

Amending the filings to include audit adjustments posted for the audited financial statements.



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

HealthSpan Integrated Care

NAIC Group Code 04831 , 04831 NAIC Company Code 95204 Employer's ID Number 34-0922268  
(Current Period) (Prior Period)

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 [ X ] No [ ]

Incorporated/Organized 03/29/1962 Commenced Business 10/27/1976

Statutory Home Office 1701 Mercy Health Place , Cincinnati, OH, US 45237  
(Street and Number) (City or Town, State, Country and Zip Code)

Main Administrative Office 1701 Mercy Health Place  
(Street and Number)

Cincinnati, OH, US 45237 216-621-5600  
(City or Town, State, Country and Zip Code) (Area Code) (Telephone Number)

Mail Address 1701 Mercy Health Place , Cincinnati, OH, US 45237  
(Street and Number or P.O. Box) (City or Town, State, Country and Zip Code)

Primary Location of Books and Records 1701 Mercy Health Place  
(Street and Number)

Cincinnati, OH, US 45237 216-319-1618  
(City or Town, State, Country and Zip Code) (Area Code) (Telephone Number) (Extension)

Internet Web Site Address HealthSpan.org

Statutory Statement Contact Felicia C Browning , 216-319-1618  
(Name) (Area Code) (Telephone Number) (Extension)

Felicia.browning@mercy.com 216-623-8793  
(E-Mail Address) (Fax Number)

OFFICERS

Name	Title	Name	Title
<u>Jeffrey Copeland #</u>	<u>President &amp; CEO</u>	<u>Dave Nowiski</u>	<u>Treasurer</u>
<u></u>	<u></u>	<u></u>	<u></u>

OTHER OFFICERS

<u></u>	<u></u>	<u></u>	<u></u>
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DIRECTORS OR TRUSTEES

<u>Jeffrey Copeland</u>	<u>Bob Campbell</u>	<u>William Franks</u>	<u>Allan Calonge</u>
<u>Walid Sidani MD</u>	<u></u>	<u></u>	<u></u>

State of .....  
County of .....  
ss

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.

<u>Jeffrey Copeland</u> President & CEO	<u>Dave Nowiski</u> Treasurer	a. Is this an original filing? Yes [ ] No [ X ]
Subscribed and sworn to before me this _____ day of _____ ,		b. If no:
<u></u>		1. State the amendment number <u>1</u>
		2. Date filed _____
		3. Number of pages attached _____

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).....	402,450		402,450	27,111,892
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
3.2 Other than first liens .....			.0	.0
4. Real estate (Schedule A):				
4.1 Properties occupied by the company (less \$ ..... encumbrances).....			.0	16,711,879
4.2 Properties held for the production of income (less \$ ..... encumbrances) .....			.0	.0
4.3 Properties held for sale (less \$ ..... encumbrances) .....	1,400,000		1,400,000	.0
5. Cash (\$ .....141,230,901 , Schedule E-Part 1), cash equivalents (\$ .....850 , Schedule E-Part 2) and short-term investments (\$ .....1 , Schedule DA).....	141,231,751		141,231,751	101,404,413
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
10. Securities lending reinvested collateral assets (Schedule DL).....			.0	.0
11. Aggregate write-ins for invested assets .....	.0	.0	.0	.0
12. Subtotals, cash and invested assets (Lines 1 to 11) .....	143,034,201	.0	143,034,201	145,228,184
13. Title plants less \$ ..... charged off (for Title insurers only).....			.0	.0
14. Investment income due and accrued .....	.8,642		.8,642	231,165
15. Premiums and considerations:				
15.1 Uncollected premiums and agents' balances in the course of collection .....	4,003,353		4,003,353	10,386,890
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 (\$ ..... ) .....			.0	.0
16. Reinsurance:				
16.1 Amounts recoverable from reinsurers .....	3,119,030		3,119,030	4,206,692
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 .....	16,441,518		16,441,518	4,827,973
18.1 Current federal and foreign income tax recoverable and interest thereon .....			.0	.0
18.2 Net deferred tax asset.....			.0	.0
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 (\$ ..... ) .....	222,043	222,043	.0	5,387,444
22. Net adjustment in assets and liabilities due to foreign exchange rates .....			.0	.0
23. Receivables from parent, subsidiaries and affiliates .....			.0	24,577,800
24. Health care (\$ .....2,050,547 ) and other amounts receivable.....	8,709,699	333,953	8,375,746	4,835,673
25. Aggregate write-ins for other-than-invested assets .....	5,458,133	.0	5,458,133	.5,176
26. Total assets excluding Separate Accounts, Segregated Accounts and Protected Cell Accounts (Lines 12 to 25).....	180,996,619	555,996	180,440,623	199,686,997
27. From Separate Accounts, Segregated Accounts and Protected Cell Accounts.....			.0	.0
28. Total (Lines 26 and 27)	180,996,619	555,996	180,440,623	199,686,997
DETAILS OF WRITE-INS				
1101. ....				
1102. ....				
1103. ....				
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) .....	.0	.0	.0	.0
2501. Prepaid & Other Current Assets.....	.61,812		.61,812	.5,176
2502. Receivable on Sale of Business.....	5,396,321		5,396,321	.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) .....	5,458,133	0	5,458,133	5,176

LIABILITIES, CAPITAL AND SURPLUS

	Current Year			Prior Year
	1 Covered	2 Uncovered	3 Total	4 Total
1. Claims unpaid (less \$ ..... reinsurance ceded)	19,582,981		19,582,981	28,495,611
2. Accrued medical incentive pool and bonus amounts .....			0	0
3. Unpaid claims adjustment expenses .....	8,191,592		8,191,592	621,841
4. Aggregate health policy reserves, including the liability of \$ ..... for medical loss ratio rebate per the Public Health Service Act.....			0	84,426,836
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 .....			0	4,138,161
9. General expenses due or accrued .....	7,130,584		7,130,584	16,308,567
10.1 Current federal and foreign income tax payable and interest thereon (including \$ ..... on realized capital gains (losses)).....			0	0
10.2 Net deferred tax liability .....			0	0
11. Ceded reinsurance premiums payable .....	67,204		67,204	325,995
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 .....	8,899,600		8,899,600	0
16. Derivatives.....		0	0	0
17. Payable for securities .....			0	769,134
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 .....			0	0
23. Aggregate write-ins for other liabilities (including \$ ..... current) .....	33,016,408	0	33,016,408	27,922,903
24. Total liabilities (Lines 1 to 23).....	76,888,369	0	76,888,369	163,009,048
25. Aggregate write-ins for special surplus funds .....	XXX	XXX	0	3,625,156
26. Common capital stock .....	XXX	XXX		0
27. Preferred capital stock .....	XXX	XXX		0
28. Gross paid in and contributed surplus .....	XXX	XXX	242,750,000	242,750,000
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	(139,197,745)	(209,697,207)
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	103,552,255	36,677,949
34. Total liabilities, capital and surplus (Lines 24 and 33)	XXX	XXX	180,440,624	199,686,997
DETAILS OF WRITE-INS				
2301. Accrued Payroll and Related.....	1,840,593		1,840,593	1,499,635
2302. Workers Comp.....			0	0
2303. Other Liabilities.....	237,405		237,405	898,134
2398. Summary of remaining write-ins for Line 23 from overflow page .....	30,938,410	0	30,938,410	25,525,134
2399. Totals (Lines 2301 through 2303 plus 2398) (Line 23 above)	33,016,408	0	33,016,408	27,922,903
2501. Special Surplus.....	XXX	XXX		3,625,156
2502. ....	XXX	XXX		
2503. ....	XXX	XXX		
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	3,625,156
3001. ....	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	400,633	791,660
2. Net premium income (including \$ .....0 non-health premium income).....	XXX	200,568,525	360,173,360
3. Change in unearned premium reserves and reserve for rate credits .....	XXX		0
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	0	71,639
7. Aggregate write-ins for other non-health revenues .....	XXX	5,152,683	0
8. Total revenues (Lines 2 to 7) .....	XXX	205,721,208	360,244,999
<b>Hospital and Medical:</b>			
9. Hospital/medical benefits .....		112,595,923	204,041,859
10. Other professional services .....		8,008,905	13,000,793
11. Outside referrals .....		0	0
12. Emergency room and out-of-area .....		14,777,167	16,588,933
13. Prescription drugs .....		44,066,774	73,396,842
14. Aggregate write-ins for other hospital and medical .....	0	2,072,592	55,422,729
15. Incentive pool, withhold adjustments and bonus amounts.....			0
16. Subtotal (Lines 9 to 15) .....	0	181,521,361	362,451,156
<b>Less:</b>			
17. Net reinsurance recoveries .....		3,048,921	4,794,275
18. Total hospital and medical (Lines 16 minus 17) .....	0	178,472,440	357,656,881
19. Non-health claims (net).....			0
20. Claims adjustment expenses, including \$ .....6,175,757 cost containment expenses.....		19,550,930	10,978,215
21. General administrative expenses.....		48,810,195	78,670,650
22. Increase in reserves for life and accident and health contracts (including \$ ..... increase in reserves for life only).....		(84,426,836)	84,426,836
23. Total underwriting deductions (Lines 18 through 22) .....	0	162,406,729	531,732,582
24. Net underwriting gain or (loss) (Lines 8 minus 23) .....	XXX	43,314,479	(171,487,583)
25. Net investment income earned (Exhibit of Net Investment Income, Line 17).....		425,783	434,905
26. Net realized capital gains (losses) less capital gains tax of \$ .....		546,154	(34,663,564)
27. Net investment gains (losses) (Lines 25 plus 26) .....	0	971,937	(34,228,659)
28. Net gain or (loss) from agents' or premium balances charged off [(amount recovered \$ ..... ) (amount charged off \$ ..... )] .....		0	(1,941,875)
29. Aggregate write-ins for other income or expenses .....	0	13,416,596	(9,904,884)
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	57,703,012	(217,563,001)
31. Federal and foreign income taxes incurred .....	XXX		0
32. Net income (loss) (Lines 30 minus 31) .....	XXX	57,703,012	(217,563,001)
<b>DETAILS OF WRITE-INS</b>			
0601. Other Revenues.....	XXX		71,639
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	0	71,639
0701. Transition Services Agreement Revenue.....	XXX	5,152,683	
0702. ....	XXX		
0703. ....	XXX		
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	5,152,683	0
1401. Payments Under Government Programs Novation.....		2,014,208	0
1402. Professional Liability Insurance.....			0
1403. Medical Administration and other medical expenses.....			52,120,300
1498. Summary of remaining write-ins for Line 14 from overflow page .....	0	58,384	3,302,429
1499. Totals (Lines 1401 through 1403 plus 1498) (Line 14 above) .....	0	2,072,592	55,422,729
2901. Miscellaneous.....		0	854,537
2902. Impairment Expense.....		(1,057,091)	(10,759,421)
2903. Gain on Sale of Insurance Business.....		14,446,321	0
2998. Summary of remaining write-ins for Line 29 from overflow page .....	0	27,366	0
2999. Totals (Lines 2901 through 2903 plus 2998) (Line 29 above) .....	0	13,416,596	(9,904,884)

STATEMENT OF REVENUE AND EXPENSES (Continued)

