

Amended Explanation Page

Summa Insurance Company

Amended Cover Page

12/31/16

Summa Insurance Company has amended the 12/31/16 Annual Statement to reflect tax adjustments made in accordance with a tax sharing agreement that the company has with affiliated entities. The financial statement changes are as follows:

Assets:

Line 18.1, Federal income taxes recoverable decreased by \$547,527.

Liabilities:

Line 31, Unassigned funds decreased by \$547,527.

Statement of Revenues and Expenses:

Line 31, Federal taxes incurred increased by \$547,527.

The Annual Statement pages affected by these changes were:

2	26
3	29
4	37
5	



10649201620100105

2016

Document Code: 201

ANNUAL STATEMENT
For the Year Ending DECEMBER 31, 2016
OF THE CONDITION AND AFFAIRS OF THE
Summa Insurance Company, Inc.

NAIC Group Code	3259 (Current Period)	3259 (Prior Period)	NAIC Company Code	10649	Employer's ID Number	34-1809108
Organized under the Laws of	Ohio		State of Domicile or Port of Entry		OH	
Country of Domicile	United States of America					
Licensed as business type:	Life, Accident & Health[<input type="checkbox"/>] Dental Service Corporation[<input type="checkbox"/>] Other[<input type="checkbox"/>]	Property/Casualty[<input checked="" type="checkbox"/>] Vision Service Corporation[<input type="checkbox"/>] Is HMO Federally Qualified? Yes[<input type="checkbox"/>] No[<input checked="" type="checkbox"/>] N/A[<input type="checkbox"/>]	Hospital, Medical & Dental Service or Indemnity[<input type="checkbox"/>] Health Maintenance Organization[<input type="checkbox"/>]			
Incorporated/Organized	08/07/1995		Commenced Business	02/01/1996		
Statutory Home Office	10 North Main Street (Street and Number)		Akron, OH, 44308 (City or Town, State, Country and Zip Code)			
Main Administrative Office	10 North Main Street (Street and Number)		Akron, OH, 44308 (City or Town, State, Country and Zip Code)			
Primary Location of Books and Records	10 North Main Street (Street and Number)		Akron, OH, 44308 (City or Town, State, Country and Zip Code)			
Internet Website Address	SummaCare.com		(Area Code) (Telephone Number)			
Statutory Statement Contact	Roy Douglas Hall (Name) hallroy@summacare.com (E-Mail Address)		(330)996-8410-62057 (Area Code)(Telephone Number)(Extension) (330)996-8553 (Fax Number)			

OFFICERS

Name	Title
Kathleen Tirbovich Geier	Chair
Robert Andrew Gerberry	Secretary
Brian Keith Derrick	Treasurer
Robert Stephen Paskowski	Interim President #

OTHERS

Anne Armao, VP - Marketing & Product Development
Keith Johnson, VP - Third Party Administrator
Donald Novosel, VP - Contracting & Network Development
Dennis Pijor, VP - Finance, CFO
Stephen Adamson, VP - Client Services #

Kevin Cavalier, VP - Sales
James Loveless, VP - Individual Product Line
Charles Zonfa M.D., Chief Medical Officer #
Robert Paskowski, Interim President #

DIRECTORS OR TRUSTEES

Kathleen Tirbovich Geier
James Ross McIlvaine
Benjamin Paul Sutton
Brian Keith Derrick
Steven Aaron Eisenberg #
Russell Floyd Mohawk #

Thomas Anthony Malone M.D.
Rajiv Vishnu Taliwal M.D.
Lydia Alexander Cook M.D.
Robert Stephen Paskowski #
Henry Leigh Gerstenberger #
Caroline Fisher Pearson #

State of Ohio
County of Summit ss

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

(Signature)
Robert Stephen Paskowski
(Printed Name)
1.
Interim President
>Title)

(Signature)
Dennis Dale Pijor
(Printed Name)
2.
Vice President - Finance, CFO
>Title)

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

Subscribed and sworn to before me this
28th day of March, 2017

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

Yes[] No[]
1
03/30/2017
7

(Notary Public Signature)

ASSETS

	Current Year			Prior Year
	1 Assets	2 Nonadmitted Assets	3 Net Admitted Assets (Cols.1-2)	4 Net Admitted Assets
1. Bonds (Schedule D)	38,910,437		38,910,437	45,808,733
2. Stocks (Schedule D):				
2.1 Preferred stocks				
2.2 Common Stocks				
3. Mortgage loans on real estate (Schedule B):				
3.1 First liens				
3.2 Other than first liens				
4. Real estate (Schedule A):				
4.1 Properties occupied by the company (less \$.....0 encumbrances)				
4.2 Properties held for the production of income (less \$.....0 encumbrances)				
4.3 Properties held for sale (less \$.....0 encumbrances)				
5. Cash (\$.....6,111,108, Schedule E Part 1), cash equivalents (\$.....0, Schedule E Part 2) and short-term investments (\$.....455,615, Schedule DA)	6,566,723		6,566,723	5,147,320
6. Contract loans (including \$.....0 premium notes)				
7. Derivatives (Schedule DB)				
8. Other invested assets (Schedule BA)				
9. Receivables for securities				
10. Securities Lending Reinvested Collateral Assets (Schedule DL)				
11. Aggregate write-ins for invested assets				
12. Subtotals, cash and invested assets (Lines 1 to 11)	45,477,160		45,477,160	50,956,053
13. Title plants less \$.....0 charged off (for Title insurers only)				
14. Investment income due and accrued	125,029		125,029	113,478
15. Premiums and considerations:				
15.1 Uncollected premiums and agents' balances in the course of collection	2,399,933	55,059	2,344,874	195,309
15.2 Deferred premiums, agents' balances and installments booked but deferred and not yet due (Including \$.....0 earned but unbilled premiums)				
15.3 Accrued retrospective premiums (\$.....0) and contracts subject to redetermination (\$.....0)				
16. Reinsurance:				
16.1 Amounts recoverable from reinsurers	2,877,502		2,877,502	2,377,575
16.2 Funds held by or deposited with reinsured companies				
16.3 Other amounts receivable under reinsurance contracts				
17. Amounts receivable relating to uninsured plans				
18.1 Current federal and foreign income tax recoverable and interest thereon	1,186,805		1,186,805	2,729,537
18.2 Net deferred tax asset				
19. Guaranty funds receivable or on deposit				
20. Electronic data processing equipment and software				
21. Furniture and equipment, including health care delivery assets (\$.....0)	2,415	2,415		
22. Net adjustment in assets and liabilities due to foreign exchange rates				
23. Receivables from parent, subsidiaries and affiliates	1,727,161		1,727,161	1,418,465
24. Health care (\$.....1,145,853) and other amounts receivable	1,404,105	258,252	1,145,853	1,903,849
25. Aggregate write-ins for other than invested assets	85,328	85,328		
26. TOTAL Assets excluding Separate Accounts, Segregated Accounts and Protected Cell Accounts (Lines 12 to 25)	55,285,438	401,054	54,884,384	59,694,266
27. From Separate Accounts, Segregated Accounts and Protected Cell Accounts				
28. TOTAL (Lines 26 and 27)	55,285,438	401,054	54,884,384	59,694,266
DETAILS OF WRITE-INS				
1101.				
1102.				
1103.				
1198. Summary of remaining write-ins for Line 11 from overflow page				
1199. TOTALS (Lines 1101 through 1103 plus 1198) (Line 11 above)				
2501. Prepaid Expenses	85,328	85,328		
2502. Deferred ACA Asset				
2503. Pharmacy Rebates				
2598. Summary of remaining write-ins for Line 25 from overflow page				
2599. TOTALS (Lines 2501 through 2503 plus 2598) (Line 25 above)	85,328	85,328		

