



HEALTH ANNUAL STATEMENT

FOR THE YEAR ENDED DECEMBER 31, 2018
OF THE CONDITION AND AFFAIRS OF THE

Community Insurance Company

NAIC Group Code	0671 (Current)	0671 (Prior)	NAIC Company Code	10345	Employer's ID Number	31-1440175
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:	Property/Casualty					
Is HMO Federally Qualified?	Yes [] No [X]					
Incorporated/Organized	07/08/1995			Commenced Business	10/01/1995	
Statutory Home Office	4361 Irwin Simpson Road (Street and Number)			Mason, OH, US 45040-9498 (City or Town, State, Country and Zip Code)		
Main Administrative Office	4361 Irwin Simpson Road (Street and Number)			513-872-8100 (Area Code) (Telephone Number)		
	Mason, OH, US 45040-9498 (City or Town, State, Country and Zip Code)					
Mail Address	N17 W24340 Riverwood Drive (Street and Number or P.O. Box)			Waukesha, WI, US 53188 (City or Town, State, Country and Zip Code)		
Primary Location of Books and Records	N17 W24340 Riverwood Drive (Street and Number)			262-523-3683 (Area Code) (Telephone Number)		
	Waukesha, WI, US 53188 (City or Town, State, Country and Zip Code)					
Internet Website Address	www.anthem.com					
Statutory Statement Contact	Jill M. Waddell (Name)			262-523-3683 (Area Code) (Telephone Number)		
	Jill.Waddell@anthem.com (E-mail Address)			262-523-4945 (FAX Number)		

OFFICERS

President/Chairperson	Steven John Martenet	Vice President/Treasurer	Vincent Edward Scher #
Vice President/Secretary	Kathleen Susan Kiefer	Assistant Secretary	Kristin Kim Cherie Howard

OTHER

Eric (Rick) Kenneth Noble, Assistant Treasurer	Denise Marie Meridith, Valuation Actuary
--	--

DIRECTORS OR TRUSTEES

Laurie Helm Benintendi #	Ronald William Penczek	Catherine Irene Kelaghan
Kathleen Susan Kiefer	Steven John Martenet	

State of Ohio SS:
County of Warren

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.

Steven John Martenet
President/Chairperson

Kathleen Susan Kiefer
Vice President/Secretary

Vincent Edward Scher
Vice President/Treasurer

Subscribed and sworn to before me this 10th day of February

Kristine A. Baumgartner

- a. Is this an original filing? Yes [X] No []
b. If no,
1. State the amendment number _____
2. Date filed _____
3. Number of pages attached _____



KRISTINE A. BAUMGARTNER
Notary Public, State of Ohio
My Commission Expires
September 3, 2019

ANNUAL STATEMENT FOR THE YEAR 2018 OF THE Community Insurance Company

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)	1,286,014,135		1,286,014,135	1,249,974,122
2. Stocks (Schedule D):				
2.1 Preferred stocks	238,003		238,003	227,480
2.2 Common stocks	6,301,802		6,301,802	177,855,662
3. Mortgage loans on real estate (Schedule B):				
3.1 First liens			0	0
3.2 Other than first liens			0	0
4. Real estate (Schedule A):				
4.1 Properties occupied by the company (less \$ encumbrances)			0	0
4.2 Properties held for the production of income (less \$ encumbrances)			0	0
4.3 Properties held for sale (less \$ encumbrances)			0	0
5. Cash (\$(409,030,592) , Schedule E - Part 1), cash equivalents (\$0 , Schedule E - Part 2) and short-term investments (\$117,080 , Schedule DA)	(408,913,512)		(408,913,512)	(412,074,895)
6. Contract loans, (including \$ premium notes)			0	0
7. Derivatives (Schedule DB)			0	0
8. Other invested assets (Schedule BA)	69,794,362		69,794,362	69,386,820
9. Receivables for securities	9,239,166		9,239,166	6,575,009
10. Securities lending reinvested collateral assets (Schedule DL)	5,306,103		5,306,103	7,628,010
11. Aggregate write-ins for invested assets	0	0	0	0
12. Subtotals, cash and invested assets (Lines 1 to 11)	967,980,059	0	967,980,059	1,099,572,208
13. Title plants less \$ charged off (for Title insurers only)			0	0
14. Investment income due and accrued	8,574,456	5,120	8,569,336	8,729,547
15. Premiums and considerations:				
15.1 Uncollected premiums and agents' balances in the course of collection	33,737,385	1,509,359	32,228,026	50,370,888
15.2 Deferred premiums and agents' balances and installments booked but deferred and not yet due (including \$104,133,431 earned but unbilled premiums)	104,133,431		104,133,431	128,443,616
15.3 Accrued retrospective premiums (\$1,430,598) and contracts subject to redetermination (\$61,002,865)	62,433,463		62,433,463	62,306,213
16. Reinsurance:				
16.1 Amounts recoverable from reinsurers	20,010,096		20,010,096	2,717,590
16.2 Funds held by or deposited with reinsured companies			0	0
16.3 Other amounts receivable under reinsurance contracts	1,014,530		1,014,530	0
17. Amounts receivable relating to uninsured plans	349,143,295	26,167,255	322,976,040	304,721,309
18.1 Current federal and foreign income tax recoverable and interest thereon			0	5,363,260
18.2 Net deferred tax asset	40,994,868	2,496,974	38,497,894	28,460,869
19. Guaranty funds receivable or on deposit	18,895,997		18,895,997	24,390,112
20. Electronic data processing equipment and software			0	298
21. Furniture and equipment, including health care delivery assets (\$)	16,184,813	16,184,813	0	0
22. Net adjustment in assets and liabilities due to foreign exchange rates			0	0
23. Receivables from parent, subsidiaries and affiliates			0	36,778,162
24. Health care (\$55,197,505) and other amounts receivable	84,760,124	29,562,619	55,197,505	27,085,466
25. Aggregate write-ins for other than invested assets	199,181,073	18,814,196	180,366,877	211,444,285
26. Total assets excluding Separate Accounts, Segregated Accounts and Protected Cell Accounts (Lines 12 to 25)	1,907,043,590	94,740,336	1,812,303,254	1,990,383,823
27. From Separate Accounts, Segregated Accounts and Protected Cell Accounts			0	0
28. Total (Lines 26 and 27)	1,907,043,590	94,740,336	1,812,303,254	1,990,383,823
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 thru 1103 plus 1198)(Line 11 above)	0	0	0	0
2501. Investments in corporate-owned life insurance	173,973,383		173,973,383	175,000,000
2502. Bluecard receivables	6,220,865		6,220,865	6,386,945
2503. Other miscellaneous accounts receivable	8,365,852	8,193,223	172,629	631,872
2598. Summary of remaining write-ins for Line 25 from overflow page	10,620,973	10,620,973	0	29,425,468
2599. Totals (Lines 2501 thru 2503 plus 2598)(Line 25 above)	199,181,073	18,814,196	180,366,877	211,444,285

LIABILITIES, CAPITAL AND SURPLUS

	Current Year			Prior Year
	1	2	3	4
	Covered	Uncovered	Total	Total
1. Claims unpaid (less \$25,311,758 reinsurance ceded)	430,944,871	9,291,494	440,236,365	523,485,120
2. Accrued medical incentive pool and bonus amounts	21,977,774		21,977,774	18,249,608
3. Unpaid claims adjustment expenses	12,188,541		12,188,541	16,239,953
4. Aggregate health policy reserves, including the liability of \$0 for medical loss ratio rebate per the Public Health Service Act	27,784,184		27,784,184	69,386,445
5. Aggregate life policy reserves			0	0
6. Property/casualty unearned premium reserves			0	0
7. Aggregate health claim reserves	103,691		103,691	102,052
8. Premiums received in advance	45,945,848		45,945,848	39,038,397
9. General expenses due or accrued	76,574,158		76,574,158	66,469,195
10.1 Current federal and foreign income tax payable and interest thereon (including \$ on realized capital gains (losses))	14,303,678		14,303,678	0
10.2 Net deferred tax liability			0	0
11. Ceded reinsurance premiums payable	14,824,157		14,824,157	0
12. Amounts withheld or retained for the account of others	1,953,396		1,953,396	1,839,029
13. Remittances and items not allocated	12,499,205		12,499,205	39,773,009
14. Borrowed money (including \$ current) and interest thereon \$ (including \$ current)	0		0	150,018,500
15. Amounts due to parent, subsidiaries and affiliates	64,964,240		64,964,240	0
16. Derivatives			0	0
17. Payable for securities	33,967,350		33,967,350	27,378,223
18. Payable for securities lending	5,306,103		5,306,103	7,628,010
19. Funds held under reinsurance treaties (with \$ authorized reinsurers, \$0 unauthorized reinsurers and \$0 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	170,613,745		170,613,745	139,041,329
23. Aggregate write-ins for other liabilities (including \$41,574,501 current)	66,879,655	0	66,879,655	61,759,508
24. Total liabilities (Lines 1 to 23)	1,000,830,596	9,291,494	1,010,122,090	1,160,408,378
25. Aggregate write-ins for special surplus funds	XXX	XXX	3,947,360	119,243,159
26. Common capital stock	XXX	XXX	1,142,307	1,142,307
27. Preferred capital stock	XXX	XXX		
28. Gross paid in and contributed surplus	XXX	XXX	195,393,523	195,393,523
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	601,697,974	514,196,456
32. Less treasury stock, at cost: 32.1 shares common (value included in Line 26 \$)	XXX	XXX		
32.2 shares preferred (value included in Line 27 \$)	XXX	XXX		
33. Total capital and surplus (Lines 25 to 31 minus Line 32)	XXX	XXX	802,181,164	829,975,445
34. Total liabilities, capital and surplus (Lines 24 and 33)	XXX	XXX	1,812,303,254	1,990,383,823
DETAILS OF WRITE-INS				
2301. Escheat liabilities	46,684,948		46,684,948	42,850,101
2302. Other accrued expenses - non trade	11,582,047		11,582,047	11,548,725
2303. Performance guaranty	8,612,660		8,612,660	4,510,124
2398. Summary of remaining write-ins for Line 23 from overflow page	0	0	0	2,850,558
2399. Totals (Lines 2301 thru 2303 plus 2398)(Line 23 above)	66,879,655	0	66,879,655	61,759,508
2501. Deferred gain on sale-leaseback transactions	XXX	XXX	3,947,360	6,101,567
2502. Estimated ACA insurer fee	XXX	XXX		113,141,592
2503.	XXX	XXX		
2598. Summary of remaining write-ins for Line 25 from overflow page	XXX	XXX	0	0
2599. Totals (Lines 2501 thru 2503 plus 2598)(Line 25 above)	XXX	XXX	3,947,360	119,243,159
3001.	XXX	XXX		
3002.	XXX	XXX		
3003.	XXX	XXX		
3098. Summary of remaining write-ins for Line 30 from overflow page	XXX	XXX	0	0
3099. Totals (Lines 3001 thru 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	23,543,428	24,315,451
2. Net premium income (including \$ non-health premium income)	XXX	5,366,938,697	5,747,354,334
3. Change in unearned premium reserves and reserve for rate credits	XXX	31,420,877	(33,114,952)
4. Fee-for-service (net of \$ medical expenses)	XXX	0	0
5. Risk revenue	XXX	0	0
6. Aggregate write-ins for other health care related revenues	XXX	0	0
7. Aggregate write-ins for other non-health revenues	XXX	0	0
8. Total revenues (Lines 2 to 7)	XXX	5,398,359,574	5,714,239,382
Hospital and Medical:			
9. Hospital/medical benefits		3,241,587,262	3,270,379,245
10. Other professional services		320,651,531	309,792,601
11. Outside referrals	72,164,066	80,745,505	139,677,423
12. Emergency room and out-of-area	12,984,050	302,851,898	307,850,803
13. Prescription drugs		684,280,946	763,029,208
14. Aggregate write-ins for other hospital and medical	0	0	0
15. Incentive pool, withhold adjustments and bonus amounts		71,830,864	55,420,402
16. Subtotal (Lines 9 to 15)	85,148,116	4,701,948,006	4,846,149,682
Less:			
17. Net reinsurance recoveries		241,504,582	1,213,340
18. Total hospital and medical (Lines 16 minus 17)	85,148,116	4,460,443,424	4,844,936,342
19. Non-health claims (net)			
20. Claims adjustment expenses, including \$71,776,802 cost containment expenses		124,988,263	123,219,036
21. General administrative expenses		410,096,786	327,205,978
22. Increase in reserves for life and accident and health contracts (including \$ increase in reserves for life only)		2,640,289	(4,655,867)
23. Total underwriting deductions (Lines 18 through 22)	85,148,116	4,998,168,762	5,290,705,489
24. Net underwriting gain or (loss) (Lines 8 minus 23)	XXX	400,190,812	423,533,893
25. Net investment income earned (Exhibit of Net Investment Income, Line 17)		45,868,256	47,691,922
26. Net realized capital gains (losses) less capital gains tax of \$11,672,373		50,007,027	31,961,866
27. Net investment gains (losses) (Lines 25 plus 26)	0	95,875,283	79,653,788
28. Net gain or (loss) from agents' or premium balances charged off [(amount recovered \$) (amount charged off \$289,583)]		(289,583)	(342,321)
29. Aggregate write-ins for other income or expenses	0	2,412,766	1,709,803
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	498,189,278	504,555,163
31. Federal and foreign income taxes incurred	XXX	111,570,519	155,997,809
32. Net income (loss) (Lines 30 minus 31)	XXX	386,618,759	348,557,354
DETAILS OF WRITE-INS			
0601.	XXX		
0602.	XXX		
0603.	XXX		
0698. Summary of remaining write-ins for Line 6 from overflow page	XXX	0	0
0699. Totals (Lines 0601 thru 0603 plus 0698)(Line 6 above)	XXX	0	0
0701.	XXX		
0702.	XXX		
0703.	XXX		
0798. Summary of remaining write-ins for Line 7 from overflow page	XXX	0	0
0799. Totals (Lines 0701 thru 0703 plus 0798)(Line 7 above)	XXX	0	0
1401.			
1402.			
1403.			
1498. Summary of remaining write-ins for Line 14 from overflow page	0	0	0
1499. Totals (Lines 1401 thru 1403 plus 1498)(Line 14 above)	0	0	0
2901. Miscellaneous income (expense)		2,412,766	1,709,803
2902.			
2903.			
2998. Summary of remaining write-ins for Line 29 from overflow page	0	0	0
2999. Totals (Lines 2901 thru 2903 plus 2998)(Line 29 above)	0	2,412,766	1,709,803

STATEMENT OF REVENUE AND EXPENSES (Continued)

	1 Current Year	2 Prior Year
CAPITAL AND SURPLUS ACCOUNT		
33. Capital and surplus prior reporting year.....	829,975,445	807,772,256
34. Net income or (loss) from Line 32	386,618,759	348,557,354
35. Change in valuation basis of aggregate policy and claim reserves		
36. Change in net unrealized capital gains (losses) less capital gains tax of \$ (13,249,846)	(49,844,659)	8,828,544
37. Change in net unrealized foreign exchange capital gain or (loss)		
38. Change in net deferred income tax	(715,847)	(44,794,768)
39. Change in nonadmitted assets	(13,198,327)	27,565,690
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.....		
44. Capital Changes:		
44.1 Paid in	0	0
44.2 Transferred from surplus (Stock Dividend).....	0	0
44.3 Transferred to surplus.....		
45. Surplus adjustments:		
45.1 Paid in	0	0
45.2 Transferred to capital (Stock Dividend)		
45.3 Transferred from capital		
46. Dividends to stockholders	(348,500,000)	(319,100,000)
47. Aggregate write-ins for gains or (losses) in surplus	(2,154,207)	1,146,370
48. Net change in capital and surplus (Lines 34 to 47)	(27,794,281)	22,203,190
49. Capital and surplus end of reporting period (Line 33 plus 48)	802,181,164	829,975,445
DETAILS OF WRITE-INS		
4701. Deferred gain on sale-leaseback activity	(2,154,207)	1,146,370
4702.		
4703.		
4798. Summary of remaining write-ins for Line 47 from overflow page	0	0
4799. Totals (Lines 4701 thru 4703 plus 4798)(Line 47 above)	(2,154,207)	1,146,370

ANNUAL STATEMENT FOR THE YEAR 2018 OF THE Community Insurance Company

CASH FLOW

	1	2
	Current Year	Prior Year
Cash from Operations		
1. Premiums collected net of reinsurance	5,446,229,049	5,693,523,529
2. Net investment income	47,049,165	55,470,790
3. Miscellaneous income	0	0
4. Total (Lines 1 through 3)	5,493,278,214	5,748,994,319
5. Benefit and loss related payments	4,587,764,893	4,826,356,245
6. Net transfers to Separate Accounts, Segregated Accounts and Protected Cell Accounts		
7. Commissions, expenses paid and aggregate write-ins for deductions	506,728,087	421,503,821
8. Dividends paid to policyholders		
9. Federal and foreign income taxes paid (recovered) net of \$11,672,373 tax on capital gains (losses)	103,575,954	170,797,815
10. Total (Lines 5 through 9)	5,198,068,934	5,418,657,881
11. Net cash from operations (Line 4 minus Line 10)	295,209,280	330,336,438
Cash from Investments		
12. Proceeds from investments sold, matured or repaid:		
12.1 Bonds	499,581,500	820,056,850
12.2 Stocks	172,918,334	207,245,066
12.3 Mortgage loans	0	0
12.4 Real estate	0	10,541,290
12.5 Other invested assets	20,114,195	10,745,147
12.6 Net gains or (losses) on cash, cash equivalents and short-term investments	151	3,589
12.7 Miscellaneous proceeds	8,911,034	104,917,321
12.8 Total investment proceeds (Lines 12.1 to 12.7)	701,525,214	1,153,509,263
13. Cost of investments acquired (long-term only):		
13.1 Bonds	556,433,312	887,780,417
13.2 Stocks	316,017	65,460,984
13.3 Mortgage loans	0	0
13.4 Real estate	0	9,951
13.5 Other invested assets	5,416,480	10,986,780
13.6 Miscellaneous applications	2,664,157	6,004,783
13.7 Total investments acquired (Lines 13.1 to 13.6)	564,829,966	970,242,915
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)	136,695,248	183,266,348
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	0
16.3 Borrowed funds	(150,018,500)	13,000
16.4 Net deposits on deposit-type contracts and other insurance liabilities	0	0
16.5 Dividends to stockholders	348,500,000	319,100,000
16.6 Other cash provided (applied)	69,775,355	(357,414,187)
17. Net cash from financing and miscellaneous sources (Lines 16.1 to 16.4 minus Line 16.5 plus Line 16.6)	(428,743,145)	(676,501,187)
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)	3,161,383	(162,898,401)
19. Cash, cash equivalents and short-term investments:		
19.1 Beginning of year	(412,074,895)	(249,176,495)
19.2 End of year (Line 18 plus Line 19.1)	(408,913,512)	(412,074,895)

Note: Supplemental disclosures of cash flow information for non-cash transactions:

--	--	--

ANNUAL STATEMENT FOR THE YEAR 2018 OF THE Community Insurance Company
ANALYSIS OF OPERATIONS BY LINES OF BUSINESS[illegible]

ANNUAL STATEMENT FOR THE YEAR 2018 OF THE Community Insurance Company

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)	2,196,837,949	0	0	2,196,837,949
2. Medicare Supplement	137,754,590	0	0	137,754,590
3. Dental only	55,029,367	0	0	55,029,367
4. Vision only	24,651,794	0	0	24,651,794
5. Federal Employees Health Benefits Plan	1,144,512,916	0	260,524,592	883,988,324
6. Title XVIII - Medicare	1,855,035,002	0	0	1,855,035,002
7. Title XIX - Medicaid	0	0	0	0
8. Other health	213,641,672	0	0	213,641,672
9. Health subtotal (Lines 1 through 8)	5,627,463,290	0	260,524,592	5,366,938,698
10. Life	0	0	0	0
11. Property/casualty	0	0	0	0
12. Totals (Lines 9 to 11)	5,627,463,290	0	260,524,592	5,366,938,698