	1 Current Year	2 Prior Year
CAPITAL & SURPLUS ACCOUNT		
33. Capital and surplus prior reporting year .....	36,677,948	53,794,895
34. Net income or (loss) from Line 32 .....	57,703,012	(217,563,001)
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 \$ .....		0
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 .....	9,171,294	(2,303,946)
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	202,750,000
45.2 Transferred to capital (Stock Dividend) .....	0	0
45.3 Transferred from capital .....		0
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) .....	66,874,306	(17,116,947)
49. Capital and surplus end of reporting year (Line 33 plus 48)	103,552,254	36,677,948
DETAILS OF WRITE-INS		
4701. Unassigned funds pension liability.....		0
4702. Unassigned funds post retirement liability.....		0
4703. Due to Kaiser Affiliates transferred to Kaiser.....		0
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 .....		123,908,440	358,736,668
2. Net investment income .....		896,245	769,071
3. Miscellaneous income .....		(14,635,705)	5,709,703
4. Total (Lines 1 through 3) .....		110,168,980	365,215,442
5. Benefit and loss related payments .....		110,068,893	371,352,839
6. Net transfers to Separate Accounts, Segregated Accounts and Protected Cell Accounts .....			0
7. Commissions, expenses paid and aggregate write-ins for deductions .....		46,877,127	82,612,055
8. Dividends paid to policyholders .....			0
9. Federal and foreign income taxes paid (recovered) net of \$ ..... tax on capital gains (losses) .....		0	0
10. Total (Lines 5 through 9) .....		156,946,020	453,964,894
11. Net cash from operations (Line 4 minus Line 10) .....		(46,777,040)	(88,749,452)
Cash from Investments			
12. Proceeds from investments sold, matured or repaid:			
12.1 Bonds .....		45,022,515	9,330,216
12.2 Stocks .....		0	0
12.3 Mortgage loans .....		0	0
12.4 Real estate .....		14,715,254	0
12.5 Other invested assets .....		0	0
12.6 Net gains or (losses) on cash, cash equivalents and short-term investments .....		(25)	0
12.7 Miscellaneous proceeds .....		1,057,091	338,666
12.8 Total investment proceeds (Lines 12.1 to 12.7) .....		60,794,835	9,668,882
13. Cost of investments acquired (long-term only):			
13.1 Bonds .....		18,014,857	8,967,579
13.2 Stocks .....		0	0
13.3 Mortgage loans .....		0	0
13.4 Real estate .....		0	1,035,834
13.5 Other invested assets .....		0	0
13.6 Miscellaneous applications .....		1,229,575	92,128
13.7 Total investments acquired (Lines 13.1 to 13.6) .....		19,244,432	10,095,541
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) .....		41,550,403	(426,659)
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 .....		0	202,750,000
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) .....		45,053,974	(229,272,569)
17. Net cash from financing and miscellaneous sources (Lines 16.1 to 16.4 minus Line 16.5 plus Line 16.6) .....		45,053,974	(26,522,569)
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) .....		39,827,337	(115,698,680)
19. Cash, cash equivalents and short-term investments:			
19.1 Beginning of year .....		101,404,413	217,103,093
19.2 End of year (Line 18 plus Line 19.1) .....		141,231,750	101,404,413

ANNUAL STATEMENT FOR THE YEAR 2016 OF THE HealthSpan Integrated Care

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 .....	200,568,525	84,142,159	0	0	0	6,767,008	109,659,358	0	0	0
2. Change in unearned premium reserves and reserve for rate credit .....	0									
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.....	0	0	0	0	0	0	0	0	0	XXX
6. Aggregate write-ins for other non-health care related revenues .....	5,152,683	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	5,152,683
7. Total revenues (Lines 1 to 6) .....	205,721,208	84,142,159	0	0	0	6,767,008	109,659,358	0	0	5,152,683
8. Hospital/medical benefits .....	112,595,923	49,290,831				4,067,886	59,237,206			XXX
9. Other professional services .....	8,008,904	3,506,037				289,347	4,213,520			XXX
10. Outside referrals .....	0									XXX
11. Emergency room and out-of-area .....	14,777,168	6,468,964				533,872	7,774,332			XXX
12. Prescription drugs .....	44,066,774	15,609,419				390,685	28,066,670			XXX
13. Aggregate write-ins for other hospital and medical .....	2,072,592	25,044	0	0	0	2,023,140	24,408	0	0	XXX
14. Incentive pool, withhold adjustments and bonus amounts .....	0									XXX
15. Subtotal (Lines 8 to 14) .....	181,521,361	74,900,295	0	0	0	7,304,930	99,316,136	0	0	XXX
16. Net reinsurance recoveries .....	3,048,921	2,381,342				222,726	444,853			XXX
17. Total hospital and medical (Lines 15 minus 16) .....	178,472,440	72,518,953	0	0	0	7,082,204	98,871,283	0	0	XXX
18. Non-health claims (net) .....	0	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	0
19. Claims adjustment expenses including \$ ..... cost containment expenses.....	19,550,930	6,425,938				2,351,153	10,773,839			
20. General administrative expenses .....	48,810,194	21,994,981				7,088,947	19,726,266			
21. Increase in reserves for accident and health contracts .....	(84,426,836)	(28,103,506)				(10,028,517)	(46,294,813)			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) .....	162,406,728	72,836,366	0	0	0	6,493,787	83,076,575	0	0	0
24. Net underwriting gain or (loss) (Line 7 minus Line 23) .....	43,314,480	11,305,793	0	0	0	273,221	26,582,783	0	0	5,152,683
DETAILS OF WRITE-INS										
0501. ....										XXX
0502. ....										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) .....	0	0	0	0	0	0	0	0	0	XXX
0601. ....	0	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	
0602. Transition Services Agreement Revenue.....	5,152,683	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	5,152,683
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) .....	5,152,683	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	5,152,683
1301. Payments Under Government Novation.....	2,014,208					2,014,208				XXX
1302. Community Service.....	142,869	61,284				21,857	59,728			XXX
1303. Care Delivery.....	(84,485)	(36,240)				(12,925)	(35,320)			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) .....	2,072,592	25,044	0	0	0	2,023,140	24,408	0	0	XXX

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) .....	84,888,172		746,013	84,142,159
2. Medicare Supplement .....				.0
3. Dental only.....				.0
4. Vision only.....				.0
5. Federal Employees Health Benefits Plan .....	7,008,843		241,835	6,767,008
6. Title XVIII - Medicare .....	109,906,120		246,762	109,659,358
7. Title XIX - Medicaid.....				.0
8. Other health.....				.0
9. Health subtotal (Lines 1 through 8) .....	201,803,135	.0	1,234,610	200,568,525
10. Life .....				.0
11. Property/casualty.....				.0
12. Totals (Lines 9 to 11)	201,803,135	0	1,234,610	200,568,525

ANNUAL STATEMENT FOR THE YEAR 2016 OF THE HealthSpan Integrated Care

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 .....	190,433,991	92,135,386				6,084,073	92,214,532			
1.2 Reinsurance assumed .....	0									
1.3 Reinsurance ceded .....	4,136,583	3,357,160				222,726	556,697			
1.4 Net .....	186,297,408	88,778,226	0	0	0	5,861,347	91,657,835	0	0	0
2. Paid medical incentive pools and bonuses .....	0									
3. Claim liability December 31, current year from Part 2A:										
3.1 Direct .....	19,582,982	2,137,279	0	0	0	4,526,903	12,918,800	0	0	0
3.2 Reinsurance assumed .....	0	0	0	0	0	0	0	0	0	0
3.3 Reinsurance ceded .....	0	0	0	0	0	0	0	0	0	0
3.4 Net .....	19,582,982	2,137,279	0	0	0	4,526,903	12,918,800	0	0	0
4. Claim reserve December 31, current year from Part 2D:										
4.1 Direct .....	0	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).....	0									
7. Amounts recoverable from reinsurers December 31, current year .....	3,119,030	3,003,171					115,859			
8. Claim liability December 31, prior year from Part 2A:										
8.1 Direct .....	28,495,612	19,372,370	0	0	0	3,306,046	5,817,196	0	0	0
8.2 Reinsurance assumed .....	0	0	0	0	0	0	0	0	0	0
8.3 Reinsurance ceded .....	0	0	0	0	0	0	0	0	0	0
8.4 Net .....	28,495,612	19,372,370	0	0	0	3,306,046	5,817,196	0	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 .....	0	0	0	0	0	0	0	0	0	0
11. Amounts recoverable from reinsurers December 31, prior year .....	4,206,692	3,978,989	0	0	0	0	227,703	0	0	0
12. Incurred benefits:										
12.1 Direct .....	181,521,361	74,900,295	0	0	0	7,304,930	99,316,136	0	0	0
12.2 Reinsurance assumed .....	0	0	0	0	0	0	0	0	0	0
12.3 Reinsurance ceded .....	3,048,921	2,381,342	0	0	0	222,726	444,853	0	0	0
12.4 Net .....	178,472,440	72,518,953	0	0	0	7,082,204	98,871,283	0	0	0
13. Incurred medical incentive pools and bonuses .....	0	0	0	0	0	0	0	0	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 .....	0									
1.2. Reinsurance assumed .....	0									
1.3. Reinsurance ceded .....	0									
1.4. Net .....	0	0	0	0	0	0	0	0	0	0
2. Incurred but Unreported:										
2.1. Direct .....	19,582,982	2,137,279				4,526,903	12,918,800			
2.2. Reinsurance assumed .....	0									
2.3. Reinsurance ceded .....	0									
2.4. Net .....	19,582,982	2,137,279	0	0	0	4,526,903	12,918,800	0	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 .....	19,582,982	2,137,279	0	0	0	4,526,903	12,918,800	0	0	0
4.2. Reinsurance assumed .....	0	0	0	0	0	0	0	0	0	0
4.3. Reinsurance ceded .....	0	0	0	0	0	0	0	0	0	0
4.4. Net .....	19,582,982	2,137,279	0	0	0	4,526,903	12,918,800	0	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) .....	12,124,277	77,629,767	61,013	2,076,266	12,185,290	19,372,370
2. Medicare Supplement .....					.0	.0
3. Dental Only.....					.0	.0
4. Vision Only.....					.0	.0
5. Federal Employees Health Benefits Plan .....	2,170,403	3,690,944	2,154	4,524,749	2,172,557	3,306,046
6. Title XVIII - Medicare .....	6,028,656	85,741,023	112,072	12,806,728	6,140,728	5,817,196
7. Title XIX - Medicaid.....					.0	.0
8. Other health .....					.0	.0
9. Health subtotal (Lines 1 to 8).....	20,323,336	167,061,734	175,239	19,407,743	20,498,575	28,495,612
10. Healthcare receivables (a).....					.0	.0
11. Other non-health.....					.0	.0
12. Medical incentive pools and bonus amounts .....					.0	.0
13. Totals (Lines 9-10+11+12)	20,323,336	167,061,734	175,239	19,407,743	20,498,575	28,495,612

(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 .....	.21,158	.....(91)	......0	......0	......0
2. 2012 .....	286,612	.....15,823	......48	......0	......0
3. 2013 .....	XXX	222,549	.....47,122	.....(6)	......0
4. 2014 .....	XXX	XXX	231,812	.....23,172	......148
5. 2015 .....	XXX	XXX	XXX	199,709	.....12,037
6. 2016 .....	XXX	XXX	XXX	XXX	72,375

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 .....	.21,443	.....21,352	.....21,352	.....21,352	.....21,352
2. 2012 .....	304,239	.....319,956	.....320,004	.....320,004	.....320,004
3. 2013 .....	XXX	276,791	.....323,803	.....323,796	.....323,796
4. 2014 .....	XXX	XXX	257,868	.....281,225	.....281,225
5. 2015 .....	XXX	XXX	XXX	228,877	.....228,877
6. 2016 .....	XXX	XXX	XXX	XXX	53,091