LIABILITIES, CAPITAL AND SURPLUS

	Current Year			Prior Year
	1 Covered	2 Uncovered	3 Total	4 Total
1. Claims unpaid (less \$.....0 reinsurance ceded)	16,625,124		16,625,124	21,817,703
2. Accrued medical incentive pool and bonus amounts				130,128
3. Unpaid claims adjustment expenses	368,015		368,015	394,677
4. Aggregate health policy reserves, including the liability of \$.....0 for medical loss ratio rebate per the Public Health Service Act				
5. Aggregate life policy reserves				
6. Property/casualty unearned premium reserves				
7. Aggregate health claim reserves				
8. Premiums received in advance	6,277,102		6,277,102	6,291,417
9. General expenses due or accrued	2,550,495		2,550,495	4,082,281
10.1 Current federal and foreign income tax payable and interest thereon (including \$.....0 on realized capital gains (losses))				
10.2 Net deferred tax liability				
11. Ceded reinsurance premiums payable				
12. Amounts withheld or retained for the account of others				
13. Remittances and items not allocated				
14. Borrowed money (including \$.....0 current) and interest thereon \$.....0 (including \$.....0 current)				
15. Amounts due to parent, subsidiaries and affiliates	667,288		667,288	2,595,699
16. Derivatives				
17. Payable for securities				
18. Payable for securities lending				
19. Funds held under reinsurance treaties (with \$.....0 authorized reinsurers, \$.....0 unauthorized reinsurers and \$.....0 certified reinsurers)				
20. Reinsurance in unauthorized and certified (\$.....0) companies				
21. Net adjustments in assets and liabilities due to foreign exchange rates				
22. Liability for amounts held under uninsured plans				
23. Aggregate write-ins for other liabilities (including \$.....0 current)				
24. TOTAL Liabilities (Lines 1 to 23)	26,488,024		26,488,024	35,311,905
25. Aggregate write-ins for special surplus funds	XXX	XXX		3,400,000
26. Common capital stock	XXX	XXX	2,500,062	2,500,062
27. Preferred capital stock	XXX	XXX		
28. Gross paid in and contributed surplus	XXX	XXX	82,866,381	82,866,381
29. Surplus notes	XXX	XXX		
30. Aggregate write-ins for other than special surplus funds	XXX	XXX		
31. Unassigned funds (surplus)	XXX	XXX	(56,970,083)	(64,384,082)
32. Less treasury stock, at cost:				
32.10 shares common (value included in Line 26 \$.....0)	XXX	XXX		
32.20 shares preferred (value included in Line 27 \$.....0)	XXX	XXX		
33. TOTAL Capital and Surplus (Lines 25 to 31 minus Line 32)	XXX	XXX	28,396,360	24,382,361
34. TOTAL Liabilities, Capital and Surplus (Lines 24 and 33)	XXX	XXX	54,884,384	59,694,266
DETAILS OF WRITE-INS				
2301. Minority Interest				
2302. Deferred gain on sale of bonds to SummaCare, Inc.				
2303. Miscellaneous				
2398. Summary of remaining write-ins for Line 23 from overflow page				
2399. TOTALS (Lines 2301 through 2303 plus 2398) (Line 23 above)				
2501. ACA Annual Fee on Health Insurers	XXX	XXX		3,400,000
2502.	XXX	XXX		
2503.	XXX	XXX		
2598. Summary of remaining write-ins for Line 25 from overflow page	XXX	XXX		
2599. TOTALS (Lines 2501 through 2503 plus 2598) (Line 25 above)	XXX	XXX		3,400,000
3001.	XXX	XXX		
3002.	XXX	XXX		
3003.	XXX	XXX		
3098. Summary of remaining write-ins for Line 30 from overflow page	XXX	XXX		
3099. TOTALS (Lines 3001 through 3003 plus 3098) (Line 30 above)	XXX	XXX		

STATEMENT OF REVENUE AND EXPENSES

	Current Year		Prior Year
	1 Uncovered	2 Total	3 Total
	XXX	453,682	548,129
1. Member Months	XXX	453,682	548,129
2. Net premium income (including \$.....0 non-health premium income)	XXX	190,629,097	214,854,062
3. Change in unearned premium reserves and reserve for rate credits	XXX		
4. Fee-for-service (net of \$.....0 medical expenses)	XXX		
5. Risk revenue	XXX		
6. Aggregate write-ins for other health care related revenues	XXX		
7. Aggregate write-ins for other non-health revenues	XXX		
8. TOTAL Revenues (Lines 2 to 7)	XXX	190,629,097	214,854,062
Hospital and Medical:			
9. Hospital/medical benefits		129,661,509	161,400,478
10. Other professional services			
11. Outside referrals			
12. Emergency room and out-of-area			
13. Prescription drugs		33,128,221	34,972,199
14. Aggregate write-ins for other hospital and medical			
15. Incentive pool, withhold adjustments and bonus amounts			(29,605)
16. Subtotal (Lines 9 to 15)		162,789,730	196,343,072
Less:			
17. Net reinsurance recoveries		4,238,130	4,304,566
18. TOTAL Hospital and Medical (Lines 16 minus 17)		158,551,600	192,038,506
19. Non-health claims (net)			
20. Claims adjustment expenses, including \$.....387,821 cost containment expenses		2,597,754	2,785,953
21. General administrative expenses		24,787,115	28,857,955
22. Increase in reserves for life and accident and health contracts (including \$.....0 increase in reserves for life only)			
23. TOTAL Underwriting Deductions (Lines 18 through 22)		185,936,469	223,682,414
24. Net underwriting gain or (loss) (Lines 8 minus 23)	XXX	4,692,628	(8,828,352)
25. Net investment income earned (Exhibit of Net Investment Income, Line 17)		435,027	474,461
26. Net realized capital gains (losses) less capital gains tax of \$.....0		15,804	
27. Net investment gains (losses) (Lines 25 plus 26)		450,831	474,461
28. Net gain or (loss) from agents' or premium balances charged off [(amount recovered \$.....0) (amount charged off \$.....0)]			
29. Aggregate write-ins for other income or expenses		1,730	973
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	5,145,189	(8,352,918)
31. Federal and foreign income taxes incurred	XXX	1,115,552	(732,449)
32. Net income (loss) (Lines 30 minus 31)	XXX	4,029,637	(7,620,469)
DETAILS OF WRITE-INS			
0601.	XXX		
0602.	XXX		
0603.	XXX		
0698. Summary of remaining write-ins for Line 6 from overflow page	XXX		
0699. TOTALS (Lines 0601 through 0603 plus 0698) (Line 6 above)	XXX		
0701.	XXX		
0702.	XXX		
0703.	XXX		
0798. Summary of remaining write-ins for Line 7 from overflow page	XXX		
0799. TOTALS (Line 0701 through 0703 plus 0798) (Line 7 above)	XXX		
1401.			
1402.			
1403.			
1498. Summary of remaining write-ins for Line 14 from overflow page			
1499. TOTALS (Lines 1401 through 1403 plus 1498) (Line 14 above)			
2901. Gain on the sale of fixed assets			
2902. Miscellaneous Income (Expense)		1,730	973
2903. Finance and service charges not included in premiums			
2998. Summary of remaining write-ins for Line 29 from overflow page			
2999. TOTALS (Line 2901 through 2903 plus 2998) (Line 29 above)		1,730	973