ANNUAL STATEMENT FOR THE YEAR 2018 OF THE Community Insurance Company

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	4,718,562,303	1,815,738,320	100,156,250	40,833,603	17,445,699	1,079,486,521	1,498,562,358	1,875	166,337,677	0
1.2 Reinsurance assumed	0	0	0	0	0	0	0	0	0	0
1.3 Reinsurance ceded	198,900,109	2,626,541	0	0	0	196,273,568	0	0	0	0
1.4 Net	4,519,662,194	1,813,111,779	100,156,250	40,833,603	17,445,699	883,212,953	1,498,562,358	1,875	166,337,677	0
2. Paid medical incentive pools and bonuses	68,102,698	12,509,421	0	0	0	6,518,605	49,074,672	0	0	0
3. Claim liability December 31, current year from Part 2A:										
3.1 Direct	465,548,123	198,368,286	10,254,373	2,733,227	1,157,966	126,559,620	110,145,829	0	16,328,822	0
3.2 Reinsurance assumed	0	0	0	0	0	0	0	0	0	0
3.3 Reinsurance ceded	25,311,758	0	0	0	0	25,311,758	0	0	0	0
3.4 Net	440,236,365	198,368,286	10,254,373	2,733,227	1,157,966	101,247,862	110,145,829	0	16,328,822	0
4. Claim reserve December 31, current year from Part 2D:										
4.1 Direct	103,900	0	28,130	0	0	75,770	0	0	0	0
4.2 Reinsurance assumed	0	0	0	0	0	0	0	0	0	0
4.3 Reinsurance ceded	209	0	0	0	0	209	0	0	0	0
4.4 Net	103,691	0	28,130	0	0	75,561	0	0	0	0
5. Accrued medical incentive pools and bonuses, current year	21,977,775	1,923,691	0	0	0	672,270	19,381,814	0	0	0
6. Net healthcare receivables (a)	30,510,012	7,736,449	1,132,886	12,105	2,323	789,798	20,836,461	0	(10)	0
7. Amounts recoverable from reinsurers December 31, current year	20,010,096	91,049	0	0	0	19,919,047	0	0	0	0
8. Claim liability December 31, prior year from Part 2A:										
8.1 Direct	523,485,120	260,067,401	9,488,683	2,662,223	1,272,487	124,520,154	105,836,384	1,875	19,635,913	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	523,485,120	260,067,401	9,488,683	2,662,223	1,272,487	124,520,154	105,836,384	1,875	19,635,913	0
9. Claim reserve December 31, prior year from Part 2D:										
9.1 Direct	102,052	0	26,412	0	0	75,640	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	102,052	0	26,412	0	0	75,640	0	0	0	0
10. Accrued medical incentive pools and bonuses, prior year	18,249,608	2,939,281	0	0	0	1,158,151	14,152,176	0	0	0
11. Amounts recoverable from reinsurers December 31, prior year	2,717,590	2,717,590	0	0	0	0	0	0	0	0
12. Incurred Benefits:										
12.1 Direct	4,630,117,142	1,746,302,756	99,790,772	40,892,502	17,328,855	1,080,736,319	1,482,035,342	0	163,030,596	0
12.2 Reinsurance assumed	0	0	0	0	0	0	0	0	0	0
12.3 Reinsurance ceded	241,504,582	0	0	0	0	241,504,582	0	0	0	0
12.4 Net	4,388,612,560	1,746,302,756	99,790,772	40,892,502	17,328,855	839,231,737	1,482,035,342	0	163,030,596	0
13. Incurred medical incentive pools and bonuses	71,830,865	11,493,831	0	0	0	6,032,724	54,304,310	0	0	0

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

ANNUAL STATEMENT FOR THE YEAR 2018 OF THE Community Insurance Company

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 & 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	90,293,019	51,645,424	1,231,462	649,147	704,756	1,579,262	34,480,735	0	2,233	0
1.2 Reinsurance assumed	0	0	0	0	0	0	0	0	0	0
1.3 Reinsurance ceded	315,686	0	0	0	0	315,686	0	0	0	0
1.4 Net	89,977,333	51,645,424	1,231,462	649,147	704,756	1,263,576	34,480,735	0	2,233	0
2. Incurred but Unreported:										
2.1 Direct	375,255,104	146,722,862	9,022,911	2,084,080	453,210	124,980,358	75,665,094	0	16,326,589	0
2.2 Reinsurance assumed	0	0	0	0	0	0	0	0	0	0
2.3 Reinsurance ceded	24,996,072	0	0	0	0	24,996,072	0	0	0	0
2.4 Net	350,259,032	146,722,862	9,022,911	2,084,080	453,210	99,984,286	75,665,094	0	16,326,589	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	465,548,123	198,368,286	10,254,373	2,733,227	1,157,966	126,559,620	110,145,829	0	16,328,822	0
4.2 Reinsurance assumed	0	0	0	0	0	0	0	0	0	0
4.3 Reinsurance ceded	25,311,758	0	0	0	0	25,311,758	0	0	0	0
4.4 Net	440,236,365	198,368,286	10,254,373	2,733,227	1,157,966	101,247,862	110,145,829	0	16,328,822	0

ANNUAL STATEMENT FOR THE YEAR 2018 OF THE Community Insurance Company

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	6
	1	2	3	4		
	On Claims Incurred Prior to January 1 of Current Year	On Claims Incurred During the Year	On Claims Unpaid December 31 of Prior Year	On Claims Incurred During the Year	Claims Incurred In Prior Years (Columns 1 + 3)	Estimated Claim Reserve and Claim Liability December 31 of Prior Year
1. Comprehensive (hospital and medical)	213,492,950	1,626,978,750	5,347,453	193,020,834	218,840,403	260,067,404
2. Medicare Supplement	9,359,376	91,364,655	6,248	10,276,254	9,365,624	9,515,095
3. Dental Only	2,505,873	38,469,940	64,002	2,669,224	2,569,875	2,662,222
4. Vision Only	1,248,509	16,230,650	447	1,157,520	1,248,956	1,272,487
5. Federal Employees Health Benefits Plan	113,137,479	750,550,527	413,556	100,909,867	113,551,035	124,595,792
6. Title XVIII - Medicare	80,704,275	1,446,237,025	(4,970,682)	115,116,511	75,733,593	105,836,384
7. Title XIX - Medicaid	1,875	0	0	0	1,875	1,875
8. Other health	12,163,922	154,173,995	973,256	15,355,565	13,137,178	19,635,912
9. Health subtotal (Lines 1 to 8)	432,614,259	4,124,005,542	1,834,280	438,505,775	434,448,539	523,587,171
10. Healthcare receivables (a)	6,831,460	77,928,664	0	0	6,831,460	0
11. Other non-health	0	0	0	0	0	0
12. Medical incentive pools and bonus amounts	17,220,100	50,882,598	1,805,915	20,171,859	19,026,015	18,249,608
13. Totals (Lines 9 - 10 + 11 + 12)	443,002,899	4,096,959,476	3,640,195	458,677,634	446,643,094	541,836,779

(a) Excludes \$0 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 - Comprehensive (Hospital & Medical)

Year in Which Losses Were Incurred		Cumulative Net Amounts Paid				
		1 2014	2 2015	3 2016	4 2017	5 2018
1.	Prior	187,113	192,196	190,491	190,516	190,516
2.	2014	1,921,770	2,131,951	2,138,589	2,138,737	2,138,382
3.	2015	XXX	1,824,108	2,011,941	2,014,368	2,013,201
4.	2016	XXX	XXX	1,860,660	2,070,371	2,072,723
5.	2017	XXX	XXX	XXX	2,076,189	2,289,884
6.	2018	XXX	XXX	XXX	XXX	1,605,987

Section B - Incurred Health Claims - Comprehensive (Hospital & 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 2014	2 2015	3 2016	4 2017	5 2018
1.	Prior	197,519	193,276	190,731	190,637	190,516
2.	2014	2,162,881	2,139,600	2,139,117	2,138,672	2,138,508
3.	2015	XXX	2,043,462	2,016,804	2,015,552	2,013,202
4.	2016	XXX	XXX	2,087,949	2,077,387	2,074,014
5.	2017	XXX	XXX	XXX	2,330,940	2,293,858
6.	2018	XXX	XXX	XXX	XXX	1,800,887

Section C - Incurred Year Health Claims and Claims Adjustment Expense Ratio - Comprehensive (Hospital & Medical)

Years in which Premiums were Earned and Claims were Incurred	1 Premiums Earned	2 Claims Payment	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. 2014	2,747,460	2,138,382	78,047	3.6	2,216,429	80.7	126	4	2,216,559	80.7
2. 2015	2,540,636	2,013,201	90,807	4.5	2,104,008	82.8	1	0	2,104,009	82.8
3. 2016	2,557,967	2,072,723	120,011	5.8	2,192,734	85.7	1,291	35	2,194,060	85.8
4. 2017	2,808,654	2,289,884	117,245	5.1	2,407,129	85.7	3,974	112	2,411,215	85.8
5. 2018	2,194,892	1,605,987	93,380	5.8	1,699,367	77.4	194,900	5,425	1,899,692	86.6

UNDERWRITING AND INVESTMENT EXHIBIT

PART 2C - DEVELOPMENT OF PAID AND INCURRED HEALTH CLAIMS
(\$000 Omitted)

Section A - Paid Health Claims - Medicare Supplement

Year in Which Losses Were Incurred		Cumulative Net Amounts Paid				
		1 2014	2 2015	3 2016	4 2017	5 2018
1.	Prior	10,078	10,023	10,133	10,132	10,132
2.	2014	79,228	90,062	90,118	90,123	90,128
3.	2015	XXX	79,394	90,103	90,257	90,257
4.	2016	XXX	XXX	81,909	92,127	92,184
5.	2017	XXX	XXX	XXX	84,977	94,226
6.	2018	XXX	XXX	XXX	XXX	89,713

Section B - Incurred Health Claims - Medicare Supplement

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 2014	2 2015	3 2016	4 2017	5 2018
1.	Prior	10,087	10,144	10,133	10,132	10,132
2.	2014	90,320	90,076	90,118	90,123	90,128
3.	2015	XXX	91,429	90,265	90,257	90,257
4.	2016	XXX	XXX	95,035	92,154	92,184
5.	2017	XXX	XXX	XXX	94,465	94,232
6.	2018	XXX	XXX	XXX	XXX	99,989

Section C - Incurred Year Health Claims and Claims Adjustment Expense Ratio - Medicare Supplement

Years in which Premiums were Earned and Claims were Incurred		1	2	3	4	5	6	7	8	9	10
		Premiums Earned	Claims Payment	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.	2014	121,221	90,128	4,110	4.6	94,238	77.7	0	0	94,238	77.7
2.	2015	122,158	90,257	5,804	6.4	96,061	78.6	0	0	96,061	78.6
3.	2016	128,257	92,184	9,955	10.8	102,139	79.6	0	0	102,139	79.6
4.	2017	129,262	94,226	10,131	10.8	104,357	80.7	6	0	104,363	80.7
5.	2018	135,557	89,713	8,154	9.1	97,867	72.2	10,276	293	108,436	80.0

UNDERWRITING AND INVESTMENT EXHIBIT

PART 2C - DEVELOPMENT OF PAID AND INCURRED HEALTH CLAIMS
(\$000 Omitted)

Section A - Paid Health Claims - Dental Only

Year in Which Losses Were Incurred		Cumulative Net Amounts Paid				
		1 2014	2 2015	3 2016	4 2017	5 2018
1.	Prior	1,532	1,546	1,550	1,551	1,551
2.	2014	25,889	27,307	27,346	27,352	27,357
3.	2015	XXX	27,849	29,604	29,629	29,634
4.	2016	XXX	XXX	32,186	34,285	34,330
5.	2017	XXX	XXX	XXX	36,671	39,087
6.	2018	XXX	XXX	XXX	XXX	38,351

Section B - Incurred Health Claims - Dental Only

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 2014	2 2015	3 2016	4 2017	5 2018
1.	Prior	1,554	1,546	1,550	1,551	1,551
2.	2014	27,794	27,325	27,348	27,352	27,357
3.	2015	XXX	29,697	29,636	29,633	29,634
4.	2016	XXX	XXX	34,571	34,326	34,335
5.	2017	XXX	XXX	XXX	39,288	39,145
6.	2018	XXX	XXX	XXX	XXX	41,020

Section C - Incurred Year Health Claims and Claims Adjustment Expense Ratio - Dental Only

Years in which Premiums were Earned and Claims were Incurred	1 Premiums Earned	2 Claims Payment	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. 2014	44,031	27,357	2,231	8.2	29,588	67.2	0	0	29,588	67.2
2. 2015	44,418	29,634	2,822	9.5	32,456	73.1	0	0	32,456	73.1
3. 2016	48,412	34,330	4,669	13.6	38,999	80.6	6	0	39,005	80.6
4. 2017	53,798	39,087	5,215	13.3	44,302	82.3	58	1	44,361	82.5
5. 2018	55,400	38,351	4,854	12.7	43,205	78.0	2,669	68	45,942	82.9

UNDERWRITING AND INVESTMENT EXHIBIT

PART 2C - DEVELOPMENT OF PAID AND INCURRED HEALTH CLAIMS
(\$000 Omitted)

Section A - Paid Health Claims - Vision Only

Year in Which Losses Were Incurred		Cumulative Net Amounts Paid				
		1 2014	2 2015	3 2016	4 2017	5 2018
1.	Prior	371	371	371	371	371
2.	2014	9,313	9,912	9,912	9,912	9,912
3.	2015	XXX	8,770	9,429	9,430	9,430
4.	2016	XXX	XXX	8,169	8,695	8,695
5.	2017	XXX	XXX	XXX	15,706	16,941
6.	2018	XXX	XXX	XXX	XXX	16,208

Section B - Incurred Health Claims - Vision Only

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 2014	2 2015	3 2016	4 2017	5 2018
1.	Prior	371	371	371	371	371
2.	2014	9,779	9,913	9,912	9,912	9,912
3.	2015	XXX	9,428	9,429	9,430	9,430
4.	2016	XXX	XXX	8,711	8,696	8,695
5.	2017	XXX	XXX	XXX	16,978	16,942
6.	2018	XXX	XXX	XXX	XXX	17,365

Section C - Incurred Year Health Claims and Claims Adjustment Expense Ratio - Vision Only

Years in which Premiums were Earned and Claims were Incurred		1 Premiums Earned	2 Claims Payment	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.	2014	15,657	9,912	546	5.5	10,458	66.8	0	0	10,458	66.8
2.	2015	13,392	9,430	662	7.0	10,092	75.4	0	0	10,092	75.4
3.	2016	12,544	8,695	887	10.2	9,582	76.4	0	0	9,582	76.4
4.	2017	23,401	16,941	1,244	7.3	18,185	77.7	0	0	18,185	77.7
5.	2018	24,659	16,208	1,180	7.3	17,388	70.5	1,158	13	18,559	75.3

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 2014	2 2015	3 2016	4 2017	5 2018
1.	Prior	95,332	95,656	95,479	95,389	95,389
2.	2014	782,069	891,702	891,980	891,700	891,416
3.	2015	XXX	828,503	930,819	931,449	930,955
4.	2016	XXX	XXX	853,062	963,768	963,628
5.	2017	XXX	XXX	XXX	915,909	1,031,025
6.	2018	XXX	XXX	XXX	XXX	754,824

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 2014	2 2015	3 2016	4 2017	5 2018
1.	Prior	96,684	95,674	95,480	95,389	95,389
2.	2014	885,843	892,114	891,980	891,700	891,416
3.	2015	XXX	940,203	931,753	931,457	930,955
4.	2016	XXX	XXX	974,647	965,149	963,650
5.	2017	XXX	XXX	XXX	1,040,273	1,031,503
6.	2018	XXX	XXX	XXX	XXX	856,320

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 Payment	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. 2014	944,793	891,416	13,249	1.5	904,665	95.8	0	0	904,665	95.8
2. 2015	1,030,141	930,955	17,899	1.9	948,854	92.1	0	0	948,854	92.1
3. 2016	1,053,763	963,628	23,643	2.5	987,271	93.7	22	0	987,293	93.7
4. 2017	1,088,478	1,031,025	23,872	2.3	1,054,897	96.9	478	12	1,055,387	97.0
5. 2018	913,414	754,824	20,745	2.7	775,569	84.9	101,495	2,876	879,940	96.3

UNDERWRITING AND INVESTMENT EXHIBIT

PART 2C - DEVELOPMENT OF PAID AND INCURRED HEALTH CLAIMS
(\$000 Omitted)

Section A - Paid Health Claims - Title XVIII

Year in Which Losses Were Incurred		Cumulative Net Amounts Paid				
		1 2014	2 2015	3 2016	4 2017	5 2018
1.	Prior	93,562	91,328	90,637	91,087	91,087
2.	2014	986,406	1,096,716	1,097,651	1,096,953	1,096,717
3.	2015	XXX	983,262	1,117,924	1,119,952	1,118,163
4.	2016	XXX	XXX	971,383	1,086,186	1,088,467
5.	2017	XXX	XXX	XXX	1,111,038	1,199,881
6.	2018	XXX	XXX	XXX	XXX	1,437,702

Section B - Incurred Health Claims - Title XVIII

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 2014	2 2015	3 2016	4 2017	5 2018
1.	Prior	98,200	92,215	90,629	91,087	91,087
2.	2014	1,112,391	1,099,908	1,096,510	1,096,948	1,096,718
3.	2015	XXX	1,130,329	1,122,937	1,119,734	1,118,040
4.	2016	XXX	XXX	1,108,888	1,090,684	1,087,483
5.	2017	XXX	XXX	XXX	1,226,751	1,197,690
6.	2018	XXX	XXX	XXX	XXX	1,570,525

Section C - Incurred Year Health Claims and Claims Adjustment Expense Ratio - Title XVIII

Years in which Premiums were Earned and Claims were Incurred	1 Premiums Earned	2 Claims Payment	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. 2014	1,278,799	1,096,717	37,192	3.4	1,133,909	88.7	2	0	1,133,911	88.7
2. 2015	1,328,626	1,118,163	54,431	4.9	1,172,594	88.3	(123)	(3)	1,172,468	88.2
3. 2016	1,300,929	1,088,467	70,992	6.5	1,159,459	89.1	(984)	(26)	1,158,449	89.0
4. 2017	1,415,420	1,199,881	83,249	6.9	1,283,130	90.7	(2,191)	(101)	1,280,838	90.5
5. 2018	1,860,795	1,437,702	86,566	6.0	1,524,268	81.9	132,823	3,015	1,660,106	89.2

UNDERWRITING AND INVESTMENT EXHIBIT

PART 2C - DEVELOPMENT OF PAID AND INCURRED HEALTH CLAIMS
(\$000 Omitted)

Section A - Paid Health Claims - Title XIX

Year in Which Losses Were Incurred		Cumulative Net Amounts Paid				
		1 2014	2 2015	3 2016	4 2017	5 2018
1.	Prior	(34)	(33)	(36)	(36)	(36)
2.	2014			0	0	2
3.	2015	XXX		0	0	0
4.	2016	XXX	XXX	0	0	0
5.	2017	XXX	XXX	XXX	0	0
6.	2018	XXX	XXX	XXX	XXX	0

Section B - Incurred Health Claims - Title XIX

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 2014	2 2015	3 2016	4 2017	5 2018
1.	Prior	(30)	(30)	(34)	(34)	(36)
2.	2014			0	0	2
3.	2015	XXX		0	0	0
4.	2016	XXX	XXX	0	0	0
5.	2017	XXX	XXX	XXX	0	0
6.	2018	XXX	XXX	XXX	XXX	0

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

Years in which Premiums were Earned and Claims were Incurred	1 Premiums Earned	2 Claims Payment	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. 2014		2	0	0.0	2	0.0	0	0	2	0.0
2. 2015		0	0	0.0	0	0.0	0	0	0	0.0
3. 2016		0	0	0.0	0	0.0	0	0	0	0.0
4. 2017	1,500	0	0	0.0	0	0.0	0	0	0	0.0
5. 2018	0	0	0	0.0	0	0.0	0	0	0	0.0

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 2014	2 2015	3 2016	4 2017	5 2018
1.	Prior	11,833	11,839	11,839	11,841	11,841
2.	2014	108,886	121,550	121,561	121,562	121,562
3.	2015	XXX	134,526	148,957	149,046	149,046
4.	2016	XXX	XXX	138,773	154,743	154,752
5.	2017	XXX	XXX	XXX	129,050	141,205
6.	2018	XXX	XXX	XXX	XXX	154,174