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.....	296,915	302,483	7,394	2.4	309,877	104.4			309,877	104.4
2. 2013.....	273,319	323,796	6,145	1.9	329,941	120.7			329,941	120.7
3. 2014.....	248,414	255,132	7,525	2.9	262,657	105.7			262,657	105.7
4. 2015.....	196,975	211,688	6,610	3.1	218,298	110.8	.61		218,359	110.9
5. 2016 .....	84,142	72,375	6,426	8.9	78,801	93.7	2,138	881	81,820	97.2

ANNUAL STATEMENT FOR THE YEAR 2016 OF THE HealthSpan Integrated Care

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

Section A – Paid Health Claims - Federal Employees Health Benefits Plan Premium

Year in Which Losses Were Incurred	Cumulative Net Amounts Paid				
	1 2012	2 2013	3 2014	4 2015	5 2016
1. Prior .....	2,855	2,842	2,842	2,842	2,842
2. 2012 .....	40,359	42,573	42,581	42,581	42,581
3. 2013 .....	XXX	40,475	48,277	48,276	48,276
4. 2014 .....	XXX	XXX	43,107	47,309	47,309
5. 2015 .....	XXX	XXX	XXX	41,164	41,164
6. 2016 .....	XXX	XXX	XXX	XXX	30,107

Section B - Incurred Health Claims - Federal Employees Health Benefits Plan Premium

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 .....	2,855	2,842	2,842	2,842	2,842
2. 2012 .....	40,359	42,573	42,581	42,581	42,581
3. 2013 .....	XXX	40,475	48,277	48,276	48,276
4. 2014 .....	XXX	XXX	43,107	47,309	47,309
5. 2015 .....	XXX	XXX	XXX	41,164	41,164
6. 2016 .....	XXX	XXX	XXX	XXX	30,114

Section C – Incurred Year Health Claims and Claims Adjustment Expense Ratio – Federal Employees Health Benefits Plan Premium

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.....	40,058	40,398	940	2.3	41,338	103.2			41,338	103.2
2. 2013.....	41,007	39,025	847	2.2	39,872	97.2			39,872	97.2
3. 2014.....	39,446	42,605	558	1.3	43,163	109.4			43,163	109.4
4. 2015.....	36,590	38,079	1,189	3.1	39,268	107.3	2		39,270	107.3
5. 2016.....	6,767	30,107	2,351	7.8	32,459	479.7	4,521	1,902	38,881	574.6

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 .....	9,032	(46)	.0	.0	
2. 2012 .....	122,359	7,925	21	.0	
3. 2013 .....	XXX	111,468	20,377	(3)	
4. 2014 .....	XXX	XXX	100,242	11,143	457
5. 2015 .....	XXX	XXX	XXX	96,039	5,572
6. 2016 .....	XXX	XXX	XXX	XXX	75,559

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 .....	9,078	9,032	9,032	9,032	9,032
2. 2012 .....	129,462	137,389	137,410	137,410	137,410
3. 2013 .....	XXX	126,803	147,182	147,179	147,179
4. 2014 .....	XXX	XXX	110,599	122,199	122,199
5. 2015 .....	XXX	XXX	XXX	109,957	109,957
6. 2016 .....	XXX	XXX	XXX	XXX	95,268

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

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.....	154,349	130,305	2,704	2.1	133,009	86.2			133,009	86.2
2. 2013.....	159,563	131,845	2,146	1.6	133,991	84.0			133,991	84.0
3. 2014.....	131,472	131,842	1,998	1.5	133,840	101.8			133,840	101.8
4. 2015.....	126,608	101,611	3,179	3.1	104,790	82.8	112		104,902	82.9
5. 2016 .....	109,659	75,559	10,774	14.3	86,333	78.7	12,749	5,409	104,490	95.3

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 .....	.0	.0	.0	.0	
2. 2012 .....	.0			.0	
3. 2013 .....	XXX	.6	.1		
4. 2014 .....	XXX	XXX	.3	.0	
5. 2015 .....	XXX	XXX	XXX	.0	
6. 2016 .....	XXX	XXX	XXX	XXX	

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 .....	.0	.0	.0	.0	
2. 2012 .....	.0	.0	.0	.0	
3. 2013 .....	XXX	.6	.1	.0	
4. 2014 .....	XXX	XXX	.4	.0	
5. 2015 .....	XXX	XXX	XXX	.0	
6. 2016 .....	XXX	XXX	XXX	XXX	

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.....	.0	.0		.0	.0	.0			.0	.0
2. 2013.....	.0	.0		.0	.0	.0			.0	.0
3. 2014.....	.0	.0		.0	.0	.0			.0	.0
4. 2015.....	.0	.0		.0	.0	.0			.0	.0
5. 2016 .....		0		0.0	0	0.0			0	0.0

ANNUAL STATEMENT FOR THE YEAR 2016 OF THE HealthSpan Integrated Care

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 .....	33,045	2,705	2,842	2,842	2,842
2. 2012 .....	449,330	66,321	42,650	42,581	42,581
3. 2013 .....	XXX	374,498	115,777	48,267	48,276
4. 2014 .....	XXX	XXX	375,164	81,624	47,914
5. 2015 .....	XXX	XXX	XXX	336,912	58,772
6. 2016 .....	XXX	XXX	XXX	XXX	178,041

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 .....	33,376	33,226	33,226	33,226	33,226
2. 2012 .....	474,060	499,918	499,995	499,995	499,995
3. 2013 .....	XXX	444,075	519,263	519,251	519,251
4. 2014 .....	XXX	XXX	411,578	450,733	450,733
5. 2015 .....	XXX	XXX	XXX	379,998	379,998
6. 2016 .....	XXX	XXX	XXX	XXX	178,473

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 .....	491,322	473,186	11,038	2.3	484,224	98.6	.0	.0	484,224	98.6
2. 2013 .....	473,889	494,666	9,138	1.8	503,804	106.3	.0	.0	503,804	106.3
3. 2014 .....	419,332	429,580	10,081	2.3	439,661	104.8	.0	.0	439,661	104.8
4. 2015 .....	360,173	351,378	10,978	3.1	362,356	100.6	175	.0	362,531	100.7
5. 2016 .....	200,569	178,041	19,551	11.0	197,592	98.5	19,408	8,192	225,192	112.3

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).....	.0								
5. Aggregate write-ins for other policy reserves .....	.0	.0	.0	.0	.0	.0	.0	.0	.0
6. Totals (gross) .....	.0	.0	.0	.0	.0	.0	.0	.0	.0
7. Reinsurance ceded .....	.0								
8. Totals (Net) (Page 3, Line 4)	0	0	0	0	0	0	0	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. ....									
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) .....	742		1,664,943		1,665,685
2. Salaries, wages and other benefits .....	2,309,359	7,556,488	9,897,031		19,762,878
3. Commissions (less \$ .....ceded plus \$ .....assumed) .....			2,124,615		2,124,615
4. Legal fees and expenses .....			(26,275)		(26,275)
5. Certifications and accreditation fees .....		21,000	20,392		41,392
6. Auditing, actuarial and other consulting services .....	76,395		4,093,652		4,170,047
7. Traveling expenses .....	2,837	10,620	105,607		119,064
8. Marketing and advertising .....			409,283		409,283
9. Postage, express and telephone .....	299	456,654	415,252		872,205
10. Printing and office supplies .....	8,040	663,872	(202,355)		469,557
11. Occupancy, depreciation and amortization .....					0
12. Equipment .....					0
13. Cost or depreciation of EDP equipment and software .....					0
14. Outsourced services including EDP, claims, and other services .....	2,852,559	2,123,077	2,504,734		7,480,370
15. Boards, bureaus and association fees .....		1,000	86,686		87,686
16. Insurance, except on real estate .....			940,002		940,002
17. Collection and bank service charges .....		1,500			1,500
18. Group service and administration fees .....			2,652,447		2,652,447
19. Reimbursements by uninsured plans .....					0
20. Reimbursements from fiscal intermediaries .....					0
21. Real estate expenses .....					0
22. Real estate taxes .....			(2,317,230)		(2,317,230)
23. Taxes, licenses and fees:					
23.1 State and local insurance taxes .....					0
23.2 State premium taxes .....			868,080		868,080
23.3 Regulatory authority licenses and fees .....			5,252		5,252
23.4 Payroll taxes .....	169,204	387,162	906,720		1,463,086
23.5 Other (excluding federal income and real estate taxes) .....					0
24. Investment expenses not included elsewhere .....			20,425		20,425
25. Aggregate write-ins for expenses .....	756,322	2,153,800	24,640,934	0	27,551,056
26. Total expenses incurred (Lines 1 to 25) .....	6,175,757	13,375,173	48,810,195	0 (a)	68,361,125
27. Less expenses unpaid December 31, current year .....		8,191,592	7,130,584		15,322,176
28. Add expenses unpaid December 31, prior year .....	0	621,841	16,308,567	0	16,930,408
29. Amounts receivable relating to uninsured plans, prior year .....	0	0	4,827,973	0	4,827,973
30. Amounts receivable relating to uninsured plans, current year .....			2,556,889		2,556,889
31. Total expenses paid (Lines 26 minus 27 plus 28 minus 29 plus 30)	6,175,757	5,805,422	55,717,094	0	67,698,273
DETAILS OF WRITE-INS					
2501. Information Technology Services.....	747,024	2,148,959	11,129,995		14,025,978
2502. Shared Services.....			9,785,725		9,785,725
2503. ACA Health Insurer Fee and Exchange Fees.....			3,522,622		3,522,622
2598. Summary of remaining write-ins for Line 25 from overflow page .....	9,298	4,841	202,592	0	216,731
2599. Totals (Line 2501 through 2503 plus 2598) (Line 25 above)	756,322	2,153,800	24,640,934	0	27,551,056

(a) Includes management fees of \$ .....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).....680,694	.....425,783
1.1	Bonds exempt from U.S. tax .....	(a).....	.....
1.2	Other bonds (unaffiliated) .....	(a).....	.....
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) .....	.....0	.....
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).....	.....
7.	Derivative instruments .....	(f).....	.....
8.	Other invested assets .....	.....	.....
9.	Aggregate write-ins for investment income .....	.....0	.....0
10.	Total gross investment income .....	680,694	425,783
11.	Investment expenses .....		(g).....
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) .....		.....0
17.	Net investment income (Line 10 minus Line 16) .....		425,783
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 \$ .....15,376 accrual of discount less \$ .....263,315 amortization of premium and less \$ .....43,452 paid for accrued interest on purchases.  
(b) Includes \$ ..... accrual of discount less \$ ..... 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 \$ ..... accrual of discount less \$ .....2,323 amortization of premium and less \$ ..... 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 .....	.....546,154		.....546,154		
1.1	Bonds exempt from U.S. tax .....			.....0		
1.2	Other bonds (unaffiliated) .....			.....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) .....	.....0	.....0	.....0	.....0	.....0
2.21	Common stocks of affiliates .....	.....0	.....0	.....0	.....0	.....0
3.	Mortgage loans .....	.....0	.....0	.....0	.....0	.....0
4.	Real estate .....	.....460,466	.....(1,057,091)	.....(596,625)		.....0
5.	Contract loans .....			.....0		
6.	Cash, cash equivalents and short-term investments .....			.....0	.....0	.....0
7.	Derivative instruments .....			.....0		
8.	Other invested assets .....	.....0	.....0	.....0	.....0	.....0
9.	Aggregate write-ins for capital gains (losses) .....	.....596,625	.....0	.....596,625	.....0	.....0
10.	Total capital gains (losses) .....	1,603,245	(1,057,091)	546,154	0	0
DETAILS OF WRITE-INS						
0901.	Metro Receivable and other income.....	.....596,625		.....596,625		
0902.	.....					
0903.	.....					
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) .....	596,625	0	596,625	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 .....	0	0	0
12. Subtotals, cash and invested assets (Lines 1 to 11) .....	0	0	0
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.....	0	6,227,166	6,227,166
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.....	222,043	0	(222,043)
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.....	333,953	2,247,817	1,913,864
25. Aggregate write-ins for other-than-invested assets .....	0	1,252,307	1,252,307
26. Total assets excluding Separate Accounts, Segregated Accounts and Protected Cell Accounts (Lines 12 to 25).....	555,996	9,727,290	9,171,294
27. From Separate Accounts, Segregated Accounts and Protected Cell Accounts.....	0	0	0
28. Total (Lines 26 and 27)	555,996	9,727,290	9,171,294
DETAILS OF WRITE-INS			
1101. ....			
1102. ....			
1103. ....			
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)	0	0	0
2501. Prepaid & Other Current Assets.....	0	1,252,307	1,252,307
2502. ....		0	0
2503. ....			
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)	0	1,252,307	1,252,307