STATEMENT OF REVENUE AND EXPENSES (Continued)

	1 Current Year	2 Prior Year
CAPITAL & SURPLUS ACCOUNT		
33. Capital and surplus prior reporting year	24,382,361	31,459,090
34. Net income or (loss) from Line 32	4,029,637	(7,620,469)
35. Change in valuation basis of aggregate policy and claim reserves		
36. Change in net unrealized capital gains (losses) less capital gains tax of \$.....0		
37. Change in net unrealized foreign exchange capital gain or (loss)		
38. Change in net deferred income tax		
39. Change in nonadmitted assets	(3,154)	543,741
40. Change in unauthorized and certified reinsurance		
41. Change in treasury stock		
42. Change in surplus notes		
43. Cumulative effect of changes in accounting principles		
44. Capital Changes:		
44.1 Paid in		
44.2 Transferred from surplus (Stock Dividend)		
44.3 Transferred to surplus		
45. Surplus adjustments:		
45.1 Paid in		
45.2 Transferred to capital (Stock Dividend)		
45.3 Transferred from capital		
46. Dividends to stockholders		
47. Aggregate write-ins for gains or (losses) in surplus	(12,484)	(1)
48. Net change in capital and surplus (Lines 34 to 47)	4,013,999	(7,076,729)
49. Capital and surplus end of reporting year (Line 33 plus 48)	28,396,360	24,382,361
DETAILS OF WRITE-INS		
4701. Deferred gain on sale of bonds to SummaCare, Inc.		
4702. Gain on sale of bonds	(12,484)	
4703. Federal income tax adjustment		
4798. Summary of remaining write-ins for Line 47 from overflow page		(1)
4799. TOTALS (Lines 4701 through 4703 plus 4798) (Line 47 above)	(12,484)	(1)

Notes to Financial Statements

1. Summary of Significant Accounting Policies and Going Concern

A. Accounting Practices

Summa Insurance Company's (the Company or SIC) statutory financial statements are presented on the basis of accounting practices prescribed or permitted by the Ohio Department of Insurance (ODI).

The ODI recognizes only statutory accounting practices prescribed or permitted by the State of Ohio (the State) for determining its solvency under Ohio Insurance Law. NAIC SAP has been adopted as a component of the prescribed or permitted practices by the State with some modifications. These modifications include a five-year life on Electronic Data Processing (EDP) equipment and a 90-day limitation on collection of affiliate balances. Accordingly, the admitted assets, liabilities, capital and surplus of the Company as of December 31, 2016 and December 31, 2015 and the results of its operations and its cash flow for the years then ended have been determined in accordance with accounting principles prescribed or permitted by the ODI. Management believes the difference in capital and surplus between NAIC SAP and accounting principles prescribed or permitted by the ODI is not material.

	State of <u>Domicile</u>	<u>12/31/2016</u>	<u>12/31/2015</u>
<u>Net Income</u>			
1) SIC state basis (Page 4, Line 32, Columns 2 & 3)	OH	4,029,637	(7,620,469)
2) State Prescribed Practices that increase / (decrease) NAIC SAP	OH	-	-
3) State Permitted Practices that increase / (decrease) NAIC SAP:	OH	-	-
4) NAIC SAP	OH	<u>4,029,637</u>	<u>(7,620,469)</u>
<u>Surplus</u>			
5) SIC state basis (Page 3, Line 33, Columns 3 & 4)	OH	28,396,360	24,382,361
6) State Prescribed Practices that increase / (decrease) NAIC SAP	OH	-	-
7) State Permitted Practices that increase / (decrease) NAIC SAP:	OH	-	-
8) NAIC SAP	OH	<u>28,396,360</u>	<u>24,382,361</u>

B. Use of Estimates

The preparation of financial statements in conformity with NAIC SAP, the NAIC Annual Statement Instructions and other accounting practices prescribed or permitted by the ODI requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ significantly from those estimates.

C. Accounting Policy

The Company uses the following accounting policies:

1) Cash and Short-Term Investments

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

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

3) Common stocks – None.

4) Preferred stocks – None.

5) Mortgage loans on real estate – None.

6) Loan backed securities – None.

7) Investments in subsidiaries, controlled and affiliated entities - None.

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

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

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

11) Unpaid losses and loss adjustment expenses include an amount determined from individual case estimates and loss reports and an amount, based on past experience, for losses incurred but not reported. Such liabilities are necessarily based on assumptions and estimates and while management believes the amount is adequate, the ultimate liability may be in excess of or less than the amount provided. The methods for making such estimates and for establishing liabilities are continually reviewed and any adjustments are reflected in the period determined.

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

Notes to Financial Statements

13) Pharmaceutical rebates are reported as a reduction of prescription drug expense. Receivables related to pharmaceutical rebates are recorded in accordance with SSAP No. 84, Certain Health Care Receivables and Receivables Under Government Insured Plans. Pharmacy rebates receivable are estimated by multiplying the most recent rebate received by two (two quarters).

D. Going Concern – Not applicable.

2. Accounting Changes and Corrections of Errors – None.

3. Business Combinations and Goodwill - None.

4. Discontinued Operations – None.

5. Investments

A. Mortgage Loans – None.

B. Debt Restructuring – None.

C. Reverse Mortgages – None.

D. Loan Backed Securities – None.

E. Repurchase Agreements – None.

F. Real Estate - None.

G. Investments in Low-Income Housing Tax Credits – None.

H. Restricted Assets – None.

I. Working Capital Finance Investments – None.

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

K. Structured Notes – None.

L. 5* Securities – None.

6. Joint Ventures, Partnerships and Limited Liability Companies

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

B. Impaired investments in joint ventures, partnerships and limited liability companies – None.

7. Investment Income

A. The basis, by category of investment income, for excluding (nonadmitting) any investment income due and accrued.

All accrued investment income was admitted for the period.

