087	0	(2,367,386)
24. Net underwriting gain or (loss) (Line 7 minus Line 23) .....	(212,221,442)	(43,516,211)	0	0	0	0	(13,598,140)	(157,474,476)	0	2,367,386
DETAILS OF WRITE-INS										
0501. Pay for Performance (P4P).....	37,714,920							37,714,920		XXX
0502. Quality Withhold.....	4,589,657						1,342,047	3,247,610		XXX
0503. ....										XXX
0598. Summary of remaining write-ins for Line 5 from overflow page.....	0	0	0	0	0	0	0	0	0	XXX
0599. Totals (Lines 0501 through 0503 plus 0598) (Line 5 above) .....	42,304,577	0	0	0	0	0	1,342,047	40,962,530	0	XXX
0601. ....		XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	
0602. ....		XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	
0603. ....		XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	
0698. Summary of remaining write-ins for Line 6 from overflow page.....	0	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	0
0699. Totals (Lines 0601 through 0603 plus 0698) (Line 6 above) .....	0	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	0
1301. ....										XXX
1302. ....										XXX
1303. ....										XXX
1398. Summary of remaining write-ins for Line 13 from overflow page .....	0	0	0	0	0	0	0	0	0	XXX
1399. Totals (Lines 1301 through 1303 plus 1398) (Line 13 above) .....	0	0	0	0	0	0	0	0	0	XXX



ANNUAL STATEMENT FOR THE YEAR 2016 OF THE CareSource

UNDERWRITING AND INVESTMENT EXHIBIT

PART 1 - PREMIUMS

	1	2	3	4
Line of Business	Direct Business	Reinsurance Assumed	Reinsurance Ceded	Net Premium Income (Cols. 1+2-3)
1. Comprehensive (hospital and medical) .....	184,720,027		5,700,060	179,019,966
2. Medicare Supplement .....				0
3. Dental only.....				0
4. Vision only.....				0
5. Federal Employees Health Benefits Plan .....				0
6. Title XVIII - Medicare .....	285,655,077		1,337,431	284,317,646
7. Title XIX - Medicaid.....	6,540,570,610		15,226,528	6,525,344,081
8. Other health.....				0
9. Health subtotal (Lines 1 through 8) .....	7,010,945,714	0	22,264,020	6,988,681,694
10. Life .....				0
11. Property/casualty.....				0
12. Totals (Lines 9 to 11)	7,010,945,714	0	22,264,020	6,988,681,694

ANNUAL STATEMENT FOR THE YEAR 2016 OF THE CareSource  
UNDERWRITING AND INVESTMENT EXHIBIT  
PART 2 – CLAIMS INCURRED DURING THE YEAR

	1	2	3	4	5	6	7	8	9	10
	Total	Comprehensive (Hospital & Medical)	Medicare Supplement	Dental Only	Vision Only	Federal Employees Health Benefits Plan	Title XVIII Medicare	Title XIX Medicaid	Other Health	Other Non- Health
1. Payments during the year:										
1.1 Direct .....	6,311,215,981	190,393,615					282,159,872	5,838,662,494		
1.2 Reinsurance assumed .....	0									
1.3 Reinsurance ceded .....	24,572,310	10,418,343					3,398,924	10,755,043		
1.4 Net .....	6,286,643,671	179,975,272	0	0	0	0	278,760,949	5,827,907,451	0	0
2. Paid medical incentive pools and bonuses .....	13,091,727	1,055					3,467	13,087,205		
3. Claim liability December 31, current year from Part 2A:										
3.1 Direct .....	577,053,535	31,752,207	0	0	0	0	34,771,256	510,530,072	0	0
3.2 Reinsurance assumed .....	0	0	0	0	0	0	0	0	0	0
3.3 Reinsurance ceded .....	23,345,167	7,160,634	0	0	0	0	1,332,947	14,851,585	0	0
3.4 Net .....	553,708,369	24,591,573	0	0	0	0	33,438,309	495,678,487	0	0
4. Claim reserve December 31, current year from Part 2D:										
4.1 Direct .....	0									
4.2 Reinsurance assumed .....	0									
4.3 Reinsurance ceded .....	0	0	0	0	0	0	0	0	0	0
4.4 Net .....	0	0	0	0	0	0	0	0	0	0
5. Accrued medical incentive pools and bonuses, current year .....	0									
6. Net healthcare receivables (a).....	32,494,189	3,267,693					1,151,883	28,074,613		
7. Amounts recoverable from reinsurers December 31, current year .....	7,814,929	7,814,929								
8. Claim liability December 31, prior year from Part 2A:										
8.1 Direct .....	611,870,696	17,537,957	0	0	0	0	45,963,771	548,368,968	0	0
8.2 Reinsurance assumed .....	0	0	0	0	0	0	0	0	0	0
8.3 Reinsurance ceded .....	22,882,004	5,447,314	0	0	0	0	3,726,821	13,707,869	0	0
8.4 Net .....	588,988,692	12,090,643	0	0	0	0	42,236,950	534,661,099	0	0
9. Claim reserve December 31, prior year from Part 2D:										
9.1 Direct .....	0	0	0	0	0	0	0	0	0	0
9.2 Reinsurance assumed .....	0	0	0	0	0	0	0	0	0	0
9.3 Reinsurance ceded .....	0	0	0	0	0	0	0	0	0	0
9.4 Net .....	0	0	0	0	0	0	0	0	0	0
10. Accrued medical incentive pools and bonuses, prior year .....	638,500	0	0	0	0	0	0	638,500	0	0
11. Amounts recoverable from reinsurers December 31, prior year .....	13,542,119	8,914,881	0	0	0	0	1,751,056	2,876,182	0	0
12. Incurred benefits:										
12.1 Direct .....	6,243,904,631	201,340,171	0	0	0	0	269,815,475	5,772,748,985	0	0
12.2 Reinsurance assumed .....	0	0	0	0	0	0	0	0	0	0
12.3 Reinsurance ceded .....	19,308,282	11,031,710	0	0	0	0	(746,006)	9,022,577	0	0
12.4 Net .....	6,224,596,349	190,308,461	0	0	0	0	270,561,481	5,763,726,407	0	0
13. Incurred medical incentive pools and bonuses .....	12,453,227	1,055	0	0	0	0	3,467	12,448,705	0	0

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

UNDERWRITING AND INVESTMENT EXHIBIT  
PART 2A - CLAIMS LIABILITY END OF CURRENT YEAR

	1	2	3	4	5	6	7	8	9	10
	Total	Comprehensive (Hospital and Medical)	Medicare Supplement	Dental Only	Vision Only	Federal Employees Health Benefits Plan	Title XVIII Medicare	Title XIX Medicaid	Other Health	Other Non-Health
1. Reported in Process of Adjustment:										
1.1. Direct .....	167,013,372	5,716,459					6,114,834	155,182,079		
1.2. Reinsurance assumed .....	0									
1.3. Reinsurance ceded .....	0									
1.4. Net .....	167,013,372	5,716,459	0	0	0	0	6,114,834	155,182,079	0	0
2. Incurred but Unreported:										
2.1. Direct .....	410,040,163	26,035,748					28,656,423	355,347,993		
2.2. Reinsurance assumed .....	0									
2.3. Reinsurance ceded .....	23,345,167	7,160,634					1,332,947	14,851,585		
2.4. Net .....	386,694,997	18,875,114	0	0	0	0	27,323,475	340,496,407	0	0
3. Amounts Withheld from Paid Claims and Capitations:										
3.1. Direct .....	0									
3.2. Reinsurance assumed .....	0									
3.3. Reinsurance ceded .....	0									
3.4. Net .....	0	0	0	0	0	0	0	0	0	0
4. TOTALS:										
4.1. Direct .....	577,053,535	31,752,207	0	0	0	0	34,771,256	510,530,072	0	0
4.2. Reinsurance assumed .....	0	0	0	0	0	0	0	0	0	0
4.3. Reinsurance ceded .....	23,345,167	7,160,634	0	0	0	0	1,332,947	14,851,585	0	0
4.4. Net .....	553,708,369	24,591,573	0	0	0	0	33,438,309	495,678,487	0	0

UNDERWRITING AND INVESTMENT EXHIBIT  
PART 2B - ANALYSIS OF CLAIMS UNPAID - PRIOR YEAR-NET OF REINSURANCE

Line of Business	Claims Paid During the Year		Claim Reserve and Claim Liability December 31 of Current Year		5  Claims Incurred in Prior Years (Columns 1 + 3)	6  Estimated Claim Reserve and Claim Liability December 31 of Prior Year
	1  On Claims Incurred Prior to January 1 of Current Year	2  On Claims Incurred During the Year	3  On Claims Unpaid December 31 of Prior Year	4  On Claims Incurred During the Year		
1. Comprehensive (hospital and medical) .....	11,351,483	174,725,267	156,751	24,434,822	11,508,235	12,090,643
2. Medicare Supplement .....					.0	.0
3. Dental Only.....					.0	.0
4. Vision Only.....					.0	.0
5. Federal Employees Health Benefits Plan .....					.0	.0
6. Title XVIII - Medicare .....	37,770,991	270,329,239	(1,760,670)	35,198,979	36,010,321	43,669,625
7. Title XIX - Medicaid.....	551,106,956	5,393,096,050	(9,809,510)	505,487,997	541,297,446	533,228,424
8. Other health .....					.0	
9. Health subtotal (Lines 1 to 8).....	600,229,430	5,838,150,556	(11,413,429)	565,121,798	588,816,002	588,988,692
10. Healthcare receivables (a).....	81,882,987	64,126,137	12,868,465	99,087,032	94,751,452	79,461,308
11. Other non-health.....					.0	.0
12. Medical incentive pools and bonus amounts .....	10,647,599	2,444,128			10,647,599	638,500
13. Totals (Lines 9-10+11+12)	528,994,042	5,776,468,547	(24,281,894)	466,034,765	504,712,148	510,165,884

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

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

Section A – Paid Health Claims - Hospital and Medical

Year in Which Losses Were Incurred	Cumulative Net Amounts Paid				
	1 2012	2 2013	3 2014	4 2015	5 2016
1. Prior .....	.0	.0	.0	.0	
2. 2012 .....	.0	.0	.0	.0	
3. 2013 .....	XXX	.0	.0	.0	
4. 2014 .....	XXX	XXX	49,866	54,572	55,001
5. 2015 .....	XXX	XXX	XXX	104,112	124,602
6. 2016 .....	XXX	XXX	XXX	XXX	161,910

Section B – Incurred Health Claims - Hospital and Medical

Year in Which Losses Were Incurred	Sum of Cumulative Net Amount Paid and Claim Liability, Claim Reserve and Medical Incentive Pool and Bonuses Outstanding at End of Year				
	1 2012	2 2013	3 2014	4 2015	5 2016
1. Prior .....	.0	.0	.0	.0	
2. 2012 .....	.0	.0	.0	.0	
3. 2013 .....	XXX	.0	.0	.0	
4. 2014 .....	XXX	XXX	65,054	69,652	70,081
5. 2015 .....	XXX	XXX	XXX	116,311	127,176
6. 2016 .....	XXX	XXX	XXX	XXX	180,767

Section C – Incurred Year Health Claims and Claims Adjustment Expense Ratio – Hospital and Medical

Years in which Premiums were Earned and Claims were Incurred	1  Premiums Earned	2  Claims Payments	3  Claim Adjustment Expense Payments	4  (Col. 3/2) Percent	5  Claim and Claim Adjustment Expense Payments (Col. 2+3)	6  (Col. 5/1) Percent	7  Claims Unpaid	8  Unpaid Claims Adjustment Expenses	9  Total Claims and Claims Adjustment Expense Incurred (Col. 5+7+8)	10  (Col. 9/1) Percent
1. 2012.....	.0	.0		.0	.0	.0			.0	.0
2. 2013.....	.0	.0		.0	.0	.0			.0	.0
3. 2014.....	69,212	55,001	1,255	2.3	56,257	81.3			56,257	81.3
4. 2015.....	150,991	124,602	2,678	2.1	127,280	84.3	157		127,437	84.4
5. 2016 .....	179,020	161,910	3,816	2.4	165,726	92.6	24,435	601	190,762	106.6

ANNUAL STATEMENT FOR THE YEAR 2016 OF THE CareSource

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

Section A - Paid Health Claims - Medicare

Year in Which Losses Were Incurred	Cumulative Net Amounts Paid				
	1 2012	2 2013	3 2014	4 2015	5 2016
1. Prior .....	2,092	2,167	2,167	2,167	2,167
2. 2012 .....	17,066	19,192	19,194	19,197	19,197
3. 2013 .....	XXX	16,965	18,387	18,387	18,387
4. 2014 .....	XXX	XXX	96,788	137,927	137,216
5. 2015 .....	XXX	XXX	XXX	241,968	280,946
6. 2016 .....	XXX	XXX	XXX	XXX	243,682

Section B - Incurred Health Claims - Medicare

Year in Which Losses Were Incurred	Sum of Cumulative Net Amount Paid and Claim Liability, Claim Reserve and Medical Incentive Pool and Bonuses Outstanding at End of Year				
	1 2012	2 2013	3 2014	4 2015	5 2016
1. Prior .....	2,083	2,158	2,158	2,158	2,158
2. 2012 .....	19,622	21,784	21,786	21,790	21,789
3. 2013 .....	XXX	19,746	21,148	21,149	21,148
4. 2014 .....	XXX	XXX	132,746	173,716	173,004
5. 2015 .....	XXX	XXX	XXX	284,384	291,585
6. 2016 .....	XXX	XXX	XXX	XXX	264,076

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

Years in which Premiums were Earned and Claims were Incurred	1	2	3	4	5	6	7	8	9	10
	Premiums Earned	Claims Payments	Claim Adjustment Expense Payments	(Col. 3/2) Percent	Claim and Claim Adjustment Expense Payments (Col. 2+3)	(Col. 5/1) Percent	Claims Unpaid	Unpaid Claims Adjustment Expenses	Total Claims and Claims Adjustment Expense Incurred (Col. 5+7+8)	(Col. 9/1) Percent
1. 2012.....	20,435	19,197	938	4.9	20,135	98.5			20,135	98.5
2. 2013.....	18,216	18,387	1,190	6.5	19,576	107.5			19,576	107.5
3. 2014.....	173,233	137,216	7,930	5.8	145,146	83.8			145,146	83.8
4. 2015.....	313,700	280,946	8,185	2.9	289,131	92.2	(1,761)		287,370	91.6
5. 2016 .....	284,318	243,682	3,180	1.3	246,862	86.8	35,199	817	282,878	99.5

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

Section A - Paid Health Claims - Title XIX Medicaid

Year in Which Losses Were Incurred	Cumulative Net Amounts Paid				
	1 2012	2 2013	3 2014	4 2015	5 2016
1. Prior .....	332,529	334,061	334,041	334,019	334,045
2. 2012 .....	2,840,940	3,105,809	3,106,095	3,106,092	3,105,999
3. 2013 .....	XXX	3,113,125	3,452,961	3,453,819	3,453,680
4. 2014 .....	XXX	XXX	3,924,472	4,636,735	4,642,141
5. 2015 .....	XXX	XXX	XXX	4,898,806	5,451,721
6. 2016 .....	XXX	XXX	XXX	XXX	5,281,897

Section B – Incurred Health Claims - Title XIX Medicaid

Year in Which Losses Were Incurred	Sum of Cumulative Net Amount Paid and Claim Liability, Claim Reserve and Medical Incentive Pool and Bonuses Outstanding at End of Year				
	1 2012	2 2013	3 2014	4 2015	5 2016
1. Prior .....	332,487	334,019	333,999	333,977	334,003
2. 2012 .....	3,142,846	3,400,527	3,400,813	3,400,810	3,400,717
3. 2013 .....	XXX	3,522,318	3,928,466	3,929,324	3,929,185
4. 2014 .....	XXX	XXX	4,602,678	5,298,134	5,303,540
5. 2015 .....	XXX	XXX	XXX	5,450,903	5,510,772
6. 2016 .....	XXX	XXX	XXX	XXX	5,709,355