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 2014	2 2015	3 2016	4 2017	5 2018
1.	Prior	12,966	11,839	11,839	11,841	11,841
2.	2014	129,268	121,850	121,561	121,562	121,562
3.	2015	XXX	152,772	150,587	149,046	149,046
4.	2016	XXX	XXX	159,479	157,688	154,752
5.	2017	XXX	XXX	XXX	145,741	142,178
6.	2018	XXX	XXX	XXX	XXX	169,529

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 Payment	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. 2014	157,260	121,562	134	0.1	121,696	77.4	0	0	121,696	77.4
2. 2015	175,329	149,046	838	0.6	149,884	85.5	0	0	149,884	85.5
3. 2016	195,178	154,752	1,228	0.8	155,980	79.9	0	0	155,980	79.9
4. 2017	193,725	141,205	1,189	0.8	142,394	73.5	973	28	143,395	74.0
5. 2018	213,642	154,174	1,056	0.7	155,230	72.7	15,356	438	171,024	80.1

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 2014	2 2015	3 2016	4 2017	5 2018
1.	Prior	399,787	402,926	400,464	400,851	400,851
2.	2014	3,913,561	4,369,200	4,377,157	4,376,339	4,375,476
3.	2015	XXX	3,886,412	4,338,777	4,344,131	4,340,686
4.	2016	XXX	XXX	3,946,142	4,410,175	4,414,779
5.	2017	XXX	XXX	XXX	4,369,540	4,812,249
6.	2018	XXX	XXX	XXX	XXX	4,096,959

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 2014	2 2015	3 2016	4 2017	5 2018
1.	Prior	417,351	405,035	400,699	400,974	400,851
2.	2014	4,418,276	4,380,786	4,376,546	4,376,269	4,375,603
3.	2015	XXX	4,397,320	4,351,411	4,345,109	4,340,564
4.	2016	XXX	XXX	4,469,280	4,426,084	4,415,113
5.	2017	XXX	XXX	XXX	4,894,436	4,815,548
6.	2018	XXX	XXX	XXX	XXX	4,555,635

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

Years in which Premiums were Earned and Claims were Incurred		1	2	3	4	5	6	7	8	9	10
		Premiums Earned	Claims Payment	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.	2014	5,309,221	4,375,476	135,509	3.1	4,510,985	85.0	128	4	4,511,117	85.0
2.	2015	5,254,700	4,340,686	173,263	4.0	4,513,949	85.9	(122)	(3)	4,513,824	85.9
3.	2016	5,297,050	4,414,779	231,385	5.2	4,646,164	87.7	335	9	4,646,508	87.7
4.	2017	5,714,238	4,812,249	242,145	5.0	5,054,394	88.5	3,298	52	5,057,744	88.5
5.	2018	5,398,359	4,096,959	215,935	5.3	4,312,894	79.9	458,677	12,128	4,783,699	88.6

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 Benefits Plan	Title XVIII Medicare	Title XIX Medicaid	Other
1. Unearned premium reserves	3,366,208	0	3,366,208	0	0	0	0	0	0
2. Additional policy reserves (a)	22,091,170	299,355	21,791,815	0	0	0	0	0	0
3. Reserve for future contingent benefits	0								
4. Reserve for rate credits or experience rating refunds (including \$) for investment income	1,013,085	0	335,865	0	0	0	677,220	0	0
5. Aggregate write-ins for other policy reserves	1,313,721	815,789	0	0	0	0	497,932	0	0
6. Totals (gross)	27,784,184	1,115,144	25,493,888	0	0	0	1,175,152	0	0
7. Reinsurance ceded	0	0	0	0	0	0	0	0	0
8. Totals (Net)(Page 3, Line 4)	27,784,184	1,115,144	25,493,888	0	0	0	1,175,152	0	0
9. Present value of amounts not yet due on claims	0								0
10. Reserve for future contingent benefits	103,900	0	28,130	0	0	75,770	0	0	0
11. Aggregate write-ins for other claim reserves	0	0	0	0	0	0	0	0	0
12. Totals (gross)	103,900	0	28,130	0	0	75,770	0	0	0
13. Reinsurance ceded	209	0	0	0	0	209	0	0	0
14. Totals (Net)(Page 3, Line 7)	103,691	0	28,130	0	0	75,561	0	0	0
DETAILS OF WRITE-INS									
0501. Policy reserves subject to redetermination	1,313,721	815,789	0	0	0	0	497,932		
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 thru 0503 plus 0598) (Line 5 above)	1,313,721	815,789	0	0	0	0	497,932	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 thru 1103 plus 1198) (Line 11 above)	0	0	0	0	0	0	0	0	0

(a) Includes \$ premium deficiency reserve.

ANNUAL STATEMENT FOR THE YEAR 2018 OF THE Community Insurance Company

UNDERWRITING AND INVESTMENT EXHIBIT

PART 3 - ANALYSIS OF EXPENSES

	Claim Adjustment Expenses		3	4	5
	1	2			
	Cost Containment Expenses	Other Claim Adjustment Expenses	General Administrative Expenses	Investment Expenses	Total
1. Rent (\$ for occupancy of own building)	4,420,407	4,467,347	1,170,879	1,658	10,060,291
2. Salary, wages and other benefits	144,664,843	88,811,697	181,450,096	256,870	415,183,506
3. Commissions (less \$ ceded plus \$ assumed)	0	0	147,138,524	0	147,138,524
4. Legal fees and expenses	26,171	8,906	12,737,710	18,032	12,790,819
5. Certifications and accreditation fees				0	0
6. Auditing, actuarial and other consulting services	29,466,850	6,084,851	112,449,507	159,189	148,160,397
7. Traveling expenses	1,468,341	331,857	5,038,530	7,133	6,845,861
8. Marketing and advertising	754,616	49,702	34,533,937	48,888	35,387,143
9. Postage, express and telephone	3,370,699	3,212,972	11,275,792	15,963	17,875,426
10. Printing and office supplies	446,238	44,603	793,827	1,124	1,285,792
11. Occupancy, depreciation and amortization	0	0	0	0	0
12. Equipment	329,234	93,583	2,444,921	3,461	2,871,199
13. Cost or depreciation of EDP equipment and software	9,997,161	496,857	4,600,079	6,512	15,100,609
14. Outsourced services including EDP, claims, and other services	33,972,344	35,659,263	49,490,410	70,061	119,192,078
15. Boards, bureaus and association fees	173,124	556	2,105,651	2,981	2,282,312
16. Insurance, except on real estate	0	0	2,334,427	3,305	2,337,732
17. Collection and bank service charges	0	1,821	1,285,883	1,820	1,289,524
18. Group service and administration fees	17,189,871	22,292,580	12,419,935	17,582	51,919,968
19. Reimbursements by uninsured plans	(183,423,371)	(119,764,134)	(305,554,728)	0	(608,742,233)
20. Reimbursements from fiscal intermediaries	0	0	0	0	0
21. Real estate expenses	96,508	7,164	6,816,406	9,650	6,929,728
22. Real estate taxes	0	0	542,183	0	542,183
23. Taxes, licenses and fees:					
23.1 State and local insurance taxes	2,481	97	383,645	0	386,223
23.2 State premium taxes	0	0	20,582,385	0	20,582,385
23.3 Regulatory authority licenses and fees	30,491	5,637	466,983	0	503,111
23.4 Payroll taxes	8,824,550	5,394,167	10,707,691	0	24,926,408
23.5 Other (excluding federal income and real estate taxes)	0	0	110,970,884	0	110,970,884
24. Investment expenses not included elsewhere	0	0	0	2,388,194	2,388,194
25. Aggregate write-ins for expenses	(33,756)	6,011,935	(16,088,771)	(22,776)	(10,133,368)
26. Total expenses incurred (Lines 1 to 25)	71,776,802	53,211,461	410,096,786	2,989,647	(a) .....538,074,696
27. Less expenses unpaid December 31, current year ..		12,188,541	76,574,158		88,762,699
28. Add expenses unpaid December 31, prior year		16,239,953	66,469,195		82,709,148
29. Amounts receivable relating to uninsured plans, prior year			332,131,872		332,131,872
30. Amounts receivable relating to uninsured plans, current year			349,143,295		349,143,295
31. Total expenses paid (Lines 26 minus 27 plus 28 minus 29 plus 30)	71,776,802	57,262,873	417,003,246	2,989,647	549,032,568
DETAILS OF WRITE-INS					
2501. Other expense	(33,756)	6,011,935	(16,088,771)	(22,776)	(10,133,368)
2502.					
2503.					
2598. Summary of remaining write-ins for Line 25 from overflow page	0	0	0	0	0
2599. Totals (Lines 2501 thru 2503 plus 2598)(Line 25 above)	(33,756)	6,011,935	(16,088,771)	(22,776)	(10,133,368)

(a) Includes management fees of \$915,370,969 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) .....1,153,145	.....1,138,937
1.1	Bonds exempt from U.S. tax	(a) .....	.....
1.2	Other bonds (unaffiliated)	(a) .....47,351,351	.....47,351,441
1.3	Bonds of affiliates	(a) .....0	.....0
2.1	Preferred stocks (unaffiliated)	(b) .....1,714	.....1,714
2.11	Preferred stocks of affiliates	(b) .....0	.....0
2.2	Common stocks (unaffiliated) .....	.....592,362	.....379,821
2.21	Common stocks of affiliates .....	.....0	.....0
3.	Mortgage loans	(c) .....0	.....0
4.	Real estate	(d) .....0	.....0
5	Contract Loans .....	.....0	.....0
6	Cash, cash equivalents and short-term investments	(e) .....2,036,823	.....2,037,278
7	Derivative instruments	(f) .....0	.....0
8.	Other invested assets .....	.....0	.....0
9.	Aggregate write-ins for investment income .....	.....393,897	.....392,170
10.	Total gross investment income	51,529,292	51,301,361
11.	Investment expenses		(g) .....2,989,647
12.	Investment taxes, licenses and fees, excluding federal income taxes		(g) .....0
13.	Interest expense		(h) .....2,443,458
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) .....		.....5,433,105
17.	Net investment income (Line 10 minus Line 16)		45,868,256
DETAILS OF WRITE-INS			
0901.	Miscellaneous income .....	.....204,956	.....204,956
0902.	Securities lending .....	.....188,941	.....187,214
0903.	.....	
0998.	Summary of remaining write-ins for Line 9 from overflow page .....	.....0	.....0
0999.	Totals (Lines 0901 thru 0903 plus 0998) (Line 9, above)	393,897	392,170
1501.	.....	
1502.	.....	
1503.	.....	
1598.	Summary of remaining write-ins for Line 15 from overflow page .....		.....0
1599.	Totals (Lines 1501 thru 1503 plus 1598) (Line 15, above)		0

- (a) Includes \$2,593,384 accrual of discount less \$6,579,784 amortization of premium and less \$1,283,728 paid for accrued interest on purchases.
- (b) Includes \$ accrual of discount less \$ amortization of premium and less \$ paid for accrued dividends on purchases.
- (c) Includes \$ accrual of discount less \$ 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 \$4,695 accrual of discount less \$ 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	(1,320)	0	(1,320)	0	0
1.1	Bonds exempt from U.S. tax			0		
1.2	Other bonds (unaffiliated)	(3,767,833)	(529,336)	(4,297,169)	(12,526,894)	0
1.3	Bonds of affiliates	0	0	0	0	0
2.1	Preferred stocks (unaffiliated)	149,342	0	149,342	17,317	0
2.11	Preferred stocks of affiliates	0	0	0	0	0
2.2	Common stocks (unaffiliated)	63,731,955	(42,858)	63,689,097	(62,794,401)	(2,391)
2.21	Common stocks of affiliates	0	0	0	0	0
3.	Mortgage loans		0	0	0	0
4.	Real estate		0	0		0
5.	Contract loans			0		
6.	Cash, cash equivalents and short-term investments	152	0	152	(2,893,399)	
7.	Derivative instruments			0		
8.	Other invested assets	0	0	0	15,105,257	0
9.	Aggregate write-ins for capital gains (losses)	(14,909)	2,154,207	2,139,298	(2,385)	0
10.	Total capital gains (losses)	60,097,387	1,582,013	61,679,400	(63,094,505)	(2,391)
DETAILS OF WRITE-INS						
0901.	Gain on sale-lease back activity		2,154,207	2,154,207		
0902.	Foreign exchange investments	(14,909)		(14,909)	(2,385)	
0903.	.....				
0998.	Summary of remaining write-ins for Line 9 from overflow page	0	0	0	0	0
0999.	Totals (Lines 0901 thru 0903 plus 0998) (Line 9, above)	(14,909)	2,154,207	2,139,298	(2,385)	0

ANNUAL STATEMENT FOR THE YEAR 2018 OF THE Community Insurance Company

EXHIBIT OF NON-ADMITTED 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
2. Stocks (Schedule D):			
2.1 Preferred stocks			0
2.2 Common stocks			0
3. Mortgage loans on real estate (Schedule B):			
3.1 First liens			0
3.2 Other than first liens			0
4. Real estate (Schedule A):			
4.1 Properties occupied by the company			0
4.2 Properties held for the production of income			0
4.3 Properties held for sale			0
5. Cash (Schedule E - Part 1), cash equivalents (Schedule E - Part 2) and short-term investments (Schedule DA)			0
6. Contract loans			0
7. Derivatives (Schedule DB)			0
8. Other invested assets (Schedule BA)			0
9. Receivables for securities			0
10. Securities lending reinvested collateral assets (Schedule DL)			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
14. Investment income due and accrued	5,120	72,840	67,720
15. Premiums and considerations:			
15.1 Uncollected premiums and agents' balances in the course of collection	1,509,359	1,153,041	(356,318)
15.2 Deferred premiums, agents' balances and installments booked but deferred and not yet due			0
15.3 Accrued retrospective premiums and contracts subject to redetermination			0
16. Reinsurance:			
16.1 Amounts recoverable from reinsurers			0
16.2 Funds held by or deposited with reinsured companies			0
16.3 Other amounts receivable under reinsurance contracts			0
17. Amounts receivable relating to uninsured plans	26,167,255	27,410,563	1,243,308
18.1 Current federal and foreign income tax recoverable and interest thereon			0
18.2 Net deferred tax asset	2,496,974		(2,496,974)
19. Guaranty funds receivable or on deposit			0
20. Electronic data processing equipment and software			0
21. Furniture and equipment, including health care delivery assets	16,184,813	11,600,657	(4,584,156)
22. Net adjustment in assets and liabilities due to foreign exchange rates			0
23. Receivable from parent, subsidiaries and affiliates			0
24. Health care and other amounts receivable	29,562,619	27,164,645	(2,397,974)
25. Aggregate write-ins for other than invested assets	18,814,196	14,140,263	(4,673,933)
26. Total assets excluding Separate Accounts, Segregated Accounts and Protected Cell Accounts (Lines 12 to 25)	94,740,336	81,542,009	(13,198,327)
27. From Separate Accounts, Segregated Accounts and Protected Cell Accounts			0
28. Total (Lines 26 and 27)	94,740,336	81,542,009	(13,198,327)
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 thru 1103 plus 1198)(Line 11 above)	0	0	0
2501. Prepaid expenses	10,620,973	10,052,376	(568,597)
2502. Other miscellaneous accounts receivable	8,193,223	4,087,887	(4,105,336)
2503.			
2598. Summary of remaining write-ins for Line 25 from overflow page	0	0	0
2599. Totals (Lines 2501 thru 2503 plus 2598)(Line 25 above)	18,814,196	14,140,263	(4,673,933)

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	166,018	170,759	180,014	182,578	183,996	2,143,920
2. Provider Service Organizations						
3. Preferred Provider Organizations	1,461,626	1,378,870	1,375,896	1,376,336	1,374,937	16,568,127
4. Point of Service						
5. Indemnity Only	53,974	52,917	53,569	54,750	56,085	648,337
6. Aggregate write-ins for other lines of business.....	352,848	352,095	354,159	341,126	343,568	4,183,044
7. Total	2,034,466	1,954,641	1,963,638	1,954,790	1,958,586	23,543,428
DETAILS OF WRITE-INS						
0601. Consumer Driven Health Plan	352,848	352,095	354,159	341,126	343,568	4,183,044
0602.						
0603.						
0698. Summary of remaining write-ins for Line 6 from overflow page	0	0	0	0	0	0
0699. Totals (Lines 0601 thru 0603 plus 0698) (Line 6 above)	352,848	352,095	354,159	341,126	343,568	4,183,044

NOTES TO FINANCIAL STATEMENTS

1. Summary of Significant Accounting Policies and Going Concern

A. Accounting Practices

The accompanying financial statements of Community Insurance Company (the “Company”) have been prepared in conformity with the National Association of Insurance Commissioners’ (“NAIC”) *Annual Statement Instructions* and in accordance with accounting practices prescribed by the NAIC *Accounting Practices and Procedures Manual* (“NAIC SAP”), subject to any deviations prescribed or permitted by the Ohio Insurance Department (the “Department”).

A reconciliation of the Company’s net income (loss) and capital and surplus between NAIC SAP and practices prescribed and permitted by the Department is shown below:

	SSAP #	F/S Page	F/S Line #	2018	2017
<u>Net Income</u>					
(1) Community Insurance Company state basis (Page 4, Line 32, Columns 2 & 3)	XXX	XXX	XXX	\$ 386,618,759	\$348,557,354
(2) State Prescribed Practices that is an increase/(decrease) from NAIC SAP:				—	—
(3) State Permitted Practices that is an increase/(decrease) from NAIC SAP:				—	—
(4) NAIC SAP (1-2-3=4)	XXX	XXX	XXX	\$ 386,618,759	\$348,557,354
<u>Surplus</u>					
(5) Community Insurance Company state basis (Page 3, Line 33, Columns 3 & 4)	XXX	XXX	XXX	\$ 802,181,164	\$829,975,445
(6) State Prescribed Practices that is an increase/(decrease) from NAIC SAP:				—	—
(7) State Permitted Practices that is an increase/(decrease) from NAIC SAP:				—	—
(8) NAIC SAP (5-6-7=8)	XXX	XXX	XXX	\$ 802,181,164	\$829,975,445

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

Preparation of financial statements requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates. During 2018, the Company had a change in estimate relating to the Tax Cuts and Jobs Act. See Note 9C for details.

C. Accounting Policies

Health premiums are earned over the term of the related insurance policies and reinsurance contracts. Premiums written are reported net of excess loss reinsurance ceded and experience rating refunds. Unearned premium reserves are established to cover the unexpired portion of premiums written and are computed by pro rata methods for direct business and based on reports received from ceding companies for reinsurance. Premiums paid by subscribers prior to the effective date are recorded on the balance sheet as premiums received in advance and are subsequently credited to income as earned during the coverage period. Premium rates for certain lines of business are subject to approval by the Department. Expenses incurred in connection with acquiring new insurance business , including acquisition costs such as sales commissions, are charged to operations as incurred. All other costs, including underwriting expenses, are charged to operations as incurred.