B. The total amount excluded was \$0.

8. Derivative Instruments – None.

Notes to Financial Statements

9. Income Taxes

A. The components of deferred tax asset / liability at December 31, 2016 and December 31, 2015 are as follows:

	12/31/16			12/31/2015			Change		
	Ordinary	Capital	Total	Ordinary	Capital	Total	Ordinary	Capital	Total
1.									
(a) Gross Deferred Tax Assets	\$2,163,792	\$0	\$2,163,792	\$4,211,787	\$0	\$4,211,787	(\$2,047,995)	\$0	(\$2,047,995)
(b) Statutory Valuation Allowance Adjustments	\$2,155,478	\$0	\$2,155,478	\$4,198,197	\$0	\$4,198,197	(\$2,042,719)	\$0	(\$2,042,719)
(c) Adjusted Gross DTA's (1a-1b)	\$8,313	\$0	\$8,313	\$13,590	\$0	\$13,590	(\$5,277)	\$0	(\$5,277)
(d) DTA's Nonadmitted	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
(e) Subtotal Net DTA's (1c-1d)	\$8,313	\$0	\$8,313	\$13,590	\$0	\$13,590	(\$5,277)	\$0	(\$5,277)
(f) Deferred Tax Liabilities	(\$8,313)	\$0	(\$8,313)	(\$13,590)	\$0	(\$13,590)	\$5,277	\$0	\$5,277
(g) Net Admitted DTA / Net DTL (1e-1f)	(\$0)	\$0	(\$0)	\$0	\$0	\$0	\$1	\$0	\$1
2.									
Admission Calculation Components SSAP No. 101									
(a) Federal Income Taxes Paid In Prior Years Recoverable Through Loss Carrybacks.	\$8,313	\$0	\$8,313	\$0	\$0	\$0	\$8,313	\$0	\$8,313
(b) Adjusted Gross DTA's Expected to be Realized (Excluding The Amount of DTA's From 2(a) above) After Application of the Threshold Limitation. (The Lesser of 2 (b) 1 and 2 (b) 2 Below)	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
1. Adjusted Gross DTA's Expected to be Realized Following the Balance Sheet Date.	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
2. Adjusted Gross DTA's Allowed Per Limitation Threshold.	XXX	XXX	\$4,259,454	XXX	XXX	\$3,657,354	XXX	XXX	\$602,100
(c) Adjusted Gross DTA's (Excluding The Amount of DTA's from 2 (a) and 2 (b) above) Offset by Gross DTL's.	\$0	\$0	\$0	\$13,590	\$0	\$13,590	(\$13,590)	\$0	(\$13,590)
(d) DTA's Admitted as the result of application of SSAP No. 101. Total (2(a)+2(b)+2(c))	\$8,313	\$0	\$8,313	\$13,590	\$0	\$13,590	(\$5,277)	\$0	(\$5,277)
3.									
(a) Ratio Percentage used To Determine Recovery Period And Threshold Limitation Amount.	2016	2015							
	428%	307%							
(b) Amount Of Adjusted Capital And Surplus Used To Determine Recovery Period And Threshold Limitation In 2 (b) 2 Above.	\$28,396,360	\$24,382,361							
4.									
Impact of Tax-Planning Strategies									
(a) Determination of Adjusted Gross DTA's and Net Admitted DTA's By Tax Character as a percentage.									
1. Adjusted Gross DTA's from 9A1c	\$8,313	\$0	\$8,313	\$13,590	\$0	\$13,590			
2. Percentage of Adjusted Gross DTA's	0%	0%	0%	0%	0%	0%			
3. Net Admitted Gross DTA's 9A1e	\$8,313	\$0	\$8,313	\$13,590	\$0	\$13,590			
4. Percentage of Net Admitted Adjusted Gross DTA's because of tax planning.	0%	0%	0%	0%	0%	0%			
(b) Does the Company's tax planning strategies include reinsurance?	Yes	No	X						

B. Regarding deferred tax liabilities not recognized – None.

Notes to Financial Statements

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

	12/31/2016	12/31/2015	Change
1. Current Income Tax			
(a) Federal	\$1,115,552	(\$732,449)	\$1,848,001
(b) Foreign	\$0	\$0	\$0
(c) Subtotal	<u>\$1,115,552</u>	<u>(\$732,449)</u>	<u>\$1,848,001</u>
(d) Federal Income Tax on Net Capital Gains	\$0	\$0	\$0
(e) Utilization of Capital Loss Carry Forwards	\$0	\$0	\$0
(f) Other	\$0	\$0	\$0
(g) Federal and Foreign Income Taxes Incurred	<u>\$1,115,552</u>	<u>(\$732,449)</u>	<u>\$1,848,001</u>
2. Deferred Tax Assets:			
(a) Ordinary			
(1) Unpaid Losses	\$39,970	\$57,513	(\$17,543)
(2) Unearned Premium Reserve	\$426,843	\$427,816	(\$973)
(3) Policyholder Reserves	\$0	\$0	\$0
(4) Investments	\$0	\$0	\$0
(5) Deferred Acquisition Costs	\$0	\$0	\$0
(6) Policyholder Dividends Accrual	\$0	\$0	\$0
(7) Fixed Assets	\$25,941	\$45,141	(\$19,200)
(8) Compensation and Benefits Accrual	\$394,432	\$431,408	(\$36,976)
(9) Pension Accrual	\$0	\$0	\$0
(10) Receivables - Nonadmitted	\$135,537	\$225,081	(\$89,544)
(11) Net Operating Loss Carry-Forward	\$547,526	\$2,313,715	(\$1,766,189)
(12) Tax credit carryforward	\$0	\$0	\$0
(13) Other (Including items < 5% of total ordinary assets)	<u>593,543</u>	<u>\$711,113</u>	<u>(\$117,570)</u>
Subtotal	<u>\$2,163,792</u>	<u>\$4,211,787</u>	<u>(\$2,047,995)</u>
(b) Statutory Valuation Allowance	\$2,155,478	\$4,198,197	(\$2,042,719)
(c) Nonadmitted	\$0	\$0	\$0
(d) Admitted Ordinary Deferred Tax Assets	\$8,313	\$13,590	(\$5,277)
(e) Capital			
(1) Investments	\$0	\$0	\$0
(2) Net Capital Loss Carry-Forward	\$0	\$0	\$0
(3) Real Estate	\$0	\$0	\$0
(4) Other	\$0	\$0	\$0
Subtotal	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
(f) Statutory Valuation Allowance Adjustment	\$0	\$0	\$0
(g) Nonadmitted	\$0	\$0	\$0
(h) Admitted Capital Deferred Tax Assets	\$0	\$0	\$0
(i) Admitted Deferred Tax Assets	\$8,313	\$13,590	(\$5,277)
3. Deferred Tax Liabilities:			
(a) Ordinary			
(1) Investments	\$5,601	\$10,878	(\$5,277)
(2) Fixed Assets	\$0	\$0	\$0
(3) Deferred and Uncollected Premium	\$0	\$0	\$0
(4) Policyholder Reserves	\$0	\$0	\$0
(5) Other	<u>\$2,713</u>	<u>\$2,712</u>	<u>\$1</u>
Subtotal	<u>\$8,313</u>	<u>\$13,590</u>	<u>(\$5,277)</u>
(b) Capital			
(1) Investments	\$0	\$0	\$0
(2) Real Estate	\$0	\$0	\$0
(3) Unrealized Gains/ Losses	\$0	\$0	\$0
(4) Other	\$0	\$0	\$0
Subtotal	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
(c) Deferred Tax Liabilities	<u>\$8,313</u>	<u>\$13,590</u>	<u>(\$5,277)</u>
4. Net Deferred Tax Assets / Liabilities	<u>(\$0)</u>	<u>\$0</u>	<u>(\$0)</u>

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

Notes to Financial Statements

	<u>December 31, 2016</u>	<u>Effective Tax Rate</u>
Provision computed at statutory rate	\$1,749,364	34.0%
Change in valuation allowance	(\$2,042,717)	-39.7%
Change in nonadmitted assets	\$91,670	1.8%
Items permanent in nature	<u>\$1,317,235</u>	<u>25.6%</u>
Total statutory income taxes	<u><u>\$1,115,552</u></u>	<u><u>21.7%</u></u>
 Federal income taxes incurred	 \$1,115,552	 21.7%
Change in net deferred income taxes	\$0	0.0%
Total statutory income taxes	<u><u>\$1,115,552</u></u>	<u><u>21.7%</u></u>

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

1. The company has \$1,610,371 in net operating loss or tax credit carry-forwards as of December 31, 2016.
2. The following are income taxes incurred in the current and prior year that will be available for recoupment in the event of future net losses - \$1,115,552.
3. The Company has no protective tax deposits reported as admitted assets under Section 6603 of the internal Revenue Service Code as of December 31, 2016 and December 31, 2015.