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

Years in which Premiums were Earned and Claims were Incurred	1  Premiums Earned	2  Claims Payments	3  Claim Adjustment Expense Payments	4  (Col. 3/2) Percent	5  Claim and Claim Adjustment Expense Payments (Col. 2+3)	6  (Col. 5/1) Percent	7  Claims Unpaid	8  Unpaid Claims Adjustment Expenses	9  Total Claims and Claims Adjustment Expense Incurred (Col. 5+7+8)	10  (Col. 9/1) Percent
1. 2012 .....	3,660,711	3,105,999	69,087	2.2	3,175,086	86.7			3,175,086	86.7
2. 2013 .....	4,133,460	3,453,680	77,828	2.3	3,531,508	85.4			3,531,508	85.4
3. 2014 .....	5,354,697	4,642,141	91,973	2.0	4,734,114	88.4			4,734,114	88.4
4. 2015 .....	6,259,242	5,451,721	97,960	1.8	5,549,681	88.7	(9,810)		5,539,871	88.5
5. 2016 .....	6,525,344	5,281,897	109,994	2.1	5,391,890	82.6	505,488	12,114	5,909,493	90.6

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

Section A - Paid Health Claims - Other

Year in Which Losses Were Incurred	Cumulative Net Amounts Paid				
	1 2012	2 2013	3 2014	4 2015	5 2016
1. Prior .....	52	52	52	52	52
2. 2012 .....	1,636	2,357	2,357	2,357	2,357
3. 2013 .....	XXX	1,947	2,368	2,369	2,369
4. 2014 .....	XXX	XXX	.0	.0	.0
5. 2015 .....	XXX	XXX	XXX	.0	.0
6. 2016 .....	XXX	XXX	XXX	XXX	0

Section B – Incurred Health Claims - Other

Year in Which Losses Were Incurred	Sum of Cumulative Net Amount Paid and Claim Liability, Claim Reserve and Medical Incentive Pool and Bonuses Outstanding at End of Year				
	1 2012	2 2013	3 2014	4 2015	5 2016
1. Prior .....	52	52	52	52	52
2. 2012 .....	2,067	2,787	2,787	2,787	2,787
3. 2013 .....	XXX	2,222	2,644	2,644	2,644
4. 2014 .....	XXX	XXX	.0	.0	.0
5. 2015 .....	XXX	XXX	XXX	.0	.0
6. 2016 .....	XXX	XXX	XXX	XXX	0

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

Years in which Premiums were Earned and Claims were Incurred	1  Premiums Earned	2  Claims Payments	3  Claim Adjustment Expense Payments	4  (Col. 3/2) Percent	5 Claim and Claim Adjustment Expense Payments (Col. 2+3)	6  (Col. 5/1) Percent	7  Claims Unpaid	8  Unpaid Claims Adjustment Expenses	9 Total Claims and Claims Adjustment Expense Incurred (Col. 5+7+8)	10  (Col. 9/1) Percent
1. 2012.....	1,439	2,357	176	7.5	2,533	176.0			2,533	176.0
2. 2013.....	2,391	2,369	1,672	70.6	4,041	169.0			4,041	169.0
3. 2014.....	.0	.0	.0	.0	.0	.0			.0	.0
4. 2015.....	.0	.0	.0	.0	.0	.0			.0	.0
5. 2016 .....	0	0	0	0.0	0	0.0			0	0.0



ANNUAL STATEMENT FOR THE YEAR 2016 OF THE CareSource

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

Section A - Paid Health Claims - Grand Total

Year in Which Losses Were Incurred	Cumulative Net Amounts Paid				
	1 2012	2 2013	3 2014	4 2015	5 2016
1. Prior .....	334,672	336,280	336,260	336,238	336,263
2. 2012 .....	2,859,641	3,127,358	3,127,646	3,127,646	3,127,553
3. 2013 .....	XXX	3,132,038	3,473,716	3,474,575	3,474,436
4. 2014 .....	XXX	XXX	4,071,126	4,829,234	4,834,357
5. 2015 .....	XXX	XXX	XXX	5,244,886	5,857,269
6. 2016 .....	XXX	XXX	XXX	XXX	5,687,489

Section B - Incurred Health Claims - Grand Total

Year in Which Losses Were Incurred	Sum of Cumulative Net Amount Paid and Claim Liability, Claim Reserve and Medical Incentive Pool and Bonuses Outstanding at End of Year				
	1 2012	2 2013	3 2014	4 2015	5 2016
1. Prior .....	334,622	336,229	336,209	336,187	336,213
2. 2012 .....	3,164,535	3,425,098	3,425,386	3,425,386	3,425,293
3. 2013 .....	XXX	3,544,286	3,952,258	3,953,117	3,952,978
4. 2014 .....	XXX	XXX	4,800,477	5,541,502	5,546,625
5. 2015 .....	XXX	XXX	XXX	5,851,597	5,929,532
6. 2016 .....	XXX	XXX	XXX	XXX	6,154,198

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

Years in which Premiums were Earned and Claims were Incurred	1  Premiums Earned	2  Claims Payments	3  Claim Adjustment Expense Payments	4  (Col. 3/2) Percent	5  Claim and Claim Adjustment Expense Payments (Col. 2+3)	6  (Col. 5/1) Percent	7  Claims Unpaid	8  Unpaid Claims Adjustment Expenses	9  Total Claims and Claims Adjustment Expense Incurred (Col. 5+7+8)	10  (Col. 9/1) Percent
1. 2012 .....	3,682,585	3,127,553	70,200	2.2	3,197,753	86.8	.0	.0	3,197,753	86.8
2. 2013 .....	4,154,067	3,474,436	80,690	2.3	3,555,125	85.6	.0	.0	3,555,125	85.6
3. 2014 .....	5,597,142	4,834,357	101,159	2.1	4,935,516	88.2	.0	.0	4,935,516	88.2
4. 2015 .....	6,723,933	5,857,269	108,823	1.9	5,966,092	88.7	(11,413)	.0	5,954,678	88.6
5. 2016 .....	6,988,682	5,687,489	116,990	2.1	5,804,479	83.1	565,122	13,533	6,383,133	91.3

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

	1	2	3	4	5	6	7	8	9
	Total	Comprehensive (Hospital & Medical)	Medicare Supplement	Dental Only	Vision Only	Federal Employees Health Benefit Plan	Title XVIII Medicare	Title XIX Medicaid	Other
1. Unearned premium reserves.....	.0								
2. Additional policy reserves (a).....	.0								
3. Reserve for future contingent benefits.....	.0								
4. Reserve for rate credits or experience rating refunds (including \$ ..... for investment income).....	32,803,521	32,508,142					295,379		
5. Aggregate write-ins for other policy reserves .....	.0	.0	.0	.0	.0	.0	.0	.0	.0
6. Totals (gross) .....	32,803,521	32,508,142	.0	.0	.0	.0	295,379	.0	.0
7. Reinsurance ceded .....	.0								
8. Totals (Net) (Page 3, Line 4)	32,803,521	32,508,142	0	0	0	0	295,379	0	0
9. Present value of amounts not yet due on claims .....	.0								
10. Reserve for future contingent benefits .....	.0								
11. Aggregate write-ins for other claim reserves .....	.0	.0	.0	.0	.0	.0	.0	.0	.0
12. Totals (gross) .....	.0	.0	.0	.0	.0	.0	.0	.0	.0
13. Reinsurance ceded .....	.0								
14. Totals (Net) (Page 3, Line 7)	0	0	0	0	0	0	0	0	0
DETAILS OF WRITE-INS									
0501. ....	.0								
0502. ....									
0503. ....									
0598. Summary of remaining write-ins for Line 5 from overflow page .....	.0	.0	.0	.0	.0	.0	.0	.0	.0
0599. Totals (Lines 0501 through 0503 plus 0598) (Line 5 above)	0	0	0	0	0	0	0	0	0
1101. ....									
1102. ....									
1103. ....									
1198. Summary of remaining write-ins for Line 11 from overflow page .....	.0	.0	.0	.0	.0	.0	.0	.0	.0
1199. Totals (Lines 1101 through 1103 plus 1198) (Line 11 above)	0	0	0	0	0	0	0	0	0

(a) Includes \$ ..... premium deficiency reserve.

UNDERWRITING AND INVESTMENT EXHIBIT  
PART 3 - ANALYSIS OF EXPENSES

	Claim Adjustment Expenses		3 General Administrative Expenses	4 Investment Expenses	5 Total
	1 Cost Containment Expenses	2 Other Claim Adjustment Expenses			
1. Rent (\$ .....for occupancy of own building) .....			5,715,738		5,715,738
2. Salaries, wages and other benefits .....	79,864,161	9,267,294	110,205,406		199,336,861
3. Commissions (less \$ .....ceded plus \$ .....assumed) .....					0
4. Legal fees and expenses .....			2,060,805		2,060,805
5. Certifications and accreditation fees .....					0
6. Auditing, actuarial and other consulting services .....	1,211,535	363,811	23,284,931		24,860,277
7. Traveling expenses .....	1,964,773	47,718	2,113,374		4,125,864
8. Marketing and advertising .....	59,091	753	5,260,571		5,320,415
9. Postage, express and telephone .....	39,460	4,820	11,598,447		11,642,727
10. Printing and office supplies .....	410,359	9,515	6,790,814		7,210,688
11. Occupancy, depreciation and amortization .....			7,523,368		7,523,368
12. Equipment .....	238		1,119,280		1,119,518
13. Cost or depreciation of EDP equipment and software .....	141,501		30,179,437		30,320,938
14. Outsourced services including EDP, claims, and other services .....	2,432,088	99,342	22,887,093		25,418,522
15. Boards, bureaus and association fees .....	57,360	29,848	1,601,155		1,688,363
16. Insurance, except on real estate .....			1,531,802		1,531,802
17. Collection and bank service charges .....			1,953,341		1,953,341
18. Group service and administration fees .....	25,769,730	8,249,144	77,180,065		111,198,939
19. Reimbursements by uninsured plans .....			(16,641,527)		(16,641,527)
20. Reimbursements from fiscal intermediaries .....					0
21. Real estate expenses .....					0
22. Real estate taxes .....					0
23. Taxes, licenses and fees:					
23.1 State and local insurance taxes .....					0
23.2 State premium taxes .....			560,587,805		560,587,805
23.3 Regulatory authority licenses and fees .....			7,188,741		7,188,741
23.4 Payroll taxes .....	5,129,015	505,999	6,972,588		12,607,603
23.5 Other (excluding federal income and real estate taxes) .....			905,114		905,114
24. Investment expenses not included elsewhere .....				117,797	117,797
25. Aggregate write-ins for expenses .....	205,829	0	1,832	0	207,661
26. Total expenses incurred (Lines 1 to 25) .....	117,285,139	18,578,244	870,020,180	117,797	(a) ...1,006,001,360
27. Less expenses unpaid December 31, current year .....		13,532,687	145,261,070		158,793,757
28. Add expenses unpaid December 31, prior year .....	0	13,143,789	140,922,091	0	154,065,881
29. Amounts receivable relating to uninsured plans, prior year .....	0	0	1,423,463	0	1,423,463
30. Amounts receivable relating to uninsured plans, current year .....			2,399,250		2,399,250
31. Total expenses paid (Lines 26 minus 27 plus 28 minus 29 plus 30)	117,285,139	18,189,346	866,656,989	117,797	1,002,249,271
DETAILS OF WRITE-INS					
2501. Gift Certificates.....			1,403		1,403
2502. Member Assistance Expenses.....	205,829		429		206,258
2503. ....					0
2598. Summary of remaining write-ins for Line 25 from overflow page .....	0	0	0	0	0
2599. Totals (Line 2501 through 2503 plus 2598) (Line 25 above)	205,829	0	1,832	0	207,661

(a) Includes management fees of \$ .....423,043,091 to affiliates and \$ .....to non-affiliates.

EXHIBIT OF NET INVESTMENT INCOME

		1	2
		Collected During Year	Earned During Year
1.	U.S. Government bonds .....	(a).....22,711	.....18,659
1.1	Bonds exempt from U.S. tax .....	(a).....	.....
1.2	Other bonds (unaffiliated) .....	(a).....20,336,121	.....19,441,676
1.3	Bonds of affiliates .....	(a).....0	.....
2.1	Preferred stocks (unaffiliated) .....	(b).....0	.....
2.11	Preferred stocks of affiliates .....	(b).....0	.....
2.2	Common stocks (unaffiliated) .....	.....3,802,382	.....3,847,902
2.21	Common stocks of affiliates .....	.....0	.....
3.	Mortgage loans .....	(c).....	.....
4.	Real estate .....	(d).....	.....
5.	Contract loans .....	.....	.....
6.	Cash, cash equivalents and short-term investments .....	(e).....2,684,244	.....1,884,195
7.	Derivative instruments .....	(f).....	.....
8.	Other invested assets .....	.....	.....
9.	Aggregate write-ins for investment income .....	.....0	.....0
10.	Total gross investment income .....	26,845,458	25,192,431
11.	Investment expenses .....		(g).....117,797
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 .....		.....0
16.	Total deductions (Lines 11 through 15) .....		.....117,797
17.	Net investment income (Line 10 minus Line 16) .....		25,074,635
DETAILS OF WRITE-INS			
0901.	.....	.....	.....
0902.	.....	.....	.....
0903.	.....	.....	.....
0998.	Summary of remaining write-ins for Line 9 from overflow page .....	.....0	.....0
0999.	Totals (Lines 0901 through 0903 plus 0998) (Line 9 above) .....	0	0
1501.	.....		.....
1502.	.....		.....
1503.	.....		.....
1598.	Summary of remaining write-ins for Line 15 from overflow page .....		.....0
1599.	Totals (Lines 1501 through 1503 plus 1598) (Line 15 above) .....		0

(a) Includes \$ .....259,733 accrual of discount less \$ .....6,685,214 amortization of premium and less \$ .....656,929 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 \$ ..... paid for accrued interest on purchases.  
(d) Includes \$ .....for company's occupancy of its own buildings; and excludes \$ ..... interest on encumbrances.  
(e) Includes \$ .....287,429 accrual of discount less \$ .....840,213 amortization of premium and less \$ .....5,710 paid for accrued interest on purchases.  
(f) Includes \$ .....accrual of discount less \$ ..... amortization of premium.  
(g) Includes \$ .....investment expenses and \$ .....investment taxes, licenses and fees, excluding federal income taxes, attributable to segregated and Separate Accounts.  
(h) Includes \$ .....interest on surplus notes and \$ ..... interest on capital notes.  
(i) Includes \$ .....depreciation on real estate and \$ ..... depreciation on other invested assets.