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.....	60,841	46,627	36,434	17,728	16,998	400,633
2. Provider Service Organizations.....	.0					
3. Preferred Provider Organizations.....	.0					
4. Point of Service.....	1,408					
5. Indemnity Only.....	.0					
6. Aggregate write-ins for other lines of business.....	.0	.0	.0	.0	.0	.0
7. Total	62,249	46,627	36,434	17,728	16,998	400,633
DETAILS OF WRITE-INS						
0601. ....						
0602. ....						
0603. ....						
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

HealthSpan Integrated Care  
Notes to Financial Statements  
December 31, 2016

1. Summary of Significant Accounting Policies and Going Concern

a. Accounting Practices

The accompanying statutory financial statements of HealthSpan Integrated Care (“HealthSpan or the Company”) have been prepared in conformity with the National Association of Insurance Commissioners’ (“NAIC”) *Accounting Practices and Procedures* manual, (“NAIC SAP”), the NAIC Annual Statement Instructions, and other accounting practices as prescribed or permitted by the State of Ohio – Ohio Department of Insurance (ODI). There were no reported differences to net income, statutory surplus, or risk based capital for specific practices, prescribed or permitted by the State of Ohio, that deviate from NAIC SSAP in the reported periods.

	SSAP #	F/S Page	F/S Line #	Year Ended 12/31/16 (in thousands)	Year Ended 12/31/15 (in thousands)
<b>NET INCOME</b>					
(1) HealthSpan state basis (page 4, Line 32, Columns 2 & 3)				\$ 57,703	\$ (217,563)
(2) State Prescribed Practices that increase / (decrease) NAIC SAP:				-	-
(3) State Permitted Practices that increase / (decrease) NAIC SAP:				-	-
(4) NAIC SAP (1-2-3=4)				<u>\$ 57,703</u>	<u>\$ (217,563)</u>
<b>SURPLUS</b>					
(5) HealthSpan state basis (page 3, Line 33, Columns 3 & 4)				\$ 103,552	\$ 36,678
(6) State Prescribed Practices that increase / (decrease) NAIC SAP:				-	-
(7) State Permitted Practices that increase / (decrease) NAIC SAP:				-	-
(8) NAIC SAP (5-6-7=8)				<u>\$ 103,552</u>	<u>\$ 36,678</u>

b. Use of Management Estimates in the Preparation of the Financial Statements

The preparation of the statutory financial statements in conformity with NAIC SAP, the NAIC Annual Statement Instructions, and other accounting practices as prescribed or permitted by the ODI requires management to make estimates and assumptions that affect the reported amounts. The estimated fair value of investments; Medicare revenue accruals; Medicare payables and reserves; the reserves for unpaid claims and claims adjustment expense; the premium deficiency reserves; legal liabilities; real estate, property, and equipment impairment and useful lives; and investment impairments represent significant estimates. Actual results could differ materially from those estimates.

c. Accounting Policies

*Cash and Short Term Investments*

Cash and short term investments – net include interest bearing deposits purchased with an original or remaining maturity of twelve months or less. Cash and investments that are restricted by contractual or regulatory requirements are classified as bonds and other invested assets and excluded from cash and short-term investments.

HealthSpan Integrated Care  
Notes to Financial Statements  
December 31, 2016

1. Summary of Significant Accounting Policies and Going Concern (continued)

c. Accounting Policies (continued)

*Premiums and Health Care Receivables*

Premiums and health care receivables exclude nonadmitted balances. Certain receivables are not admissible in accordance with the NAIC SAP. Nonadmitted amounts include all nongovernmental premiums and health care receivable greater than 90 days past due. In addition, when premiums and health care receivables greater than 90 days past due are more than a de minimus portion of the entire premiums and health care receivable balance, the entire premiums and health care receivable balance is nonadmitted.

*Bonds and Other Invested Assets*

Bonds and other invested assets include money market funds, U.S. Treasury and government-sponsored agencies, loan-backed and or structured securities, industrial and miscellaneous bonds and all other government bonds. Recognized gains and losses are recorded on the specific identification basis. Interest income is included in net investment and other income.

Bonds are reported in accordance with NAIC Annual Statement Instructions (Statement Value). Accordingly, bonds that are designated highest quality, NAIC Designation 1 and 2, are reported at amortized cost using the effective interest method, and bonds that are classified as NAIC Designation 3 or lower are reported at lower of amortized cost or fair value.

Adjustments are made prospectively and repayment assumptions are obtained from a third party vendor data source for loan backed and/or structured securities. The amortization method used is the scientific method.

Investments are regularly reviewed for impairment and a charge is recognized when the fair value is below cost basis and is judged to be other than temporary. Impairment is included in recognized losses. In its review of assets for impairment that is deemed other than temporary, management generally follows the following guidelines:

Substantially all investments are managed by outside investment managers who do not need the Company's management pre approval for sales, therefore substantially all declines in value below amortized cost are recognized as impairments that are other than temporary.

For other securities, losses are recognized for known matters, such as bankruptcies, regardless of ownership period, and investments that have been continuously below book value for an extended period of time are evaluated for impairment that is other than temporary.

The Company's investment transactions are recorded on a trade date basis.

HealthSpan is required to keep investments on deposit in the State of Ohio, where it is licensed. At December 31, 2016 and December 31, 2015, \$402 thousand and \$406 thousand, respectively, in long term U.S. Treasury notes were restricted to satisfy the state's regulatory requirements.

HealthSpan Integrated Care  
Notes to Financial Statements  
December 31, 2016

1. Summary of Significant Accounting Policies and Going Concern (continued)

c. Accounting Policies (continued)

*Real Estate, Property and Equipment*

Real estate, property, and equipment, which include land, buildings, and equipment, are stated at cost less accumulated depreciation and amortization. Interest is capitalized on facilities construction in progress and is added to the cost of the underlying asset, in accordance with SSAP No. 44, Capitalization of Interest. Depreciation begins when the project is substantially complete and ready for its intended use. Buildings and equipment are depreciated on a straight-line basis over the estimated useful lives of the various classes of assets, generally ranging from 3 to 33 years.

Maintenance and repairs are expensed as incurred. Major improvements that increase the estimated useful life of an asset are capitalized. Upon the sale or retirement of assets, recorded cost and related accumulated depreciation are removed from the accounts, and any gain or loss on disposal is reflected in operations.

In accordance with SSAP No. 73, Health Care Delivery Assets – Supplies, Pharmaceuticals and Surgical Supplies, Durable Medical Equipment, Furniture, Medical Equipment and Fixtures, and Leasehold Improvements in Health Care Facilities, pharmaceutical inventory, as well as medical center furniture, fixtures, and equipment used in the direct delivery of care, are included in property and equipment. Pharmaceutical inventory is included in the furniture and equipment category.

Pharmaceutical inventory is not subject to depreciation. Medical center furniture, fixtures, and equipment used in the direct delivery of care are depreciated over their estimated useful lives but for a period not to exceed three years.

For the years ended December 31, 2016 and 2015, depreciation and amortization expense was \$0 and \$8.9 million, respectively. On January 1, 2016, all property and equipment was transferred to a held for sale status. As a result, HealthSpan no longer recognized depreciation on the assets during 2016.

Management evaluates alternatives for delivering services that may affect the current and future utilization of existing and planned assets and could result in an adjustment to the carrying values of such land, buildings, and equipment in the future. Management evaluates and records impairment losses, where applicable, based on expected utilization, projected cash flows, and recoverable values. For the years ended December 31, 2016 and 2015, the Company recorded \$1.0 million and \$45.5 million of impairment expense, respectively which is included in net investment income and other loss.

*Insured and Self Insured Risks*

HealthSpan participates in a state-funded worker's compensation program administered by the Ohio Bureau of Worker's Compensation. Premiums for this program are assessed based on prior-year claim experience.

HealthSpan Integrated Care  
Notes to Financial Statements  
December 31, 2016

1. Summary of Significant Accounting Policies and Going Concern (continued)

c. Accounting Policies (continued)

*Reserves for Claims Unpaid and Unpaid Claims Adjustment Expenses*

The cost of health care services is recognized in the period in which services are provided. Reserves for unpaid claims and claims adjustment expense consists of unpaid health care expenses, which include an estimate of the cost of services provided to HealthSpan's members by third party providers that have been incurred but not reported. The estimate for incurred but not reported claims is based on actuarial projections of costs using historical paid claims and other relevant data. Estimates are monitored and reviewed and, as settlements are made or estimates are revised, adjustments are reflected in current operations. Such estimates are subject to the impact of changes in the regulatory environment and economic conditions. Given the inherent variability of such estimates, the actual liability could differ significantly from the amounts provided. While the ultimate amount of paid claims is dependent on future developments, management is of the opinion that the reserves for unpaid claims and claims adjustment expense are adequate to cover such claims. Negative amounts reported for incurred claims related to prior years result from claims being adjudicated and paid for amounts less than originally estimated.

HealthSpan Physicians (Physician Group) provides or arranges hospital and medical services for HealthSpan members. Payments from HealthSpan constitute substantially all of the revenues for the Physician Group. The Physician Group ceased operations March 31, 2016. In 2015, payments to the Physician Group represented a substantial portion of the expense of medical services reported in the Company's statutory financial statements. The Physician Group is a fully owned subsidiary of HealthSpan Partners (HSP). Because the Physician Group is not controlled by HealthSpan, its operations are not included in the statutory financial statements.

Amounts due to the Physician Group are prepaid monthly on a per-member per-month capitation fee. The capitation amount is reflected in claims expense. Unpaid claims consist primarily of unpaid medical expenses owed to outside providers for the medical services provided to HealthSpan members. The cost of medical services, including an estimate of claims incurred but not reported, is recognized by Health Span in the period in which services are provided and is reflected as a component of medical and hospital expenses.

*Receivables and Payables for Securities*

Receivables and payables for securities represent current amounts for unsettled securities purchases or sales.

*Donations and Grants Made or Received*

Donations and grants made are recognized at fair value in the period in which a commitment is made, provided the payment of the donation or grant is probable and the amount is determinable. Donations or grants received are recognized at fair value in the period the donation or grant was committed unconditionally by the grantor or in the period the donation or grant requirements are met, if later.