F. Consolidation of Federal Income Tax Return

Summa Health System Corporation files a consolidated federal income tax which includes the following entities: SummaCare, Inc., Summa Insurance Company, Summa Integrated Services Organization, Apex Benefits Services, LLC, Summa Insurance Agency, LLC, Wadsworth-Rittman Professional Services Corporation, Ohio Health Choice, Summa Management Services Organization, Health Care Center Physicians and Cornerstone Medical Services. Allocation of federal income taxes is based upon separate income tax return calculations with credit for net losses that can be used on a consolidated basis.

G. Federal and foreign loss contingencies as determined in accordance with SSAP 5R – None.

10. Information Concerning Parent, Subsidiaries, and Affiliates

A. Nature of the Relationships

Summa Insurance Company, Inc. (SIC or the Company) is incorporated as a domestic stock property and casualty company. As such, SIC offers groups preferred provider products through which enrolled members elect to receive care from a Summa Preferred Provider (network provider) or a non-network provider at the member's option. The population from which SIC draws its membership is predominately in northeast Ohio. Affiliated organizations of SIC include Summa Health System Community; HealthSpan Partners; Summa Health System (SHS); Summa Health System Corporation (SHSC); Summa Health Network LLC (SHN); SummaCare, Inc. (SC); Apex Benefits Services, LLC (Apex); Summa Insurance Agency, LLC (SIA); Wadsworth-Rittman Professional Services Corporation; Summa Physicians, Inc. (SPI); Summa Foundation; Health Care Center Physicians Inc. (HCCP); Middlebury Assurance Corp. (MAC); Summa Rehabilitation Hospital, LLC; Ohio Health Choice, Inc. (OHC); Cornerstone Medical Services (Cornerstone); ARIS Teleradiology LLC (ARIS); Summa Western Reserve Hospital (SWRH); Ohio Sleep Disorders; Summa Accountable Care Organization (ACO); Akron Endoscopy Associates (Akron Endoscopy); Summa Integrated Services Organization (SISO); Summa Management Services Organization (SMSO); Health Innovations Ohio, LLC; Medina-Summit ASC, LLC and Advanced Health Select.

B. & C. Transactions with Affiliated Organizations

The operating activities with affiliated entities as of December 31, 2016 and December 31, 2015 are as follows:

	<u><u>2016</u></u>	<u><u>2015</u></u>
Claims expense related to affiliated entities:		
SHS	22,008,658	28,901,588
SPI	1,642,842	2,485,302
Management fees charged to SIC from Apex	770,000	752,222
Management fees charged to SIC from SMSO	8,731,061	8,665,730
Corporate expense allocation paid to SHS	1,040,721	2,188,143

Notes to Financial Statements

D. Balance outstanding with affiliated entities as of December 31, 2016 and December 31, 2015:

	Due from		Due to	
	2016	2015	2016	2015
SummaCare	807,060	1,403,870	—	—
Apex	60,656	—	—	422,540
ACO	859,445	—	—	871,369
SIA	—	14,595	—	—
SMSO	—	—	667,288	1,301,790
	<hr/> <u>\$ 1,727,161</u>	<hr/> <u>1,418,465</u>	<hr/> <u>667,288</u>	<hr/> <u>2,595,699</u>

E. Guarantees or undertakings – None.

F. In 2016 and 2015, the Company contracted with SMSO for general administrative services, which include but are not limited to claims processing, customer service, eligibility, human resources, computer support, programming, finance, and other general administrative services. Fees are based on actual expenses allocated from SMSO to the Company.

In 2016 and 2015, the Company was party to a Claims System Cost Allocation Services Agreement with Apex in which Apex agreed to make use of the claims system available to SIC. SIC agreed to pay a user fee based on direct and indirect costs incurred by Apex with respect to the system.

In 2016 and 2015, the Company was party to a Cost Allocation Services Agreement with SHS in which SHS agreed to be responsible for certain common services required by SIC in order to optimize cost savings and achieve higher levels of efficiencies. SIC agreed to pay a fee representing the expenses allocated from SHS.

G. All outstanding shares of common stock are owned by the parent, SummaCare, Inc.

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

I. Investments in SCA entities - None.

J. Investments in impaired SCA entities – None.

K. Investments in foreign insurance subsidiaries – None.

L. Investment in downstream noninsurance holding company – None.

M. All SCA investment – None.

N. Investments in insurance SCA's – None.

11. Debt

SIC has no debt as of December 31, 2016.

12. Retirement Plans – None.

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

- 1) As of December 31, 2016, SC owned all of the 100 authorized and outstanding shares of SIC Class A common stock. SC also owns all of the 606,463 outstanding shares of SIC Class C common stock with a par value of \$.0001 per share.
- 2) Dividend rate, liquidation value and redemption schedule of preferred stock issues - None
- 3) Dividend restrictions – In accordance with the Ohio Revised Code, the Company must receive approval from ODI to pay a dividend or distribution during 2017, which when combined with the dividends or distributions paid within the preceding 12 months exceeds the greater of either (a) 10% of the Company's capital and surplus as of December 31, 2016, or (b) the Company's net gain from operations for the year ended December 31, 2016. Accordingly, during 2017, prior approval from the ODI is required for any dividend or distribution payment which exceeds \$4,029,637.
- 4) Dates and amounts of dividends paid – None.
- 5) Portion of reporting entities profits that may be paid as ordinary dividends - Reference number 3 above.
- 6) Restrictions on unassigned funds – None.
- 7) Mutual Reciprocals - None.
- 8) Stock held by the Company for special purposes – None.

Notes to Financial Statements

- 9) Changes in the balances of special surplus funds – As of December 31, 2015, the SC reclassified \$3.4 million from unassigned funds to special surplus, representing the Company's estimated Section 9010 ACA annual assessment that was paid in September 2016.
- 10) The portion of unassigned funds represented or reduced by :
 - Nonadmitted Asset Values – \$401,054
 - Unrealized Gains (Losses) – \$108,253
- 11) Surplus notes - None.
- 12) Restatement in a quasi-reorganization – Not applicable
- 13) Quasi-reorganization – Not applicable.

14. Liabilities, Contingencies and Assessments

- A. Contingent commitments – None.

- B. Assessments

On June 17, 2016, the company received notification of the insolvency of Coordinated Health Mutual. This insolvency resulted in a premium based guaranty fund assessment against the company of \$879,952. This assessment will result in an amount that is recoverable through premium tax offsets. Thus, a receivable for premium tax credits was recorded by the company in the amount of \$879,952.

- C. Gain contingencies – None.
 - D. Claims related extra contractual obligation and bad faith losses stemming from lawsuits – None.
 - E. Joint and several liabilities – None.
 - F. All other contingencies – None.

15. Leases – None.

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

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

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

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

Not applicable.

20. Fair Value Measurement

- A. Assets and liabilities measured and reported at fair value.

1) Fair value measurements at the reporting date.