NOTES TO FINANCIAL STATEMENTS

In addition, the Company uses the following accounting policies:

- (1) Short-term investments include investments with maturities of less than one year and more than three months at the date of acquisition and are reported at amortized cost, which approximates fair value. Non-investment grade short-term investments are stated at the lower of amortized cost or fair value.
- (2) Investment grade bonds not backed by other loans are stated at amortized cost, with amortization calculated based on the modified scientific method, using lower of yield to call or yield to maturity. Non-investment grade bonds are stated at the lower of amortized cost or fair value as determined by various third-party pricing sources.
- (3) Common stocks of unaffiliated companies are stated at fair value based upon security ratings prescribed by various third-party pricing sources.
- (4) Redeemable and perpetual preferred stocks of unaffiliated companies of highest, high or medium quality are stated at cost or amortized cost. All other preferred stocks are reported at lower of cost, amortized cost or fair value based upon the NAIC's designation.
- (5) The Company has no mortgage loans - real estate.
- (6) Loan-backed securities are stated at amortized cost. Prepayment assumptions for loan-backed securities and structured securities were obtained from broker-dealer survey values or internal estimates. These assumptions are consistent with the current interest rate and economic environment. The retrospective adjustment method is used to value all loan-backed securities. Non-investment grade loan-backed securities are stated at the lower of amortized cost or fair value.
- (7) The Company has no investments in subsidiaries, controlled and affiliated companies.
- (8) The Company has ownership interests in unaffiliated joint ventures and limited liability companies. The Company reports these interests as Other Long-Term Invested Assets on Schedule BA. The Company carries these investments at their underlying audited GAAP equity value at December 31, 2018. The Company reports the net change in the equity, excluding changes in capital contributions, as a change in net unrealized capital gains and losses.
- (9) The Company has no derivative instruments.
- (10) The Company does not anticipate investment income as a factor in premium deficiency calculations.
- (11) Unpaid claims and claims adjustment expenses include management's best estimate of amounts based on historical claim development patterns and certain individual case estimates. The established liability considers health benefit provisions, business practices, economic conditions and other factors that may materially affect the cost, frequency and severity of claims. Liabilities for unpaid claims and claim adjustment expenses are based on assumptions and estimates, and while management believes such estimates are reasonable, the ultimate liability may be in excess of or less than the amount provided. The methods for making such estimates and for establishing the resulting liabilities are continually reviewed and changes in estimates are incorporated into current period estimates.
- (12) The Company has not modified its capitalization policy from the prior period.
- (13) The Company recognizes losses from other-than-temporary impairment ("OTTI") of investments in accordance with Statements of Standard Accounting Practice ("SSAP") No. 26R, *Bonds*.
- (14) Pharmacy rebate receivables are recorded when earned based upon actual rebate receivables billed and an estimate of receivables based upon current utilization of specific pharmaceuticals and provider contract terms.
- (15) Service fees earned from providing administrative services to self-insured customers are deducted from operating expenses, and related claim payments and subsequent reimbursements of those claim payments are excluded from net income.
- (16) The Company records a liability for future policy benefits relating to certain individual product contracts. The liability represents the present value of future benefits to be paid to or on behalf of policy holders and related expenses less the present value of future net premiums. Changes in the liability for future benefits are reported as a component of net income in the period in which the change occurs.

NOTES TO FINANCIAL STATEMENTS

- (17) Premium under the Federal Employee Program (“FEP”) is earned when chargeable benefit costs, allowable expenses and retentions are incurred. Deferred premiums are recorded to offset the FEP liabilities for incurred claims but not reported and claims adjustment expenses that are due from the Office of Personnel Management (“OPM”), when the claims are ultimately paid.
- (18) For investments in corporate-owned life insurance (“COLI”), the amount that could be realized on a life insurance policy as of the date to which premiums have been paid is reported as an admitted asset. The change in the cash surrender value, or contract value, of COLI, during the period is treated as income.
- (19) A discount rate is applied to guaranty fund liabilities and assets related to assessments from insolvencies of entities that wrote long-term care contracts.

D. Going Concern

Not applicable.

2. Accounting Changes and Corrections of Errors

There were no accounting changes or corrections of errors during the years ended December 31, 2018 and 2017.

3. Business Combinations and Goodwill

A. Statutory Purchase Method	Not applicable.
B. Statutory Merger	Not applicable.
C. Assumption Reinsurance	Not applicable.
D. Impairment Loss	Not applicable.

4. Discontinued Operations

The Company had no operations that were discontinued during 2018 or 2017.

5. Investments

A. Mortgage Loans, including Mezzanine Real Estate Loans

The Company did not have investments in mortgage loans at December 31, 2018 or 2017.

B. Debt Restructuring

The Company did not have invested assets that were restructured debt at December 31, 2018 or 2017.

C. Reverse Mortgages

The Company did not have investments in reverse mortgages at December 31, 2018 or 2017.

D. Loan-Backed Securities

- (1) Prepayment assumptions for single-class and multi-class mortgage-backed and asset-backed securities were obtained from broker-dealer survey values or internal estimates. The Company used various third-party pricing sources in determining the market value of its loan-backed securities.
- (2) The Company did not recognize OTTI on its loan-backed securities during the years ended December 31, 2018 and 2017.
- (3) The Company did not recognize OTTI on its loan-backed securities at December 31, 2018 and 2017.
- (4) The Company had no impaired securities for which an OTTI had not been recognized in earnings as a realized loss at December 31, 2018 and 2017.
- (5) The Company had no impaired loan-backed securities at December 31, 2018 and 2017.

NOTES TO FINANCIAL STATEMENTS

E. Dollar Repurchase Agreements and/or Securities Lending Transactions

- (1) The Company did not enter into repurchase agreements at December 31, 2018 or 2017.
- (2) The Company participates in a securities lending program whereby marketable securities in its investment portfolio are transferred to independent brokers or dealers based on, among other things, their creditworthiness in exchange for collateral initially equal to at least 102% of the market value of the loaned securities. The Company receives the collateral in cash or securities, and if cash is received the cash collateral is thereafter invested according to guidelines of the Company’s Investment Policy.

(3) Collateral Received

a. Aggregate amount collateral received

	<u>Fair Value</u>
1. Securities Lending	
(a) Open	\$ 3,843,019
(b) 30 days or less	—
(c) 31 to 60 days	—
(d) 61 to 90 days	—
(e) Greater than 90 days	—
(f) Sub-total	<u>\$ 3,843,019</u>
(g) Securities received	<u>1,464,415</u>
(h) Total collateral received	<u><u>\$ 5,307,434</u></u>

2. Dollar repurchase agreement - Not applicable.

- b. The fair value of that collateral and of the portion of that collateral that it has sold or repledged
- | | |
|--|----------------------------|
| | <u><u>\$ 5,307,434</u></u> |
|--|----------------------------|

- c. The Company receives cash collateral in an amount in excess of fair value of the securities lent. The Company reinvests the cash collateral according to guidelines of the Company’s Investment Policy.

(4) Not applicable.

NOTES TO FINANCIAL STATEMENTS

(5) Collateral Reinvestment

a. Aggregate amount collateral reinvested

1.	Securities Lending	<u>Amortized Cost</u>	<u>Fair Value</u>
(a)	Open	\$ —	\$ —
(b)	30 days or less	909,992	910,480
(c)	31 to 60 days	834,659	835,436
(d)	61 to 90 days	339,384	339,406
(e)	91 to 120 days	292,942	293,010
(f)	121 to 180 days	764,508	764,458
(g)	181 to 365 days	700,203	700,229
(h)	1 to 2 years	—	—
(i)	2 to 3 years	—	—
(j)	Greater than 3 years	—	—
(k)	Sub-total	3,841,688	3,843,019
(l)	Securities received	1,464,415	1,464,415
(m)	Total collateral reinvested	\$ 5,306,103	\$ 5,307,434

2. Dollar repurchase agreement - Not applicable.

b. Not applicable.

(6) Not applicable.

(7) Not applicable.

F. Repurchase Agreements Transactions Accounted for as Secured Borrowing

The Company did not enter into repurchase agreement transactions accounted for as secured borrowing at December 31, 2018 or 2017.

G. Reverse Repurchase Agreements Transactions Accounted for as Secured Borrowing

The Company did not enter into reverse repurchase agreement transactions accounted for as a secured borrowing at December 31, 2018 or 2017.

H. Repurchase Agreements Transactions Accounted for as a Sale

The Company did not enter into repurchase agreement transactions accounted for as a sale at December 31, 2018 or 2017.

I. Reverse Repurchase Agreements Transactions Accounted for as a Sale

The Company did not enter into reverse repurchase agreement transactions accounted for as a sale at December 31, 2018 or 2017.

J. Real Estate

- (1) The Company did not have investments in real estate and did not engage in retail land sales operations during 2018. The Company did not recognize any impairment losses on its investment in real estate during 2017.
- (2) On December 26, 2017, the Company sold its Worthington, Ohio property for \$6,500,000. The Company had an agreement to lease back the property for 6 months. The Company recognized a \$1,650,288 gain on the sale of the building. The gain was deferred in a special surplus account and was amortized to income over the period of the lease.

NOTES TO FINANCIAL STATEMENTS

On May 31, 2017, the Company sold its Cincinnati, Ohio occupied properties to 1351 WHT Land, LLC. The Company recognized a gain of \$362,776 on the sale. The gain was recorded in net realized capital gains (losses) on the statement of revenue and expenses.

On May 2, 2017, the Company sold its Youngstown, Ohio property held for sale to Potential Development, Inc. The Company recognized a loss of \$33,608 on the sale. The loss was recorded in net realized capital gains (losses) on the statement of revenue and expenses.

- (3) Not applicable.
- (4) The Company did not engage in retail land sales operations during 2018 or 2017.
- (5) Not applicable.

K. Investments in Low-Income Housing Tax Credits

The Company did not invest in properties generating low-income housing tax credits during 2018 or 2017.

L. Restricted Assets

(1) Restricted assets (including pledged)

		1	2	3	4	5	6	7
		Total Gross (Admitted & Nonadmitted) Restricted from Current Year	Total Gross (Admitted & Nonadmitted) Restricted from Prior Year	Increase/ (Decrease) (1 minus 2)	Total Current Year Nonadmitted Restricted	Total Current Year Admitted Restricted (1 minus 4)	Gross Admitted and Nonadmitted Restricted to Total Assets (a)	Admitted Restricted to Total Admitted Assets (b)
Restricted Asset Category								
a.	Subject to contractual obligation for which liability is not shown	\$ —	\$ —	\$ —	\$ —	\$ —	—%	—%
b.	Collateral held under security lending agreements	5,306,103	7,628,010	(2,321,907)	—	5,306,103	0.28%	0.29%
c.	Subject to repurchase agreements	—	—	—	—	—	—%	—%
d.	Subject to reverse repurchase agreements	—	—	—	—	—	—%	—%
e.	Subject to dollar repurchase agreements	—	—	—	—	—	—%	—%
f.	Subject to dollar reverse repurchase agreements	—	—	—	—	—	—%	—%
g.	Placed under option contracts	—	—	—	—	—	—%	—%
h.	Letter stock or securities restricted as to sale-excluding FHLB capital stock	—	—	—	—	—	—%	—%
i.	FHLB capital stock	6,297,800	6,688,200	(390,400)	—	6,297,800	0.33%	0.35%
j.	On deposit with states	460,875	469,288	(8,413)	—	460,875	0.02%	0.03%
k.	On deposit with other regulatory bodies	—	—	—	—	—	—%	—%
l.	Pledged as collateral to FHLB (including assets backing funding agreements)	170,851,011	165,233,123	5,617,888	—	170,851,011	8.96%	9.43%
m.	Pledged as collateral not captured in other categories	—	—	—	—	—	—%	—%
n.	Other restricted assets	—	—	—	—	—	—%	—%
o.	Total Restricted Assets	\$ 182,915,789	\$ 180,018,621	\$ 2,897,168	\$ —	\$ 182,915,789	9.59%	10.10%

(a) Column 1 divided by Asset Page, Column 1, Line 28

(b) Column 5 divided by Asset Page, Column 3, Line 28

(2) Not applicable.

(3) Not applicable.

NOTES TO FINANCIAL STATEMENTS

(4) Collateral Received and Reflected as Assets Within the Reporting Entity’s Financial Statements

	1	2	3	4
Collateral Assets	Book/Adjusted Carrying Value (BACV)	Fair Value	% of BACV to Total Assets (Admitted and Nonadmitted*)	% of BACV to Total Admitted Assets **
a. Cash	\$ —	\$ —	—%	—%
b. Schedule D, Part 1	—	—	—	—
c. Schedule D, Part 2 Section 1	—	—	—	—
d. Schedule D, Part 2 Section 2	—	—	—	—
e. Schedule B	—	—	—	—
f. Schedule A	—	—	—	—
g. Schedule BA, Part 1	—	—	—	—
h. Schedule DL, Part 1	5,306,103	5,307,434	0.3%	0.3%
i. Other	—	—	—	—
j. Total Collateral Assets (a+b+c+d+e+f+g+h+i)	\$ 5,306,103	\$ 5,307,434	0.3%	0.3%

* Column 1 divided by Asset Page, Line 26 (Column 1)

** Column 1 divided by Asset Page, Line 26 (Column 3)

	<u>1</u>	<u>2</u>
	<u>Amount</u>	<u>% of Liability to Total Liabilities *</u>
k. Recognized Obligation to Return Collateral Asset	\$ 5,306,103	0.53%

* Column 1 divided by Liability Page, Line 24 (Column 3)

M. Working Capital Finance Investments

The Company did not have any working capital finance investments at December 31, 2018 and 2017.

N. Offsetting and Netting of Assets and Liabilities

The Company did not have any offsetting or netting of assets and liabilities at December 31, 2018 and 2017.

O. Structured Notes

The Company did not have any structured notes at December 31, 2018 and 2017.

P. 5GI Securities

The Company has no 5GI Securities as of December 31, 2018 and 2017.

Q. Short Sales

The Company did not have any short sales at December 31, 2018 and 2017.

NOTES TO FINANCIAL STATEMENTS

R. Prepayment Penalty and Acceleration Fees

	General Account
(1) Number of CUSIPs	4
(2) Aggregate Amount of Investment Income \$	48,484

6. Joint Ventures, Partnerships and Limited Liability Companies

- A. The Company has no investments in joint ventures, partnerships or limited liability companies that exceeded 10% of its admitted assets at December 31, 2018 or 2017.
- B. The Company did not recognize any impairment write downs for its investments in joint ventures, partnerships, or limited liability companies during 2018 or 2017.

7. Investment Income

- A. All investment income due and accrued with amounts that are over 90 days past due is non-admitted.
- B. At December 31, 2018 and 2017 there was \$5,120 and \$72,840 nonadmitted accrued investment interest income, respectively.

8. Derivative Instruments

The Company has no derivative instruments.

ANNUAL STATEMENT FOR THE YEAR 2018 OF THE Community Insurance Company

NOTES TO FINANCIAL STATEMENTS

9. Income Taxes

A. The components of net deferred tax assets (liabilities):

(1) The components of net deferred tax asset (liabilities) are as follows:

12/31/2018			
	(1)	(2)	(3)
	Ordinary	Capital	(Col 1+2) Total
(a) Gross Deferred Tax Assets	\$ 42,123,326	\$ 3,568,014	\$ 45,691,340
(b) Statutory Valuation Allowance Adjustments	—	—	—
(c) Adjusted Gross Deferred Tax Assets (1a - 1b)	42,123,326	3,568,014	45,691,340
(d) Deferred Tax Assets Nonadmitted	2,496,974	—	2,496,974
(e) Subtotal Net Admitted Deferred Tax Asset (1c - 1d)	39,626,352	3,568,014	43,194,366
(f) Deferred Tax Liabilities	1,698,007	2,998,465	4,696,472
(g) Net Admitted Deferred Tax Asset/(Net Deferred Tax Liability) (1e - 1f)	\$ 37,928,345	\$ 569,549	\$ 38,497,894

12/31/2017			
	(4)	(5)	(6)
	Ordinary	Capital	(Col 4+5) Total
(a) Gross Deferred Tax Assets	\$ 43,551,679	\$ 15,296	\$ 43,566,975
(b) Statutory Valuation Allowance Adjustments	—	—	—
(c) Adjusted Gross Deferred Tax Assets (1a - 1b)	43,551,679	15,296	43,566,975
(d) Deferred Tax Assets Nonadmitted	—	—	—
(e) Subtotal Net Admitted Deferred Tax Asset (1c - 1d)	43,551,679	15,296	43,566,975
(f) Deferred Tax Liabilities	2,828,578	12,277,528	15,106,106
(g) Net Admitted Deferred Tax Asset/(Net Deferred Tax Liability) (1e - 1f)	\$ 40,723,101	\$ (12,262,232)	\$ 28,460,869

Change			
	(7)	(8)	(9)
	(Col 1-4) Ordinary	(Col 2-5) Capital	(Col 7+8) Total
(a) Gross Deferred Tax Assets	\$ (1,428,353)	\$ 3,552,718	\$ 2,124,365
(b) Statutory Valuation Allowance Adjustments	—	—	—
(c) Adjusted Gross Deferred Tax Assets (1a - 1b)	(1,428,353)	3,552,718	2,124,365
(d) Deferred Tax Assets Nonadmitted	2,496,974	—	2,496,974
(e) Subtotal Net Admitted Deferred Tax Asset (1c - 1d)	(3,925,327)	3,552,718	(372,609)
(f) Deferred Tax Liabilities	(1,130,571)	(9,279,063)	(10,409,634)
(g) Net Admitted Deferred Tax Asset/(Net Deferred Tax Liability) (1e - 1f)	\$ (2,794,756)	\$ 12,831,781	\$ 10,037,025

NOTES TO FINANCIAL STATEMENTS

(2) The amount of admitted adjusted gross deferred tax assets under each component of SSAP No. 101, *Income Taxes* (“SSAP No. 101”) are as follows:

12/31/2018		
(1)	(2)	(3)
Ordinary	Capital	(Col 1+2) Total

Admission Calculation Components SSAP No. 101

(a) Federal Income Taxes Paid in Prior Years Recoverable Through Loss Carrybacks.	\$ 34,929,880	\$ 3,568,014	\$ 38,497,894
(b) Adjusted Gross Deferred Tax Assets Expected To Be Realized (Excluding The Amount Of Deferred Tax Assets From 2(a) above) After Application of the Threshold Limitation. (The Lesser of 2(b)1 and 2(b)2 Below)	—	—	—
1. Adjusted Gross Deferred Tax Assets Expected To Be Realized Following the Balance Sheet Date.	—	—	—
2. Adjusted Gross Deferred Tax Assets Allowed per Limitation Threshold.	XXX	XXX	114,552,491
(c) Adjusted Gross Deferred Tax Assets (Excluding The Amount Of Deferred Tax Assets From 2(a) and 2(b) above) Offset by Gross Deferred Tax Liabilities.	4,696,472	—	4,696,472
(d) Deferred Tax Assets Admitted as the result of application of SSAP No. 101. Total (2(a) + 2(b) + 2(c))	\$ 39,626,352	\$ 3,568,014	\$ 43,194,366

12/31/2017		
(4)	(5)	(6)
Ordinary	Capital	(Col 4+5) Total

Admission Calculation Components SSAP No. 101

(a) Federal Income Taxes Paid in Prior Years Recoverable Through Loss Carrybacks.	\$ 37,904,186	\$ 15,296	\$ 37,919,482
(b) Adjusted Gross Deferred Tax Assets Expected To Be Realized (Excluding The Amount Of Deferred Tax Assets From 2(a) above) After Application of the Threshold Limitation. (The Lesser of 2(b)1 and 2(b)2 Below)	—	—	—
1. Adjusted Gross Deferred Tax Assets Expected To Be Realized Following the Balance Sheet Date.	—	—	—
2. Adjusted Gross Deferred Tax Assets Allowed per Limitation Threshold.	XXX	XXX	120,227,142
(c) Adjusted Gross Deferred Tax Assets (Excluding The Amount Of Deferred Tax Assets From 2(a) and 2(b) above) Offset by Gross Deferred Tax Liabilities.	5,647,493	—	5,647,493
(d) Deferred Tax Assets Admitted as the result of application of SSAP No. 101. Total (2(a) + 2(b) + 2(c))	\$ 43,551,679	\$ 15,296	\$ 43,566,975

Change		
(7)	(8)	(9)
(Col 1-4) Ordinary	(Col 2-5) Capital	(Col 7+8) Total

Admission Calculation Components SSAP No. 101

(a) Federal Income Taxes Paid in Prior Years Recoverable Through Loss Carrybacks.	\$ (2,974,306)	\$ 3,552,718	\$ 578,412
(b) Adjusted Gross Deferred Tax Assets Expected To Be Realized (Excluding The Amount Of Deferred Tax Assets From 2(a) above) After Application of the Threshold Limitation. (The Lesser of 2(b)1 and 2(b)2 Below)	—	—	—
1. Adjusted Gross Deferred Tax Assets Expected To Be Realized Following the Balance Sheet Date.	—	—	—
2. Adjusted Gross Deferred Tax Assets Allowed per Limitation Threshold.	XXX	XXX	(5,674,651)
(c) Adjusted Gross Deferred Tax Assets (Excluding The Amount Of Deferred Tax Assets From 2(a) and 2(b) above) Offset by Gross Deferred Tax Liabilities.	(951,021)	—	(951,021)
(d) Deferred Tax Assets Admitted as the result of application of SSAP No. 101. Total (2(a) + 2(b) + 2(c))	\$ (3,925,327)	\$ 3,552,718	\$ (372,609)