EXHIBIT OF CAPITAL GAINS (LOSSES)

		1	2	3	4	5
		Realized Gain (Loss) On Sales or Maturity	Other Realized Adjustments	Total Realized Capital Gain (Loss) (Columns 1 + 2)	Change in Unrealized Capital Gain (Loss)	Change in Unrealized Foreign Exchange Capital Gain (Loss)
1.	U.S. Government bonds .....	.....0	.....0	.....0	.....0	.....0
1.1	Bonds exempt from U.S. tax .....	.....0	.....0	.....0	.....0	.....0
1.2	Other bonds (unaffiliated) .....	.....(286,955)	.....0	.....(286,955)	.....(530,978)	.....0
1.3	Bonds of affiliates .....	.....0	.....0	.....0	.....0	.....0
2.1	Preferred stocks (unaffiliated) .....	.....0	.....0	.....0	.....0	.....0
2.11	Preferred stocks of affiliates .....	.....0	.....0	.....0	.....0	.....0
2.2	Common stocks (unaffiliated) .....	.....607,833	.....0	.....607,833	.....7,546,752	.....0
2.21	Common stocks of affiliates .....	.....0	.....0	.....0	.....0	.....0
3.	Mortgage loans .....	.....0	.....0	.....0	.....0	.....0
4.	Real estate .....	.....0	.....0	.....0	.....0	.....0
5.	Contract loans .....	.....0	.....0	.....0	.....0	.....0
6.	Cash, cash equivalents and short-term investments .....	.....(45,729)	.....	.....(45,729)	.....0	.....0
7.	Derivative instruments .....	.....	.....	.....0	.....	.....
8.	Other invested assets .....	.....0	.....0	.....0	.....0	.....0
9.	Aggregate write-ins for capital gains (losses) .....	.....0	.....0	.....0	.....0	.....0
10.	Total capital gains (losses) .....	275,149	0	275,149	7,015,774	0
DETAILS OF WRITE-INS						
0901.	.....			.....0		
0902.	.....			.....0		
0903.	.....			.....0		
0998.	Summary of remaining write-ins for Line 9 from overflow page .....	.....0	.....0	.....0	.....0	.....0
0999.	Totals (Lines 0901 through 0903 plus 0998) (Line 9 above) .....	0	0	0	0	0

EXHIBIT OF NONADMITTED ASSETS

	1	2	3
	Current Year Total Nonadmitted Assets	Prior Year Total Nonadmitted Assets	Change in Total Nonadmitted Assets (Col. 2 - Col. 1)
1. Bonds (Schedule D).....	0	0	0
2. Stocks (Schedule D):			
2.1 Preferred stocks .....	0	0	0
2.2 Common stocks .....	0	0	0
3. Mortgage loans on real estate (Schedule B):			
3.1 First liens .....	0	0	0
3.2 Other than first liens .....	0	0	0
4. Real estate (Schedule A):			
4.1 Properties occupied by the company .....	0	0	0
4.2 Properties held for the production of income.....	0	0	0
4.3 Properties held for sale .....	0	0	0
5. Cash (Schedule E-Part 1), cash equivalents (Schedule E-Part 2) and short-term investments (Schedule DA).....	0	0	0
6. Contract loans .....	0	0	0
7. Derivatives (Schedule DB).....	0	0	0
8. Other invested assets (Schedule BA) .....	0	0	0
9. Receivables for securities .....	0	0	0
10. Securities lending reinvested collateral assets (Schedule DL).....	0	0	0
11. Aggregate write-ins for invested assets .....	(767,863)	246,787	1,014,650
12. Subtotals, cash and invested assets (Lines 1 to 11) .....	(767,863)	246,787	1,014,650
13. Title plants (for Title insurers only).....	0	0	0
14. Investment income due and accrued .....	0	0	0
15. Premiums and considerations:			
15.1 Uncollected premiums and agents' balances in the course of collection.....	2,432,818	5,366,885	2,934,067
15.2 Deferred premiums, agents' balances and installments booked but deferred and not yet due.....	0	0	0
15.3 Accrued retrospective premiums and contracts subject to redetermination .....	0	0	0
16. Reinsurance:			
16.1 Amounts recoverable from reinsurers .....	0	0	0
16.2 Funds held by or deposited with reinsured companies .....	0	0	0
16.3 Other amounts receivable under reinsurance contracts .....	0	0	0
17. Amounts receivable relating to uninsured plans .....	0	0	0
18.1 Current federal and foreign income tax recoverable and interest thereon .....	0	0	0
18.2 Net deferred tax asset.....	0	0	0
19. Guaranty funds receivable or on deposit .....	0	0	0
20. Electronic data processing equipment and software.....	0	0	0
21. Furniture and equipment, including health care delivery assets .....	0	0	0
22. Net adjustment in assets and liabilities due to foreign exchange rates .....	0	0	0
23. Receivables from parent, subsidiaries and affiliates .....	0	0	0
24. Health care and other amounts receivable.....	24,174,162	13,871,551	(10,302,611)
25. Aggregate write-ins for other-than-invested assets .....	135,220	379,495	244,275
26. Total assets excluding Separate Accounts, Segregated Accounts and Protected Cell Accounts (Lines 12 to 25).....	25,974,336	19,864,718	(6,109,619)
27. From Separate Accounts, Segregated Accounts and Protected Cell Accounts.....	0	0	0
28. Total (Lines 26 and 27)	25,974,336	19,864,718	(6,109,619)
DETAILS OF WRITE-INS			
1101. Investment in Foundation.....	(767,863)	246,787	1,014,650
1102. ....		0	0
1103. ....		0	0
1198. Summary of remaining write-ins for Line 11 from overflow page .....	0	0	0
1199. Totals (Lines 1101 through 1103 plus 1198) (Line 11 above)	(767,863)	246,787	1,014,650
2501. PREPAID EXPENSE.....	135,220	379,495	244,275
2502. LEASEHOLD IMPROVEMENT.....		0	0
2503. ....		0	0
2598. Summary of remaining write-ins for Line 25 from overflow page .....	0	0	0
2599. Totals (Lines 2501 through 2503 plus 2598) (Line 25 above)	135,220	379,495	244,275

EXHIBIT 1 - ENROLLMENT BY PRODUCT TYPE FOR HEALTH BUSINESS ONLY

Source of Enrollment	Total Members at End of					6 Current Year Member Months
	1 Prior Year	2 First Quarter	3 Second Quarter	4 Third Quarter	5 Current Year	
1. Health Maintenance Organizations.....	1,306,521	1,355,718	1,378,207	1,370,369	1,378,453	16,371,227
2. Provider Service Organizations.....	.0					
3. Preferred Provider Organizations.....	.0					
4. Point of Service.....	.0					
5. Indemnity Only.....	.0					
6. Aggregate write-ins for other lines of business.....	.0	.0	.0	.0	.0	.0
7. Total	1,306,521	1,355,718	1,378,207	1,370,369	1,378,453	16,371,227
DETAILS OF WRITE-INS						
0601. ....	.0					
0602. ....	.0					
0603. ....	.0					
0698. Summary of remaining write-ins for Line 6 from overflow page .....	.0	.0	.0	.0	.0	.0
0699. Totals (Lines 0601 through 0603 plus 0698) (Line 6 above)	0	0	0	0	0	0

NOTES TO FINANCIAL STATEMENTS

1A. Summary of Significant Accounting Policies

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

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

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

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

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

The effects of the foregoing variances from GAAP on the accompanying statutory-basis financial statements total \$9,981,295 in net income and \$19,021,711 in net statutory surplus.

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

	December 31, 2016	December 31, 2015
<b>NET INCOME</b>		
1) State of Ohio Basis	\$ (186,157,572)	\$ 191,611,801
2) State prescribed practices that increase/(decrease) SAP	\$ -	\$ -
3) State permitted practices that increase/(decrease) SAP	\$ -	\$ -
4) NAIC SAP	\$ (186,157,572)	\$ 191,611,801
<b>SURPLUS</b>		
1) State of Ohio Basis	\$ 740,935,921	\$ 929,203,036
2) State prescribed practices that increase/(decrease) SAP	\$ -	\$ -
3) State permitted practices that increase/(decrease) SAP	\$ -	\$ -
4) NAIC SAP	\$ 740,935,921	\$ 929,203,036

1B. Use of Estimates

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

1C. Accounting Policy

- Short term investments include investments with remaining maturities of one year or less at the time of acquisition and are principally stated at amortized cost.
- Bonds not backed by other loans are principally stated at amortized cost using the interest method. Realized capital gains and losses are determined using the first in, first out method.
- Common stocks are reported at fair value as determined by the SVO and the related net unrealized capital gains (losses) are reported in unassigned surplus. There are no restrictions on common stock.
- CS does not hold any preferred stock.
- CS does not hold any mortgage loans.
- Single class and multi-class mortgage-backed/asset-backed securities are valued at amortized cost using the interest method including anticipated prepayments. Prepayment assumptions are obtained from dealer surveys and are based on the current interest rate and economic environment. The retrospective adjustment method is used to value all such securities.

## NOTES TO FINANCIAL STATEMENTS

7. The Company invests in the CareSource Foundation, an affiliated entity of CareSource. The Company records this investment using the GAAP equity method of accounting, and records it as a non-admitted write-in invested asset on the Assets page of the statutory filing.
8. The Company does not invest in any joint ventures, partnerships, or limited liability companies.
9. CS does not hold any derivative instruments.
10. CS would utilize anticipated investment income in the computation of the premium deficiency calculation in accordance with NAIC guidelines, but no such reserve is necessary.
11. Claims unpaid and unpaid claims adjustment expense liabilities represent management's best estimate of the ultimate net cost of all reported and unreported claims incurred through December 31. Although considerable variability is inherent in such estimates, management believes that the reserves for unpaid claims are adequate. The estimates are continually reviewed and adjusted as necessary as experience develops or new information becomes known; such adjustments are included in current operations.
12. The admitted value of CS's electronic data processing equipment and operating software was limited to three percent of capital and surplus. The admitted portion was reported at cost less accumulated depreciation. Electronic data processing equipment and operating or non-operating software was depreciated using the straight line method over the lesser of its useful life or three years. Other furniture and equipment was depreciated using the straight line method over five years. The Company has not modified its capitalization policy from the prior period.
13. Pharmacy rebates are attained based on agreements between CS and a third party administrator for prescription drugs. Pharmacy rebates are admitted if accrued or invoiced within 90 days of the reporting period. Pharmacy rebates are non-admitted if invoiced and uncollected over 90 days prior to the reporting period.
- 1D. Going Concern – Management has determined that there is no doubt about the entity's ability to continue as a going concern.
  - (1) – N/A
  - (2) – N/A
  - (3) – N/A
  - (4) – N/A

### Other than temporary impairments

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

### Premium Revenue

Premiums are due monthly. Amounts are recognized as revenue in the period in which CS is obligated to provide services to its members. Premiums received in advance are recorded as unearned premium revenue. In accordance with Statement of Statutory Accounting Principle (SSAP) No. 61, *Life, Deposit-Type and Accident Health Reinsurance*, payments to a reinsurance carrier for a stop-loss arrangement are deducted from premiums earned.

A substantial portion (approximately 86% during 2016) of CS's premiums earned relates to a provider contract with the Ohio Department of Medicaid (ODM). The contract is subject to cancellation by CS upon one hundred twenty days written notice provided that termination must be effective on the last day of a calendar month. ODM can terminate the agreement, in certain circumstances, effective the last day of a calendar month. Cancellations or nonrenewal of these contracts would affect operating results adversely.

Effective January 1, 2014 CareSource started providing individual health insurance coverage for individuals signing up for coverage on the Federally Facilitated Exchange. Total premium income earned related to these policies represents approximately 3% of CS's premiums during 2016. Premium amounts include both subscriber payments, and advanced premium tax credits received from CMS. All premiums are subject to the Affordable Care Act risk-sharing provisions. Premium income has been adjusted to account for certain of these provisions as summarized in Note 24.

Effective May 1, 2014 CareSource started providing coverage to Dual Eligible individuals under a three year demonstration program known as MyCare Ohio. The program is designed to implement and test a Medicare-Medicaid Integrated Care Delivery System. Total premium income earned under this program represents approximately 11% of CS's premiums during 2016 and includes amounts from ODM and CMS. The CMS premium payments include premiums under the Medicare Part D program. As a part of the Medicare portion of the program, periodic changes in member risk factor adjustment scores, for certain diagnoses result in changes to Medicare revenues. The Company recognizes such changes when the amounts become determinable and supportable, and collectability is reasonably assured. The amounts are recorded as accrued retrospective premiums, or as a provision for experience rating refunds with a corresponding adjustment to premium income. Activity related to this program is captured in "Category 9" within the NAIC filings "Analysis of Operations by Lines of Business". This category was selected as the demonstration program does not specifically meet the definitions of any of the coverage types described in Categories 1-8 and NAIC statutory accounting practices and procedures do not specifically address the classification for this type of insurance product.

### Pay for Performance Program



NOTES TO FINANCIAL STATEMENTS

Under CS’ contract with ODM, incremental revenue of up to 1.5% of total premium revenue is earned if certain performance measures are met. Additionally, failure to meet minimum performance standards for certain measures will result in the assessment of a noncompliance penalty. These performance measures are generally linked to various quality-of-care measures dictated by the State. CS estimates the value of potential revenues and penalties based on an ongoing review against performance metrics. CS recognizes the net activity as aggregate write-ins for other health care related revenues on the statutory basis statements of revenue and expenses. Amounts owed from the state are recognized as premiums and considerations receivable; penalties owed to the state are netted against premiums, and are included in other accrued liabilities. Recorded amounts represent balances confirmed from the 2016 state fiscal year (July-June) and estimates for 2017 fiscal year.

Hospital and Medical Cost

CS contracts with various health care providers for the provision of certain health care services to its members. Participating physicians and hospitals are paid contractually established rates for services to members. The cost of health care services provided or contracted for is accrued in the period in which it is provided to a member, based in part, on estimates. Estimated liabilities for health care services provided to members of CS include claims reported and estimates (based upon historical experience) of health care services incurred but not reported (IBNR). These estimates are periodically reviewed and are adjusted in accordance with the latest available information in that period in which the information becomes available.

Reinsurance

Certain premiums and benefits are ceded to another insurance company under a reinsurance agreement. The ceded reinsurance agreement provides CS with increased capacity to write larger risks and maintain its exposure to loss within its capital resources. CS remains obligated for amounts ceded in the event that the reinsurer does not meet their obligations.

	December 31, 2016	December 31, 2015
	Written & Earned Premiums	Written & Earned Premiums
Direct premiums	\$ 7,010,945,714	\$ 6,745,568,266
Ceded premiums		
Non-affiliates	\$ (22,264,020)	\$ (38,064,983)
A ffiliates		
Net premiums	\$ 6,988,681,694	\$ 6,707,503,283

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

Significant Provider

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

As of December 31, 2016 and 2015, PFK was paid \$347,765,870 and \$376,828,503, respectively, for services rendered, prior to chargebacks of \$205,905,021.52 and \$197,798,824 respectively. Chargebacks resulted from CS directly paying certain non-PFK providers under the contract. The CS membership capitated by the provider constituted approximately 13% of total CS membership in 2016 (14% in 2015).

At December 31, 2016 and December 31, 2015, CS recorded a capitation chargeback receivable from PFK for \$17,781,665 and \$14,892,390 respectively.

Income Taxes

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

2. Accounting Changes and Correction of Errors – None

3. Business Combinations and Goodwill – None

4. Discontinued Operations - None

5. Investments

A. Mortgage Loans - None

B. Debt Restructuring - None

C. Reverse Mortgage - None

D. Loan-Backed Securities:

(1) Prepayment Assumptions - None

(2) Securities with a recognized OTTI – None

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

(4) Impaired Securities without recognized OTTI – None

(5) Additional information –

## NOTES TO FINANCIAL STATEMENTS

Management regularly reviews the value of CS's investments. If the value of any investment falls below its cost basis, the decline in value is analyzed to determine whether it is other-than-temporary impairment. The decision to record an impairment loss incorporates both quantitative criteria and qualitative information. The Company considers a number of factors including, but not limited to: (a) the length of time and the extent to which the fair value has been less than book value, (b) the financial condition and near term prospects of the issuer, (c.i.) for non-interest-related declines in corporate and government bonds, the intent and ability of CS to retain its investment for a period of time sufficient to allow for any anticipated recovery in value, (c.ii.) for interest related declines in corporate and government bonds, the intent of CS to sell the investment at the reporting date, (c.iii.) for mortgage-backed securities, whether CS expects to recover the entire amortized cost basis of the security and whether CS has the intent to sell or intent and ability to hold the investments for a period of time sufficient to allow for any anticipated recovery in value, (d) whether the debtor is current on interest and principal payments, and (e) general market conditions and industry or sector specific factors. As of December 31, 2016, the Company holds \$683 thousand of loan backed securities, none of which meet the criteria for impairment. As of December 31, 2015 the Company held \$2.59 million of loan backed securities, none of which met the criteria for impairment.

CS does not hold any investments as of December 31, 2016 that are subject to redemption restrictions or penalties therefore all holdings can be liquidated immediately upon request, without penalty.

E. Repurchase Agreements – None

F. Real estate

(1) Impairment Losses – None

(2) Sale of Real Estate – None

(3) Change of Plans – None

(4) Retail Land Sales – None

(5) Real Estate with Mortgage Loans – None

G. Low income housing – None

H. Restricted assets (Including Pledged) – As of December 31, 2016, CS has \$3.5 million on deposit with the State of Ohio, in accordance with the State's minimum surplus and collateral requirements. The funds are held in the form of bonds and represent less than .5% of CS's total assets. The amount held at December 31, 2015 was \$3.5 million. Items a–i and k–o are not applicable, as CS does not hold any other items pledged to others as collateral or otherwise restricted.