Notes to Financial Statements

Description for each class of asset or liability	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
a. Assets at fair value				
Cash and short-term investments	\$6,566,723	\$0	\$0	\$6,566,723
Perpetual referred stock				
Industrial and misc	\$0	\$0	\$0	\$0
Parent, subsidiaries and affiliates	\$0	\$0	\$0	\$0
Total perpetual and preferred stock	\$0	\$0	\$0	\$0
Bonds				
U.S. Governments	\$0	\$0	\$0	\$0
Industrial and misc	\$0	\$0	\$0	\$0
Hybrid securities	\$0	\$0	\$0	\$0
Parent, subsidiaries and affiliates	\$0	\$0	\$0	\$0
Total Bonds	\$0	\$0	\$0	\$0
Common stock				
Industrial and misc	\$0	\$0	\$0	\$0
Parent, subsidiaries and affiliates	\$0	\$0	\$0	\$0
Total common stock	\$0	\$0	\$0	\$0
Derivative assets				
Interest rate contracts				
Foreign exchange contracts	\$0	\$0	\$0	\$0
Credit contracts	\$0	\$0	\$0	\$0
Commodity futures contracts	\$0	\$0	\$0	\$0
Commodity forwards contracts	\$0	\$0	\$0	\$0
Total derivatives	\$0	\$0	\$0	\$0
Separate account assets	\$0	\$0	\$0	\$0
Total assets at fair value	<u>\$6,566,723</u>	<u>\$0</u>	<u>\$0</u>	<u>\$6,566,723</u>
b. Liabilities at fair value				
Derivative liabilities	\$0	\$0	\$0	\$0
Total liabilities at fair value	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

2) Fair value measurement in (Level 3) of the Fair Value Hierarchy – None.

3) Policy for determining when transfers between levels are recognized – Not applicable.

4) For fair value measurements categorized within level 2 and level 3 of the fair value hierarchy – The fair values of the Company's investment in U.S. Treasury and U.S. government agency bond securities are based on quoted prices or dealer quotes. For bonds not actively traded, fair values are estimated using values obtained from independent pricing services, or in the case of private placements, are estimated by discounting the expected future cash flows using current market rates applicable to the yield, credit and maturity of the investment.

5) Derivative assets and liabilities – None.

- B.** The carrying amounts reported in the statutory statements of admitted assets, liabilities, and capital and surplus for cash and short-term investments, uncollected premiums, reinsurance recoverable, investment income due and accrued, other receivables, federal income tax receivable, receivables from and payables to parent, affiliates and subsidiary, claims unpaid, unpaid claims adjustment expenses, accrued medical incentive pool, premiums received in advance, general expenses due or accrued, and other liabilities approximate fair value because of the short-term nature of these items. A financial instrument's categorization within the valuation hierarchy is based upon the lowest level of input that is significant to the fair value measurement.
- C.** The following table summarizes the Company's fair value measurements for financial instruments where fair value is a financial statement disclosure item only.

Notes to Financial Statements

Financial Instrument	December 31, 2016						Not Practicable (Carrying Value)
	Aggregate Fair Value	Admitted Assets	Level 1	Level 2	Level 3		
U.S. Treasury securities	\$ 37,821,373	\$ 37,767,873	\$ 37,821,373	\$ -	\$ -	\$ -	\$ -
U.S. government agency securities	1,197,317	1,142,564	-	1,197,317	-	-	-
Short-term investments	455,615	455,615	455,615	-	-	-	-

Financial Instrument	December 31, 2015						Not Practicable (Carrying Value)
	Aggregate Fair Value	Admitted Assets	Level 1	Level 2	Level 3		
U.S. Treasury securities	\$ 44,177,360	\$ 44,266,238	\$ 44,177,360	\$ -	\$ -	\$ -	\$ -
U.S. government agency securities	1,624,105	1,542,495	-	1,624,105	-	-	-
Short-term investments	140,815	140,815	140,815	-	-	-	-

D. Not practicable to estimate fair value – Not applicable.

21. Other Items

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

22. Events Subsequent

Type I – Recognized Subsequent Events – None.

Type II – Nonrecognized Subsequent Events

- a. The Company is subject to an annual fee under section 9010 of the Federal Affordable Care Act (ACA). The fee is allocated to individual health insurers based on the ratio of the amount of the entity's net premiums written during the preceding calendar year to the amount of health insurance for any U.S. health risk that is written during the preceding calendar year. A health insurance entity's portion of the annual fee becomes payable once the entity provides health insurance for any U.S. health risk for each calendar year beginning on or after January 1 of the year the fee is due. As of December 31, 2016, the Company has written health insurance subject to the ACA assessment. However, The Consolidated Appropriations Act of 2016 placed a moratorium on this fee for 2017. In accordance with Interpretation 16-01, for 2016, the disclosures related to the fee payable immediately in the 2017 year and the related impact on Total Adjusted Capital (TAC) and Authorized Control Level (ACL) will report "zero" as the fee payable in 2017.

	<u>Current Year</u>	<u>Prior Year</u>
A. Did the reporting entity write health premium that is subject to Section 9010 of the ACA act?	<u>Yes</u>	
B. ACA fee assessment payable for the upcoming year	<u>\$0</u>	<u>\$3,400,000</u>
C. ACA fee assessment paid	<u>\$3,168,895</u>	<u>\$3,773,097</u>
D. Premium written subject to ACA 9010 assessment	<u>\$190,629,097</u>	<u>\$214,854,062</u>
E. Total Adjusted Capital before surplus adjustment	<u>\$28,396,360</u>	
F. Total Adjusted Capital after surplus adjustment	<u>\$28,396,360</u>	
G. Authorized Control Level after surplus adjustment	<u>\$6,631,342</u>	
H. Would reporting the ACA assessment as of year-end have triggered an RBC action level (YES/No)?	<u>No</u>	

23. Reinsurance

A. Ceded Reinsurance Report

Notes to Financial Statements

Section 1 – General Interrogatories

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

Yes () No (X)

If yes, give full details.

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

Yes () No (X)

If yes, give full details.

Section 2 – Ceded Reinsurance Report – Part A

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

Yes () No (X)

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

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

Yes () No (X)

Section 3 – Ceded Reinsurance Report – Part B

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

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

Yes () No (X)

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

B. Uncollectible Reinsurance – None.

C. Commutation of Ceded Reinsurance – None.

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

24. Retrospectively Rated Contracts & Contracts Subject to Redetermination

- A. Method used by reporting entity to estimate accrued retrospective premium adjustments – None.**
- B. Accrued retrospective premiums are recorded through written premium or earned premium – None.**
- C. Amount of net written premiums that are subject to retrospective rating features – None.**
- D. Amount of medical loss ratio rebates required pursuant to the Public Health Service Act – None.**

Notes to Financial Statements

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

- 1) Did the reporting entity write accident and health insurance premium that is subject to the Affordable Care Act risk-sharing provisions (YES/NO)? - YES.
- 2) Impact of Risk-Sharing Provisions of the Affordable Care Act on Admitted Assets, Liabilities and Revenue for the Current Year:

a. Permanent ACA Risk Adjustment Program

Assets	
1. Premium adjustments receivable due to ACA Risk Adjustment (1)	<u>\$2,268,912</u>
Liabilities	
2. Risk adjustment user fee payable for ACA Risk Adjustment	<u>\$6,898</u>
3. Premium adjustments payable due to ACA Risk Adjustment (2)	<u>\$0</u>
Operations (Revenue & Expense)	
4. Reported as revenue in premium for accident and health contracts (written/collected) due to ACA Risk Adjustment (2)	<u>\$3,517,203</u>
5. Reported in expense as ACA risk adjustment user fees (incurred/paid)	<u>\$6,985</u>

b. Transitional ACA Reinsurance Program

Assets	
1. Amounts recoverable for claims paid due to ACA Reinsurance	<u>\$1,760,465</u>
2. Amounts recoverable for claims unpaid due to ACA Reinsurance (Contra Liability) (1)	<u>\$0</u>
3. Amounts receivable relating to uninsured plans for contributions for ACA Reinsurance (1)	<u>\$0</u>
Liabilities	
4. Liabilities for contributions payable due to ACA Reinsurance (Not reported as ceded resinsurance premium)	<u>\$902,644</u>
5. Ceded reinsurance premiums payable due to ACA Reinsurance	<u>\$96,599</u>
6. Liabilities for amounts held under uninsured plans contributions for ACA Reinsurance (1)	<u>\$0</u>
Operations (Revenue & Expense)	
7. Ceded reinsurance premiums due to ACA Reinsurance	<u>\$96,599</u>
8. Reinsurance recoveries due to ACA Reinsurance payments or expected payments	<u>\$2,104,813</u>
9. ACA reinsurance contributions - not reported as ceded premium	<u>\$902,644</u>

c. Temporary ACA Risk Corridors Program

Assets	
1. Accrued retrospective premium due to ACA Risk Corridors (2)	<u>\$0</u>
Liabilities	
2. Reserve for rate credits or policy experience rating refunds due to ACA Risk Corridors (1)	<u>\$0</u>
Operations (Revenue & Expense)	
3. Effect of ACA Risk Corridors on net premium income (paid/received) (2)	<u>(\$375,853)</u>
4. Effect of ACA Risk Corridors on change in reserves for rate credits (1)	<u>\$0</u>