NOTES TO FINANCIAL STATEMENTS

(3)		2018	2017
(a)	Ratio Percentage Used To Determine Recovery Period And Threshold Limitation Amount.	412%	420%
(b)	Amount Of Adjusted Capital And Surplus Used To Determine Recovery Period And Threshold Limitation In 2(b)2 Above.	\$ 763,683,270	\$ 801,514,278

(4)	12/31/2018		12/31/2017		Change	
	(1)	(2)	(3)	(4)	(5)	(6)
	Ordinary	Capital	Ordinary	Capital	(Col 1-3) Ordinary	(Col 2-4) Capital

Impact of Tax-Planning Strategies

(a)	Determination of Adjusted Gross Deferred Tax Assets and Net Admitted Deferred Tax Assets, By Tax Character As A Percentage.						
1.	Adjusted Gross DTAs Amount From Note 9A1(c)	\$ 42,123,326	\$ 3,568,014	\$ 43,551,679	\$ 15,296	\$ (1,428,353)	\$ 3,552,718
2.	Percentage of Adjusted Gross DTAs By Tax Character Attributable To The Impact Of Tax Planning Strategies	—%	—%	—%	—%	—%	—%
3.	Net Admitted Adjusted Gross DTAs Amount From Note 9A1(e)	\$ 39,626,352	\$ 3,568,014	\$ 43,551,679	\$ 15,296	\$ (3,925,327)	\$ 3,552,718
4.	Percentage of Net Admitted Adjusted Gross DTAs By Tax Character Admitted Because Of The Impact Of Tax Planning Strategies	—%	—%	—%	—%	—%	—%
(b)	Does the Company’s tax-planning strategies include the use of reinsurance?			Yes		No	X

B. The Company has no unrecognized deferred tax liabilities at December 31, 2018 and 2017.

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

(1)	Current Income Tax	(1)	(2)	(3)
		12/31/2018	12/31/2017	(Col 1-2) Change
(a)	Federal	\$ 111,570,519	\$ 155,997,809	\$ (44,427,290)
(b)	Foreign	—	—	—
(c)	Subtotal	111,570,519	155,997,809	(44,427,290)
(d)	Federal income tax expense on net capital gains	11,672,373	18,224,254	(6,551,881)
(e)	Utilization of capital loss carry-forwards	—	—	—
(f)	Other	—	—	—
(g)	Federal and foreign income taxes incurred	\$ 123,242,892	\$ 174,222,063	\$ (50,979,171)

NOTES TO FINANCIAL STATEMENTS

		(1)	(2)	(3)
		12/31/2018	12/31/2017	(Col 1-2) Change
(2)	Deferred Tax Assets:			
(a)	Ordinary			
(1)	Discounting of unpaid losses	\$ 956,543	\$ 932,130	\$ 24,413
(2)	Unearned premium reserve	2,052,635	1,643,800	408,835
(3)	Policyholder reserves	2,058,910	4,491,022	(2,432,112)
(4)	Investments	—	—	—
(5)	Deferred acquisition costs	3,012,458	3,112,404	(99,946)
(6)	Policyholder dividends accrual	—	—	—
(7)	Fixed assets	2,540,808	1,443,810	1,096,998
(8)	Compensation and benefits accrual	1,812,547	1,285,159	527,388
(9)	Pension accrual	—	—	—
(10)	Receivables - nonadmitted	12,785,573	12,557,672	227,901
(11)	Net operating loss carry-forward	—	—	—
(12)	Tax credit carry-forward	—	—	—
(13)	Other (including items <5% of total ordinary tax assets)	1,891,555	1,460,864	430,691
(14)	Accrued future expenses	7,029,836	7,188,283	(158,447)
(15)	Amortization	1,111,257	1,541,421	(430,164)
(16)	Premium deficiency reserves	—	503,262	(503,262)
(17)	Prepaid expenses	2,192,203	2,023,365	168,838
(18)	State income tax liability	4,679,001	5,368,487	(689,486)
(99)	Subtotal	42,123,326	43,551,679	(1,428,353)
(b)	Statutory valuation allowance adjustment	—	—	—
(c)	Nonadmitted	2,496,974	—	2,496,974
(d)	Admitted ordinary deferred tax assets (2a99 - 2b - 2c)	39,626,352	43,551,679	(3,925,327)
(e)	Capital			
(1)	Investments	3,568,014	—	3,568,014
(2)	Net capital loss carry-forward	—	—	—
(3)	Real estate	—	—	—
(4)	Other (including items <5% of total capital tax assets)	—	—	—
(5)	Bonds	—	15,296	(15,296)
(99)	Subtotal	3,568,014	15,296	3,552,718
(f)	Statutory valuation allowance adjustment	—	—	—
(g)	Nonadmitted	—	—	—
(h)	Admitted capital deferred tax assets (2e99 - 2f - 2g)	3,568,014	15,296	3,552,718
(i)	Admitted deferred tax assets (2d + 2h)	\$ 43,194,366	\$ 43,566,975	\$ (372,609)

NOTES TO FINANCIAL STATEMENTS

	(1)	(2)	(3)
	12/31/2018	12/31/2017	(Col 1-2) Change
(3) Deferred Tax Liabilities:			
(a) Ordinary			
(1) Investments	\$ —	\$ —	\$ —
(2) Fixed assets	—	—	—
(3) Deferred and uncollected premium	—	—	—
(4) Policyholder reserves	—	—	—
(5) Other (including items <5% of total ordinary tax liabilities)	—	—	—
(6) Discount of coordination of benefits	18,247	11,522	6,725
(7) Guaranty fund assessment	1,679,760	2,817,056	(1,137,296)
(99) Subtotal	1,698,007	2,828,578	(1,130,571)
(b) Capital			
(1) Investments	—	11,325,704	(11,325,704)
(2) Real estate	—	—	—
(3) Other (including items <5% of total capital tax liabilities)	—	—	—
(4) Investment partnership income	2,998,465	951,824	2,046,641
(99) Subtotal	2,998,465	12,277,528	(9,279,063)
(c) Deferred tax liabilities (3a99 + 3b99)	4,696,472	15,106,106	(10,409,634)
(4) Net deferred tax assets/liabilities (2i - 3c)	\$ 38,497,894	\$ 28,460,869	\$ 10,037,025

Preparation of financial statements require management to make estimates and assumptions that affect the amount reported in the financial statements and accompanying notes. Actual results could differ from those estimates. As of December 31, 2017, the Company remeasured certain deferred tax assets and liabilities based on the rates at which they were expected to reverse in the future, which was generally 21%, by recording a provisional net decrease to deferred tax assets and liabilities of \$18,973,913. Upon further analysis of the Tax Cuts and Jobs Act and refinement of calculations during the twelve months ended December 31, 2018, the Company adjusted the provisional amount by \$4,309,247 to \$14,664,666, which is included as a component of statutory surplus.

D. The Company’s income tax expense and change in deferred income taxes differs from the amount obtained by applying the federal statutory income tax rate of 21% for the year ended December 31, 2018, and 35% for the year ended December 31, 2017 as follows:

	2018	2017
Tax expense computed using federal statutory rate	\$ 107,070,947	\$ 182,972,797
ACA health insurer fee	22,862,189	—
Change in nonadmitted assets	(2,247,284)	21,063,872
Tax exempt income and dividend received deduction net of proration	(1,869,421)	(4,570,194)
Prior year true-up and adjustments	(4,336,760)	(439,916)
Tax settlements and contingencies	2,199,688	227
Tax Cuts and Jobs Act	—	19,926,719
Other, net	279,380	63,326
Total	\$ 123,958,739	\$ 219,016,831
Federal income taxes incurred	\$ 123,242,892	\$ 174,222,063
Change in net deferred income taxes	715,847	44,794,768
Total statutory income taxes	\$ 123,958,739	\$ 219,016,831

E. Operating loss carryforwards:

(1) The Company has no operating loss carryforwards and no tax credit carryforwards as of December 31, 2018 or 2017.

NOTES TO FINANCIAL STATEMENTS

(2) The following are income taxes incurred in the current and prior year(s) that will be available for recoupment in the event of future net losses:

	Ordinary	Capital	Total
2018	\$ 120,171,833	\$ 11,672,373	\$ 131,844,206
2017	151,471,213	19,030,788	170,502,001
2016	N/A	9,622,513	9,622,513

(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, 2018 and 2017.

F. The following companies will be included in the consolidated federal income tax return with their parent Anthem, Inc. (“Anthem”) as of December 31, 2018 and either are current members of the consolidated tax sharing agreement or are in the process of being added to the consolidated tax sharing agreement. Allocation of federal income taxes with affiliates subject to the tax sharing agreement is based upon separate income tax return calculations with credit for net losses that can be used on a consolidated basis. Pursuant to this agreement, the Company has the enforceable right to recoup federal income taxes paid in prior years in the event of future losses, which it may incur, or to recoup its net losses carried forward as an offset to future net income subject to federal income taxes. Intercompany income tax balances are settled based on the Internal Revenue Service due dates.

American Imaging Management, Inc.	DeCare Dental Networks, LLC
America's 1st Choice of South Carolina, Inc.	DeCare Dental, LLC
America's Health Management Services, Inc.	Designated Agent Company, Inc.
AMERIGROUP Community Care of New Mexico, Inc.	EHC Benefits Agency, Inc.
AMERIGROUP Corporation	Empire HealthChoice Assurance, Inc.
Amerigroup Delaware, Inc.	Empire HealthChoice HMO, Inc.
AMERIGROUP District of Columbia, Inc.	Federal Government Solutions, LLC
Amerigroup Health Plan of Louisiana, Inc.	Freedom Health, Inc.
Amerigroup Health Plan of Oregon, Inc.	Golden West Health Plan, Inc.
Amerigroup Insurance Company	Greater Georgia Life Insurance Company
AMERIGROUP Iowa, Inc.	Health Core, Inc.
Amerigroup Kansas, Inc.	Health Management Corporation
AMERIGROUP Maryland, Inc.	HealthKeepers, Inc.
Amerigroup Michigan, Inc.	HealthLink HMO, Inc.
AMERIGROUP Mississippi, Inc.	HealthLink, Inc.
AMERIGROUP New Jersey, Inc.	HealthLink Insurance Company
AMERIGROUP Ohio, Inc.	HealthPlus HP, LLC
AMERIGROUP Oklahoma, Inc.	HealthSun Blocker Corp. I
Amerigroup Pennsylvania, Inc.	HealthSun Blocker Corp. II
AMERIGROUP Tennessee, Inc.	Healthy Alliance Life Insurance Company
AMERIGROUP Texas, Inc.	HEP AP Holdings, Inc.
Amerigroup Utah, Inc.	Highland Holdco, Inc.
AMERIGROUP Washington, Inc.	HMO Colorado, Inc.
AMGP Georgia Managed Care Company, Inc.	HMO Missouri, Inc.
Anthem Blue Cross Life and Health Insurance Company	Imaging Management Holdings, LLC
Anthem Financial, Inc.	IngenioRx, Inc.
Anthem Health Insurance Company of Nevada	Legato Holdings I, Inc.
Anthem Health Plans of Kentucky, Inc.	Living Complete Technologies, Inc.
Anthem Health Plans of Maine, Inc.	Matthew Thornton Health Plan, Inc.
Anthem Health Plans of New Hampshire, Inc.	National Government Services, Inc.
Anthem Health Plans of Virginia, Inc.	New England Research Institutes, Inc.
Anthem Health Plans, Inc.	Newco Holdings, Inc.
Anthem Holding Corp.	Optimum Healthcare, Inc.
Anthem Insurance Companies, Inc.	Park Square Holdings, Inc.
Anthem Kentucky Managed Care Plan, Inc.	Park Square I, Inc.
Anthem Life & Disability Insurance Company	Park Square II, Inc.
Anthem Southeast, Inc.	Resolution Health, Inc.

NOTES TO FINANCIAL STATEMENTS

Anthem UM Services, Inc.	RightCHOICE Managed Care, Inc.
Anthem, Inc.	Rocky Mountain Hospital and Medical Service, Inc.
Arcus Enterprises, Inc.	SellCore, Inc.
Aspire Health, Inc.	Simply Healthcare Plans, Inc.
Associated Group, Inc.	Southeast Services, Inc.
Blue Cross and Blue Shield of Georgia, Inc.	State Sponsored DM Services, Inc.
Blue Cross Blue Shield Healthcare Plan of Georgia, Inc.	The Anthem Companies of California, Inc.
Blue Cross Blue Shield of Wisconsin	The Anthem Companies, Inc.
Blue Cross of California	TrustSolutions, LLC
Blue Cross of California Partnership Plan, Inc.	UNICARE Health Plan of West Virginia, Inc.
CareMore Health Plan	UNICARE Illinois Services, Inc.
CareMore Health Plan of Arizona, Inc.	UNICARE Life & Health Insurance Company
CareMore Health Plan of Nevada, Inc.	UNICARE National Services, Inc.
CareMore Health Plan of Texas, Inc.	UNICARE Specialty Services, Inc.
CareMore Health System	Valus, Inc.
Cerulean Companies, Inc.	WellPoint Behavioral Health, Inc.
Claim Management Services, Inc.	WellPoint California Services, Inc.
Community Care Health Plan of Louisiana, Inc.	WellPoint Dental Services, Inc.
Community Care Health Plan of Nevada, Inc.	WellPoint Health Solutions, Inc.
Community Insurance Company	WellPoint Holding Corporation
Compcare Health Services Insurance Corporation	WellPoint Information Technology Services, Inc.
Crossroads Acquisition Corp	WellPoint Insurance Services, Inc.
DeCare Analytics, LLC	WellPoint Military Care Corporation
DeCare Dental Health International, LLC	

G. The Company has a tax loss contingency related to the 2017 consolidated tax return in which interest was accrued and expensed in the amount of \$2,365. This interest is netted with current federal income tax.

H. Repatriation Transition Tax (RTT)

Not applicable.

I. Alternative Minimum Tax (AMT) Credit

Not applicable.

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

A. Nature of the Relationship

The Company is an Ohio domiciled stock insurance company and is a wholly-owned subsidiary of ATH Holding Company, LLC (“ATH Holding”), which is a wholly-owned subsidiary of Anthem, a publicly traded company.

B. Significant Transactions for Each Period

The following significant transactions took place between the Company and its affiliates:

The Board of Directors of the Company declared an extraordinary dividend in the amount of \$109,042,646 on August 17, 2018. The Department approved this dividend on September 18, 2018. The Company paid the dividend to its parent company, ATH Holding, on September 25, 2018.

The Board of Directors of the Company declared an ordinary dividend in the amount of \$6,457,354 on August 17, 2018. The Company paid the dividend to its parent company, ATH Holding, on September 25, 2018.

NOTES TO FINANCIAL STATEMENTS

The Board of Directors of the Company declared an ordinary dividend in the amount of \$233,000,000 on June 13, 2018. The Company paid the dividend to its parent company, ATH Holding, on June 27, 2018.

The Board of Directors of the Company declared an ordinary dividend in the amount of \$109,100,000 on November 30, 2017. The Company paid the dividend to its parent company, ATH Holding, on December 15, 2017.

The Board of Directors of the Company declared an ordinary dividend in the amount of \$210,000,000 on June 8, 2017. The Company paid the dividend to its parent company, ATH Holding, on June 26, 2017.

Effective January 1, 2018, the Company entered into a quota share reinsurance agreement to cede 20% of its direct Federal Employee Program (“FEP”) liabilities, net of applicable assets, and 20% of its respective direct FEP written premiums less claims less a ceding commission to Anthem Insurance Companies, Inc., an affiliated company and an authorized reinsurer, as indicated in the Quota Share Reinsurance Contract that was approved by the Department on March 5, 2018.

C. Intercompany Management and Service Arrangements

There were no changes to the intercompany management and service arrangements, and there were no additional arrangements entered into during 2018 or 2017. The amounts of transactions under such agreements are presented in Schedule Y, Part 2.

D. Amounts Due to or from Related Parties

At December 31, 2018, the Company reported no amounts due from affiliates. At December 31, 2018, the Company reported \$64,964,240 due to affiliates. At December 31, 2017, the Company reported \$36,778,162 due from affiliates. At December 31, 2017, the Company reported no amounts due to affiliates. The receivable and payable balances represent intercompany transactions that will be settled in accordance with the settlement terms of the intercompany agreement.

E. Guarantees or Contingencies for Related Parties

The Company did not enter into guarantees or undertakings for the benefit of an affiliate which would result in a material contingent exposure of the Company’s or any affiliated insurer’s assets or liabilities.

F. Management and Service Contracts and Cost Sharing Arrangements

The Company has entered into administrative services agreements with its affiliated companies. Pursuant to these agreements, various administrative, management and support services are provided to or provided by the Company. The costs and expenses related to these administrative management and support services are allocated to or allocated by the Company in an amount equal to the direct and indirect costs and expenses incurred in providing these services. Costs include expenses such as salaries, employee benefits, communications, advertising, consulting services, rent, utilities, billing, accounting, underwriting, and product development, which support the Company’s operations. These costs are allocated based on various utilization statistics.

The Company is party to a cash concentration agreement with its affiliated companies. Under this agreement, any of the Company’s affiliates may be designated as a cash manager to handle the collection and/or payment of funds on behalf of the Company. Conversely, the Company may be designated as a cash manager to handle the collection and/or payment of funds on behalf of its affiliates. Cash services covered under this agreement include the collection of premiums and other revenue, the collection of benefit and administrative

NOTES TO FINANCIAL STATEMENTS

expense reimbursements, the payment of policy benefits, payroll expense, general and administrative expense, and accounts payable disbursements.

G. Nature of Control Relationships that Could Affect Operations or Financial Position

ATH Holding owns all outstanding shares of the Company. The Company's ultimate parent is Anthem.

H. Amount Deducted for Investment in Upstream Company

The Company and its subsidiary do not own shares of upstream intermediate entities or Anthem.

I. Detail of Investments in Affiliates Greater than 10% of Admitted Assets

The Company does not have investments in affiliates greater than 10% of admitted assets.

J. Write-down for Impairments of Investments in Subsidiaries, Controlled or Affiliated ("SCA") Companies

Not applicable.

K. Investment in a Foreign Insurance Subsidiary

The Company does not have investments in foreign insurance subsidiaries.

L. Investment in Downstream Non-insurance Holding Companies

The Company does not have investments in downstream non-insurance holding companies.

M. All SCA Investments

The Company has no SCA Investments.

N. Investment in Insurance SCAs

The Company does not have investments in Insurance SCAs.

O. SCA Loss Tracking

The Company does not have losses on investments in Insurance SCAs and/or joint ventures, partnerships or LLCs.

11. Debt

A. Capital Notes and Other Debt

The Company had no capital notes or other debt outstanding at December 31, 2018 and 2017.

B. FHLB (Federal Home Loan Bank) Agreements

(1) The Company is a member of the Federal Home Loan Bank of Cincinnati ("FHLBC"). Through its membership, the Company has conducted business activity (borrowings) with the FHLBC. It is part of the Company's strategy to utilize these funds as working capital. The Company has determined the actual maximum borrowing capacity as \$195,467,020. The Company calculated this amount in accordance with current FHLBC capital stock.