I. Working Capital Finance Investments – None

J. Offsetting and Netting of Assets and Liabilities – None

K. As of December 31, 2016, CS has \$239 million in structured bonds.

NOTES TO FINANCIAL STATEMENTS

CUSIP Identificatio▼	Acutal Cost ▼	Fair Value ▼	Book/Adjusted Carrying Valu▼	Mortgage- Referenced Security (Y/I▼
06048WQW3	\$ 10,000,000.00	\$ 9,979,700.00	\$ 10,000,000.00	N
33834LAA4	4,740,165.00	4,740,165.00	4,923,037.84	N
06366RLS2	5,000,000.00	4,456,550.00	5,000,000.00	N
064159CG9	10,000,000.00	9,814,900.00	10,000,000.00	N
079860AA0	10,298,493.07	10,102,500.00	10,000,000.00	N
22548Q7D1	10,000,000.00	9,618,900.00	10,000,000.00	N
26054LB36	10,000,000.00	9,815,800.00	10,000,000.00	N
26371GPF1	350,000.00	378,413.00	350,000.00	N
3130A9PB1	3,500,000.00	3,456,985.00	3,500,000.00	N
33834FAA7	7,500,000.00	7,482,150.00	7,500,000.00	N
33834JAA9	10,000,000.00	9,901,007.00	10,000,000.00	N
33834KAA6	5,000,000.00	5,389,830.00	5,000,000.00	N
33834PAB3	10,000,000.00	10,036,275.00	10,000,000.00	N
38147QSG2	5,000,000.00	4,735,250.00	5,000,000.00	N
38148TJR1	15,000,000.00	14,351,850.00	15,000,000.00	N
38148TMS5	10,000,000.00	9,777,400.00	10,000,000.00	N
38148TMU0	5,000,000.00	4,854,400.00	5,000,000.00	N
40432X7F2	5,000,000.00	4,926,000.00	5,000,000.00	N
40433UJ49	5,000,000.00	4,973,750.00	5,000,000.00	N
44352TAA6	660,000.00	702,576.60	660,000.00	N
48126D5U9	5,000,000.00	4,904,300.00	5,000,000.00	N
48126D6L8	4,962,500.00	5,074,500.00	4,970,815.84	N
48126D6V6	4,925,000.00	5,074,500.00	4,937,330.60	N
48126DBT5	4,975,000.00	4,838,650.00	4,981,955.09	N
48126DLV9	5,000,000.00	4,758,250.00	5,000,000.00	N
48126NSY4	2,970,000.00	3,025,200.00	2,976,346.05	N
48451RAK9	1,000,000.00	1,087,500.00	1,000,000.00	N
78008SLL8	5,000,000.00	4,730,200.00	5,000,000.00	N
78008SWB8	5,000,000.00	4,928,500.00	5,000,000.00	N
78010UCX3	5,000,000.00	4,966,350.00	5,000,000.00	N
78010UCZ8	4,975,000.00	4,807,350.00	4,978,963.04	N
78012KAH0	10,000,000.00	9,012,900.00	10,000,000.00	N
86787EAP2	500,190.73	500,060.00	500,009.48	N
89233P6P6	2,985,000.00	2,914,860.00	2,989,285.32	N
89233P6R2	5,000,000.00	4,771,250.00	5,000,000.00	N
89233P7J9	4,417,500.00	4,856,650.00	4,518,162.82	N
89236TBK0	4,950,000.00	4,953,200.00	4,958,244.68	N
94986RKV2	5,000,000.00	4,828,750.00	5,000,000.00	N
94986RNK3	5,000,000.00	4,870,150.00	5,000,000.00	N
94986RNZ0	5,000,000.00	4,790,550.00	5,000,000.00	N
94986RYA3	5,000,000.00	4,775,000.00	5,000,000.00	N
Total	\$ 238,708,848.80	\$ 233,963,071.60	\$ 238,744,150.76	

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

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

8. Derivative Instruments – None

9. Income Taxes – CS is an organization exempt from income tax under Section 501 (c )(3) of the Internal Revenue Code whose activities are substantially related to their tax exempt purpose. On October 1, 2013 the Company began offering commercial insurance policies to qualified individuals on Ohio’s federally facilitated exchange. Coverage for this program began January 1, 2014. During 2014 and 2015, activities conducted as part of the commercial line of business were treated as taxable unrelated business income. In 2016, it was determined that activities conducted as part of the commercial line of business were not subject to unrelated business income tax. As such CareSource has amended our tax returns, resulting in a federal income tax recoverable of \$2,220,391, reflected on page 2, Line 18.1. Deferred tax assets of \$410,205 and federal income tax expense of \$714,087 recorded as of December 31, 2015, have been adjusted to reflect the change in status as of December 31, 2016.

NOTES TO FINANCIAL STATEMENTS

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

1.

12/31/2016			12/31/2015			Change		
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
Ordinary	Capital	(Col 1+2) Total	Ordinary	Capital	(Col 4+5) Total	(Col 1-4) Ordinary	(Col 2-5) Capital	(Col 7+8) Total
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
(a) Gross Deferred Tax Assets								
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
(b) Statutory Valuation Allowance Adjustments								
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
(c) Adjusted Gross Deferred Tax Assets (1a - 1b)								
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
(d) Deferred Tax Assets Nonadmitted								
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
(e) Subtotal Net Admitted Deferred Tax Asset (1c - 1d)								
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
(f) Deferred Tax Liabilities								
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
(g) Net Admitted Deferred Tax Asset/(Net Deferred Tax Liability)(1e-1f)								
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

2.

12/31/2016			12/31/2015			Change		
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
Ordinary	Capital	(Col 1+2) Total	Ordinary	Capital	(Col 4+5) Total	(Col 1-4) Ordinary	(Col 2-5) Capital	(Col 7+8) Total

Admission Calculation Components SSAP No. 101

(a) Federal Income Taxes Paid In Prior Years Recoverable Through Loss Carrybacks.

(b) Adjusted Gross Deferred Tax Assets Expected To Be Realized (Excluding The Amount Of Deferred Tax Assets From 2(a) above) After Application of the Threshold Limitation. (The Lesser of 2(b)1 and 2(b)2 Below)

1. Adjusted Gross Deferred Tax Assets Expected to be Realized Following the Balance Sheet

2. Adjusted Gross Deferred Tax Assets Allowed per Limitation Threshold.

(c) Adjusted Gross Deferred Tax Assets (Excluding The Amount Of Deferred Tax Assets From 2(a) and 2(b) above) Offset by Gross Deferred Tax Liabilities.

(d) Deferred Tax Assets Admitted as the result of application of SSAP No. 101. Total 2(a) + 2(b) +

\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
XXX	XXX	\$ -	XXX	XXX	\$ -	XXX	XXX	\$ -
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

3.

2016	2015
------	------

(a) Ratio Percentage Used To Determine Recovery Period And Threshold Limitation Amount.

(b) Amount Of Adjusted Capital And Surplus Used To Determine Recovery Period And Threshold Limitation In 2(b)2 Above.

\$ -	\$ -
\$ -	\$ -

4.

12/31/2016		12/31/2015		Change	
(1)	(2)	(3)	(4)	(5)	(6)
Ordinary	Capital	Ordinary	Capital	(Col 1-4) Ordinary	(Col 2-5) Capital

Impact of Tax-Planning Strategies

(a) Determination Of Adjusted Gross Deferred Tax Assets And Net Admitted Deferred Tax Assets, By

1. Adjusted Gross DTAs Amount From Note 9A1(c)

2. Percentage Of Adjusted Gross DTAs By Tax Character Attributable To The Impact Of Tax Planning Strategies

3. Net Admitted Adjusted Gross DTAs Amount From Note 9A1(e)

4. Percentage Of Net Admitted Adjusted Gross DTAs By Tax Character Admitted Because Of The Impact Of Tax Planning Strategies

\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
		\$ -	\$ -	\$ -	\$ -
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
		\$ -	\$ -	\$ -	\$ -

(b) Does the Company's tax-planning strategies include the use of reinsurance? Yes \_\_\_\_\_ No \_\_\_\_\_

NOTES TO FINANCIAL STATEMENTS

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

	(1) 12/31/2016	(2) 12/31/2015	(3) (Col. 1 - 2) Change
1. Current Income Tax			
(a) Federal	\$ -	\$ -	\$ -
(b) Foreign	\$ -	\$ -	\$ -
(c) Subtotal	\$ -	\$ -	\$ -
(d) Federal income tax on net capital gains	\$ -	\$ -	\$ -
(e) Utilization of capital loss carry-forwards	\$ -	\$ -	\$ -
(f) Other	\$ -	\$ -	\$ -
(g) Federal and foreign income taxes incurred	\$ -	\$ -	\$ -
2. Deferred Tax Assets:			
(a) Ordinary:			
(1) Discounting of unpaid losses	\$ -	\$ 183,114	\$ (183,114.00)
(2) Unearned premium reserve	\$ -	\$ 225,986	\$ (225,986.00)
(3) Policyholder reserves	\$ -		\$ -
(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	\$ -		\$ -
(12) Tax credit carry-forward	\$ -		\$ -
(13) Other (including items <5% of total ordinary tax assets)	\$ -	\$ 1,105	\$ (1,105.00)
(99) Subtotal	\$ -	\$ 410,205	\$ (410,205.00)
(b) Statutory valuation allowance adjustment	\$ -		\$ -
(c) Nonadmitted	\$ -		\$ -
(d) Admitted ordinary deferred tax assets (2a99 - 2b - 2c)	\$ -	\$ 410,205	\$ (410,205.00)
(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)	\$ -	\$ 410,205	\$ (410,205.00)
3. Deferred Tax Liabilities:			
(a) Ordinary			
(1) Investments	\$ -	\$ -	\$ -
(2) Fixed assets	\$ -	\$ -	\$ -
(3) Deferred and uncollected premium	\$ -	\$ -	\$ -
(4) Policyholder reserves	\$ -	\$ -	\$ -
(5) Other (including items <5% of total ordinary tax liabilities)	\$ -	\$ -	\$ -
(99) Subtotal	\$ -	\$ -	\$ -
(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)	\$ -	\$ -	\$ -
4. Net deferred tax assets/liabilities (2i - 3c)	\$ -	\$ 410,205.00	\$ (410,205.00)

D. The provisions for federal income taxes incurred is different from that which would be obtained by applying the statutory Federal income tax rate to income before income taxes. The significant items causing differences for the year ended December 31, 2016 are as follows (dollars in thousands):

	December 31, 2016	Effective Tax Rate
Statutory income tax		
Nondeductable expenses		
Change in statutory valuation allowance		
Change in nonadmitted assets		
Other (including prior year true up)		
Total	\$ -	0%
Federal income tax incurred		
Tax on capital gain/(losses)		
Prior year under accrual		
Change in net deferred income taxes		
Total statutory income taxes	\$ -	0%

10. Information Concerning Parent, Subsidiaries and Affiliates

A. Effective July 1, 2011, CS and CareSource Management Group (CSMG) entered into a long-term management agreement, which requires CS and CSMG to provide services and resources to each other at actual cost. The initial term of the agreement is 15 years and shall be terminable only for cause, except that CS may terminate this agreement without cause at any time for any reason upon one year written notice. The agreement includes a cost-sharing agreement, which

## NOTES TO FINANCIAL STATEMENTS

outlines the allocation of costs for shared resources and direct costs between CS and CSMG. Costs are allocated in accordance with SSAP No. 70, *Allocation of Expenses*. The amended and restated management agreement was approved by the ODI on July 13, 2011.

Effective March 1, 2012, CareSource entered into a reinsurance agreement with PartnerRe America Insurance Company whereby CareSource Insurance serves as a direct reinsurer to PartnerRe America Insurance Company, and no premiums are paid directly to CareSource Insurance.

B. & C. For the years ended December 31, 2016 and 2015, CS incurred management fees of \$423,042,574 and \$329,986,671 from CSMG, respectively.

D. As of December 31, 2016 and December 31, 2015, CS owed CSMG \$18,151,449 and \$27,178,671, respectively, for employee compensation and other administrative expenses incurred by the related party on behalf of CS. The terms of the settlement require that these amounts be settled within 30 days.

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

11. Debt – None

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

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

- 1) The Company has no shares outstanding.
- 2) The Company has no preferred stock outstanding.
- 3) Distribution restrictions – N/A
- 4) Dividend or distributions paid – N/A
- 5) Portion of income payable as ordinary dividends – N/A
- 6) Restrictions on unassigned funds (surplus) – None
- 7) Mutual reciprocals – N/A
- 8) Stock held – N/A
- 9) Special surplus funds change – None
- 10) The portion of unassigned funds (surplus) reduced by cumulative unrealized gains is \$7,546,752.
- 11) Surplus notes – N/A
- 12) Quasi-reorganization – N/A
- 13) Quasi-reorganization date – N/A

14. Contingencies

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

### *Other Lawsuits and Claims*

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

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

15. Leases

A. Lessee Operating Lease

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

NOTES TO FINANCIAL STATEMENTS

On November 1, 2012, CS entered into a lease agreement with CSMG for the Headquarters Building. The lease expires on November 1, 2028. The monthly lease amount will vary based on the underlying components of the payment which include depreciation and interest payments on the underlying debt instruments.

Rental expenses for the years ended 2016 and 2015, were approximately \$5,715,738 and \$5,062,061, respectively.

2) Future minimum payments for non-cancelable leases are as follows:

Year Ending December 31	Operating Leases
2017	\$ 4,025,749.99
2018	\$ 3,995,182.72
2019	\$ 3,501,401.00
2020	\$ 3,569,050.97
2021	\$ 3,196,131.01
2022 & beyond	\$ 6,934,442.81
Total	\$ 25,221,958.51

3) Sale-leaseback transactions – None

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

B. Lessor Leases – None

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

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

18. Gain or Loss to the reporting entity for uninsured A&H plans and the uninsured portion of partially insured plans  
The Company has a contract with the Ohio Department of Medicaid to provide case management services for the Home and Community Based Waiver program. The structure of the program as an entity that solely performs administrative services qualifies it for classification as an uninsured, administrative services only (ASO) plan.

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

	ASO Uninsured Plan	Uninsured Portion of Partially Insured Plans	Total ASO
a. Net reimbursement for administrative expenses (including administrative fees) in excess of actual expenses	\$ 1,260,045	\$ -	\$ 1,260,045
b. Total net other income or expenses	\$ -	\$ -	\$ -
c. Net gain or (loss) from operations	\$ 1,260,045	\$ -	\$ 1,260,045
d. Total claims payment volume	\$ -	\$ -	\$ -

B. ASC plans – N/A

C. Medicare or similarly structured cost based reimbursed contracts –

- (1) The Company has recorded no revenues explicitly attributable to cost share and reinsurance components of administered Medicare products
- (2) As of December 31, 2016 the company had recorded a receivable from CMS of \$29.6 million related to the cost share and reinsurance components of administered Medicare products.
- (3) As no revenue is recorded in connection with the cost share and reinsurance components of the Company’s Medicare contracts, the Company has recorded no allowances and reserves for adjustment of recorded revenues and receivables.
- (4) The Company has made no adjustment to revenue resulting from audit of receivables related to revenues recorded in the prior period.

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

20. Fair Value Measurements –

## NOTES TO FINANCIAL STATEMENTS

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

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

Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities. The Company's Level 1 assets and liabilities primarily include exchange-traded equity securities.

Level 2 – Inputs include quoted prices for similar assets or liabilities in active markets, quoted prices from those willing to trade in markets that are not active, or other inputs that are observable or can be corroborated by market data for the term of the instrument. Such inputs include market interest rates and volatilities, spreads, and yield curves.

Level 3 – Certain inputs are unobservable (supported by little or no market activity) and significant to the fair value measurement. Unobservable inputs reflect the Company's best estimate of what hypothetical market participants would use to determine a transaction price for the asset or liability at the reporting date.

The following discussion described the valuation methodologies utilized by the Company for assets measured or disclosed at fair value. Fair value estimates are made at a specific point in time, based on available market information and judgments about the financial instrument, including discount rates, estimates of timing, amount of expected future cash flows, and the credit standing of the issuer.