HealthSpan Integrated Care  
Notes to Financial Statements  
December 31, 2016

1. Summary of Significant Accounting Policies and Going Concern (continued)

c. Accounting Policies (continued)

*Revenue Recognition*

Net premium revenue includes premiums from employer groups, individuals, and Medicare. Net premium revenue is recognized over the period in which the members are entitled to health care services. The majority of HealthSpan's Medicare cost contract revenue is paid based on cost, with interim payments using pre-established rates, and final settlement after the end of the year. Estimates of the final settlement of the cost report are recorded by HealthSpan. At December 31, 2016 and 2015, in connection with HealthSpan's Medicare cost contract, HealthSpan recorded allowances and reserves for revenue adjustments in the amount of \$14.0 million and \$11.2 million. In addition, at December 31, 2016, HealthSpan had a payable to CMS of \$17.8 million. Medicare cost contract revenue increased by approximately \$3.9 million and decreased \$0.1 million for the years ended December 31, 2016 and 2015, respectively; due to prior-year retrospective adjustments.

In addition, Medicare benefits include a voluntary prescription drug benefit (Part D). Revenue for Part D include capitated payments made from Medicare adjusted for health risk factor scores. Related accruals are recognized monthly based on cumulative experience and membership data. Part D revenue is finalized after all data is submitted to Medicare and the final settlement is made after the end of the year.

Medicare Cost revenue and Medicare Part D revenue are subject to governmental audits and potential payment adjustments. The Centers for Medicare & Medicaid Services (CMS) performs coding audits to validate the supporting documentation maintained by HealthSpan.

HealthSpan receives prospective payments from the government for the Catastrophic Reinsurance Subsidy and the Low-Income Member Cost Sharing Subsidy related to the Company's offering of Medicare Part D drug coverage. Reinsurance payments are funds paid by the government for a portion of the catastrophic coverage-level claims. The Low-Income Member Cost Sharing Subsidy is for all or a portion of the deductible, the coinsurance, and the co-payment amounts for low-income beneficiaries. The payments made for claims are recorded against the prospective payments and could result in either a net receivable or payable. The net receivable or payable is recorded as health care and other receivables – net or premiums received in advance.

Estimates of retrospective adjustments resulting from coding audits, cost reports, and other contractual adjustments are recorded in the time period in which members are entitled to health care services. Actual retrospective adjustments may differ from initial estimates.

HealthSpan Integrated Care  
Notes to Financial Statements  
December 31, 2016

1. Summary of Significant Accounting Policies and Going Concern (continued)

d. Accounting Policies (continued)

*Revenue Recognition (continued)*

Premiums collected in advance are deferred and recorded as premiums received in advance. Revenue is adjusted to reflect estimates of collectability, including retrospective membership adjustment trends and economic conditions. Revenue and related receivables are exclusive of charity care. Revenue derived under contracts with governmental payers is subject to audit and potential retrospective adjustments.

Other revenue is primarily related to revenue for administrative services. During 2016, as a result of the sale of the plan as well as several facilities, HealthSpan realized \$5.4 million in Transition Service Revenue which was recognized as Other Revenue.

*Pension and Other Postretirement Benefits*

HealthSpan does not have defined benefit pension plans and does not offer postretirement benefits. HealthSpan offers a defined contribution plan.

*Cost Allocations*

For reporting lines of business activity, expenses are specifically identified or allocated using methodologies that yield the most accurate results.

*Going Concern*

Effective February 29, 2016, HealthSpan entered into a definitive agreement with a buyer to transition its insurance business to buyer during 2016 with full exit by HealthSpan from the insurance business effective January 1, 2017 as follows:

- HealthSpan exited the employer group commercial business effective August 31, 2016 and endorsed buyer as the replacement carrier;
- HealthSpan novated its Medicare Advantage contract to buyer effective January 1, 2017;
- HealthSpan novated its FEHBP contract to buyer effective February 29, 2016;
- HealthSpan terminated its Medicare Cost contract effective December 31, 2016;
- HealthSpan exited the individual commercial line of business effective December 31, 2016.

As a result of the above transaction, HealthSpan recognized a gain on the sale of its membership to buyer of \$14.4 million in its operating results for the year ended December 31, 2016.

HealthSpan has sufficient cash to fund run-out operations during 2017 and beyond, as needed, including claims payments related to services provided to covered members.

HealthSpan Integrated Care  
Notes to Financial Statements  
December 31, 2016

2. Accounting Changes and Corrections of Errors

None.

3. Business Combinations and Goodwill – None

4. Discontinued Operations – None

5. Investments

a. Mortgage Loans

As of December 31, 2016 and 2015, HealthSpan had no investments in mortgage loans.

b. Debt Restructuring

As of December 31, 2016 and 2015, HealthSpan had no investments in restructured debt.

c. Reverse Mortgages

As of December 31, 2016 and 2015, HealthSpan had no investments in reverse mortgages.

d. Loan Backed Securities

As of December 31, 2016 and 2015, HealthSpan had no investments in loan backed securities.

e. Repurchase Agreements and Securities Lending Transactions

As of December 31, 2016 and 2015, HealthSpan had no repurchase agreements or securities lending transactions.

HealthSpan Integrated Care  
Notes to Financial Statements  
December 31, 2016

5. Investments (Continued)

f. Real Estate

HealthSpan adjusted the value of property and equipment to the lower of the values provided by an external appraisal firm or purchase offers from external parties. The total impairment reflected in the financial statements at December 31, 2016 and December 31, 2015 was approximately \$1.1 million and \$34.8 million, respectively.

HealthSpan did not engage in retail land sales operations and had no real estate investments with participating mortgage loan features during the years ending December 31, 2016 and 2015.

g. Investments in Low-Income Housing Tax Credits

As of December 31, 2016 and 2015, HealthSpan had no investments in low-income housing credits.

h. Restricted Assets – HealthSpan is required to keep investments on deposit in the State of Ohio, where it is licensed. At December 31, 2016 and 2015, Healthspan maintained \$402 thousand and \$406 thousand, respectively, in restricted long-term U.S. Treasury notes to satisfy the state's regulatory requirements.

		(in thousands)					
Restricted	Asset Category	1 Total Gross Restricted from Current Year	2 Total Gross Restricted from Prior Year	3 Increase (Decrease) (1 minus 2)	4 Total Current Year Admitted Restricted	5 Percentage Gross Restricted to Total Assets	6 Percentage Admitted Restricted to Total Admitted Assets
a	Subject to contractual obligation for which liability is not shown						
b	Collateral held under security lending agreements						
c	Subject to repurchase agreements						
d	Subject to reverse repurchase agreements						
e	Subject to dollar repurchase agreements						
f	Subject to dollar reverse repurchase agreements						
g	Placed under option contracts						
h	Letter stock or securities restricted as to sale						
i	On deposit with states	\$ 402	\$ 406	\$ (4)	\$ 402	0.12%	0.12%
j	On deposit with other regulatory bodies						
k	Pledged as collateral not captured in other categories						
l	Other restricted assets						
m	Total Restricted Assets	402	406	(4)	402	0.12%	0.12%

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i. Working Capital Finance Investments

As of December 31, 2016 and 2015, HealthSpan had no working capital finance investments.

j. Offsetting and Netting of Assets and Liabilities

As of December 31, 2016 and 2015, HealthSpan had no offsetting of derivative, repurchase, or securities borrowing and lending assets or liabilities.

k. Structured Notes

As of December 31, 2016 and 2015, HealthSpan had no structured notes.

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

7. Investment Income

All investment income due and accrued is admitted at December 31, 2016 and 2015.

8. Derivative Instruments – None.

9. Income Taxes

HealthSpan is a nonprofit corporation and is exempt from federal and state income taxes.

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

HealthSpan Partners (HSP) is the sole corporate member of HealthSpan. HSP is a distinct, secular, and tax-exempt organization with the primary objective of developing provider networks and insurance products. HSP is a partner organization of Mercy Health, and is included in the consolidated financial statements of Mercy Health, who is the ultimate controlling party of HealthSpan. Mercy Health is a Catholic health organization, supervising market delivery systems consisting of hospitals, nursing homes, and other organizations providing health-related services.

HealthSpan Partners has an agreement with Mercy Health for financial support necessary to enable the Company, through at least a year from the date of issuance of these financial statements, to meet operating requirements, obligations and commitments as and when they become due, through advances, capital contributions or other means.

The amount due to affiliates at December 31, 2016, is primarily related to general expenses and claims paid by HSP and Mercy Health on behalf of HealthSpan. The amount due from affiliates at December 31, 2015, is primarily related to capitation paid to and medical services received from the Physician Group and general expenses and claims paid by HSP and Mercy Health on behalf of HealthSpan. The Company does not provide other parties with guarantees.

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

The Physician Group, a subsidiary of HSP, provides medical services to HealthSpan's members. During 2016 and 2015, HealthSpan incurred expenses of \$25.3 million and \$77.3 million for hospital and medical services provided or arranged by the Physician Group, respectively. As of March 31, 2016, the Physician Group was dissolved and no longer provides services to HealthSpan members.

HealthSpan incurs expenses for information technology, treasury, general management, administrative support, accounting, and accounts payable processing services provided by Mercy Health. For the twelve months ending December 31, 2016 and 2015, HealthSpan incurred expenses of \$17.4 million and \$48.1 million for services provided by Mercy Health, respectively.

At December 31, 2016 and 2015, related party and affiliate balances were as follows (in thousands):

	<u>12/31/2016</u>	<u>12/31/2015</u>
Mercy Health	\$ (65)	\$ 2,134
HealthSpan Partners	(4,585)	(7,689)
HealthSpan Physicians	(4,179)	30,360
HealthSpan Inc.	(70)	(227)
	<u>\$ (8,899)</u>	<u>\$ 24,578</u>

11. Debt

As of December 31, 2015, HealthSpan does not have an agreement with the Federal Home Loan Bank or other third party lenders.

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

Mercy Health administers defined contribution plans for eligible employees of HealthSpan. Employer contributions and costs are based on a percentage of covered employees' eligible compensation. For the year ended December 31, 2016 and 2015 plan expense was \$0.8 and \$3.1 million, respectively.

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

HealthSpan is a nonprofit, charitable corporation and does not issue stock. HealthSpan Partners (HSP) is the sole corporate member of HealthSpan and no individual or entity has any ownership interest in HealthSpan. HealthSpan and HSP share certain corporate officers.

(1) – (2)

HealthSpan is a nonprofit, charitable organization and does not issue stock. HealthSpan Partners (HSP) is the sole corporate member of HealthSpan and no individual or entity has any ownership interest in HealthSpan. HealthSpan and HSP share certain corporate officers.

(3) – (6)

For the years ended December 31, 2016 and 2015, the Company paid no dividends. In accordance with the Ohio Revised Code, HealthSpan must receive approval from the ODI to pay a dividend or a distribution which, when combined with dividends or distributions paid within the preceding 12 months exceeds the greater of either; (a) 10% of HealthSpan's statutory capital and surplus at December 31, 2016 or (b) HealthSpan's net gain from operations on a statutory basis for the year ended December 31, 2016.

(7) – (8)

At December 31, 2016 and December 31, 2015, HealthSpan held no stock for special purpose and is not a mutual reciprocal entity.

(9)

As of December 31, 2015, HealthSpan has reclassified \$3.6 million from unassigned funds to special surplus, representing the Company's estimated Annual Fee on Health Insurers for the year ended December 31, 2016.

(10)

No portion of surplus is represented by cumulative unrealized gains or losses.

(11)

Unassigned surplus was reduced by \$0.6 million at December 31, 2016 and \$9.7 million for the year ended December 31, 2015 for nonadmitted assets.

(12) – (13)

HealthSpan did not undergo any quasi-reorganization in the years ended December 31, 2016 or 2015.

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14. Liabilities, Contingencies and Assessments

*A - Contingent commitments*

As of December 31, 2016 and 2015, HealthSpan was not a guarantor, and had no commitments to a subsidiary, controlled or affiliated entity.