NOTES TO FINANCIAL STATEMENTS

(2) FHLB Capital Stock

a. Aggregate Totals

1. Current year

	Total
(a) Membership stock - Class A	\$ —
(b) Membership stock - Class B	2,388,460
(c) Activity stock	—
(d) Excess stock	3,909,340
(e) Aggregate total (a+b+c+d)	\$ 6,297,800
(f) Actual or estimated borrowing capacity as determined by the insurer	\$ 195,467,020

2. Prior year-end

	Total
(a) Membership stock - Class A	\$ —
(b) Membership stock - Class B	2,566,416
(c) Activity stock	4,121,784
(d) Excess stock	—
(e) Aggregate total (a+b+c+d)	\$ 6,688,200
(f) Actual or estimated borrowing capacity as determined by the insurer	\$ 150,000,000

11B(2)a1(f) should be equal to or greater than 11B(4)a1(d)

11B(2)a2(f) should be equal to or greater than 11B(4)a2(d)

b. Membership Stock (Class A and B) Eligible and Not Eligible for Redemption

Membership Stock	1 Current Year Total (2+3+4+5+6)	2 Not Eligible for Redemption	Eligible for Redemption			
			3 Less Than 6 Months	4 6 Months to Less Than 1 Year	5 1 to Less Than 3 Years	6 3 to 5 Years

1. Class A \$ — \$ — \$ — \$ — \$ — \$ —

2. Class B \$ 2,388,460 \$ 2,388,460 \$ — \$ — \$ — \$ —

11B(2)b1 Current Year Total (Column 1) should equal 11B(2)a1(a) Total (Column 1)

11B(2)b2 Current Year Total (Column 1) should equal 11B(2)a1(b) Total (Column 1)

NOTES TO FINANCIAL STATEMENTS

(3) Collateral Pledged to FHLB

a. Amount pledged as of reporting date

	1	2	3
	Fair Value	Carrying Value	Aggregate Total Borrowing
1. Current Year Total Collateral Pledged	\$ 168,378,751	\$ 170,851,011	\$ —
2. Prior Year-end Total Collateral Pledged	\$ 165,212,741	\$ 165,233,123	\$ 150,000,000

11B(3)a1 (Columns 1, 2 and 3) should be equal to or less than 11B(3)b1 (Columns 1, 2 and 3 respectively)

11B(3)a2 (Columns 1, 2 and 3) should be equal to or less than 11B(3)b2 (Columns 1, 2 and 3 respectively)

b. Maximum amount pledged during reporting period

	1	2	3
	Fair Value	Carrying Value	Amount Borrowed at Time of Maximum Collateral
1. Current Year Total Maximum Collateral Pledged	\$ 168,378,751	\$ 170,851,011	\$ —
2. Prior Year-end Total Maximum Collateral Pledged	\$ 166,209,418	\$ 167,204,903	\$ 150,000,000

(4) Borrowing from FHLB

a. Amount as of the reporting date

	Total	Funding Agreements Reserves Established
1. Current year		
(a) Debt	\$ —	XXX
(b) Funding agreements	—	—
(c) Other	—	XXX
(d) Aggregate total (a+b+c)	\$ —	\$ —
2. Prior year-end		
(a) Debt	\$ 150,000,000	XXX
(b) Funding agreements	—	—
(c) Other	—	XXX
(d) Aggregate total (a+b+c)	\$ 150,000,000	\$ —

b. Maximum amount during reporting period (current year)

	Total
1. Debt	\$ 150,000,000
2. Funding agreements	—
3. Other	—
4. Aggregate total (Lines 1+2+3)	\$ 150,000,000

c. FHLB - Prepayment obligations

	Does the Company have prepayment obligations under the following arrangements (YES/NO)?
1. Debt	No
2. Funding agreements	No
3. Other	No

NOTES TO FINANCIAL STATEMENTS

C. All Other Debt

The Company had no other debt outstanding at December 31, 2018 and 2017.

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

A. Defined Benefit Plan

Not applicable - See Note 12G.

B. Not applicable - See Note 12G.

C. Not applicable - See Note 12G.

D. Not applicable - See Note 12G.

E. Defined Contribution Plans

Not applicable - See Note 12G.

F. Multiemployer Plans

The Company does not participate in a multiemployer plan.

G. Consolidated/Holding Company Plans

The Company participates in frozen non-contributory defined benefit pension plans sponsored by ATH Holding, covering most employees of Anthem and its subsidiaries. ATH Holding allocates a share of the total accumulated costs of the plans to the Company based on the number of allocated employees. The Company has no legal obligation for benefits under these plans.

The Company participates in a postretirement medical benefit plan, sponsored by ATH Holding, providing certain health, life, vision and dental benefits to eligible retirees. ATH Holding allocates a share of the total accumulated costs of this plan to the Company based on the number of allocated employees. The Company has no legal obligation for benefits under this plan.

The Company participates in a nonqualified deferred compensation plan sponsored by Anthem which covers certain employees once the participant reaches the maximum contribution amount for the Anthem 401(k) Plan (the "401(k) Plan"). The deferred amounts are payable according to the terms and subject to the conditions of the deferred compensation plan. Anthem allocates a share of the total accumulated costs of this plan to the Company based on the number of allocated employees subject to the deferred compensation plan. The Company has no legal obligation for benefits under this plan.

The Company participates in the 401(k) Plan, sponsored by ATH Holding and covering substantially all employees. Voluntary employee contributions are matched by ATH Holding subject to certain limitations. ATH Holding allocates a share of the total accumulated costs of this plan to the Company based on the number of allocated employees. The Company has no legal obligation for benefits under this plan.

NOTES TO FINANCIAL STATEMENTS

During 2018 and 2017, the Company was allocated the following costs or (credits) for these retirement benefits:

	2018	2017
Defined benefit pension plan	\$ (2,350,496)	\$ (2,469,603)
Postretirement medical benefit plan	(380,957)	180,661
Deferred compensation plan	270,357	237,305
Defined contribution plan	9,405,251	8,250,320

H. Post Employment Benefits and Compensated Absences

Not applicable.

I. Impact of Medicare Modernization Act on Postretirement Benefits (INT 04-17)

Not applicable.

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

(1) Outstanding Shares

As of December 31, 2018, the Company has 750 shares of \$10,000 par value common stock authorized. The number of shares issued and outstanding is 114.23.

(2) Preferred Stock

The Company has no preferred stock outstanding.

(3) Dividend Restrictions

The maximum amount of dividends which can be paid by State of Ohio insurance companies to shareholders without prior approval of the Insurance Commissioner is subject to restrictions relating to statutory surplus and net income. Within any 12 month period, cumulative dividends may not exceed the greater of 10% of statutory surplus at the prior December 31, or net income for the 12 month period ending at the prior December 31. Also, any dividend paid from other than earned surplus shall be considered an extraordinary dividend.

(4) Dividends Paid

See Footnote 10B.

(5) Maximum Ordinary Dividend During 2019

Within the limitations of (3) above, the Company may pay \$386,618,759 in ordinary dividends during 2019 without restrictions, other than state notification requirements.

(6) Unassigned Surplus Restrictions

Unassigned surplus funds are not restricted at December 31, 2018.

(7) Mutual Surplus Advances

Not applicable.

NOTES TO FINANCIAL STATEMENTS

(8) Company Stock Held for Special Purpose

There are no shares of stock held for special purposes at December 31, 2018.

(9) Changes in Special Surplus Funds

The change in balances of special surplus funds from the prior year are due to changes in the amounts segregated for the estimated Affordable Care Act ("ACA") health insurer fee as well as the deferred gain on the Company's sale-leaseback transaction. The annual fee under section 9010 of the ACA was fully expensed for 2018. The insurer fee was suspended for 2019.

(10) Changes in Unassigned Funds

The portion of unassigned funds represented by cumulative unrealized gains and losses was \$19,950,076 at December 31, 2018.

(11) Surplus Notes

The Company has not issued any surplus notes or debentures or similar obligations.

(12) Restatement due to Prior Quasi-reorganizations

The Company had no restatements due to prior quasi-reorganizations.

(13) Quasi-reorganizations over Prior 10 Years

The Company has not been involved in a quasi-reorganization during the past 10 years.

14. Liabilities, Contingencies and Assessments

A. Contingent Commitments

- (1) The Company has a commitment to contribute an additional \$15,092,436 related to the Company's investments in joint ventures, limited partnerships and limited liability companies.
- (2) Not applicable.
- (3) Not applicable.

B. Assessments

- (1) The Company is subject to guaranty fund and other assessments by the state(s) in which it writes business. Guaranty fund assessments are accrued at the time of insolvencies. Other assessments are accrued either at the time of the assessment or at the time the losses are incurred.

NOTES TO FINANCIAL STATEMENTS

(2)	Assets Recognized Reconciliation	
a.	Assets recognized from paid and accrued premium tax offsets and policy surcharges prior year-end	\$ 24,390,112
b.	Decreases current year:	
	Policy surcharges collected	—
	Policy surcharges charged off	—
	Premium tax offset applied	4,773,990
	Recovery adjustment	720,125
c.	Increases current year:	
	Policy surcharges recognized	—
	Premium tax offset recognized	—
d.	Assets recognized from paid and accrued premium tax offsets and policy surcharges current year-end	<u>\$ 18,895,997</u>

(3) Guaranty Fund Liabilities and Assets Related to Insolvencies of Entities That Wrote Long-Term Care Contracts

- a. Discount Rate Applied3.5%
- b. The Undiscounted and Discounted Amount of the Guaranty Fund Assessments and Related Assets by Insolvency:

Name of the Insolvency	Guaranty Fund Assessment		Related Assets	
	Undiscounted	Discounted	Undiscounted	Discounted
Penn Treaty Network America Insurance Company and its subsidiary, American Network Insurance Company (collectively “Penn Treaty”)	\$ 14,193,960	\$ 9,859,565	\$ 14,119,122	\$ 10,922,744

- c. Number of Jurisdictions, Ranges of Years Used to Discount and Weighted Average Number of Years of the Discounting Time Period for Payables and Recoverables by Insolvency:

Name of the Insolvency	Payables			Recoverables		
	Number of Jurisdictions	Range of Years	Weighted Average Number of Years	Number of Jurisdictions	Range of Years	Weighted Average Number of Years
Penn Treaty	1	1 - 20	10.5	1	1 - 26	9.0

C. Gain Contingencies

The Company has no gain contingencies at December 31, 2018 or 2017.

D. Claims-Related Extra Contractual Obligation and the Bad Faith Losses Stemming From Lawsuits

Not applicable.

E. Joint and Several Liabilities

Not applicable.

NOTES TO FINANCIAL STATEMENTS

F. All Other Contingencies***Guaranty fund assessments***

The National Organization of Life & Health Insurance Guaranty Associations, or NOLHGA, is a voluntary organization consisting of the state life and health insurance guaranty associations located throughout the U.S. Such associations, working together with NOLHGA, provide a safety net for their state's policyholders, ensuring that they continue to receive coverage, subject to state maximum limits, even if their insurer is declared insolvent. In March 2017, long term care insurance writers Penn Treaty Network America Insurance Company and its subsidiary American Network Insurance Company, (collectively "Penn Treaty"), were ordered to be liquidated by the Pennsylvania state court, which had jurisdiction over the Penn Treaty rehabilitation proceeding. The Company and other insurers will be obligated to pay a portion of their policyholder claims through state guaranty association assessments in future periods. At December 31, 2017, the Company estimated its portion of these net assessments for the insolvency of Penn Treaty to approximate \$22,318,614 and recorded the estimate as part of general administrative expenses. Payment of the assessments will be largely recovered through premium tax credits over future years.

Litigation and regulatory proceedings**Blue Cross Blue Shield Antitrust Litigation**

Anthem is a defendant in multiple lawsuits that were initially filed in 2012 against the BCBSA and Blue Cross and/or Blue Shield licensees, or Blue plans, across the country. The cases were consolidated into a single multi-district proceeding captioned *In re Blue Cross Blue Shield Antitrust Litigation* that is pending in the United States District Court for the Northern District of Alabama, or the Court. Generally, the suits allege that the BCBSA and the Blue plans have conspired to horizontally allocate geographic markets through license agreements, best efforts rules that limit the percentage of non-Blue revenue of each plan, restrictions on acquisitions rules governing the BlueCard and National Accounts programs and other arrangements in violation of the Sherman Antitrust Act, or Sherman Act, and related state laws. The cases were brought by two putative nationwide classes of plaintiffs, health plan subscribers and providers, and actions filed in Alabama, Arkansas, California, Florida, Hawaii, Illinois, Indiana, Kansas, Kansas City, Louisiana, Michigan, Minnesota, Mississippi, Missouri, Montana, Nebraska, New Hampshire, North Carolina, North Dakota, Oklahoma, Pennsylvania, South Dakota, Rhode Island, South Carolina, Tennessee, Texas, Vermont and Virginia have been consolidated into the multi-district proceeding.

In response to cross motions for partial summary judgment by plaintiffs and defendants, the Court issued an order in April 2018 determining that the defendants' aggregation of geographic market allocations and output restrictions are to be analyzed under a per se standard of review, and the BlueCard program and other alleged Section 1 Sherman Act violations are to be analyzed under the rule of reason standard of review. The Court also found that there remain genuine issues of material fact as to whether defendants operate as a single entity with regard to the enforcement of the Blue Cross Blue Shield trademarks. In June 2018, in response to a motion filed by the defendants, the Court certified its April order for interlocutory appeal to the United States Court of Appeals for the Eleventh Circuit, or the Eleventh Circuit. Also in June 2018, the defendants filed, with the Eleventh Circuit Court of Appeals, a petition for permission to appeal the April order, which Plaintiffs opposed. In December 2018, the Eleventh Circuit denied the petition. No dates have been set for either the final pretrial conferences or trials in these actions. Anthem intends to vigorously defend these suits; however, their ultimate outcome cannot be presently determined.

NOTES TO FINANCIAL STATEMENTS

Express Scripts, Inc. Pharmacy Benefit Management Litigation

In March 2016, Anthem filed a lawsuit against Express Scripts, Inc., or Express Scripts, its vendor for pharmacy benefit management, or PBM, services, captioned *Anthem, Inc. v. Express Scripts, Inc.*, in the U.S. District Court for the Southern District of New York. The lawsuit seeks to recover over \$14,800,000,000 in damages for pharmacy pricing that is higher than competitive benchmark pricing under the agreement between the parties, or PBM Agreement, over \$158,000,000 in damages related to operational breaches, as well as various declarations under the PBM Agreement between the parties, including that Express Scripts: (i) breached its obligation to negotiate in good faith and to agree in writing to new pricing terms; (ii) is required to provide competitive benchmark pricing to us through the term of the PBM Agreement; (iii) has breached the PBM Agreement and that can terminate the PBM Agreement; and (iv) is required under the PBM Agreement to provide post-termination services, at competitive benchmark pricing, for one year following any termination.

Express Scripts has disputed the contractual claims and is seeking declaratory judgments: (i) regarding the timing of the periodic pricing review under the PBM Agreement; (ii) that it has no obligation to ensure that we receive any specific level of pricing, that we have no contractual right to any change in pricing under the PBM Agreement and that its sole obligation is to negotiate proposed pricing terms in good faith; and (iii) that we do not have the right to terminate the PBM Agreement. In the alternative, Express Scripts claims that we have been unjustly enriched by its payment of \$4,675,000,000 at the time of the PBM Agreement. In March 2017, the court granted the motion to dismiss Express Scripts' counterclaims for (i) breach of the implied covenant of good faith and fair dealing, and (ii) unjust enrichment with prejudice. The only remaining claims are for breach of contract and declaratory relief. Anthem intends to vigorously pursue the claims and defend against any counterclaims, which Anthem believes are without merit; however, the ultimate outcome cannot be presently determined.

ERISA Litigation

Anthem is a defendant in a class action lawsuit that was initially filed in June 2016 against Anthem, Inc. and Express Scripts, which has been consolidated into a single multi-district lawsuit captioned *In Re Express Scripts/Anthem ERISA Litigation*, in the U.S. District Court for the Southern District of New York. The consolidated complaint was filed by plaintiffs against Express Scripts and us on behalf of all persons who are participants in or beneficiaries of any ERISA or non-ERISA healthcare plan from December 1, 2009 to the present in which we provided prescription drug benefits through the PBM Agreement with Express Scripts and paid a percentage based co-insurance payment in the course of using that prescription drug benefit. The plaintiffs allege that Anthem breached its duties, either under ERISA or with respect to the implied covenant of good faith and fair dealing implied in the health plans, (i) by failing to adequately monitor Express Scripts' pricing under the PBM Agreement and (ii) by placing our own pecuniary interest above the best interests of our insureds by allegedly agreeing to higher pricing in the PBM Agreement in exchange for the purchase price for its NextRx PBM business, and (iii) with respect to the non-ERISA members, by negotiating and entering into the PBM Agreement with Express Scripts that was allegedly detrimental to the interests of such non-ERISA members. Plaintiffs seek to hold us and Express Scripts jointly and severally liable and to recover all losses suffered by the proposed class, equitable relief, disgorgement of alleged ill-gotten gains, injunctive relief, attorney's fees and costs and interest.

In April 2017, Anthem filed a motion to dismiss the claims brought against us, and it was granted, without prejudice, in January 2018. Plaintiffs filed a notice of appeal with the United States Court of Appeals for the Second Circuit, which was heard in October 2018. Anthem intends to vigorously defend this suit; however, its ultimate outcome cannot be presently determined.

NOTES TO FINANCIAL STATEMENTS

Cigna Corporation Merger Litigation

In July 2015, Anthem and Cigna Corporation, or Cigna, announced that they entered into Agreement and Plan of Merger, or Cigna Merger Agreement, pursuant to which Anthem would acquire all outstanding shares of Cigna. In July 2016, the U.S. Department of Justice, or DOJ, along with certain state attorneys general, filed a civil antitrust lawsuit in the U.S. District Court for the District of Columbia, or District Court, seeking to block the merger. In February 2017, Cigna purported to terminate the Cigna Merger Agreement and commenced litigation against us in the Delaware Court of Chancery, or Delaware Court, seeking damages, including the \$1,850,000,000 termination fee pursuant to the terms of the Cigna Merger Agreement, and a declaratory judgment that its purported termination of the Cigna Merger Agreement was lawful, among other claims, which is captioned *Cigna Corp. v. Anthem Inc.*

Also in February 2017, Anthem initiated its own litigation against Cigna in the Delaware Court seeking a temporary restraining order to enjoin Cigna from terminating the Cigna Merger Agreement, specific performance compelling Cigna to comply with the Cigna Merger Agreement and damages, which is captioned *Anthem Inc. v. Cigna Corp.* In April 2017, the U.S. Circuit Court of Appeals for the District of Columbia affirmed the ruling of the District Court, which blocked the merger. In May 2017, after the Delaware Court denied the motion to enjoin Cigna from terminating the Cigna Merger Agreement, Anthem delivered to Cigna a notice terminating the Cigna Merger Agreement.

The litigation in Delaware is ongoing with trial scheduled to commence in February 2019. Anthem believes Cigna's allegations are without merit and intends to vigorously pursue the claims and defend against Cigna's allegations; however, the ultimate outcome of the litigation with Cigna cannot be presently determined.

In October 2018, a shareholder filed a derivative lawsuit in the State of Indiana Marion County Superior Court, captioned *Henry Bittmann, Derivatively, et al. v. Joseph R Swedish, et al.*, purportedly on behalf of Anthem and its shareholders against certain current and former directors and officers alleging breaches of fiduciary duties, unjust enrichment and corporate waste associated with the Cigna Merger Agreement. This case has been stayed at the request of the parties. This lawsuit's ultimate outcome cannot be presently determined.

Cyber Attack Regulatory Proceedings and Litigation

In February 2015, Anthem reported that it was the target of a sophisticated external cyber attack. The attackers gained unauthorized access to certain of its information technology systems and obtained personal information related to many individuals and employees, such as names, birth dates, healthcare identification/social security numbers, street addresses, email addresses, phone numbers and employment information, including income data. To date, there is no evidence that credit card or medical information, such as claims, test results or diagnostic codes, were targeted, accessed or obtained, although no assurance can be given that Anthem will not identify additional information that was accessed or obtained.

Upon discovery of the cyber attack, Anthem took immediate action to remediate the security vulnerability and retained a cybersecurity firm to evaluate its systems and identify solutions based on the evolving landscape. Anthem has provided credit monitoring and identity protection services to those who have been affected by this cyber attack. Anthem has continued to implement security enhancements since this incident. Anthem has incurred expenses subsequent to the cyber attack to investigate and remediate this matter and expect to continue to incur expenses of this nature in the foreseeable future. Anthem recognizes these expenses in the periods in which they are incurred.

Federal and state agencies, including state insurance regulators, state attorneys general, the HHS Office of Civil Rights and the Federal Bureau of Investigation, are investigating,

NOTES TO FINANCIAL STATEMENTS

or have investigated, events related to the cyber attack, including how it occurred, its consequences and its responses. In connection with the resolution of the National Association of Insurance Commissioners' multistate targeted market conduct and financial exam in December 2016, Anthem agreed to provide a customized credit protection program, equivalent to a credit freeze, for its members who were under the age of eighteen on January 27, 2015. No fines or penalties were imposed on us. In October 2018, Anthem resolved the investigation by the HHS Office of Civil Rights. The resolution included a monetary settlement along with an agreement to a two-year Corrective Action Plan. Additionally, an ongoing investigation by a multi-state group of Attorneys General remains outstanding. Although Anthem is cooperating in this investigation, it may be subject to additional fines or other obligations, which may have an adverse effect on how we operate our business and an adverse effect on our results of operations and financial condition.