### *Debt and Equity Securities*

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

### *Cash, Cash Equivalents, and Short-Term Investments*

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

### (1) Fair Value Measurements at Reporting Date



NOTES TO FINANCIAL STATEMENTS

Fair Value Measurements at December 31, 2016	(Level 1)	(Level 2)	(Level 3)	Total
a. Assets at fair value				
Bonds				
U.S Governments	\$ -		\$ -	\$ -
Industrial and Misc	\$ -		\$ -	\$ -
Hybrid Securities	\$ -	\$ -	\$ -	\$ -
Parent, Subsidiaries and Affiliates	\$ -	\$ -	\$ -	\$ -
<b>Total Bonds</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
Common Stock				
Industrial and Misc	\$ 139,185,426	\$ -	\$ -	\$ 139,185,426
Parent, Subsidiaries and Affiliates	\$ -	\$ -	\$ -	\$ -
<b>Total Common Stocks</b>	<b>\$ 139,185,426</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 139,185,426</b>
<b>Total assets at fair value</b>	<b>\$ 139,185,426</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 139,185,426</b>

Fair Value Measurements at December 31, 2015	(Level 1)	(Level 2)	(Level 3)	Total
a. Assets at fair value				
Bonds				
U.S Governments	\$ -	\$ -	\$ -	\$ -
Industrial and Misc	\$ -	\$ -	\$ -	\$ -
Hybrid Securities	\$ -	\$ -	\$ -	\$ -
Parent, Subsidiaries and Affiliates	\$ -	\$ -	\$ -	\$ -
<b>Total Bonds</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
Common Stock				
Industrial and Misc	\$ 107,596,205	\$ -	\$ -	\$ 107,596,205
Parent, Subsidiaries and Affiliates	\$ -	\$ -	\$ -	\$ -
<b>Total Common Stocks</b>	<b>\$ 107,596,205</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 107,596,205</b>
<b>Total assets at fair value</b>	<b>\$ 107,596,205</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 107,596,205</b>

The Company did not have any significant assets or liabilities measured at fair value on a nonrecurring basis as of December 31, 2016 or December 31, 2015. There were no transfers between Level 1 and Level 2 securities during the year ended December 31, 2016.

(2) Fair Value Measurements in (Level 3) of the Fair Value Hierarchy – The Company did not have any Level 3 investments as of December 31, 2016 or December 31, 2015.

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

(4) CareSource does not have any assets with fair value measurements categorized within Level 2 and Level 3

(5) Derivative Assets/Liabilities – Not applicable

B. Other Fair Value Measurements – Not applicable

C. Aggregate Value for All Financial Instruments

December 31, 2016	Aggregate Fair Value	Admitted Assets	(Level 1)	(Level 2)	(Level 3)	Not Practicable (Carrying Value)
Bonds	\$ 609,855,613	\$ 610,827,995	\$ 609,855,613			
Common Stock	\$ 139,185,426	\$ 139,185,426	\$ 139,185,426			
Cash, Cash Equivalents, and Short- Term Investments	\$ 510,310,680	\$ 510,308,683	\$ 510,310,680			

December 31, 2015	Aggregate Fair Value	Admitted Assets	(Level 1)	(Level 2)	(Level 3)	Not Practicable (Carrying Value)
Bonds	\$ 750,349,144	\$ 751,632,166	\$ 750,349,144			
Common Stock	\$ 107,596,205	\$ 107,596,205	\$ 107,596,205			
Cash, Cash Equivalents, and Short- Term Investments	\$ 609,875,903	\$ 609,875,903	\$ 609,875,903			

D. Fair Value Not Estimable – Not applicable

NOTES TO FINANCIAL STATEMENTS

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

22. Events subsequent - Subsequent events have been considered through February 27, 2017 for the statutory statements issued on that date.

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

The Company is not subject to the annual fee under section 9010 of the Affordable Care Act. CS is incorporated as a nonprofit in the state of Ohio and receives greater than 80 percent of gross revenues from government programs that target low-income, elderly, or disabled populations.

23. Reinsurance
- A. Ceded Reinsurance Report
    - Section 1 – General Interrogatories
      - 1. No
      - 2. No
    - Section 2 – Ceded Reinsurance Report – Part A
      - 1. No
      - 2. No
    - Section 3 – Ceded Reinsurance Report – Part B
      - 1. \$22,264,020
      - 2. No
  - 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 –
- A. CareSource estimates accrued retrospective premium adjustments for its individual health insurance and Medicare Business through a mathematical approach using an algorithm of the company’s underwriting rules and experience rating practices.
  - B. CareSource records accrued retrospective premiums as an adjustment to earned premiums.
  - C. The amounts of net premiums written by CareSource at December 31, 2016 that are subject to retrospective rating features was \$986 million that represented 14% of the total net premiums written. No other net premiums written by CareSource are subject to retrospective redetermination.
- D. Medical loss ratio rebates required pursuant to the Public Health Service Act.

NOTES TO FINANCIAL STATEMENTS

	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	\$ 2,137,017.00	\$ -	\$ -	\$ -	\$ 2,137,017.00
(2) Medical loss ratio rebates paid	\$ 2,137,017.00				\$ 2,137,017.00
(3) Medical loss ratio rebates unpaid	\$ -	\$ -	\$ -	\$ -	\$ -
(4) Plus reinsurance assumed amounts					\$ -
(5) Less reinsurance ceded amounts					\$ -
(6) Rebates unpaid net of reinsurance					\$ -
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					
(11) Less reinsurance ceded amounts					
(12) Rebates unpaid net of reinsurance					\$ -

E. Risk-Sharing Provisions of the Affordable Care Act(ACA) –

- (1) Did the entity write accident and health insurance premium that is subject to the Affordable Care Act risk-sharing provisions? – Yes
- (2) Impact of Risk-Sharing Provisions of the Affordable Care Act on Admitted Assets, Liabilities and Revenue for the Current Year

**NOTES TO FINANCIAL STATEMENTS**

	<u>AMOUNT</u>
a. Permanent ACA Risk Adjustment Program	
Assets	
1 Premium adjustments receivable due to ACA Risk Adjustment	\$ -
Liabilities	
2 Risk adjustment user fees payable for ACA Risk Adjustment	\$ 172,414
3 Premium adjustments payable due to ACA Risk Adjustment	\$ 30,177,745
Operations (Revenue & Expense)	
4 Reported as revenue in premium for accident and health contracts (written/collected) due to ACA Risk Adjustment	\$ 29,230,484
5 Reported in expenses as ACA risk adjustment user fees (incurred/paid)	\$ 106,113
b. Transitional ACA Reinsurance Program	
Assets	
1 Amounts recoverable for claims paid due to ACA Reinsurance	\$ 7,814,929
2 Amounts recoverable for claims unpaid due to ACA Reinsurance (Contra Liability)	\$ 1,597,719
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	\$ -
5 Ceded reinsurance premiums payable due to ACA Reinsurance	\$ -
6 Liabilities for amounts held under uninsured plans contributions for ACA Reinsurance	\$ -
Operations (Revenue & Expense)	
7 Ceded reinsurance premiums due to ACA Reinsurance	\$ 1,163,420
8 Reinsurance recoveries (income statement) due to ACA Reinsurance payments or expected payments	\$ 8,142,783
9 ACA Reinsurance contributions - not reported as ceded premium	\$ 407,197
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	\$ 2,330,397
Operations (Revenue & Expense)	
3 Effect of ACA Risk Corridors on net premium income	\$ -
4 Effect of ACA Risk Corridors on change in reserves for rate	\$ -

NOTES TO FINANCIAL STATEMENTS

Accrued During the Prior Year on Business Written Before December 31 of the Prior Year		Received or Paid as of the Current Year on Business Written Before December 31 of the Prior Year		Differences		Adjustments		Unsettled Balances as of the Reported Date	
				Prior Year Accrued Less Payments (Col 1 - 3)	Prior Year Accrued Less Payments (Col 2 - 4)	To Prior Year Balances	To Prior Year Balances		
				5	6	7	8	Cumulative Balance from Prior Years (Col 1 - 3 + 7)	Cumulative Balance from Prior Years (Col 2 - 4 + 8)
1	2	3	4					9	10
Receivable	(Payable)	Receivable	(Payable)	Receivable	(Payable)	Receivable	(Payable)	Ref	Receivable (Payable)
a. Permanent ACA Risk Adjustment Program									
1. Premium adjustment receivable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	A	\$ - \$ -
2. Premium adjustments (payable)	\$ -	\$(17,700,000)	\$ -	\$(16,752,739)	\$ -	\$( 947,261)	\$ -	\$ 947,261	B \$ - \$ -
3. Subtotal ACA Permanent Risk Adjustment Program	\$ -	\$(17,700,000)	\$ -	\$(16,752,739)	\$ -	\$( 947,261)	\$ -	\$ 947,261	\$ - \$ -
b. Transitional ACA Reinsurance Program									
1. Amounts recoverable for claims paid	\$9,500,000	\$ -	\$8,230,135	\$ -	\$ 1,269,865	\$ -	\$ (260,196)	\$ -	C \$ 1,009,669 \$ -
2. Amounts recoverable for claims unpaid (contra liability)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	D \$ - \$ -
3. Amounts receivable relating to uninsured plans	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	E \$ - \$ -
4. Liabilities for contributions payable due to ACA Reinsurance - not reported as ceded premium	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	F \$ - \$ -
5. Ceded reinsurance premiums payable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	G \$ - \$ -
6. Liability for amounts hold under uninsured plans	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	H \$ - \$ -
7. Subtotal ACA Transitional Reinsurance Program	\$9,500,000	\$ -	\$8,230,135	\$ -	\$ 1,269,865	\$ -	\$ (260,196)	\$ -	\$ 1,009,669 \$ -
c. Temporary ACA Risk Corridors Program									
1. Accrued retrospective premium	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	I \$ - \$ -
2. Reserve for rate credits or policy experience rating refunds	\$ -	\$ (2,330,397)	\$ -	\$ -	\$ -	\$ (2,330,397)	\$ -	\$ -	J \$ - \$ (2,330,397)
3. Subtotal ACA Risk Corridors Program	\$ -	\$ (2,330,397)	\$ -	\$ -	\$ -	\$ (2,330,397)	\$ -	\$ -	\$ - \$ (2,330,397)
d. Total for ACA Risk Sharing Provisions	\$9,500,000	\$(20,030,397)	\$8,230,135	\$(16,752,739)	\$ 1,269,865	\$(3,277,658)	\$ (260,196)	\$ 947,261	\$ 1,009,669 \$ (2,330,397)
Explanation of Adjustments									
A.									
B. Updated receivable to final CMS payment amount.									
C. Received partial payment from CMS. Updated receivable to final CMS payment amount.									
D.									
E.									
F.									
G.									
H.									
I.									
J.									

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

Reserves as of December 31, 2015 were \$590 million. As of December 31, 2016, \$596 million has been paid for incurred claims and claim adjustment expenses attributable to insured events of prior years. Therefore, there has been a \$5 million favorable prior-year development since December 31, 2015 to December 31, 2016. The change is generally the result of ongoing analysis of recent loss development trends. Original estimates are increased or decreased, as additional information becomes known regarding individual claims. Included in this decrease, the Company experienced \$14 million of favorable prior year claim development on retrospectively rated policies, combined with \$8.6 million of unfavorable experience in recoveries.

26. Intercompany Pooling Arrangements – None

27. Structured Settlements – Not applicable

28. Health Care Receivables

- A. Pharmacy rebates - As of December 31, 2016 and December 31, 2015, CS recorded a pharmacy rebate receivable of \$70,172,834 and \$51,162,262, of which \$9,950,250 and \$13,871,551 and was non-admitted, respectively. The receivable is estimated using invoiced prescriptions and rebate dollars sent to drug manufactures for reimbursement. The Company utilizes a third party to administer the program.

NOTES TO FINANCIAL STATEMENTS

	Estimated Pharmacy Rebates as Reported on Financial Statements	Pharmacy Rebates as Invoiced/ Confirmed	Rebates Collected Within 90 Days of Invoicing/ Confirmation	Rebates Collected Within 91 to 180 Days of Invoicing/ Confirmation	Collected More Than 180 Days After Invoicing/ Confirmation
Quarter					
12/31/2016	\$ 39,607,849.71	\$ 1,479,163.94	\$ 1,479,163.94	\$ -	\$ -
9/30/2016	\$ 38,286,102.51	\$ 6,241,953.78	\$ 6,241,953.78	\$ -	\$ -
6/30/2016	\$ 38,089,687.59	\$ 38,089,687.59	\$ 35,281,965.96	\$ -	\$ -
3/31/2016	\$ 36,211,657.45	\$ 36,211,657.45	\$ 34,471,167.17	\$ 1,085,053.15	\$ -
12/31/2015	\$ 27,480,515.77	\$ 33,158,472.25	\$ 17,840,770.47	\$ 14,076,519.39	\$ 649,302.97
9/30/2015	\$ 27,208,356.08	\$ 31,813,871.37	\$ 18,182,847.23	\$ 8,572,617.73	\$ 3,284,471.90
6/30/2015	\$ 26,509,109.51	\$ 28,352,385.62	\$ 16,969,315.78	\$ 5,788,432.30	\$ 2,445,863.81
3/31/2015	\$ 22,745,280.91	\$ 21,145,356.15	\$ 14,772,897.26	\$ 5,280,408.26	\$ 462,444.43
12/31/2014	\$ 18,100,594.00	\$ 17,576,274.79	\$ 10,549,869.62	\$ 1,698,496.90	\$ 5,255,592.31
9/30/2014	\$ 14,836,625.00	\$ 15,908,817.08	\$ 9,204,366.38	\$ 4,254,107.82	\$ 2,429,091.54
6/30/2014	\$ 11,622,687.00	\$ 12,345,359.31	\$ 7,744,996.00	\$ 4,277,334.10	\$ 128,762.95
3/31/2014	\$ 5,843,866.00	\$ 9,385,732.17	\$ 6,379,182.00	\$ 2,800,772.68	\$ 181,884.93

B. Risk sharing receivables – None

29. Participating Policies – Not applicable

30. Premium Deficiency Reserves – Not deemed necessary

31. Anticipated Salvage and Subrogation – Due to the type of business being written, the Company has no salvage. The Company took into account estimated recoveries (in the form of coordination of benefits) in its determination of the liability for unpaid claims/losses and reduced such liability by \$30,539,924.

GENERAL INTERROGATORIES

PART 1 - COMMON INTERROGATORIES

GENERAL

- 1.1

Is the reporting entity a member of an Insurance Holding Company System consisting of two or more affiliated persons, one or more of which is an insurer?

Yes ☒ No ☐
- If yes, complete Schedule Y, Parts 1, 1A and 2.
- 1.2

If yes, did the reporting entity register and file with its domiciliary State Insurance Commissioner, Director or Superintendent or with such regulatory official of the state of domicile of the principal insurer in the Holding Company System, a registration statement providing disclosure substantially similar to the standards adopted by the National Association of Insurance Commissioners (NAIC) in its Model Insurance Holding Company System Regulatory Act and model regulations pertaining thereto, or is the reporting entity subject to standards and disclosure requirements substantially similar to those required by such Act and regulations?

Yes ☒ No ☐ N/A ☐
- 1.3

State Regulating?

Ohio.....
- 2.1

Has any change been made during the year of this statement in the charter, by-laws, articles of incorporation, or deed of settlement of the reporting entity?

Yes ☐ No ☒
- 2.2

If yes, date of change:

.....
- 3.1

State as of what date the latest financial examination of the reporting entity was made or is being made.

.....12/31/2012
- 3.2

State the as of date that the latest financial examination report became available from either the state of domicile or the reporting entity. This date should be the date of the examined balance sheet and not the date the report was completed or released.

.....12/31/2012
- 3.3

State as of what date the latest financial examination report became available to other states or the public from either the state of domicile or the reporting entity. This is the release date or completion date of the examination report and not the date of the examination (balance sheet date).

.....11/08/2013
- 3.4

By what department or departments? Ohio Department of Insurance.....
- 3.5

Have all financial statement adjustments within the latest financial examination report been accounted for in a subsequent financial statement filed with Departments?

Yes ☒ No ☐ N/A ☐
- 3.6

Have all of the recommendations within the latest financial examination report been complied with?

Yes ☐ No ☐ N/A ☒
- 4.1

During the period covered by this statement, did any agent, broker, sales representative, non-affiliated sales/service organization or any combination thereof under common control (other than salaried employees of the reporting entity) receive credit or commissions for or control a substantial part (more than 20 percent of any major line of business measured on direct premiums) of:
- 4.11 sales of new business?

Yes ☐ No ☒
- 4.12 renewals?