- 3) Roll-forward of prior year ACA risk-sharing provisions for the following asset (gross of any nonadmission) and liability balances, along with the reason for adjustments to prior year balance.

Notes to Financial Statements

	Accrued During the Prior Year on Business Written Before December 31 of the Prior Year		Received or Paid as of the Current Year on Business Written Before December 31 of the Prior Year		Differences		Adjustments		Unsettled Balances - Report Date		
					Prior Year Accrued Less Payments (Col1-3)	Prior Year Accrued Less Payments (Col2-4)	To Prior Year Balances	To Prior Year Balances	Cumulative Balance from Prior Years (Col1-3+7)	Prior Year Accrued Less Payments (Col2-4+8)	
	1 Receivable	2 (Payable)	3 Receivable	4 (Payable)	5 Receivable	6 (Payable)	7 Receivable	8 (Payable)	9 Ref	10 Receivable	(Payable)
a. Permanent ACA Risk Adjustment Program											
1. Premium adjustments receivables	\$1607.714	\$0	\$2,856,005	\$0	(\$1,248,291)	\$0	\$1,248,291	\$0	A	\$0	\$0
2. Premium adjustments (payable)	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	B	\$0	\$0
3. Subtotal ACA Permanent Risk Adjustment Program	\$1607.714	\$0	\$2,856,005	\$0	(\$1,248,291)	\$0	\$1,248,291	\$0		\$0	\$0
b. Transitional ACA Reinsurance Program											
1. Amounts recoverable for claims paid	\$1,781,385	\$0	\$1,962,722	\$0	(\$181,337)	\$0	\$442,120	\$0	C	\$260,783	\$0
2. Amounts recoverable for claims unpaid	\$0	\$0	\$163,000	\$0	(\$163,000)	\$0	\$163,000	\$0	D	\$0	\$0
3. Amounts receivable relating to uninsured plans	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	E	\$0	\$0
4. Liabilities for contributions payable due to ACA Reinsurance - not reported as ceded premiums	\$0	\$1,827,925	\$0	\$1,827,925	\$0	\$0	\$0	\$0	F	\$0	\$0
5. Ceded reinsurance premiums payable	\$0	\$150,446	\$0	\$150,446	\$0	\$0	\$0	\$0	G	\$0	\$0
6. Liability for amounts held under uninsured plans	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	H	\$0	\$0
7. Subtotal ACA Transitional Reinsurance Program	\$1,781,385	\$1,378,371	\$2,125,722	\$1,378,371	(\$344,337)	\$0	\$605,120	\$0		\$260,783	\$0
c. Temporary ACA Risk Corridors Program											
1. Accrued retrospective premium	\$0	\$0	\$87,249	\$463,102	(\$87,249)	(\$463,102)	\$87,249	\$463,102	I	\$0	\$0
2. Reserve for rate credits or policy experience rating refunds	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	J	\$0	\$0
3. Subtotal ACA Risk Corridors Program	\$0	\$0	\$87,249	\$463,102	(\$87,249)	(\$463,102)	\$87,249	\$463,102		\$0	\$0
d. Total for ACA Risk Sharing Provision:	\$3,389,099	\$1,378,371	\$5,068,976	\$2,441,473	(\$1,679,877)	(\$463,102)	\$1,940,660	\$463,102		\$260,783	\$0
Explanations of Adjustments											
A <u>The receivable was adjusted to reflect the amounts published by CMS on their 2016 RIR Payments Report.</u>											
B <u></u>											
C <u>The receivable was adjusted to reflect the amounts published by CMS on their 2016 RIR Payments Report.</u>											
D <u>An adjustment was made to record transitional reinsurance received during 2016 related to unpaid claims.</u>											
E <u></u>											
F <u></u>											
G <u></u>											
H <u></u>											
I <u>Recorded the actual amount of risk corridor payments received / made.</u>											
J <u></u>											

4) Roll-forward of risk corridors asset and liability balances by program benefit year.

	Accrued During the Prior Year on Business Written Before December 31 of the Prior Year		Received or Paid as of the Current Year on Business Written Before December 31 of the Prior Year		Differences		Adjustments		Unsettled Balances - Report Date		
					Prior Year Accrued Less Payments (Col1-3)	Prior Year Accrued Less Payments (Col2-4)	To Prior Year Balances	To Prior Year Balances	Cumulative Balance from Prior Years (Col1-3+7)	Prior Year Accrued Less Payments (Col2-4+8)	
	1 Receivable	2 (Payable)	3 Receivable	4 (Payable)	5 Receivable	6 (Payable)	7 Receivable	8 (Payable)	9 Ref	10 Receivable	(Payable)
a. 2014											
1. Accrued retrospective premium	\$0	\$0	\$87,249	\$0	\$0	\$0	\$87,249	\$0	A	\$0	\$0
2. Reserve for rate credits or policy experience rating refunds	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	B	\$0	\$0
b. 2015											
1. Accrued retrospective premium	\$0	\$0	\$0	\$463,102	\$0	(\$463,102)	\$0	\$463,102	C	\$0	\$0
2. Reserve for rate credits or policy experience rating refunds	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	D	\$0	\$0
c. 2016											
1. Accrued retrospective premium	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	E	\$0	\$0
2. Reserve for rate credits or policy experience rating refunds	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	F	\$0	\$0
d. Total for ACA Risk Corridors	\$0	\$0	\$87,249	\$463,102	\$0	(\$463,102)	\$87,249	\$463,102		\$0	\$0
Explanations of Adjustments											
A <u>Received and recorded \$87,249 in risk corridor related to 2014.</u>											
B <u></u>											
C <u>Made a risk corridor payment of \$463,102 related to a CSR adjustment.</u>											
D <u></u>											
E <u></u>											
F <u></u>											

5) ACA risk corridor receivable as of the reporting date.