Civil class actions were filed in various federal and state courts by current or former members and others seeking damages that they alleged arose from the cyber attack. In June 2015, the Judicial Panel on Multidistrict Litigation entered an order transferring the consolidated civil actions to the U.S. District Court for the Northern District of California, or the U.S. District Court, in a matter captioned *In Re Anthem, Inc. Data Breach Litigation*. The parties agreed to settle plaintiffs' claims on a class-wide basis for a total settlement payment of \$115,000,000. In August 2017, the U.S. District Court issued an order of preliminary approval of the settlement. The U.S. District Court held hearings on plaintiffs' motion for final approval and class counsel's fee petition in February and June 2018 and appointed a special master to review class counsel's fee petition. Final approval of the settlement was granted by the U.S. District Court in August 2018. All appeals that were filed with the Ninth Circuit Court of Appeals by class-member objections challenging approval of the settlement have been resolved. This matter is now closed. The three state court cases related to the cyber attack that were proceeding outside of this multidistrict litigation have been resolved and dismissed with prejudice.

Anthem has contingency plans and insurance coverage for certain expenses and potential liabilities of this nature and will pursue coverage for all applicable losses; however, the ultimate outcome of our pursuit of insurance coverage cannot be presently determined. Anthem intends to vigorously defend the remaining regulatory actions related to the cyber attack; however, their ultimate outcome cannot be presently determined.

Other contingencies

The Company is involved in other pending and threatened litigation of the character incidental to the business transacted, arising out of its operations and is from time to time involved as a party in various governmental investigations, audits, reviews and administrative proceedings. These investigations, audits and reviews and administrative proceedings include routine and special investigations by state insurance departments, state attorneys general, the U.S. Attorney General and subcommittees of the U.S. Congress. Such investigations, audits, reviews and administrative proceedings could result in the imposition of civil or criminal fines, penalties, other sanctions and additional rules, regulations or other restrictions on the Company's business operations. The Company believes that any liability that may result from any one of these actions, or in the aggregate, could have a material adverse effect on the Company's financial position or results of operations.

Provisions for uncollectible amounts

At December 31, 2018 and 2017, the Company reported admitted assets of \$521,770,960 and \$545,842,026, respectively, in premium receivables and receivables due from uninsured plans. Based upon Company experience, any uncollectible receivables are not expected to exceed \$27,676,614 that was nonadmitted at December 31, 2018; therefore, no additional provision for uncollectible amounts has been recorded. The

NOTES TO FINANCIAL STATEMENTS

potential for any additional loss is not believed to be material to the Company’s financial condition.

15. Leases

A. Lessee Operating Lease

(1) The Company leases office space, office equipment, EDP equipment, and software under various noncancelable operating leases. Related lease expense for 2018 and 2017 was \$2,752,371 and \$3,788,384, respectively.

(2) At December 31, 2018, the minimum aggregate rental commitments are as follows:

	Year Ending December 31	Operating Leases
1.	2019	\$ 5,265,874
2.	2020	6,718,962
3.	2021	6,464,083
4.	2022	6,500,058
5.	2023	6,534,235
6.	Total	<u>\$ 31,483,212</u>

(3) a. During 2017, the Company entered into a sale-leaseback transaction with an unaffiliated entity to lease the Worthington, Ohio building for 6 months.

During 2014, the Company entered into a sale-leaseback transaction with an unaffiliated entity to lease the Mason, Ohio building for 12 years.

b. Not applicable.

B. Lessor Leases

(1) The Company has not entered into any operating leases.

(2) The Company has not entered into any leveraged leases.

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

The Company has no significant financial instruments with off-balance sheet risk.

Financial instruments that potentially subject the Company to concentrations of credit risk consist primarily of investment securities. All investment securities are managed by professional investment managers within policies authorized by the board of directors. Such policies limit the amounts that may be invested in any one issuer and prescribe certain investee company criteria. As of December 31, 2018, there were no significant concentrations.

17. Sale, Transfer and Servicing of Financial Assets and Extinguishments of Liabilities

A. Transfers of Receivables Reported as Sales

Not applicable at December 31, 2018 and 2017.

B. Transfer and Servicing of Financial Assets

(1) The Company participates in a securities lending program whereby marketable securities in its investment portfolio are transferred to independent brokers or dealers. At December 31, 2018 the fair value of securities loaned was \$5,190,021, and the carrying value of securities loaned was \$5,215,196.

(2) - (7) Not applicable.

NOTES TO FINANCIAL STATEMENTS

C. Wash Sales

- (1) In the course of the Company’s asset management, securities may be sold and reacquired within 30 days of the sale date to enhance the yield on the investments.
- (2) At December 31, 2018 and 2017, there were no wash sales involving securities with an NAIC designation of 3 or below or unrated.

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

A. Administrative Services Only ("ASO") Plans

The gain or (loss) from operations from ASO uninsured plans and the uninsured portion of partially insured plans during 2018 was:

	ASO Uninsured Plans	Uninsured Portion of Partially Insured Plans	Total ASO
a. Net reimbursement for administrative expenses (including administrative fees) in excess of (less than) actual expenses	\$ 7,850,705	\$ —	\$ 7,850,705
b. Total net other income or expenses (including interest paid to or received from plans)	—	—	—
c. Net gain or (loss) from operations	\$ 7,850,705	\$ —	\$ 7,850,705
d. Total claim payment volume	\$ 1,046,009,000	\$ —	\$ 1,046,009,000

B. Administrative Services Contract ("ASC") Plans

The gain or (loss) from operations from ASC uninsured plans and the uninsured portion of partially insured plans during 2018 was:

	ASC Uninsured Plans	Uninsured Portion of Partially Insured Plans	Total ASC
a. Gross reimbursement for medical cost incurred	\$ 7,275,583,405	\$ —	\$ 7,275,583,405
b. Gross administrative fees accrued	480,375,313	—	480,375,313
c. Other income or expenses (including interest paid to or received from plans)	—	—	—
d. Gross expenses incurred (claims and administrative)	7,701,352,629	—	7,701,352,629
e. Total gain or (loss) from operations	\$ 54,606,089	\$ —	\$ 54,606,089

C. Medicare or Other Similarly Structured Cost-Based Reimbursement Contract

- (1) The Company does not record revenue explicitly attributable to the cost share and reinsurance components of administered Medicare products.
- (2)

Receivable from	Related to	2018	2017
Centers for Medicare and Medicaid Services	Cost share and reinsurance components of administered Medicare products	\$ 6,818,255	\$ 2,892,981
Uninsured plans	Uninsured business, not including pharmaceutical rebate receivables	\$ 221,327,601	\$ 232,992,587

NOTES TO FINANCIAL STATEMENTS

- (3) As no revenue is recorded in connection with the cost share and reinsurance components of the Company’s Medicare and ACA products, the Company has recorded no allowances and reserves for the adjustment of recorded revenues and receivables.
- (4) The Company has made no adjustment to revenue resulting from the audit of cost-reimbursement receivables related to revenues recorded in the prior period.

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

No premiums were written by managing general agents or third party administrators during the years ended December 31, 2018 and 2017.

20. Fair Value Measurements

A.

(1) Fair Value Measurements at Reporting Date:

Description for each class of asset or liability	(Level 1)	(Level 2)	(Level 3)	Net Asset Value (NAV)	Total
a. Assets at fair value					
Perpetual preferred stock					
Industrial and misc	\$ —	\$ —	\$ 238,003	\$ —	\$ 238,003
Total perpetual preferred stocks	\$ —	\$ —	\$ 238,003	\$ —	\$ 238,003
Bonds					
Industrial and misc	\$ —	\$ 345,840,804	\$ 7,008,943	\$ —	\$ 352,849,747
Total bonds	\$ —	\$ 345,840,804	\$ 7,008,943	\$ —	\$ 352,849,747
Common stock					
Industrial and misc	\$ —	\$ —	\$ 6,301,802	\$ —	\$ 6,301,802
Total common stocks	\$ —	\$ —	\$ 6,301,802	\$ —	\$ 6,301,802
Total assets at fair value/NAV	\$ —	\$ 345,840,804	\$ 13,548,748	\$ —	\$ 359,389,552

(2) Fair Value Measurements in (Level 3) of the Fair Value Hierarchy

Description	Beginning Balance at 01/01/2018	Transfers into Level 3	Transfers out of Level 3	Total gains and (losses) included in Net Income	Total gains and (losses) included in Surplus	Purchases	Issuances	Sales	Settlements	Ending Balance at 12/31/2018
a. Assets										
Common Stock										
Industrial and misc	\$ 6,990,247	—	—	132,967	(258,344)	—	—	(563,068)	—	\$ 6,301,802
Preferred Stock										
Industrial and misc	\$ 218,972	—	—	—	17,317	1,714	—	—	—	\$ 238,003
Bonds										
Industrial and misc	\$ —	5,772,467	(690,793)	(14,065)	(187,907)	3,319,059	—	(1,189,818)	—	\$ 7,008,943
Total assets	\$ 7,209,219	5,772,467	(690,793)	118,902	(428,934)	3,320,773	—	(1,752,886)	—	\$ 13,548,748

- (3) The Company’s policy is to recognize transfers between Levels, if any, as of the beginning of the reporting period.
- (4) Fair values of bonds are based on quoted market prices, where available. These fair values are obtained primarily from third party pricing services, which generally use Level 1 or Level 2 inputs, for the determination of fair value to facilitate fair value measurements and disclosures. Level 2 securities primarily include United States government securities, corporate securities, securities from states, municipalities and political subdivisions, mortgage-backed securities and certain other asset-backed

NOTES TO FINANCIAL STATEMENTS

securities. For securities not actively traded, the pricing services may use quoted market prices of comparable instruments or discounted cash flow analyses, incorporating inputs that are currently observable in the markets for similar securities. Inputs that are often used in the valuation methodologies include, but are not limited to, broker quotes, benchmark yields, credit spreads, default rates and prepayment speeds. The Company has controls in place to review the pricing services' qualifications and procedures used to determine fair values. In addition, the Company periodically reviews the pricing services' pricing methodologies, data sources and pricing inputs to ensure the fair values obtained are reasonable.

Fair values of common and preferred stock are generally designated as Level 1 and are based on quoted market prices. For certain common and preferred stock, quoted market prices for the identical security are not always available and the fair value is estimated by reference to similar securities for which quoted prices are available. These securities are designated as Level 2. The Company also has certain equity securities, including private equity securities, for which the fair value is estimated based on each security's current condition and future cash flow projections. Such securities are designated as Level 3. The fair values of these private equity securities are generally based on either broker quotes, or discounted cash flow projections using assumptions for inputs such as the weighted-average cost of capital, long-term revenue growth rates and earnings before interest, taxes, depreciation and amortization, and/or revenue multiples that are not observable in the markets.

Certain financial assets are measured at fair value using Level 3 inputs, such as certain non-investment grade bonds and loan-backed securities or investments that are impaired during the year and recorded at fair value.

There have been no significant changes in the valuation techniques during the current period.

B. Fair Value Measurements Under Other Accounting Pronouncements

Not applicable at December 31, 2018 and 2017.

C. Financial Instruments

Type of Financial Instrument	Aggregate Fair Value	Admitted Assets	(Level 1)	(Level 2)	(Level 3)	Net Asset Value (NAV)	Not Practicable (Carrying Value)
Bonds	\$ 1,284,155,966	\$1,286,014,135	\$ —	\$ 1,275,327,942	\$ 8,828,024	\$ —	\$ —
Perpetual preferred stock	238,003	238,003	—	—	238,003	—	—
Common stock	6,301,802	6,301,802	—	—	6,301,802	—	—
Short-term investments	127,843	117,080	—	127,843	—	—	—
Securities lending collateral asset	5,307,434	5,306,103	2,243,119	3,064,315	—	—	—

D. Not Practicable to Estimate Fair Value

There are no financial instruments that were not practicable to estimate fair value.

E. Investments Measured at Net Asset Value

The Company has no investments measured at net asset value.

21. Other Items

A. Unusual or Infrequent Items

Not applicable at December 31, 2018 and 2017.

NOTES TO FINANCIAL STATEMENTS

B. Troubled Debt Restructuring: Debtors

Not applicable at December 31, 2018 and 2017.

C. Other Disclosures

Assets in the amount of \$460,875 and \$469,288 at December 31, 2018 and 2017, respectively, were on deposit with government authorities or trustees as required by law.

The Company participates in the Federal Employee Health Benefits Program (“FEHBP”) with other Blue Cross Blue Shield Plans. This program includes a fully-insured experience-rated contract, commonly known as the FEP, between the OPM and BCBSA, which acts as an agent for the participating Blue Cross Blue Shield plans. In addition, each participating plan, including the Company, executes a contract with BCBSA which obligates each participating plan to underwrite FEP benefits in its service area.

FEP premium is earned when chargeable benefit costs, allowable expenses or retentions are incurred. Deferred premiums are recorded to offset the FEP liabilities for incurred claims but not reported and claims adjustment expenses that are due from the OPM, when the claims are ultimately paid. Premium rates are developed by BCBSA and negotiated with OPM annually. These rates determine the funds that will be available to the participating Blue Cross Blue Shield plans to provide insurance to Federal employees that enroll with the Blue Cross Blue Shield FEP. The excess of gross premiums for the life of the program over the charges for the life of the program on an accrual basis is accounted for as a rate stabilization reserve (commonly referred to as the special reserve), as required by the contract between OPM and BCBSA. Each year, OPM also allocates a portion of the premiums to a contingency reserve, which may be utilized by the participating plans in the event that annual premiums paid to the insurance carrier are insufficient or the rate stabilization reserve falls below certain levels prescribed by OPM. Premiums paid to the carrier and available to each participating Blue Cross Blue Shield plan, including the special reserve and the contingency reserve, are held at the U.S. Treasury, including amounts unused from prior periods. Any premiums that remain in the rate stabilization reserve upon termination of the BCBSA contract after the claims run-out and reimbursement of allowable administrative expenses would be returned to OPM for the benefit of the FEHBP. The FEP contract renews automatically each year unless written notice of termination is given by either party.

In accordance with the FEP contract, premium funds that exceed daily operating needs are held on behalf of the Company in letter of credit accounts at the U.S. Treasury to provide funding for claims, administrative expenses, and other charges to the contract. The Company, along with other Blue Cross Blue Shield plans who participate in the FEHBP contract, have an unrestricted right to draw funds being held in the U.S. Treasury, other than those allocated to the contingency reserve, for any valid claim or expense. If the balance of the special reserve is exhausted or falls below certain prescribed levels, OPM will transfer funds from the contingency reserve to the special reserve to the extent that funds are available in the contingency reserve. Amounts incurred in excess of the total reserves held at the U.S. Treasury for the FEP would not be reimbursed to the Company.

The gross premiums for the life of the program did not exceed the gross charges for the life of the program; therefore, a rate stabilization reserve was not required for the Company at December 31, 2018. At December 31, 2017, the Company recorded its allocable share of the special reserve funds held in the U.S. Treasury as an asset, with an equivalent amount recorded as a rate stabilization reserve. This amount was \$29,425,468 and is included in aggregate write-ins for other than invested assets and in health policy reserves in the accompanying balance sheets.

FEP represented approximately 60.1% and 60.6% of premiums receivable as of December 31, 2018 and 2017, respectively. FEP represented approximately 16.5% and

NOTES TO FINANCIAL STATEMENTS

19.5% of net premiums written for the years ended December 31, 2018 and 2017, respectively.

The Company is the owner and beneficiary of life insurance policies included in aggregate write-ins for other than invested assets at their cash surrender values pursuant to SSAP No. 21, *Other Admitted Assets*, paragraph 6. At December 31, 2018, the cash surrender value in an investment vehicle is \$173,973,383, and is allocated into the following categories based on primary underlying investment characteristics: 30% bonds, 27% cash and short-investments and 43% other invested assets.

D. Business Interruption Insurance Recoveries

The Company has reported no recoveries for business interruption for the years ended December 31, 2018 and 2017.

E. State Transferable and Non-Transferable Tax Credits

The Company did not have state transferable or non-transferable tax credits at December 31, 2018 and 2017.

F. Subprime Mortgage-Related Risk Exposure

- (1) The Company's investment strategy of providing safety and preservation of capital, sufficient liquidity to meet cash flow requirements and the attainment of a competitive after-tax investment return is supported by a well diversified portfolio consisting of many different types of investments. The portion of the Company's investment portfolio with subprime mortgage-related risk exposure is relatively small in comparison to the overall investment portfolio, and consists mainly of investment grade securities with no exposure to collateralized debt obligations. All mortgage related investments are monitored closely as part of the quarterly investment review performed by the Anthem Investment Impairment Review Committee.
- (2) The Company did not carry investments in subprime mortgage loans in its portfolio at December 31, 2018 or 2017.
- (3) The Company did not have subprime mortgage-related risk exposure at December 31, 2018 or 2017.
- (4) The Company did not underwrite Mortgage Guaranty or Financial Guaranty insurance coverage at December 31, 2018 or 2017.

G. Retained Assets

The Company does not have retained assets at December 31, 2018 and 2017.

H. Insurance-Linked Securities Contracts

Not applicable.

22. Events Subsequent

The Company is subject to an annual fee under section 9010 of the ACA. A health insurance company'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. The annual fee under section 9010 of the ACA was paid for 2018 and suspended by the government for 2019.

NOTES TO FINANCIAL STATEMENTS

	Current Year	Prior Year
A. Did the reporting entity write accident and health insurance premium that is subject to Section 9010 of the Federal Affordable Care Act (YES/NO)?	YES	
B. ACA fee assessment payable for the upcoming year	\$ —	\$ 113,141,592
C. ACA fee assessment paid	\$ 108,867,568	\$ —
D. Premium written subject to ACA 9010 assessment	\$ 5,259,000,425	\$ 5,425,621,097
E. Total Adjusted Capital before surplus adjustment (Five-Year Historical Line 14)	\$ 802,181,164	
F. Total Adjusted Capital after surplus adjustment (Five-Year Historical Line 14 minus Line 22B above).	\$ 802,181,164	
G. Authorized Control Level (Five-Year Historical Line 15)	\$ 185,337,282	
H. Would reporting the ACA assessment as of December 31, 2018 have triggered an RBC action level (YES/NO)?	NO	

On January 11, 2019, the Company borrowed \$150,000,000 from the FHLBC which matured on January 25, 2019. On January 25, 2019, the Company borrowed \$150,000,000 from the FHLBC which matured on February 8, 2019. On February 8, 2019, the Company borrowed \$150,000,000 from the FHLBC which matured on February 22, 2019. On February 22, 2019, the Company borrowed \$150,000,000 from the FHLBC. The advance has a fixed interest rate of 2.51% and matures on March 8, 2019.

Subsequent events have been considered through February 26, 2019 for the statutory statement issued on February 27, 2019. There were no other events occurring subsequent to December 31, 2018 requiring recognition or disclosure.

23. Reinsurance

A. Ceded Reinsurance Report

Section 1 - General Interrogatories

(1) Are any of the reinsurers that are 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 an insured or any other person not primarily engaged in the insurance business?

Yes () No (X)

If yes, give full details.

NOTES TO FINANCIAL STATEMENTS

Section 2 - Ceded Reinsurance Report - Part A

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

Yes () No (X)

If yes, give full details.

- (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)

If yes, give full details.

Section 3 - Ceded Reinsurance Report - Part B

- (1) What is the estimated amount of the aggregate reduction in surplus, (for agreements other than those under which the reinsurer may unilaterally cancel for reasons other than for nonpayment of premium or other similar credits 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.

\$6,200,470

- (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, give full details.

B. Uncollectible Reinsurance

The Company has no uncollectible reinsurance at December 31, 2018 and 2017.

C. Commutation of Ceded Reinsurance

The Company has not commuted ceded reinsurance during 2018 and 2017.

D. Certified Reinsurer Rating Downgraded or Status Subject Revocation

The Company has no downgraded certified reinsurer ratings or status subject to revocations during 2018 and 2017.

24. Retrospectively Rated Contracts & Contracts Subject to Redetermination

- A. The Company sells accident and health policies for which the premiums vary based on loss experience. The Company estimates retrospective premium adjustments through the review of each retrospectively rated account, comparing the claim development with that anticipated in the policy contracts.