*B – C Assessments and Gain Contingencies*

As of December 31, 2016 and 2015, HealthSpan had no assessments or gain contingencies that could have a material effect on the financial statements.

*D – Claims Related Extra Contractual Obligation and Bad Faith Losses Stemming from Lawsuits*

For the years ended December 31, 2016 and 2015, HealthSpan paid the following amounts in the reporting periods to settle claims related extra contractual obligations or bad faith claims stemming from lawsuits (in thousands):

	<u>2016</u>	<u>2015</u>
Claims related ECO and bad faith losses paid during the reporting period:	\$ <u>-</u>	\$ <u>-</u>

The number of claims where amounts were paid to settle claims related extra contractual obligations or bad faith claims resulting from lawsuits during the reporting period were:

	(a)	(b)	(c)	(d)	(e)
	0 - 25 Claims	25 - 50 Claims	51 - 100 Claims	101 - 500 Claims	More than 500 Claims
2015	✕				
2014	✕				

The claim count information above is disclosed per claim.

*E – Joint and Several Liabilities.*

HealthSpan is involved in various legal proceedings arising in the ordinary course of business operations. Such litigation proceedings include: administrative litigation, employment litigation, breach of contract and other commercial and tort litigation, consistent with the health care industry.

In the opinion of management, based upon current facts and circumstances, the resolution of these matters is not expected to have a material adverse effect on the financial position or results of operations of HealthSpan. Where appropriate, reserves have been established in accordance with SSAP No. 5R, *Liabilities, Contingencies, and Impairment of Assets*. The outcome of litigation and other legal and regulatory matters is inherently uncertain, however, and it is possible that one or more of the legal or regulatory matters currently pending or threatened could have a material adverse effect.

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15. Leases

*A – Operating Leases*

HealthSpan leases primarily office space, medical facilities and equipment under various operating leases that expire through 2018. Certain leases contain rent escalation clauses and renewal options for additional periods.

Total operating lease expense for all operating leases except those with terms of a month or less that were not renewed was (in thousands):

	<u>2016</u>	<u>2015</u>
Minimum rentals	\$ 2,180	\$ 2,163
Contingent rentals	—	—
Less: Sublease rentals	—	—
	<u>\$ 2,180</u>	<u>\$ 2,163</u>

At December 31, 2016, minimum aggregate commitments under noncancelable operating leases extending beyond one year were as follows (in thousands):

Year Ending December 31	Operating Leases
2017	\$861
2018	15
2019	—
2020	—
Thereafter	—
Total	<u>\$876</u>

16. Information About Financial Instruments with Off-Balance-Sheet Risk and Financial Instruments With Concentrations of Credit Risk

Financial instruments that potentially subject HealthSpan to concentrations of credit risk consist primarily of investment securities and accounts receivable. All investments in securities are managed within guidelines established by HealthSpan's management, which, as a matter of policy and procedure, limit the amounts that may be invested in each type of security, with any one issuer, and in various credit quality classifications. Concentrations of credit risk with respect to accounts receivable is limited due to the large number of payers comprising HealthSpan's customer base. Accordingly, HealthSpan does not believe any significant concentration of off-balance sheet or credit risk existed at December 31, 2016 or December 31, 2015.

17. Sale, Transfer and Servicing of Financial Assets and Extinguishments of Liabilities - None

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

*A-B – ASO and ASC Plans – None*

*C – Medicare or Similarly Structured Cost Based Reimbursement Contract*

- (1) Medicare Cost and Advantage Contracts – CMS Revenue from HealthSpan's Medicare Cost Reimbursement and Advantage Contracts was approximately \$73.3 million and \$79.3 million for medical and hospital related services for years ended 2016 and 2015, respectively, and \$12.9 million and \$14.0 million for administrative expenses for years ended 2016 and 2015, respectively.
- (2) As of December 31, 2016 and 2015, HealthSpan reported \$13.9 million and \$3.6 million in receivables from its Medicare Cost Contract, respectively.
- (3) In connection with the Company's Medicare Cost and Advantage contracts, the Company has recorded allowances and reserves for adjustment of recorded revenues of \$14.0 million and \$9.0 million, at December 31, 2016 and 2015, respectively.
- (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 Administrators - None

20. Fair Value Measurements

HealthSpan has no nonfinancial assets or liabilities that are required to be measured and reported at fair value on a recurring basis. 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. HealthSpan'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.
- 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.

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20. Fair Value Measurements (continued)

Investments, as discussed in the *Investments* note, are reported at lower of amortized cost or fair value, with impairment recorded if amortized cost is greater than fair value. The fair values of investments are based on quoted market prices, if available, or estimated using quoted market prices for similar investments. If listed prices or quotes are not available, fair value is based upon other observable inputs or models that primarily use market-based or independently sourced market parameters as inputs. In addition to market information, models also incorporate transaction details such as maturity. Fair value adjustments, including credit, liquidity, and other factors are included, as appropriate, to arrive at a fair value measurement.

Investments at statement value and estimated fair value at December 31, 2016 (in thousands).

Asset Description	Aggregate	Admitted	Level 1	Level 2	Level 3
	Fair Value	Assets			
U.S Treasury Bonds	\$ 402	\$ 402		\$ 402	\$ -
Industrial and miscellaneous Bonds	-	-		-	
Total Investments	<u>\$ 402</u>	<u>\$ 402</u>	<u>\$ -</u>	<u>\$ 402</u>	<u>\$ -</u>

Investments at statement value and estimated fair value at December 31, 2015 (in thousands).

Asset Description	Aggregate	Admitted	Level 1	Level 2	Level 3
	Fair Value	Assets			
U.S Treasury Bonds	\$ 13,982	\$ 13,994	\$ -	\$ 13,982	\$ -
Industrial and miscellaneous Bonds	12,943	13,117		12,943	
Total Investments	<u>\$ 26,925</u>	<u>\$ 27,111</u>	<u>\$ -</u>	<u>\$ 26,925</u>	<u>\$ -</u>

21. Other Items

- a. Extraordinary Items – Not Applicable
- b. Troubled Debt Restructuring – Not applicable
- c. Other Disclosure and Unusual Items – Not Applicable
- d. Business Interruption Insurance Recoveries – Not Applicable
- e. State Transferrable and Non-transferrable Tax Credits – Not applicable
- f. Subprime Mortgage Related Risk Exposure – Not applicable.
- g. Retained Assets – Not applicable

22. Subsequent Events - None

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23. Reinsurance

During 2016 and 2015, HealthSpan held a reinsurance contract with Preferred Professional Insurance Company (PPIC) to protect itself against high-cost, catastrophic claims exposure for its comprehensive line of business. The reinsurance is a non-proportional per risk excess of loss agreement whereby HealthSpan retains the first \$250 thousand and \$550 thousand of loss per Medicare Advantage and Commercial member, respectively. Additionally, HealthSpan agrees to a 10% coinsurance rate for claims exceeding the retention. The reinsurance contract does not relieve HealthSpan of its primary obligation to pay member claims. In 2016 and 2015, HealthSpan ceded premium of \$1.1 million and \$1.8 million on \$149.0 million and \$216.0 million of direct premium, respectively. Additionally, HealthSpan has recorded \$1.4 million and \$2.2 million of reinsurance recoveries related to this contract as a reduction of claims expense for the years ended December 31, 2016 and 2015, respectively.

A. Ceded Reinsurance Report

Section 1 – General Interrogatories

(1) Are any of the reinsurers, listed in Schedule S as non-affiliated, owned in excess of 10% or controlled, either directly or indirectly, by the company or by any representative, officer, trustee, or director of the company?

Yes ( ) No (X)

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

Yes ( ) No (X)

Section 2 – Ceded Reinsurance Report – Part A

(1) Does the company have any reinsurance agreements in effect under which the reinsurer may unilaterally cancel any reinsurance for reasons other than for nonpayment of premium or other similar credit?

Yes ( ) No (X)

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

Yes ( ) No (X)

Section 3 – Ceded Reinsurance Report – Part B

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

None

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23. Reinsurance

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

Yes ( ) No (X)

B. Uncollectible Reinsurance (None)

(1) The Company has written off in the current year reinsurance balances due (from the companies listed below) in the amount of: \$0.0, which is reflected as:

a. Losses incurred	\$ -
b. Loss adjustment expenses incurred	\$ -
c. Premiums earned	\$ -
d. Other	\$ -
e. Company	<u>Amount</u>

C. Commutation of Ceded Reinsurance (None)

The Company has reported in its operations in the current year as a result of commutation of reinsurance below, amounts, which are reflected as:

a. Losses incurred	\$ -
b. Loss adjustment expenses incurred	\$ -
c. Premiums earned	\$ -
d. Other	\$ -
e. Company	<u>Amount</u>

D. Certified Reinsurer Rating Downgraded or Status Subject To Revocation (None)

(1) Reporting Entity Ceding to Certified Reinsurer Whose Rating Was Downgraded or Status Subject to Revocation

Name of Certified Reinsurer	Relationship to Reporting Entity	Date of Action	Jurisdiction of Action	Collateral Percentage Requirement		Net Obligation Subject to Collateral	Collateral Required (but not Received)
				Before	After		
_____	_____	_____	_____	_____	_____	_____	_____
_____	_____	_____	_____	_____	_____	_____	_____

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24. Retrospectively Rated Contracts

The ACA established risk sharing programs, known as risk adjustment, reinsurance, and risk corridors, to protect health insurers against the incurrence of high claims which may occur as a result of the guarantee issue rules of the ACA. Two of the programs, reinsurance and risk corridors, are temporary and conclude in 2016. The risk adjustment program is permanent.

The risk adjustment program shifts risk by transferring funds to individual and small group plans that report high risk based on the demographic factors and health status of each member as derived from current year medical diagnosis as reported throughout the year. This program transfers funds from lower risk plans to higher risk plans within similar plans in the same state. Under the risk adjustment program, a risk score is assigned to each covered member to determine an average risk score at the individual and small group level by legal entity in a particular market in a state. Additionally, an average risk score is determined for the entire subject population for each market in each state. Settlements are determined on a net basis by legal entity and state. Each health insurance issuer's average risk score is compared to the state's average risk score. Plans with an average risk score below the state average will pay into a pool, and health insurance issuers with an average risk score that is greater than the state average risk score will receive money from that pool. The Company's estimate of amounts receivable and/or payable under the risk adjustment program is based on our estimate of both our own and the state average risk scores. The amount estimated to be paid in 2017 to the risk adjustment program for 2016 is \$4.0 million as of December 31, 2016 (as of December 31, 2015, the risk adjustment reserve was \$12.4 million). HealthSpan paid \$10.7 million for risk adjustment during 2016 for the 2015 assessments, the difference of \$1.7 million is reflected as a change in estimate within premium revenue. HealthSpan has recorded contributions to the risk adjustment program as assessments, which are included on the statement of admitted assets, liabilities, capital, and surplus.

The risk corridor program limits issuer gains and losses for qualified health plans in the individual and small markets by comparing allowable medical costs to a target amount, each defined/prescribed by Department of Health and Human Services (HHS), and sharing the risk for allowable costs with the federal government. Allowable medical costs are adjusted for risk adjustment settlements, transitional reinsurance recoveries, and cost sharing reductions received from HHS. Variances from the target exceeding certain thresholds may result in HHS making additional payments to HealthSpan or require HealthSpan to refund HHS a portion of the premiums we received. HHS guidance provides that risk corridor collections over the life of the three year program will first be applied to any shortfalls from previous benefit years before application to current year obligations. For 2016 and 2015 HealthSpan had unrecorded receivables of \$24.1 and \$22.0 million respectively. During 2016, HealthSpan recognized \$556 thousand and collected \$453 thousand in income related to the 2014 Risk Corridor receivable. A balance of \$103 thousand, which represents the CMS indicated portion of the 2014 receivable to be paid from 2015 collections, is reflected in the statutory-basis financial statements at December 31, 2016. No receivable from 2015 or 2016 is reflected in the financial statements as the program is not funded and management has determined that the collectability is uncertain. The NAIC's position on the risk corridor requires that any receivable recorded be non-admitted on the statutory-basis financial statements. No risk corridor liability is anticipated for 2016.