Risk Corridor Program Year	1 Estimated amount to be filed or final amount filed with CMS	2 Non-accrued amounts for impairment	3 Amounts received from CMS	4 Asset balance (gross of non-admissions) (1-2-3)	5 Non-admitted amount	6 Net admitted asset (4-5)
a. 2014	\$2,156,071	\$1,835,295	\$320,776	\$0	\$0	\$0
b. 2015	\$296,547	\$296,547	\$0	\$0	\$0	\$0
c. 2016	\$0	\$0	\$0	\$0	\$0	\$0
d. Total	\$2,452,618	\$2,131,842	\$320,776	\$0	\$0	\$0

25. Changes in Incurred Claims and Claims Adjustment Expenses

Activity in claims unpaid is summarized as follows:

Notes to Financial Statements

	2016	2015
Balance at January 1	\$ 21,817,703	25,620,497
Incurred related to:		
Current year	160,122,083	192,182,296
Prior years	<u>(1,570,483)</u>	<u>(114,185)</u>
Total	<u>158,551,600</u>	<u>192,068,111</u>
Paid related to:		
Current year	143,496,959	170,395,593
Prior years	<u>20,247,220</u>	<u>25,475,312</u>
Total	<u>163,744,179</u>	<u>195,870,905</u>
Balance at End of Period	<u><u>\$ 16,625,124</u></u>	<u><u>21,817,703</u></u>

Reserves as of December 31, 2015 were \$21,817,708. As of December 31, 2016, \$20,247,220 has been paid for incurred claims attributable to insured events of prior years. Reserves remaining for prior years are \$0. Therefore, there has been \$1,570,483 in favorable experience from December 31, 2015 to December 31, 2016. This favorable experience is generally the result of ongoing analysis of recent loss development trends. Original estimates are increased or decreased as additional information becomes known regarding individual claims.

26. Intercompany Pooling Arrangements – None.**27. Structured Settlements** – None.**28. Healthcare Receivables**

The company receives pharmacy rebates on a quarterly basis. As of December 31, 2016, a receivable was recorded equal to two quarters of rebates. Pharmacy rebates receivable are estimated by multiplying the most recent rebate received by two (two quarters). The admission of pharmacy rebates receivable are subject to the terms stated within SSAP No. 84 (Certain Healthcare Receivables).

<u>Quarter</u>	<u>Estimated Pharmacy Rebates as Reported on Financial Statements</u>	<u>Actual Pharmacy Rebates Received</u>	<u>Actual Rebates Received</u>	<u>Actual Rebates Received More Than 180 Days After Billing</u>
	<u>Confirmed</u>	<u>Received</u>	<u>Received</u>	<u>After Billing</u>
12/31/2016	\$498,800	\$0	\$0	\$0
9/30/2016	\$453,128	\$229,969	\$0	\$229,969
6/30/2016	\$632,603	\$745,433	\$0	\$745,433
3/31/2016	\$640,862	\$793,539	\$0	\$793,539
12/31/2015	\$551,704	\$560,115	\$0	\$560,115
9/30/2015	\$743,423	\$804,374	\$0	\$804,374
6/30/2015	\$681,240	\$858,984	\$0	\$858,984
3/31/2015	\$599,635	\$870,195	\$0	\$689,296
12/31/2014	\$719,868	\$871,705	\$0	\$871,705
9/30/2014	\$510,966	\$758,815	\$0	\$758,815
6/30/2014	\$551,514	\$675,302	\$0	\$675,302
3/31/2014	\$540,018	\$590,002	\$0	\$590,002

29. Participating Policies – None.**30. Premium Deficiency Reserves**

Premium deficiency losses are recognized when it is probable that expected claim expenses will exceed future premiums on existing health contracts. For purposes of premium deficiency losses, contracts are grouped in a manner consistent with the Company's method of acquiring, servicing and measuring the profitability of such contracts.

1. Liability carried for premium deficiency reserve: \$0
2. Date of the most recent evaluation of this liability: December 31, 2016
3. Was anticipated investment income utilized in the calculation? YES

31. Anticipated Salvage Value and Subrogation – Not applicable.

FIVE-YEAR HISTORICAL DATA

	1 2016	2 2015	3 2014	4 2013	5 2012
BALANCE SHEET (Pages 2 and 3)					
1. TOTAL Admitted Assets (Page 2, Line 28)	54,884,384	59,694,266	71,513,629	61,730,054	95,298,386
2. TOTAL Liabilities (Page 3, Line 24)	26,488,024	35,311,905	40,054,539	31,962,979	37,343,411
3. Statutory minimum capital and surplus requirement	2,500,000	2,500,000	1,500,000	1,500,000	1,500,000
4. TOTAL Capital and Surplus (Page 3, Line 33)	28,396,360	24,382,361	31,459,090	29,767,075	57,954,975
INCOME STATEMENT (Page 4)					
5. TOTAL Revenues (Line 8)	190,629,097	214,854,062	234,605,565	219,611,297	205,246,012
6. TOTAL Medical and Hospital Expenses (Line 18)	158,551,600	192,038,506	211,943,421	203,630,813	181,568,296
7. Claims adjustment expenses (Line 20)	2,597,754	2,785,953	3,223,020	3,266,492	1,547,276
8. TOTAL Administrative Expenses (Line 21)	24,787,115	28,857,955	34,892,476	28,931,670	25,435,496
9. Net underwriting gain (loss) (Line 24)	4,692,628	(8,828,352)	(15,453,352)	(16,217,678)	(3,305,056)
10. Net investment gain (loss) (Line 27)	450,831	474,461	264,025	318,872	326,288
11. TOTAL Other Income (Lines 28 plus 29)	1,730	973	4,149	4,325	(27,936)
12. Net income or (loss) (Line 32)	4,029,637	(7,620,469)	(13,508,684)	(10,566,667)	(2,054,229)
Cash Flow (Page 6)					
13. Net cash from operations (Line 11)	(2,395,668)	(12,554,299)	(8,162,952)	(12,734,585)	2,198,785
RISK-BASED CAPITAL ANALYSIS					
14. TOTAL Adjusted Capital	28,396,360	24,382,361	31,459,090	29,767,075	57,954,975
15. Authorized control level risk-based capital	6,631,342	7,942,274	8,695,175	8,483,697	12,014,407
ENROLLMENT (Exhibit 1)					
16. TOTAL Members at End of Period (Column 5, Line 7)	36,003	43,383	51,835	59,289	56,247
17. TOTAL Members Months (Column 6, Line 7)	453,682	548,129	668,877	680,957	663,646
OPERATING PERCENTAGE (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)	83.2	89.4	90.3	92.7	88.5
20. Cost containment expenses	0.2	0.3	0.2	0.2	0.2
21. Other claims adjustment expenses	1.2	1.0	1.2	1.3	0.6
22. TOTAL Underwriting Deductions (Line 23)	97.5	104.1	106.6	107.4	101.6
23. TOTAL Underwriting Gain (Loss) (Line 24)	2.5	(4.1)	(6.6)	(7.4)	(1.6)
UNPAID CLAIMS ANALYSIS					
(U&I Exhibit, Part 2B)					
24. TOTAL Claims Incurred for Prior Years (Line 13, Column 5)	20,377,348	25,746,708	21,523,043	18,490,564	15,608,369
25. Estimated liability of unpaid claims-[prior year (Line 13, Column 6)]	21,947,831	25,890,498	23,360,138	21,285,500	17,202,215
INVESTMENTS IN PARENT, SUBSIDIARIES AND AFFILIATES					
26. Affiliated bonds (Sch. D Summary, Line 12, Column 1)					
27. Affiliated preferred stocks (Sch. D Summary, Line 18, Column 1)					
28. Affiliated common stocks (Sch. D Summary, Line 24, Column 1)					52,161,524
29. Affiliated short-term investments (subtotal included in Sch. DA Verification, Col. 5, Line 10)					
30. Affiliated mortgage loans on real estate					
31. All other affiliated					
32. TOTAL of Above Lines 26 to 31					52,161,524
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 [] N/A [X]

If no, please explain::