Yes ☐ No ☒
- 4.2

During the period covered by this statement, did any sales/service organization owned in whole or in part by the reporting entity or an affiliate, receive credit or commissions for or control a substantial part (more than 20 percent of any major line of business measured on direct premiums) of:
- 4.21 sales of new business?

Yes ☐ No ☒
- 4.22 renewals?

Yes ☐ No ☒
- 5.1

Has the reporting entity been a party to a merger or consolidation during the period covered by this statement?

Yes ☐ No ☒
- 5.2

If yes, provide the name of the entity, NAIC company code, and state of domicile (use two letter state abbreviation) for any entity that has ceased to exist as a result of the merger or consolidation.

1 Name of Entity	2 NAIC Company Code	3 State of Domicile
.....	.....	.....
.....	.....	.....
.....	.....	.....
.....	.....	.....
.....	.....	.....

- 6.1

Has the reporting entity had any Certificates of Authority, licenses or registrations (including corporate registration, if applicable) suspended or revoked by any governmental entity during the reporting period?

Yes ☐ No ☒
- 6.2

If yes, give full information .....
- 7.1

Does any foreign (non-United States) person or entity directly or indirectly control 10% or more of the reporting entity?

Yes ☐ No ☒
- 7.2

If yes,
- 7.21

State the percentage of foreign control

.....0.0
- 7.22

State the nationality(s) of the foreign person(s) or entity(s); or if the entity is a mutual or reciprocal, the nationality of its manager or attorney-in-fact and identify the type of entity(s) (e.g., individual, corporation, government, manager or attorney-in-fact).

1 Nationality	2 Type of Entity
.....	.....
.....	.....
.....	.....
.....	.....
.....	.....

GENERAL INTERROGATORIES

8.1 Is the company a subsidiary of a bank holding company regulated by the Federal Reserve Board? Yes [ ] No [ X ]

8.2 If response to 8.1 is yes, please identify the name of the bank holding company.

8.3 Is the company affiliated with one or more banks, thrifts or securities firms? Yes [ ] No [ X ]

8.4 If response to 8.3 is yes, please provide the names and locations (city and state of the main office) of any affiliates regulated by a federal financial regulatory services agency [i.e. the Federal Reserve Board (FRB), the Office of the Comptroller of the Currency (OCC), the Federal Deposit Insurance Corporation (FDIC) and the Securities Exchange Commission (SEC)] and identify the affiliate's primary federal regulator.

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

9. What is the name and address of the independent certified public accountant or accounting firm retained to conduct the annual audit?  
Ernst & Young LLP, 312 Walnut Street, Suite 1900, Cincinnati, Ohio 45202.....

10.1 Has the insurer been granted any exemptions to the prohibited non-audit services provided by the certified independent public accountant requirements as allowed in Section 7H of the Annual Financial Reporting Model Regulation (Model Audit Rule), or substantially similar state law or regulation? Yes [ ] No [ X ]

10.2 If the response to 10.1 is yes, provide information related to this exemption:

10.3 Has the insurer been granted any exemptions related to the other requirements of the Annual Financial Reporting Model Regulation as allowed for in Section 18A of the Model Regulation, or substantially similar state law or regulation? Yes [ ] No [ X ]

10.4 If the response to 10.3 is yes, provide information related to this exemption:

10.5 Has the reporting entity established an Audit Committee in compliance with the domiciliary state insurance laws? Yes [ X ] No [ ] N/A [ ]

10.6 If the response to 10.5 is no or n/a, please explain

11. What is the name, address and affiliation (officer/employee of the reporting entity or actuary/consultant associated with an actuarial consulting firm) of the individual providing the statement of actuarial opinion/certification?  
Darrell Knapp, Ernst & Young LLP, 1200 Main Street, Suite 2500, Kansas City, Missouri 64105.....

12.1 Does the reporting entity own any securities of a real estate holding company or otherwise hold real estate indirectly? Yes [ ] No [ X ]

12.11 Name of real estate holding company

12.12 Number of parcels involved

12.13 Total book/adjusted carrying value

0

\$.....

12.2 If yes, provide explanation

13. FOR UNITED STATES BRANCHES OF ALIEN REPORTING ENTITIES ONLY:

13.1 What changes have been made during the year in the United States manager or the United States trustees of the reporting entity?

13.2 Does this statement contain all business transacted for the reporting entity through its United States Branch on risks wherever located? Yes [ ] No [ ]

13.3 Have there been any changes made to any of the trust indentures during the year? Yes [ ] No [ ]

13.4 If answer to (13.3) is yes, has the domiciliary or entry state approved the changes? Yes [ ] No [ ] N/A [ ]

14.1 Are the senior officers (principal executive officer, principal financial officer, principal accounting officer or controller, or persons performing similar functions) of the reporting entity subject to a code of ethics, which includes the following standards?  
a. Honest and ethical conduct, including the ethical handling of actual or apparent conflicts of interest between personal and professional relationships;  
b. Full, fair, accurate, timely and understandable disclosure in the periodic reports required to be filed by the reporting entity;  
c. Compliance with applicable governmental laws, rules and regulations;  
d. The prompt internal reporting of violations to an appropriate person or persons identified in the code; and  
e. Accountability for adherence to the code.

14.11 If the response to 14.1 is no, please explain:

14.2 Has the code of ethics for senior managers been amended? Yes [ ] No [ X ]

14.21 If the response to 14.2 is yes, provide information related to amendment(s)

14.3 Have any provisions of the code of ethics been waived for any of the specified officers? Yes [ ] No [ X ]

14.31 If the response to 14.3 is yes, provide the nature of any waiver(s).



GENERAL INTERROGATORIES

- 15.1 Is the reporting entity the beneficiary of a Letter of Credit that is unrelated to reinsurance where the issuing or confirming bank is not on the SVO Bank List?
- Yes [ ] No [ X ]
- 15.2 If the response to 15.1 is yes, indicate the American Bankers Association (ABA) Routing Number and the name of the issuing or confirming bank of the Letter of Credit and describe the circumstances in which the Letter of Credit is triggered.

1	2	3	4
American Bankers Association (ABA) Routing Number	Issuing or Confirming Bank Name	Circumstances That Can Trigger the Letter of Credit	Amount

BOARD OF DIRECTORS

16. Is the purchase or sale of all investments of the reporting entity passed upon either by the board of directors or a subordinate committee thereof?
- Yes [ X ] No [ ]
17. Does the reporting entity keep a complete permanent record of the proceedings of its board of directors and all subordinate committees thereof?
- Yes [ X ] No [ ]
18. Has the reporting entity an established procedure for disclosure to its board of directors or trustees of any material interest or affiliation on the part of any of its officers, directors, trustees or responsible employees that is in conflict or is likely to conflict with the official duties of such person?
- Yes [ X ] No [ ]

FINANCIAL

19. Has this statement been prepared using a basis of accounting other than Statutory Accounting Principles (e.g., Generally Accepted Accounting Principles)?
- Yes [ ] No [ X ]
- 20.1 Total amount loaned during the year (inclusive of Separate Accounts, exclusive of policy loans):
- 20.11 To directors or other officers \$.....
- 20.12 To stockholders not officers \$.....
- 20.13 Trustees, supreme or grand (Fraternal only) \$.....
- 20.2 Total amount of loans outstanding at the end of year (inclusive of Separate Accounts, exclusive of policy loans):
- 20.21 To directors or other officers \$.....
- 20.22 To stockholders not officers \$.....
- 20.23 Trustees, supreme or grand (Fraternal only) \$.....
- 21.1 Were any assets reported in this statement subject to a contractual obligation to transfer to another party without the liability for such obligation being reported in the statement?
- Yes [ ] No [ X ]
- 21.2 If yes, state the amount thereof at December 31 of the current year:
- 21.21 Rented from others \$.....
- 21.22 Borrowed from others \$.....
- 21.23 Leased from others \$.....
- 21.24 Other \$.....
- 22.1 Does this statement include payments for assessments as described in the Annual Statement Instructions other than guaranty fund or guaranty association assessments?
- Yes [ ] No [ X ]
- 22.2 If answer is yes:
- 22.21 Amount paid as losses or risk adjustment \$.....
- 22.22 Amount paid as expenses \$.....
- 22.23 Other amounts paid \$.....
- 23.1 Does the reporting entity report any amounts due from parent, subsidiaries or affiliates on Page 2 of this statement?
- Yes [ ] No [ X ]
- 23.2 If yes, indicate any amounts receivable from parent included in the Page 2 amount:
- \$.....

INVESTMENT

- 24.01 Were all the stocks, bonds and other securities owned December 31 of current year, over which the reporting entity has exclusive control, in the actual possession of the reporting entity on said date? (other than securities lending programs addressed in 24.03)
- Yes [ X ] No [ ]
- 24.02 If no, give full and complete information, relating thereto
- 24.03 For security lending programs, provide a description of the program including value for collateral and amount of loaned securities, and whether collateral is carried on or off-balance sheet. (an alternative is to reference Note 17 where this information is also provided)
- 24.04 Does the company's security lending program meet the requirements for a conforming program as outlined in the Risk-Based Capital Instructions?
- Yes [ ] No [ ] NA [ X ]
- 24.05 If answer to 24.04 is yes, report amount of collateral for conforming programs.
- \$.....
- 24.06 If answer to 24.04 is no, report amount of collateral for other programs.
- \$.....
- 24.07 Does your securities lending program require 102% (domestic securities) and 105% (foreign securities) from the counterparty at the outset of the contract?
- Yes [ ] No [ ] NA [ X ]
- 24.08 Does the reporting entity non-admit when the collateral received from the counterparty falls below 100%?
- Yes [ ] No [ ] NA [ X ]
- 24.09 Does the reporting entity or the reporting entity's securities lending agent utilize the Master Securities Lending Agreement (MSLA) to conduct securities lending?
- Yes [ ] No [ ] NA [ X ]
- 24.10 For the reporting entity's security lending program, state the amount of the following as of December 31 of the current year:
- 24.101 Total fair value of reinvested collateral assets reported on Schedule DL, Parts 1 and 2 \$.....
- 24.102 Total book adjusted/carrying value of reinvested collateral assets reported on Schedule DL, Parts 1 and 2 \$.....
- 24.103 Total payable for securities lending reported on the liability page \$.....

GENERAL INTERROGATORIES

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

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

25.21 Subject to repurchase agreements

25.22 Subject to reverse repurchase agreements

25.23 Subject to dollar repurchase agreements

25.24 Subject to reverse dollar repurchase agreements

25.25 Placed under option agreements

25.26 Letter stock or securities restricted as to sale – excluding FHLB Capital Stock

25.27 FHLB Capital Stock

25.28 On deposit with states

25.29 On deposit with other regulatory bodies

25.30 Pledged as collateral – excluding collateral pledged to an FHLB

25.31 Pledged as collateral to FHLB – including assets backing funding agreements

25.32 Other

\$

\$

\$

\$

\$

\$

\$

\$

\$

\$

\$

\$

3,500,000

25.3 For category (25.26) provide the following:

1 Nature of Restriction	2 Description	3 Amount

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

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

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

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

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

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

1 Name of Custodian(s)	2 Custodian’s Address
Fifth Third Bank	38 Fountain Square, Cincinnati, Ohio 45263
RBS Citizens, N.A.	870 Westminster Street, RWR110, Providence, Rhode Island 02903
Huntington National Bank	41 South High Street, Columbus, Ohio 43287

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

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

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

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

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

GENERAL INTERROGATORIES

28.05 Investment management – Identify all investment advisors, investment managers, broker/dealers, including individuals that have the authority to make investment decisions on behalf of the reporting entity. For assets that are managed internally by employees of the reporting entity, note as such. ["...that have access to the investment accounts"; "...handle securities"]

1 Name of Firm or Individual	2 Affiliation

28.0597 For those firms/individuals listed in the table for Question 28.05, do any firms/individuals unaffiliated with the reporting entity (i.e., designated with a “U”) manage more than 10% of the reporting entity’s assets? Yes [   ] No [   ]

28.0598 For firms/individuals unaffiliated with the reporting entity (i.e., designated with a “U”) listed in the table for Question 28.05, does the total assets under management aggregate to more than 50% of the reporting entity’s assets? Yes [   ] No [   ]

28.06 For those firms or individuals listed in the table for 28.05 with an affiliation code of “A” (affiliated) or “U” (unaffiliated), provide the information for the table below.

1 Central Registration Depository Number	2 Name of Firm or Individual	3 Legal Entity Identifier (LEI)	4 Registered With	5 Investment Management Agreement (IMA) Filed

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

29.2 If yes, complete the following schedule:

1 CUSIP #	2 Name of Mutual Fund	3 Book/Adjusted Carrying Value
29.2001. 015566-30-0	ALGER SPECTRA CL I MF	5,355,511
29.2002. 115233-79-3	BROWN ADVISORY SMALL CAP CL INV MF	2,793,717
29.2003. 24610C-85-7	DELAWARE VAL CL I MF	10,046,384
29.2004. 316071-10-9	FIDELITY CONTRA MF	6,131,918
29.2005. 316389-77-4	FIDELITY ADVISOR SML CAP VAL CL I MF	4,252,359
29.2006. 339128-10-0	JPMORGAN MID CAP VAL CL L MF	4,514,983
29.2007. 353533-88-8	FRANKLIN INTL SMLER CO GRW CL ADV MF	3,247,052
29.2008. 354713-65-3	FRANKLIN SMALL CAP GROWTH CL ADV MF	4,477,843
29.2009. 413838-20-2	OAKMARK INTL CL I MF	2,649,752
29.2010. 416648-85-5	HARTFORD EQT INC CL Y MF	4,448,289
29.2011. 464287-46-5	ISHARES MSCI EAFE ETF	4,560,901
29.2012. 464287-49-9	ISHARES RUSSELL MID CAP ETF	6,672,730
29.2013. 46429B-68-9	ISHARE EDGE MSCI MIN VOL EAFE ETF	4,311,786
29.2014. 47803W-40-6	JOHN HAN FD III DS VAL MD CP CL I MF	8,109,820
29.2015. 52469H-25-5	CB LARGE CAP GR;IS	4,837,043
29.2016. 55273E-82-2	MFS INTL VAL CL I MF	6,493,175
29.2017. 64122Q-30-9	NEUBERGER BERM MUL CP OP CL INST MF	6,076,145
29.2018. 68380L-40-7	OPPENHEIMER INTL GRW CL Y MF	3,423,614
29.2019. 73937B-63-9	POWERSHARES S&P SMALLCAP LOW VOL ETF	4,336,008
29.2020. 73937B-64-7	POWERSHARES S&P MIDCAP LOW VOL ETF	6,724,204
29.2021. 73937B-77-9	POWERSHARES S&P 500 LOW VOLAT ETF	9,975,749
29.2022. 779556-10-9	T. ROWE PRICE MID CAP GRW MF	6,358,330
29.2023. 779562-10-7	T. ROWE PRICE NEW HORIZONS MF	3,232,760
29.2024. 92206C-66-4	VANGUARD RUSSELL 2000 ETF	4,307,571
29.2025. 92206C-73-0	VANGUARD RUSSELL 1000 ETF	10,539,894
29.2999 TOTAL		137,877,538

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

1 Name of Mutual Fund (from above table)	2 Name of Significant Holding of the Mutual Fund	3 Amount of Mutual Fund's Book/Adjusted Carrying Value Attributable to the Holding	4 Date of Valuation
ALGER SPECTRA FUND-I	Alphabet Inc	426,727	
ALGER SPECTRA FUND-I	Microsoft Corp	303,872	
ALGER SPECTRA FUND-I	Apple Inc	303,175	
ALGER SPECTRA FUND-I	Amazon.com Inc	290,322	
ALGER SPECTRA FUND-I	Facebook Inc	244,265	
BROWN ADVISORY-S/C FND VAL-I	Albany International Corp	119,655	
BROWN ADVISORY-S/C FND VAL-I	Synovus Financial Corp	113,900	
BROWN ADVISORY-S/C FND VAL-I	Cash Account Trust - Governmen	111,777	
BROWN ADVISORY-S/C FND VAL-I	EchoStar Corp	102,250	
BROWN ADVISORY-S/C FND VAL-I	American Capital Ltd	98,674	
DELAWARE VALUE FUND-I	Chevron Corp	322,891	
DELAWARE VALUE FUND-I	BB&T Corp	321,082	
DELAWARE VALUE FUND-I	Halliburton Co	318,973	
DELAWARE VALUE FUND-I	AT&T Inc	316,763	
DELAWARE VALUE FUND-I	Verizon Communications Inc	316,361	
FIDELITY CONTRAFUND	Facebook Inc	356,632	