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24. Retrospectively Rated Contracts (Continued)

The reinsurance program requires HealthSpan to make reinsurance contributions for calendar years 2014 through 2016 to HHS based on a national contribution rate per covered member as determined by HHS. While all commercial medical plans, including self-funded plans, are required to fund the reinsurance entity, only fully-insured non-grandfathered plans compliant with the ACA in the individual commercial market will be eligible for recoveries if individual claims exceed a specified threshold.

For individual members, who may incur high claim costs eligible for reimbursement, the ACA reinsurance program is accounted for as reinsurance. Accordingly, plan contributions are recorded as premium reductions and recoveries are recorded as a reduction of claim expense. For group members, the ACA reinsurance program is accounted for as an assessment because claims incurred for group members are not eligible for recovery under the program.

The following table summarizes the medical loss ratio rebates required pursuant to the Public Health Service Act.

	1	2	3	4	5
	Individual	Small Group Employer	Large Group Employer	Other Categories with Rebates	Total
Prior Reporting Year					
(1) Medical loss ratio rebates incurred					
(2) Medical loss ratio rebates paid					
(3) Medical loss ratio rebates unpaid					
(4) Plus reinsurance assumed amounts					
(5) Less reinsurance ceded amounts					
(6) Rebates unpaid net of reinsurance					
Current Reporting Year					
(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					

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24. Retrospectively Rated Contracts (Continued)

The following table summarizes the impacts of the risk sharing provisions of the ACA on admitted assets, liabilities and revenue of HealthSpan as of December 31, 2016 (*in thousands*):

<b>a. Permanent ACA Risk Adjustment Program</b>	<u>12/31/2016</u>
Assets	
1. Premium adjustments receivable	\$ -
Liabilities	
2. User fees payable	\$ 8
3. Premium adjustments payable	\$ (3,864)
Operations	
4. Reported as revenue in premium for accident and health contracts (written / collected)	\$ 1,774
5. Reported in expenses user fees (incurred / paid)	\$ 8
<b>b. Transitional ACA Reinsurance</b>	
Assets	
1. Amount recoverable for claims paid	\$ 1,479
2. Amounts recoverable for claims unpaid	\$ -
3. amounts receivable relating to uninsured plans for contributions	\$ -
Liabilities	
4. Liabilities for contributions payable -not reported as ceded premium	\$ 559
5. Ceded reinsurance premiums payable	\$ 67
6. Liabilities for amounts held under uninsured plans contributions for reinsurance (2).	\$ -
Operations	
7. Ceded reinsurance premiums due	\$ 67
8. Reinsurance recoveries (income statement) due to reinsurance payments or expected payments	\$ 1,493
9. Reinsurance contributions -not reported as ceded premium	\$ 559
<b>c. Temporary ACA Risk Corridors Program</b>	
Assets	
1. Accrued retrospective premium due (1)	\$ 103
Liabilities	
2. Reserve for rate credits or policy experience rating refunds (1)	\$ -
Operations	
3. Effect on net premium income (paid / received) (1)	\$ 556
4. Change in reserves for rate credits (1)	\$ -

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24. Retrospectively Rated Contracts (continued)

	Accrued 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		Prior year accrued less payments col (1-3)	Prior year accrued less payments col (2-4)	To prior year balances	To prior year balances		Cumulative balance from prior years Col (1-3+7)	Cumulative balance from prior years Col (2-4+8)
	1	2	3	4	5	6	7	8		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 adjustment (payable)	-	(12,471)	-	(10,699)	-	(1,772)	-	1,772	B	-	-
3. Subtotal ACA Permanent Risk Adjustment Program	-	(12,471)	-	(10,699)	-	(1,772)	-	1,772		-	-
Adjustment Program											
1. Amounts recoverable for claims paid	2,822	-	2,938	-	(116)	-	478	-	C	362	-
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	(1,943)	-	(1,943)	-	-	-	-	-	F	-	-
5. Ceded reinsurance premiums payable	(326)	-	(326)	-	-	-	-	-	G	-	-
6. Liability for amounts held under uninsured plans	-	-	-	-	-	-	-	-	H	-	-
7. Subtotal ACA transitional reinsurance program	553	-	669	-	(116)	-	478	-		362	-
c. Temporary ACA risk corridor program											
1. Accrued retrospective premium	-	-	1,667	-	(1,667)	-	1,770	-	I	103	-
2. Reserve for rate credits or policy experience rating refunds	-	-	-	-	-	-	-	-	J	-	-
3. Subtotal ACA risk corridors program	-	-	1,667	-	(1,667)	-	1,770	-		103	-
d. Total for ACA risk Sharing Provisions	553	(12,471)	2,336	(10,699)	(1,783)	(1,772)	2,248	1,772		465	-

Explanations

- A. Not applicable.
- B. Estimate was greater than actual.
- C. Estimate was less than actual.
- D. Not applicable.
- E. Not applicable.
- F. Not applicable.
- G. Not applicable.
- H. Not applicable.
- I. Estimate was less than actual.
- J. Not applicable.

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24. Retrospectively Rated Contracts (continued)

Roll-Forward of Risk Corridors Asset and Liability Balances by Program Benefit Year

Risk Corridors Program Year	Accrued during the Prior Year on Business Written Before Dec 31 of the Prior Year		Received or Paid as of the Current Year on Balances Written Before Dec 31 of the Prior Year		Differences		Adjustments		Ref	Unadjusted Balances as of the	
					Prior year Accrued less Payments (Col. 1-3)	Prior year Accrued less Payments (Col. 2-4)	To Prior year Balances	To Prior year Balances		Cumulative Balance from Prior Years (Col. 1-3+7)	Cumulative Balance from Prior Years (COL 2-4+8)
	1	2	3	4	5	6	7	8		9	10
	Receivable	Payable	Receivable	Payable	Receivable	Payable	Receivable	Payable		Receivable	Payable
a. 2014											
1. Accrued retrospective premium	\$ -	\$ -	\$ 1,667	\$ -	\$ (1,667)	\$ -	\$ 1,770	\$ -	A	\$ 103	\$ -
2. Reserve for rate credits or policy experience rating refunds	-	-	-	-	-	-	-	-	B	-	-
b. 2015											
1. Accrued retrospective premium	-	-	-	-	-	-	-	-	C	-	-
2. Reserve for rate credits or policy experience rating refunds	-	-	-	-	-	-	-	-	D	-	-
c. 2016											
1. Accrued retrospective premium	-	-	-	-	-	-	-	-	E	-	-
2. Reserve for rate credits or policy experience rating refunds	-	-	-	-	-	-	-	-	F	-	-
Total Risk Corridors	\$ -	\$ -	\$ 1,667	\$ -	\$ (1,667)	\$ -	\$ 1,770	\$ -		\$ 103	\$ -
Explanation of Adjustments A - Estimate was greater than actual B - Not applicable C - Not applicable D - Note applicable E - Not applicable F - Not applicable											

ACA Risk Corridors Receivable as of Reporting Date

Risk Corridors Program year	1 Estimated Amount to be Filed or Final Amount Filed with CMS	2 Non-Accrued Amounts for Impairment or Other Reasons	3 Amounts received from CMS	4 Asset Balance (Gross of Non-admission) (1-2-3)	5 Non-admitted Amount	6 Net Admitted Asset (4-5)
a. 2014	\$ 11,202	\$ 9,432	\$ 1,667	\$ 103	\$ -	\$ 103
b. 2015	12,543	12,543	-	-	-	-
c. 2016	2,130	2,130	-	-	-	-
d. Total (a+b+c)	\$ 25,875	\$ 24,105	\$ 1,667	\$ 103	\$ -	\$ 103

HealthSpan Integrated Care  
Notes to Financial Statements  
December 31, 2016

25. Change in Incurred Claims and Claim Adjustment Expenses

	<u>12/31/2016</u>	<u>12/31/2015</u>
Claims Payable:		
Balance beginning of period	\$ 28,495	\$ 40,997
Incurred Claims:		
Insured Events of Current Year	\$ 189,518	\$ 364,965
Increase (decrease) insured events of prior year	<u>(7,997)</u>	<u>(2,474)</u>
Total incurred claims	\$ 181,521	\$ 362,491
Payment of claims:		
Claims incurred in prior years	\$ 20,323	\$ 38,475
Claims incurred in current year	<u>170,111</u>	<u>336,518</u>
Total claims paid	\$ 190,434	\$ 374,993
Balance end of the period	<u>\$ 19,582</u>	<u>\$ 28,495</u>

26. Intercompany Pooling Arrangements

HealthSpan has no intercompany pooling arrangements.

27. Structured Settlements

Not applicable for health entities.

HealthSpan Integrated Care  
Notes to Financial Statements  
December 31, 2016

28. Health Care Receivables

a. Pharmaceutical Rebate Receivables

The Company accounts for pharmaceutical rebate receivables in accordance with SSAP No. 84, *Certain Health Care Receivables and Receivables under Government Insured Plans (SSAP No. 84)*. The admitted receivable balances as of December 31, 2016 and 2015 are \$2.0 million and \$4.4 million, respectively, are included in health care receivables on the balance sheets. These are comprised of estimated pharmacy rebates for the current quarter as reported in the financial statements plus the pharmacy rebates invoiced/confirmed for the preceding quarter. Additional details are included in the table below:

Quarter	Estimated Pharmacy Rebates as Reported on Financial Statements	Pharmacy Rebates as Billed or Otherwise Confirmed	Actual Rebates received Within 90 Days of Billing	Actual Rebates received Within 91 to 180 Days of Billing	Actual Rebates received More Than 180 Days of Billing
12/31/2016	\$ 2,384	\$ 2,384	\$ 560	\$ 888	\$ -
9/30/2016	3,785	3,785	819	783	143
6/30/2016	3,762	3,762	1,885	157	100
3/31/2016	3,129	3,129	1,400	674	523
12/31/2015	\$ 4,363	\$ 4,363	\$ 1,259	\$ -	\$ -
9/30/2015	3,728	3,728	929	561	-
6/30/2015	3,021	3,021	1,705	-	-
3/31/2015	3,454	3,454	735	589	-
12/31/2014	1,467	1,467	1,190	887	-
9/30/2014	3,675	3,675	515	-	-
6/30/2014	2,585	2,585	398	-	-
3/31/2014	1,085	1,085	-	-	-

29. Participating Policies - None

30. Premium Deficiency Reserves

Premium deficiency reserve and the related expenses are recognized when it is probable that expected future health care and maintenance costs under a group of existing insurance contracts will exceed anticipated future premiums, current reserves and anticipated future reinsurance recoveries over the insurance contract period. The Company projected future premiums and losses using historical results to help determine future performance for both prepayments and claims. An estimated expense factor was then applied, and the result was discounted using a rate of return. The net present value, less any existing reserves, was recorded as an actuarially determined premium deficiency estimate of \$0 and \$84.4 million at December 31, 2016 and 2015, respectively. As a result of favorable developments and cost controls related to health care and maintenance costs in 2016, the Company recorded a \$43.3 million increase to net income related to its prior year premium deficiency reserves estimate.