GENERAL INTERROGATORIES

1	2	3	4
Name of Mutual Fund (from above table)	Name of Significant Holding of the Mutual Fund	Amount of Mutual Fund's Book/Adjusted Carrying Value Attributable to the Holding	Date of Valuation
FIDELITY CONTRAFUND.....	Berkshire Hathaway Inc.....	330,388	
FIDELITY CONTRAFUND.....	Amazon.com Inc.....	248,833	
FIDELITY CONTRAFUND.....	Alphabet Inc.....	223,447	
FIDELITY CONTRAFUND.....	Alphabet Inc.....	197,141	
FIDELITY ADV S/C VALUE-I.....	Allied World Assurance Co Hold.....	125,189	
FIDELITY ADV S/C VALUE-I.....	First Citizens BancShares Inc/.....	123,829	
FIDELITY ADV S/C VALUE-I.....	Potlatch Corp.....	116,940	
FIDELITY ADV S/C VALUE-I.....	Moog Inc.....	115,324	
FIDELITY ADV S/C VALUE-I.....	Genesee & Wyoming Inc.....	112,432	
JPMORGAN MID CAP VALUE-INST.....	JPMorgan U.S. Government Money.....	201,594	
JPMORGAN MID CAP VALUE-INST.....	Energen Corp.....	99,736	
JPMORGAN MID CAP VALUE-INST.....	EQT Corp.....	91,474	
JPMORGAN MID CAP VALUE-INST.....	Loews Corp.....	85,469	
JPMORGAN MID CAP VALUE-INST.....	M&T Bank Corp.....	78,380	
FRANKLIN INTER SM CP GRW-ADV.....	Kennedy Wilson Europe Real Est.....	144,721	
FRANKLIN INTER SM CP GRW-ADV.....	Grafton Group PLC.....	141,507	
FRANKLIN INTER SM CP GRW-ADV.....	ARA Asset Management Ltd.....	138,422	
FRANKLIN INTER SM CP GRW-ADV.....	Clarkson PLC.....	136,961	
FRANKLIN INTER SM CP GRW-ADV.....	Lar Espana Real Estate Socimi.....	129,265	
FRANKLIN SMALL CAP GRW FD-AD.....	2U Inc.....	137,515	
FRANKLIN SMALL CAP GRW FD-AD.....	Grand Canyon Education Inc.....	80,556	
FRANKLIN SMALL CAP GRW FD-AD.....	US Ecology Inc.....	76,437	
FRANKLIN SMALL CAP GRW FD-AD.....	Spectranetics Corp/The.....	74,153	
FRANKLIN SMALL CAP GRW FD-AD.....	Lattice Semiconductor Corp.....	73,705	
OAKMARK INTERNATIONAL-I.....	Glencore PLC.....	113,277	
OAKMARK INTERNATIONAL-I.....	Lloyds Banking Group PLC.....	103,181	
OAKMARK INTERNATIONAL-I.....	BNP Paribas SA.....	94,146	
OAKMARK INTERNATIONAL-I.....	Intesa Sanpaolo SpA.....	92,768	
OAKMARK INTERNATIONAL-I.....	Credit Suisse Group AG.....	90,569	
HARTFORD EQUITY INCOME FD-Y.....	JPMorgan Chase & Co.....	170,503	
HARTFORD EQUITY INCOME FD-Y.....	Microsoft Corp.....	166,410	
HARTFORD EQUITY INCOME FD-Y.....	Wells Fargo & Co.....	162,274	
HARTFORD EQUITY INCOME FD-Y.....	Johnson & Johnson.....	127,132	
HARTFORD EQUITY INCOME FD-Y.....	Chevron Corp.....	124,107	
ISHARES MSCI EAFE ETF.....	Nestle SA.....	81,914	
ISHARES MSCI EAFE ETF.....	HSBC Holdings PLC.....	61,070	
ISHARES MSCI EAFE ETF.....	Roche Holding AG.....	60,158	
ISHARES MSCI EAFE ETF.....	Novartis AG.....	59,337	
ISHARES MSCI EAFE ETF.....	Toyota Motor Corp.....	55,324	
ISHARES RUSSELL MID-CAP ETF.....	NVIDIA Corp.....	62,724	
ISHARES RUSSELL MID-CAP ETF.....	Johnson Controls International.....	40,837	
ISHARES RUSSELL MID-CAP ETF.....	Synchrony Financial.....	32,096	
ISHARES RUSSELL MID-CAP ETF.....	SunTrust Banks Inc.....	30,494	
ISHARES RUSSELL MID-CAP ETF.....	Marriott International Inc/MD.....	29,026	
ISHARES MSCI EAFE MINIMUM VO.....	Nestle SA.....	65,496	
ISHARES MSCI EAFE MINIMUM VO.....	Danske Bank A/S.....	63,771	
ISHARES MSCI EAFE MINIMUM VO.....	Novartis AG.....	63,513	
ISHARES MSCI EAFE MINIMUM VO.....	Roche Holding AG.....	63,383	
ISHARES MSCI EAFE MINIMUM VO.....	Swiss Re AG.....	63,297	
JOHN HANCOCK III-DISC M/C-IS.....	Discover Financial Services.....	156,601	
JOHN HANCOCK III-DISC M/C-IS.....	Harris Corp.....	140,543	
JOHN HANCOCK III-DISC M/C-IS.....	Fifth Third Bancorp.....	136,975	
JOHN HANCOCK III-DISC M/C-IS.....	TD Ameritrade Holding Corp.....	128,460	
JOHN HANCOCK III-DISC M/C-IS.....	Unum Group.....	128,135	
CLEARBRIDGE LRG CAP GROW-IS.....	Amazon.com Inc.....	219,602	
CLEARBRIDGE LRG CAP GROW-IS.....	State Street Institutional US.....	191,112	
CLEARBRIDGE LRG CAP GROW-IS.....	Microsoft Corp.....	166,346	
CLEARBRIDGE LRG CAP GROW-IS.....	Alphabet Inc.....	145,015	
CLEARBRIDGE LRG CAP GROW-IS.....	Schlumberger Ltd.....	141,870	
MFS INTL VALUE-I.....	Nestle SA.....	266,545	
MFS INTL VALUE-I.....	Danone SA.....	214,340	
MFS INTL VALUE-I.....	MFS Institutional Money Market.....	208,691	

GENERAL INTERROGATORIES

1	2	3	4
Name of Mutual Fund (from above table)	Name of Significant Holding of the Mutual Fund	Amount of Mutual Fund's Book/Adjusted Carrying Value Attributable to the Holding	Date of Valuation
MFS INTL VALUE-I.....	Reckitt Benckiser Group PLC.....	205,184	
MFS INTL VALUE-I.....	Brambles Ltd.....	187,393	
NEUBERGER BER MU/C OPP-INS.....	Motorola Solutions Inc.....	315,473	
NEUBERGER BER MU/C OPP-INS.....	JPMorgan Chase & Co.....	298,825	
NEUBERGER BER MU/C OPP-INS.....	Berkshire Hathaway Inc.....	287,827	
NEUBERGER BER MU/C OPP-INS.....	Goldman Sachs Group Inc/The.....	283,513	
NEUBERGER BER MU/C OPP-INS.....	Intercontinental Exchange Inc.....	270,632	
OPPENHEIMER INTL GROWTH FD-Y.....	Infineon Technologies AG.....	75,285	
OPPENHEIMER INTL GROWTH FD-Y.....	Dollarama Inc.....	69,705	
OPPENHEIMER INTL GROWTH FD-Y.....	Nippon Telegraph & Telephone C.....	61,043	
OPPENHEIMER INTL GROWTH FD-Y.....	Valeo SA.....	60,872	
OPPENHEIMER INTL GROWTH FD-Y.....	Temenos Group AG.....	53,716	
POWERSHARES S&P SMALLCAP LOW.....	ProAssurance Corp.....	51,772	
POWERSHARES S&P SMALLCAP LOW.....	Getty Realty Corp.....	51,382	
POWERSHARES S&P SMALLCAP LOW.....	Universal Corp/VA.....	48,607	
POWERSHARES S&P SMALLCAP LOW.....	Northfield Bancorp Inc.....	48,433	
POWERSHARES S&P SMALLCAP LOW.....	ESCO Technologies Inc.....	46,959	
POWERSHARES S&P MIDCAP LOW V.....	RenaissanceRe Holdings Ltd.....	113,572	
POWERSHARES S&P MIDCAP LOW V.....	American Financial Group Inc/0.....	107,991	
POWERSHARES S&P MIDCAP LOW V.....	NVR Inc.....	105,167	
POWERSHARES S&P MIDCAP LOW V.....	WR Berkley Corp.....	104,360	
POWERSHARES S&P MIDCAP LOW V.....	Jack Henry & Associates Inc.....	101,670	
POWERSHARES S&P 500 LOW VOLA.....	AT&T Inc.....	128,687	
POWERSHARES S&P 500 LOW VOLA.....	PepsiCo Inc.....	128,089	
POWERSHARES S&P 500 LOW VOLA.....	Allstate Corp/The.....	125,096	
POWERSHARES S&P 500 LOW VOLA.....	Republic Services Inc.....	123,200	
POWERSHARES S&P 500 LOW VOLA.....	Altria Group Inc.....	120,108	
T ROWE PR MID CAP GROW-INV.....	Fiserv Inc.....	132,253	
T ROWE PR MID CAP GROW-INV.....	Willis Towers Watson PLC.....	131,109	
T ROWE PR MID CAP GROW-INV.....	Textron Inc.....	110,762	
T ROWE PR MID CAP GROW-INV.....	Teleflex Inc.....	106,375	
T ROWE PR MID CAP GROW-INV.....	Microchip Technology Inc.....	102,306	
T ROWE PR NEW HORIZONS.....	T Rowe Price Reserve Investmen.....	180,226	
T ROWE PR NEW HORIZONS.....	Russell 2000 Mini Dec16.....	110,366	
T ROWE PR NEW HORIZONS.....	O'Reilly Automotive Inc.....	74,224	
T ROWE PR NEW HORIZONS.....	Vail Resorts Inc.....	73,287	
T ROWE PR NEW HORIZONS.....	SS&C Technologies Holdings Inc.....	65,981	
VANGUARD RUSSELL 2000.....	Advanced Micro Devices Inc.....	19,126	
VANGUARD RUSSELL 2000.....	Microsemi Corp.....	13,741	
VANGUARD RUSSELL 2000.....	Webster Financial Corp.....	11,157	
VANGUARD RUSSELL 2000.....	Prosperity Bancshares Inc.....	10,769	
VANGUARD RUSSELL 2000.....	Bank of the Ozarks Inc.....	10,424	
VANGUARD RUSSELL 1000.....	Apple Inc.....	309,662	
VANGUARD RUSSELL 1000.....	Microsoft Corp.....	229,559	
VANGUARD RUSSELL 1000.....	Exxon Mobil Corp.....	183,605	
VANGUARD RUSSELL 1000.....	Johnson & Johnson.....	154,304	
VANGUARD RUSSELL 1000.....	JPMorgan Chase & Co.....	153,039	

GENERAL INTERROGATORIES

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

	1	2	3
	Statement (Admitted) Value	Fair Value	Excess of Statement over Fair Value (-), or Fair Value over Statement (+)
30.1 Bonds.....	633,774,506	632,804,122	(970,384)
30.2 Preferred Stocks.....	0		0
30.3 Totals	633,774,506	632,804,122	(970,384)

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

- 31.1 Was the rate used to calculate fair value determined by a broker or custodian for any of the securities in Schedule D?

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

Yes [ ] No [ ]
- 31.3 If the answer to 31.2 is no, describe the reporting entity's process for determining a reliable pricing source for purposes of disclosure of fair value for Schedule D:  
Clearwater Analytics Pricing Methodology.....

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

Yes [ X ] No [ ]
- 32.2 If no, list exceptions:

GENERAL INTERROGATORIES

OTHER

- 33.1 Amount of payments to trade associations, service organizations and statistical or rating bureaus, if any? \$ .....147,485
- 33.2 List the name of the organization and the amount paid if any such payment represented 25% or more of the total payments to trade associations, service organizations and statistical or rating bureaus during the period covered by this statement.

1 Name	2 Amount Paid
Ohio Association of Health Plans.....	\$.....138,485
America's Health Insurance Plans.....	\$.....9,000

- 34.1 Amount of payments for legal expenses, if any? \$ .....2,060,805
- 34.2 List the name of the firm and the amount paid if any such payment represented 25% or more of the total payments for legal expenses during the period covered by this statement.

1 Name	2 Amount Paid
Bricker & Eckler LLP.....	\$.....259,728

- 35.1 Amount of payments for expenditures in connection with matters before legislative bodies, officers or departments of government, if any? \$ .....329,849
- 35.2 List the name of the firm and the amount paid if any such payment represented 25% or more of the total payment expenditures in connection with matters before legislative bodies, officers or departments of government during the period covered by this statement.

1 Name	2 Amount Paid
Thorn Run Partners LLC.....	\$.....150,530
Froguclark LLC.....	\$.....98,319
Carpenter Lipps & Leland LLP.....	\$.....81,000

GENERAL INTERROGATORIES  
PART 2 - HEALTH INTERROGATORIES

1.1 Does the reporting entity have any direct Medicare Supplement Insurance in force?

Yes [ ] No [ X ]

1.2 If yes, indicate premium earned on U.S. business only.

\$ .....0

1.3 What portion of Item (1.2) is not reported on the Medicare Supplement Insurance Experience Exhibit?

\$ .....

1.31 Reason for excluding .....

1.4 Indicate amount of earned premium attributable to Canadian and/or Other Alien not included in Item (1.2) above

\$ .....

1.5 Indicate total incurred claims on all Medicare Supplement insurance.

\$ .....0

1.6 Individual policies:

Most current three years:

1.61 Total premium earned

\$ .....0

1.62 Total incurred claims

\$ .....0

1.63 Number of covered lives

.....0

All years prior to most current three years:

1.64 Total premium earned

\$ .....0

1.65 Total incurred claims

\$ .....0

1.66 Number of covered lives

.....0

1.7 Group policies:

Most current three years:

1.71 Total premium earned

\$ .....0

1.72 Total incurred claims

\$ .....0

1.73 Number of covered lives

.....0

All years prior to most current three years:

1.74 Total premium earned

\$ .....0

1.75 Total incurred claims

\$ .....0

1.76 Number of covered lives

.....0

2. Health Test:

		1		2
		Current Year		Prior Year
2.1	Premium Numerator	\$ .....6,950,463,260	\$	.....6,707,503,283
2.2	Premium Denominator	\$ .....6,988,681,694	\$	.....6,707,503,283
2.3	Premium Ratio (2.1/2.2)	.....0.995		.....1.000
2.4	Reserve Numerator	\$ .....553,708,368	\$	.....589,627,193
2.5	Reserve Denominator	\$ .....586,511,889	\$	.....611,958,822
2.6	Reserve Ratio (2.4/2.5)	.....0.944		.....0.964

3.1 Has the reporting entity received any endowment or gift from contracting hospitals, physicians, dentists, or others that is agreed will be returned when, as and if the earnings of the reporting entity permits?

Yes [ ] No [ X ]

3.2 If yes, give particulars:

4.1 Have copies of all agreements stating the period and nature of hospitals', physicians', and dentists' care offered to subscribers and dependents been filed with the appropriate regulatory agency?

Yes [ X ] No [ ]

4.2 If not previously filed, furnish herewith a copy(ies) of such agreement(s). Do these agreements include additional benefits offered?

Yes [ ] No [ ]

5.1 Does the reporting entity have stop-loss reinsurance?

Yes [ X ] No [ ]

5.2 If no, explain:

5.3 Maximum retained risk (see instructions)

5.31 Comprehensive Medical

\$ .....1,375,000

5.32 Medical Only

\$ .....

5.33 Medicare Supplement

\$ .....

5.34 Dental and Vision

\$ .....

5.35 Other Limited Benefit Plan

\$ .....

5.36 Other

\$ .....

6. Describe arrangement which the reporting entity may have to protect subscribers and their dependents against the risk of insolvency including hold harmless provisions, conversion privileges with other carriers, agreements with providers to continue rendering services, and any other agreements:

7.1 Does the reporting entity set up its claim liability for provider services on a service date basis?

Yes [ X ] No [ ]

7.2 If no, give details

8. Provide the following information regarding participating providers:

8.1 Number of providers at start of reporting year

.....30,811

8.2 Number of providers at end of reporting year

.....45,274

9.1 Does the reporting entity have business subject to premium rate guarantees?

Yes [ ] No [ X ]

9.2 If yes, direct premium earned:

9.21 Business with rate guarantees between 15-36 months

.....

9.22 Business with rate guarantees over 36 months

.....



GENERAL INTERROGATORIES  
PART 2 - HEALTH INTERROGATORIES

- 10.1 Does the reporting entity have Incentive Pool, Withhold or Bonus Arrangements in its provider contracts?

Yes [   ] No [ X ]
- 10.2 If yes:

10.21 Maximum amount payable bonuses

\$.....

10.22 Amount actually paid for year bonuses

\$.....

10.23 Maximum amount payable withholds

\$.....

10.24 Amount actually paid for year withholds

\$.....
- 11.1 Is the reporting entity organized as:

11.12 A Medical Group/Staff Model,

Yes [   ] No [ X ]

11.13 An Individual Practice Association (IPA), or,

Yes [   ] No [ X ]

11.14 A Mixed Model (combination of above) ?

Yes [ X ] No [   ]
- 11.2 Is the reporting entity subject to Statutory Minimum Capital and Surplus Requirements?

Yes [ X ] No [   ]
- 11.3 If yes, show the name of the state requiring such minimum capital and surplus.

State of Ohio.....
- 11.4 If yes, show the amount required.

\$.....249,200,182
- 11.5 Is this amount included as part of a contingency reserve in stockholder’s equity?

Yes [   ] No [ X ]
- 11.6 If the amount is calculated, show the calculation
12. List service areas in which reporting entity is licensed to operate:

1
Name of Service Area
All 88 counties in the State of Ohio.....
.....
.....
.....
.....

- 13.1 Do you act as a custodian for health savings accounts?

Yes [   ] No [ X ]
- 13.2 If yes, please provide the amount of custodial funds held as of the reporting date.

\$.....
- 13.3 Do you act as an administrator for health savings accounts?

Yes [   ] No [ X ]
- 13.4 If yes, please provide the balance of the funds administered as of the reporting date.

\$.....
- 14.1 Are any of the captive affiliates reported on Schedule S, Part 3 as authorized reinsurers?

Yes [   ] No [   ] N/A [ X ]
- 14.2 If the answer to 14.1 is yes, please provide the following:

1	2	3	4	Assets Supporting Reserve Credit		
				5	6	7
Company Name	NAIC Company Code	Domiciliary Jurisdiction	Reserve Credit	Letters of Credit	Trust Agreements	Other

15. Provide the following for Individual ordinary life insurance\* policies (U.S. business Only) for the current year:

15.1 Direct Premium Written (prior to reinsurance ceded)

\$.....

15.2 Total incurred claims

\$.....

15.3 Number of covered lives

.....

*Ordinary Life Insurance Includes
Term (whether full underwriting, limited underwriting, jet issue, "short form app")
Whole Life (whether full underwriting, limited underwriting, jet issue, "short form app")
Variable Life (with or without Secondary Guarantee)
Universal Life (with or without Secondary Guarantee)
Variable Universal Life (with or without Secondary Guarantee)

FIVE - YEAR HISTORICAL DATA

	1 2016	2 2015	3 2014	4 2013	5 2012
<b>Balance Sheet</b> (Pages 2 and 3)					
1. Total admitted assets (Page 2, Line 28) .....	1,608,697,438	1,762,012,722	1,720,930,640	1,129,129,398	935,939,711
2. Total liabilities (Page 3, Line 24) .....	867,761,517	832,809,688	977,397,254	524,270,342	401,446,635
3. Statutory minimum capital and surplus requirement .....	249,200,182	228,138,042	352,410,914	244,323,657	221,184,228
4. Total capital and surplus (Page 3, Line 33) .....	740,935,921	929,203,036	743,533,386	604,859,056	534,493,076
<b>Income Statement</b> (Page 4)					
5. Total revenues (Line 8) .....	7,030,711,698	6,723,911,384	5,607,858,695	4,161,932,481	3,703,470,573
6. Total medical and hospital expenses (Line 18) .....	6,237,049,576	5,681,538,396	4,729,883,282	3,489,072,099	3,125,497,226
7. Claims adjustment expenses (Line 20) .....	135,863,383	105,978,482	98,118,439	78,755,540	69,729,398
8. Total administrative expenses (Line 21) .....	870,020,180	767,831,741	643,130,419	479,807,383	401,506,678
9. Net underwriting gain (loss) (Line 24) .....	(212,221,441)	168,562,765	136,726,555	114,297,459	106,737,271
10. Net investment gain (loss) (Line 27) .....	25,349,783	23,763,123	23,937,053	20,645,018	13,072,040
11. Total other income (Lines 28 plus 29) .....	0	0	0	0	0
12. Net income or (loss) (Line 32) .....	(186,157,572)	191,611,801	160,663,608	134,942,477	119,809,311
<b>Cash Flow</b> (Page 6)					
13. Net cash from operations (Line 11).....	(208,489,956)	(7,665,680)	524,956,218	255,372,597	31,850,977
<b>Risk-Based Capital Analysis</b>					
14. Total adjusted capital.....	740,935,921	929,203,036	743,533,386	604,859,056	534,493,076
15. Authorized control level risk-based capital .....	229,352,540	228,177,115	176,205,457	122,161,829	110,592,114
<b>Enrollment</b> (Exhibit 1)					
16. Total members at end of period (Column 5, Line 7) .....	1,378,453	1,306,521	1,275,520	977,010	891,565
17. Total members months (Column 6, Line 7) .....	16,371,227	15,557,976	13,475,134	11,200,810	10,851,256
<b>Operating Percentage</b> (Page 4)					
(Item divided by Page 4, sum of Lines 2, 3, and 5) x 100.0					
18. Premiums earned plus risk revenue (Line 2 plus Lines 3 and 5) .....	100.0	100.0	100.0	100.0	100.0
19. Total hospital and medical plus other non-health (Lines 18 plus Line 19) .....	89.2	84.8	84.5	84.0	84.9
20. Cost containment expenses .....	1.7	1.4	1.4	1.5	1.5
21. Other claims adjustment expenses .....	0.3	0.2	0.4	0.4	0.4
22. Total underwriting deductions (Line 23) .....	103.6	97.8	97.7	97.4	97.7
23. Total underwriting gain (loss) (Line 24) .....	(3.0)	2.5	2.4	2.8	2.9
<b>Unpaid Claims Analysis</b>					
(U&I Exhibit, Part 2B)					
24. Total claims incurred for prior years (Line 13, Col. 5) .....	504,712,148	750,823,434	409,305,087	272,094,386	341,075,051
25. Estimated liability of unpaid claims – [prior year (Line 13, Col. 6)] .....	510,165,884	795,644,632	405,096,196	304,841,791	355,552,506
<b>Investments In Parent, Subsidiaries and Affiliates</b>					
26. Affiliated bonds (Sch. D Summary, Line 12, Col. 1) .....	0	0	0	0	0
27. Affiliated preferred stocks (Sch. D Summary, Line 18, Col. 1) .....	0	0	0	0	0
28. Affiliated common stocks (Sch. D Summary, Line 24, Col. 1) .....	0	0	0	0	0
29. Affiliated short-term investments (subtotal included in Sch. DA Verification, Col. 5, Line 10) .....	0	0	0	0	0
30. Affiliated mortgage loans on real estate .....	0	0	0	0	0
31. All other affiliated .....	0	0	0	0	0
32. Total of above Lines 26 to 31.....	0	0	0	0	0
33. Total investment in parent included in Lines 26 to 31 above .....					

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

If no, please explain .....

SCHEDULE T - PREMIUMS AND OTHER CONSIDERATIONS

Allocated by States and Territories

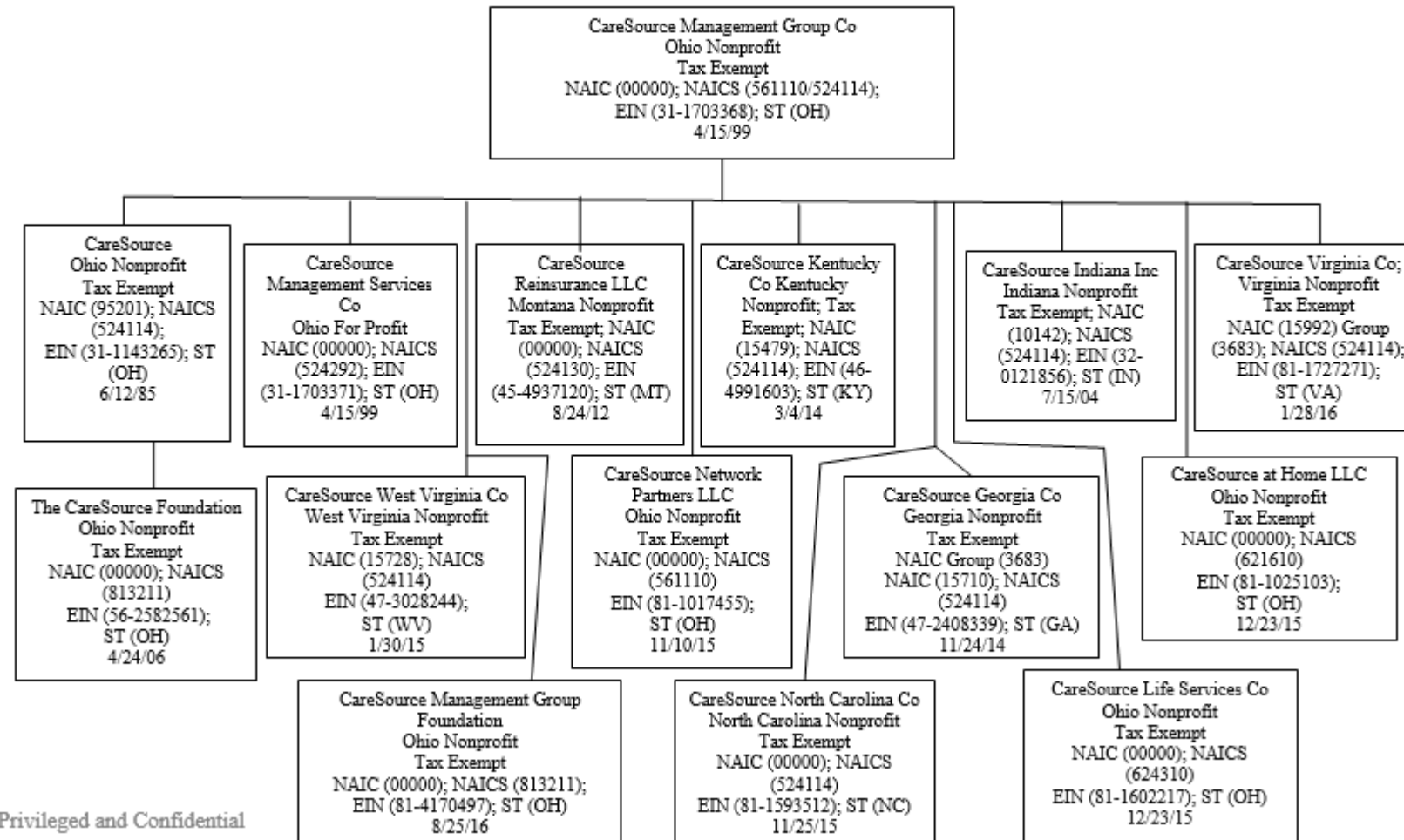
			1	Direct Business Only							
			2	3	4	5	6	7	8	9	
State, Etc.			Active Status	Accident & Health Premiums	Medicare Title XVIII	Medicaid Title XIX	Federal Employees Health Benefits Plan Premiums	Life & Annuity Premiums & Other Consideration s	Property/ Casualty Premiums	Total Columns 2 Through 7	Deposit-Type Contracts
1.	Alabama .....	AL								0	0
2.	Alaska .....	AK								0	0
3.	Arizona .....	AZ								0	0
4.	Arkansas .....	AR								0	0
5.	California .....	CA								0	0
6.	Colorado .....	CO								0	0
7.	Connecticut .....	CT								0	0
8.	Delaware .....	DE								0	0
9.	District of Columbia .....	DC								0	0
10.	Florida .....	FL								0	0
11.	Georgia .....	GA								0	0
12.	Hawaii .....	HI								0	0
13.	Idaho .....	ID								0	0
14.	Illinois .....	IL								0	0
15.	Indiana .....	IN								0	0
16.	Iowa .....	IA								0	0
17.	Kansas .....	KS								0	0
18.	Kentucky .....	KY								0	0
19.	Louisiana .....	LA								0	0
20.	Maine .....	ME								0	0
21.	Maryland .....	MD								0	0
22.	Massachusetts .....	MA								0	0
23.	Michigan .....	MI								0	0
24.	Minnesota .....	MN								0	0
25.	Mississippi .....	MS								0	0
26.	Missouri .....	MO								0	0
27.	Montana .....	MT								0	0
28.	Nebraska .....	NE								0	0
29.	Nevada .....	NV								0	0
30.	New Hampshire .....	NH								0	0
31.	New Jersey .....	NJ								0	0
32.	New Mexico .....	NM								0	0
33.	New York .....	NY								0	0
34.	North Carolina .....	NC								0	0
35.	North Dakota .....	ND								0	0
36.	Ohio .....	OH	L	184,720,027	285,655,077	6,540,570,610				7,010,945,714	0
37.	Oklahoma .....	OK								0	0
38.	Oregon .....	OR								0	0
39.	Pennsylvania .....	PA								0	0
40.	Rhode Island .....	RI								0	0
41.	South Carolina .....	SC								0	0
42.	South Dakota .....	SD								0	0
43.	Tennessee .....	TN								0	0
44.	Texas .....	TX								0	0
45.	Utah .....	UT								0	0
46.	Vermont .....	VT								0	0
47.	Virginia .....	VA								0	0
48.	Washington .....	WA								0	0
49.	West Virginia .....	WV								0	0
50.	Wisconsin .....	WI								0	0
51.	Wyoming .....	WY								0	0
52.	American Samoa .....	AS								0	0
53.	Guam .....	GU								0	0
54.	Puerto Rico .....	PR								0	0
55.	U.S. Virgin Islands .....	VI								0	0
56.	Northern Mariana Islands .....	MP								0	0
57.	Canada .....	CAN								0	0
58.	Aggregate other alien .....	OT	XXX	0	0	0	0	0	0	0	0
59.	Subtotal.....		XXX	184,720,027	285,655,077	6,540,570,610	0	0	0	7,010,945,714	0
60.	Reporting entity contributions for Employee Benefit Plans.....		XXX							0	
61.	Total (Direct Business)	(a)	1	184,720,027	285,655,077	6,540,570,610	0	0	0	7,010,945,714	0
DETAILS OF WRITE-INS											
58001.			XXX								
58002.			XXX								
58003.			XXX								
58998.	Summary of remaining write-ins for Line 58 from overflow page.....		XXX	0	0	0	0	0	0	0	0
58999.	Totals (Lines 58001 through 58003 plus 58998) (Line 58 above)		XXX	0	0	0	0	0	0	0	

(L) Licensed or Chartered - Licensed Insurance Carrier or Domiciled RRG; (R) Registered - Non-domiciled RRGs; (Q) Qualified - Qualified or Accredited Reinsurer; (E) Eligible - Reporting Entities eligible or approved to write Surplus Lines in the state; (N) None of the above - Not allowed to write business in the state.  
Explanation of basis of allocation by states, premiums by state, etc. N/A- All premiums generated in the state of Ohio.  
(a) Insert the number of L responses except for Canada and other Alien.

# SCHEDULE Y - INFORMATION CONCERNING ACTIVITIES OF INSURER MEMBERS OF A HOLDING COMPANY GROUP

## PART 1 - ORGANIZATIONAL CHART

### CareSource Family of Companies Corporate Structure



Privileged and Confidential

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