31. Anticipated Salvage and Subrogation

HealthSpan had no salvage and subrogation included in as a reduction of loss reserves for the years ended December 31, 2016 and 2015, respectively.

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.

.....12/31/2015
- 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.

.....12/31/2015
- 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).

.....01/30/2017
- 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, 1900 Scripps Center, 312 Walnut Street, Cincinnati OH 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?  
Glenn A. Geise, Principal, FSA, MAAA, Oliver Wyman Consulting Actuaries, 411 East Wisconsin Avenue, Suite 1300, Milwaukee, WI 53202.....

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? Yes [ X ] No [ ]

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

\$

\$

\$

\$

\$

\$

\$

\$

\$

\$

\$

\$

402,450

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
State Street Bank and Trust	801 Pennsylvania, Kansas City, MO 64105
Fifth Third Bank	38 Fountain Square Plaza, Cincinnati OH 45263

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 [ X ]

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 [ X ]

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 [   ] No [ X ]

29.2 If yes, complete the following schedule:

1 CUSIP #	2 Name of Mutual Fund	3 Book/Adjusted Carrying Value
.....	.....	.....
.....	.....	.....
.....	.....	.....
29.2999 TOTAL		0

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
.....	.....	.....	.....
.....	.....	.....	.....
.....	.....	.....	.....

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 Statement (Admitted) Value	2 Fair Value	3 Excess of Statement over Fair Value (-), or Fair Value over Statement (+)
30.1 Bonds.....	403,300	401,875	(1,425)
30.2 Preferred Stocks.....	0		0
30.3 Totals	403,300	401,875	(1,425)

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 [ X ] No [   ]

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 [ X ] 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:

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? \$ .....
- 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
.....	\$.....
.....	\$.....
.....	\$.....

- 34.1 Amount of payments for legal expenses, if any? \$ .....
- 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
.....	\$.....
.....	\$.....
.....	\$.....

- 35.1 Amount of payments for expenditures in connection with matters before legislative bodies, officers or departments of government, if any? \$ .....
- 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
.....	\$.....
.....	\$.....
.....	\$.....

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	\$ .....199,955,997	\$	.....360,173,360
2.2	Premium Denominator	\$ .....200,568,525	\$	.....360,173,360
2.3	Premium Ratio (2.1/2.2)	.....0.997		.....1.000
2.4	Reserve Numerator	\$ .....19,582,981	\$	.....112,922,448
2.5	Reserve Denominator	\$ .....19,582,981	\$	.....112,922,447
2.6	Reserve Ratio (2.4/2.5)	.....1.000		.....1.000

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 [ X ]

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

\$ .....550,000

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

.....29,027

8.2 Number of providers at end of reporting year

.....16,247

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 [ ]

11.13 An Individual Practice Association (IPA), or,Yes [ ] No [ ]

11.14 A Mixed Model (combination of above) ?Yes [ ] 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.

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

\$.....14,024,850
- 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

200% of the ACL from RBC page XR027
12. List service areas in which reporting entity is licensed to operate:

1
Name of Service Area
Adams.....
Allen.....
Auglaize.....
Brown.....
Butler.....
Champaign.....
Clark.....
Clermont.....
Clinton.....
Cuyahoga.....
Fulton.....
Geauga.....
Hamilton.....
Henry.....
Highland.....
Lake.....
Lorain.....
Lucas.....
Mahoning.....
Medina.....
Mercer.....
Ottawa.....
Portage.....
Preble.....
Putnam.....
Shelby.....
Stark.....
Summit.....
Trumbull.....
Van Wert.....
Wayne.....
Wood.....

- 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 [ X N/A [ ]
- 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) .....	180,440,623	199,686,997	342,836,061	256,040,566	302,343,880
2. Total liabilities (Page 3, Line 24) .....	76,888,369	163,009,048	289,041,166	143,491,481	234,035,556
3. Statutory minimum capital and surplus requirement .....	14,024,850	19,645,828	28,904,116	14,349,148	23,403,556
4. Total capital and surplus (Page 3, Line 33) .....	103,552,255	36,677,949	53,794,895	112,549,085	68,308,324
<b>Income Statement</b> (Page 4)					
5. Total revenues (Line 8) .....	205,721,208	360,244,999	420,755,570	477,267,970	494,628,534
6. Total medical and hospital expenses (Line 18) .....	178,472,440	357,656,881	408,124,368	442,496,331	472,937,479
7. Claims adjustment expenses (Line 20) .....	19,550,930	10,978,215	10,081,175	9,137,699	11,038,162
8. Total administrative expenses (Line 21) .....	48,810,195	78,670,650	63,883,300	41,351,295	55,321,888
9. Net underwriting gain (loss) (Line 24) .....	43,314,479	(171,487,583)	(51,433,754)	(10,016,874)	(63,568,995)
10. Net investment gain (loss) (Line 27) .....	971,937	(34,228,659)	(434,886)	3,530,312	3,629,551
11. Total other income (Lines 28 plus 29) .....	13,416,596	(11,846,759)	(1,476,209)	(71,905,775)	296,055
12. Net income or (loss) (Line 32) .....	57,703,012	(217,563,001)	(53,344,849)	(78,392,337)	(59,643,389)
<b>Cash Flow</b> (Page 6)					
13. Net cash from operations (Line 11).....	(46,777,040)	(88,749,452)	(83,996,797)	(58,105,193)	(46,436,500)
<b>Risk-Based Capital Analysis</b>					
14. Total adjusted capital.....	103,552,255	36,677,949	53,794,895	112,549,085	68,308,324
15. Authorized control level risk-based capital .....	7,012,706	9,822,914	10,623,964	9,335,334	9,605,965
<b>Enrollment</b> (Exhibit 1)					
16. Total members at end of period (Column 5, Line 7) .....	16,998	62,249	74,819	81,606	86,338
17. Total members months (Column 6, Line 7) .....	400,633	791,660	919,471	990,714	1,077,067
<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) .....	89.0	99.3	97.3	93.4	96.3
20. Cost containment expenses .....	3.1	1.4	1.2	0.9	1.3
21. Other claims adjustment expenses .....	6.7	1.6	1.2	1.1	1.0
22. Total underwriting deductions (Line 23) .....	81.0	147.6	112.6	102.8	113.6
23. Total underwriting gain (loss) (Line 24) .....	21.6	(47.6)	(12.3)	(2.1)	(12.9)
<b>Unpaid Claims Analysis</b>					
(U&I Exhibit, Part 2B)					
24. Total claims incurred for prior years (Line 13, Col. 5) .....	20,498,575	38,523,543	75,271,028	25,709,337	33,376,223
25. Estimated liability of unpaid claims – [prior year (Line 13, Col. 6)] .....	28,495,612	40,997,111	78,724,871	27,288,302	34,498,492
<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

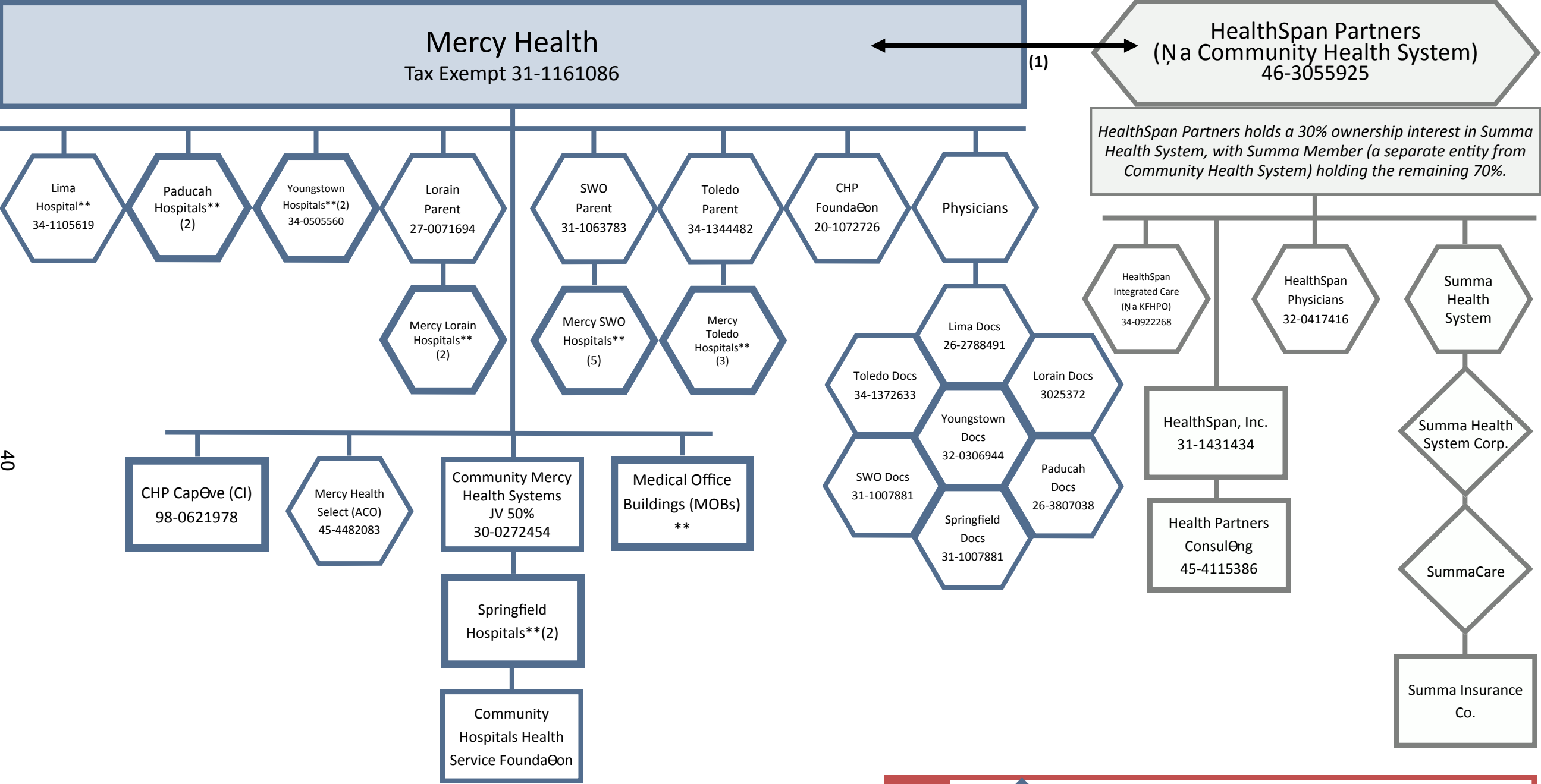
Allocated by States and Territories

			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	84,888,171	109,906,120		7,008,843			201,803,134	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	84,888,171	109,906,120	0	7,008,843	0	0	201,803,134	0
60.	Reporting entity contributions for Employee Benefit Plans.....		XXX							0	
61.	Total (Direct Business)	(a)	1	84,888,171	109,906,120	0	7,008,843	0	0	201,803,134	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. Specific Identification

(a) Insert the number of L responses except for Canada and other Alien.



MH Org Chart 2\_20\_2015  
Note: Ownership is based on 100% ownership or membership interest unless otherwise noted. All entities are domiciled in Ohio except as noted.  
(1): The relationship between Mercy and HSP is based on the HealthSpan Partners Loan Agreement (previously filed with ODI) and common board members.

KEY

NON  
PROFIT  
TAXABLE

TAX  
EXEMPT

FOR  
PROFIT

\*\*  
Refer to p.2 of  
document

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