NOTES TO FINANCIAL STATEMENTS

- B.** The Company records accrued retrospective premium as an adjustment to earned premium.
- C.** The amount of net premiums written by the Company at December 31, 2018 and 2017 that were subject to retrospective rating features was \$5,073,621,785 and \$5,476,555,416, respectively, which represented, 94.5% and 95.3%, respectively, of the total net premiums written.
- D.** In accordance with the NAIC SAP, medical loss ratio rebates in accordance with the Federal 2010 Patient Protection and Affordable Care Act and Public Health Service Act, are to be reported in accordance with SSAP No. 66 - *Retrospectively Rated Contracts* (“SSAP No. 66”). A retrospectively rated contract is one that has the final policy premium calculated based on the loss experience of the insured during the term of the policy (including loss development after the term of the policy) and the stipulated formula set forth in the policy, or in the case of medical loss ratio rebates, a formula required by law. The Company based the incurred and unpaid liability amounts reported below based on its underwriting experience; actuarial, tax, and accounting estimates and assumptions at the financial statement date; as well as regulations and guidance available that is not final and subject to change prior to settlement. Accordingly, the Company’s use of estimates and assumptions in the preparation of the statutory based financial statements and related footnote disclosures may differ from actual results. Hence, the amounts reported herein are for financial reporting purposes solely and not intended to be used for settlement purposes.

Medical loss ratio rebates accrued pursuant to the Public Health Service Act are as follows:

	1	2	3	4	5
	Individual	Small Group Employer	Large Group Employer	Other Categories with Rebates	Total
Prior Year Reporting:					
(1) Medical loss ratio rebates incurred	\$ (355,595)	\$ —	\$ —	\$ —	\$ (355,595)
(2) Medical loss ratio rebates paid	4,194,137	—	—	—	4,194,137
(3) Medical loss ratio rebates unpaid	—	—	—	—	—
(4) Plus reinsurance assumed amounts	XXX	XXX	XXX	XXX	—
(5) Less reinsurance ceded amounts	XXX	XXX	XXX	XXX	—
(6) Rebates unpaid net of reinsurance	XXX	XXX	XXX	XXX	\$ —
Current Reporting Year-to-Date					
(7) Medical loss ratio rebates incurred	\$ —	\$ —	\$ —	\$ —	\$ —
(8) Medical loss ratio rebates paid	—	—	—	—	—
(9) Medical loss ratio rebates unpaid	—	—	—	—	—
(10) Plus reinsurance assumed amounts	XXX	XXX	XXX	XXX	—
(11) Less reinsurance ceded amounts	XXX	XXX	XXX	XXX	—
(12) Rebates unpaid net of reinsurance	XXX	XXX	XXX	XXX	\$ —

ANNUAL STATEMENT FOR THE YEAR 2018 OF THE Community Insurance Company

NOTES TO FINANCIAL STATEMENTS

E. Risk-Sharing Provisions of the 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 (including high risk pool payments)	\$ 12,752,340
	Liabilities	
	2. Risk adjustment user fees payable for ACA Risk Adjustment	\$ 60,955
	3. Premium adjustments payable due to ACA Risk Adjustment (including high risk pool premiums)	\$ 813,766
	Operations (Revenue & Expense)	
	4. Reported as revenue in premium for accident and health contracts (written/collected) due to ACA Risk Adjustment	\$ (651,665)
	5. Reported in expenses as ACA risk adjustment user fees (incurred/paid)	\$ 61,789
b.	Transitional ACA Reinsurance Program	
	Assets	
	1. Amounts recoverable for claims paid due to ACA Reinsurance	\$ 91,049
	2. Amounts recoverable for claims unpaid due to ACA Reinsurance (contra liability)	\$ —
	3. Amounts receivable relating to uninsured plans for contributions for ACA Reinsurance	\$ —
	Liabilities	
	4. Liabilities for contributions payable due to ACA Reinsurance - not reported as ceded premium	\$ —
	5. Ceded reinsurance premiums payable due to ACA Reinsurance	\$ —
	6. Liability for amounts held under uninsured plans contributions for ACA Reinsurance	\$ —
	Operations (Revenue & Expense)	
	7. Ceded reinsurance premiums due to ACA Reinsurance	\$ —
	8. Reinsurance recoveries (income statement) due to ACA Reinsurance payments or expected payments	\$ —
	9. ACA Reinsurance contributions - not reported as ceded premium	\$ —
c.	Temporary ACA Risk Corridors Program	
	Assets	
	1. Accrued retrospective premium due to ACA Risk Corridors	\$ —
	Liabilities	
	2. Reserve for rate credits or policy experience rating refunds due to ACA Risk Corridors	\$ —
	Operations (Revenue & Expense)	
	3. Effect of ACA Risk Corridors on net premium income (paid/received)	\$ 140
	4. Effect of ACA Risk Corridors on change in reserves for rate credits	\$ —
	Line items where the amount is zero is due to no balance and/or no activity as of the reporting date.	

ANNUAL STATEMENT FOR THE YEAR 2018 OF THE Community Insurance Company

NOTES TO FINANCIAL STATEMENTS

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

		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		Ref	Unsettled Balances as of the Reporting Date	
						Prior Year Accrued Less Payments (Col 1-3)	Prior Year Accrued Less Payments (Col 2-4)	To Prior Year Balances	To Prior Year Balances		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. Permanent ACA Risk Adjustment Program												
1. Premium adjustments receivable		\$ 50,889,329	\$ —	\$ 38,594,607	\$ —	\$ 12,294,722	\$ —	\$ (10,903,965)	\$ —	A	\$ 1,390,757	\$ —
2. Premium adjustments (payable)		\$ —	\$ —	\$ —	\$ 295,517	\$ —	\$ (295,517)	\$ —	\$ 295,517	B	\$ —	\$ —
3. Subtotal ACA Permanent Risk Adjustment Program		\$ 50,889,329	\$ —	\$ 38,594,607	\$ 295,517	\$ 12,294,722	\$ (295,517)	\$ (10,903,965)	\$ 295,517		\$ 1,390,757	\$ —
b. Transitional ACA Reinsurance Program												
1. Amounts recoverable for claims paid		\$ 2,717,590	\$ —	\$ 2,626,541	\$ —	\$ 91,049	\$ —	\$ —	\$ —	C	\$ 91,049	\$ —
2. Amounts recoverable for claims unpaid (contra liability)		\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	D	\$ —	\$ —
3. Amounts receivable relating to uninsured plans		\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	E	\$ —	\$ —
4. Liabilities for contributions payable due to ACA Reinsurance - not reported as ceded premium		\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	F	\$ —	\$ —
5. Ceded reinsurance premiums payable		\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	G	\$ —	\$ —
6. Liability for amounts held under uninsured plans		\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	H	\$ —	\$ —
7. Subtotal ACA Transitional Reinsurance Program		\$ 2,717,590	\$ —	\$ 2,626,541	\$ —	\$ 91,049	\$ —	\$ —	\$ —		\$ 91,049	\$ —
c. Temporary ACA Risk Corridors Program												
1. Accrued retrospective premium		\$ —	\$ —	\$ 140	\$ —	\$ (140)	\$ —	\$ 140	\$ —	I	\$ —	\$ —
2. Reserve for rate credits or policy experience rating refunds		\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	J	\$ —	\$ —
3. Subtotal ACA Risk Corridors Program		\$ —	\$ —	\$ 140	\$ —	\$ (140)	\$ —	\$ 140	\$ —		\$ —	\$ —
d. Total for ACA Risk Sharing Provisions		\$ 53,606,919	\$ —	\$ 41,221,288	\$ 295,517	\$ 12,385,631	\$ (295,517)	\$ (10,903,825)	\$ 295,517		\$ 1,481,806	\$ —

Explanations of Adjustments

- A Adjustments were made to reflect the ending balance in the Centers for Medicare & Medicaid Services "Summary Report on Permanent Risk Adjustment Transfers for the 2017 Benefit Year."
- B Adjustments were made to reflect the ending balance in the Centers for Medicare & Medicaid Services "Summary Report on Permanent Risk Adjustment Transfers for the 2017 Benefit Year."
- C Not applicable.
- D Not applicable.
- E Not applicable.
- F Not applicable.
- G Not applicable.
- H Not applicable.
- I Adjustments are based upon experience to date, the impact, if any, of other risk-sharing programs and the provisions of the Risk Corridors program.
- J Not applicable.

ANNUAL STATEMENT FOR THE YEAR 2018 OF THE Community Insurance Company

NOTES TO FINANCIAL STATEMENTS

(4) 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 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		Ref	Unsettled Balances as of the Reporting Date	
					Prior Year Accrued Less Payments (Col 1 - 3)	Prior Year Accrued Less Payments (Col 2 - 4)	To Prior Year Balances	To Prior Year Balances		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	\$ —	\$ —	\$ 140	\$ —	\$ (140)	\$ —	\$ 140	\$ —	A	\$ —	\$ —
2. Reserve for rate credits for policy experience rating refunds	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	B	\$ —	\$ —
b. 2015											
1. Accrued retrospective premium	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	C	\$ —	\$ —
2. Reserve for rate credits for policy experience rating refunds	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	D	\$ —	\$ —
c. 2016											
1. Accrued retrospective premium	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	E	\$ —	\$ —
2. Reserve for rate credits for policy experience rating refunds	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	F	\$ —	\$ —
d. Total for Risk Corridors	\$ —	\$ —	\$ 140	\$ —	\$ (140)	\$ —	\$ 140	\$ —		\$ —	\$ —

Explanations of adjustments

- A Adjustments are based upon experience to date, the impact, if any, of other risk-sharing programs and the provisions of the Risk Corridors program.
- B Not applicable.
- C Not applicable.
- D Not applicable.
- E Not applicable.
- F Not applicable.

24E(4)d (Columns 1 through 10) should equal 24E(3)c3 (Column 1 through 10 respectively)

(5) ACA Risk Corridors Receivable as of Reporting Date.

Risk Corridors Program Year	1 Estimated Amount to be Filed or Final Amount Filed with CMS	2 Non-Accrued Amounts for Impairment or Other Reasons	3 Amounts received from CMS	4 Asset Balance (Gross of Non-admissions) (1 - 2 - 3)	5 Non-admitted Amount	6 Net Admitted Asset (4 - 5)
a. 2014	\$ 16,037	\$ 13,352	\$ 2,685	\$ —	\$ —	\$ —
b. 2015	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
c. 2016	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
d. Total (a + b + c)	\$ 16,037	\$ 13,352	\$ 2,685	\$ —	\$ —	\$ —

24E(5)d (Columns 4) should equal 24E(3)c1 (Column 9)

24E(5)d (Columns 6) should equal 24E(2)c1

25. Change in Incurred Claims and Claim Adjustment Expenses

- A. The estimated cost of claims and claim adjustment expense attributable to insured events of prior years decreased by \$77,375,394 during 2018. This is approximately 13.9% of unpaid claims and claim adjustment expenses of \$558,076,733 as of December 31, 2017. The redundancy reflects the decreases in estimated claims and claims adjustment expenses as a result of claims payment during the year, and as additional information is received regarding claims incurred prior to 2018. Recent claim development trends are also taken into account in evaluating the overall adequacy of unpaid claims and unpaid claim adjustment expense.
- B. There were no significant changes in methodologies and assumptions used in calculating the liability for unpaid losses and loss adjustment expenses.

ANNUAL STATEMENT FOR THE YEAR 2018 OF THE Community Insurance Company

NOTES TO FINANCIAL STATEMENTS

26. Intercompany Pooling Arrangements

Not applicable at December 31, 2018 and 2017.

27. Structured Settlements

Not applicable at December 31, 2018 and 2017.

28. Health Care Receivables

A. Pharmaceutical Rebate Receivables

During 2018, the Company sold \$208,498,359 of pharmaceutical rebate receivables without recourse to Blue Cross of California, an affiliated entity. The proceeds received by the Company represented the expected pharmaceutical rebates recoverable in 90 days or more at the end of each quarter, less a \$1,042,492 discount fee.

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 After Billing
12/31/2018	\$ 96,977,832	\$ 41,686,190	\$ —	\$ —	\$ —
9/30/2018	96,150,549	70,846,160	41,447,134	—	—
6/30/2018	88,286,098	69,304,660	6,294,047	63,450,426	—
3/31/2018	82,302,192	62,632,831	3,796,384	59,241,647	—
12/31/2017	46,449,032	66,488,477	17,944,210	27,586,042	—
9/30/2017	63,220,417	64,605,303	60,610,166	3,547,886	—
6/30/2017	64,776,448	63,733,492	222,259	63,205,265	180,247
3/31/2017	61,457,665	57,590,444	347,965	53,538,858	3,620,020
12/31/2016	55,995,234	55,862,107	3,332,508	49,502,411	3,372,437
9/30/2016	51,841,648	52,750,675	55,627	51,382,734	1,121,737
6/30/2016	48,276,672	50,271,532	38,909	46,840,722	3,224,471
3/31/2016	46,889,968	48,681,727	2,379,568	37,957,341	8,254,512

B. Risk Sharing Receivables

Not applicable at December 31, 2018 and 2017.

29. Participating Policies

Not applicable at December 31, 2018 and 2017.

30. Premium Deficiency Reserves

1. Liability carried for premium deficiency reserves	\$	—
2. Date of the most recent evaluation of this liability	December 31, 2018	
3. Was anticipated investment income utilized in the calculation?	Yes	No X

The Company recorded premium deficiency reserves of \$2,396,484 at December 31, 2017.

31. Anticipated Salvage and Subrogation

The Company took into account estimated anticipated subrogation and other recoveries in its determination of the liability for unpaid claims and reduced the liability by \$14,008,000 and \$10,547,000 at December 31, 2018 and 2017, 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?
If yes, complete Schedule Y, Parts 1, 1A and 2

Yes ☒ No ☐

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

1.4

Is the reporting entity publicly traded or a member of a publicly traded group?

Yes ☒ No ☐

1.5

If the response to 1.4 is yes, provide the CIK (Central Index Key) code issued by the SEC for the entity/group.

0001156039

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.

12/31/2017

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.

12/31/2013

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).

05/21/2015

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?
4.12 renewals?

Yes ☐ No ☒
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?
4.22 renewals?

Yes ☐ No ☒
Yes ☐ No ☒

5.1

Has the reporting entity been a party to a merger or consolidation during the period covered by this statement?
If yes, complete and file the merger history data file with the NAIC.

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;
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 or government, manager or attorney in fact).

1 Nationality	2 Type of Entity

%

ANNUAL STATEMENT FOR THE YEAR 2018 OF THE Community Insurance Company

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 below the names and location (city and state of the main office) of any affiliates regulated by a federal 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 111 Monument Circle, Suite 2600, Indianapolis, IN 46204

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?
Denise Meridith (employee), FSA, MAAA, RVP & Actuary III, 1831 Chestnut Street, St. Louis, MO 63103

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 \$

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 [X] No []

14.21 If the response to 14.2 is yes, provide information related to amendment(s).
Administrative changes were made in February 2018 to update the President & CEO letter, and to clarify our sexual harassment policy. In November 2018, the CCO letter was updated to reflect a change in the Chief Compliance Officer.

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).

ANNUAL STATEMENT FOR THE YEAR 2018 OF THE Community Insurance Company

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?
- 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.
- Yes [] No [X]

1 American Bankers Association (ABA) Routing Number	2 Issuing or Confirming Bank Name	3 Circumstances That Can Trigger the Letter of Credit	4 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?
17. Does the reporting entity keep a complete permanent record of the proceedings of its board of directors and all subordinate committees thereof?
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 with the official duties of such person?
- Yes [X] No []
- Yes [X] No []
- 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)?
- 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?
- 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?
- 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?
- 23.2 If yes, indicate any amounts receivable from parent included in the Page 2 amount:
- Yes [] No [X]
- \$
- \$
- \$
- \$
- \$
- \$
- \$
- \$
- \$
- \$
- \$
- \$
- \$
- \$
- Yes [] No [X]
- Yes [] No [X]
- \$
- \$
- \$
- \$
- Yes [] No [X]
- \$

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)
- 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) Please see Notes 5E, 5L and 17B.
- 24.04 Does the Company's security lending program meet the requirements for a conforming program as outlined in the Risk-Based Capital Instructions?
- 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?
- 24.08 Does the reporting entity non-admit when the collateral received from the counterparty falls below 100%?
- 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 [X] No [] N/A []
- \$5,306,103
- \$
- Yes [X] No [] N/A []
- Yes [X] No [] N/A []
- Yes [X] No [] N/A []

ANNUAL STATEMENT FOR THE YEAR 2018 OF THE Community Insurance Company

GENERAL INTERROGATORIES

24.10 For the reporting entity's security lending program state the amount of the following as December 31 of the current year:

24.101	Total fair value of reinvested collateral assets reported on Schedule DL, Parts 1 and 2	\$	5,307,434
24.102	Total book adjusted/carrying value of reinvested collateral assets reported on Schedule DL, Parts 1 and 2	\$	5,306,103
24.103	Total payable for securities lending reported on the liability page.	\$	5,306,103

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	\$6,297,800
		25.28 On deposit with states	\$460,875
		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	\$170,851,011
		25.32 Other	\$

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
JP Morgan Chase Bank, N.A	383 Madison Ave, New York, NY 10179
.....

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 [X] No []

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

1 Old Custodian	2 New Custodian	3 Date of Change	4 Reason
Bank of New York Mellon Corporation	JP Morgan Chase Bank, N.A	02/01/2018	Operational decision to change custodian ..
.....

ANNUAL STATEMENT FOR THE YEAR 2018 OF THE Community Insurance Company

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
Anthem, Inc.	I.....
Bain Capital Credit, LP	U.....
BlackRock Financial Management	U.....
McDonnell Investment Management, LLC	U.....
.....

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 [X] No []

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

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

1 Central Registration Depository Number	2 Name of Firm or Individual	3 Legal Entity Identifier (LEI)	4 Registered With	5 Investment Management Agreement (IMA) Filed
134852	Bain Capital Credit, LP	WBY05W751L9CPDJW0453	Securities Exchange Commission	NO.....
107105	BlackRock Financial Management	549300LVXY1VJKE13M84	Securities Exchange Commission	NO.....
113878	McDonnell Investment Management, LLC .....	.....	Securities Exchange Commission	NO.....
.....

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	1,286,131,217	1,284,283,828	(1,847,389)
30.2 Preferred stocks	238,003	238,003	0
30.3 Totals	1,286,369,220	1,284,521,831	(1,847,389)

30.4 Describe the sources or methods utilized in determining the fair values:
Fair values were obtained from third-party pricing sources. If a security was not priced by a third-party pricing source, internal analytical systems or broker quotes were utilized.

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:
.....

ANNUAL STATEMENT FOR THE YEAR 2018 OF THE Community Insurance Company

GENERAL INTERROGATORIES

33.

By self-designating 5GI securities, the reporting entity is certifying the following elements of each self-designated 5GI security:

a.

Documentation necessary to permit a full credit analysis of the security does not exist or an NAIC CRP credit rating for an FE or PL security is not available.

b.

Issuer or obligor is current on all contracted interest and principal payments.

c.

The insurer has an actual expectation of ultimate payment of all contracted interest and principal.

Has the reporting entity self-designated 5GI securities?

Yes [] No [X]

34.

By self-designating PLGI securities, the reporting entity is certifying the following elements of each self-designated PLGI security:

a.

The security was purchased prior to January 1, 2018.

b.

The reporting entity is holding capital commensurate with the NAIC Designation reported for the security.

c.

The NAIC Designation was derived from the credit rating assigned by an NAIC CRP in its legal capacity as a NRSRO which is shown on a current private letter rating held by the insurer and available for examination by state insurance regulators.

d.

The reporting entity is not permitted to share this credit rating of the PL security with the SVO.

Has the reporting entity self-designated PLGI securities?

Yes [] No [X]

OTHER

35.1

Amount of payments to trade associations, service organizations and statistical or rating bureaus, if any?

\$ 1,632,742

35.2

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
Blue Cross Blue Shield Association	1,632,742

36.1

Amount of payments for legal expenses, if any?

\$ 8,605,913

36.2

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
-----------	------------------

37.1

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

\$ 153,000

37.2

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
Government Advocates	84,000
The Success Group	54,000
Lobbying expenses disclosed reflect amounts reported in the Lobbyist Disclosure Reports filed with the Secretary of State as well as the cost of external contractors who provided lobbying services to the Company. The amount may include expenses that may have been paid by an affiliate on behalf of the Company and, as a result, may not be included in the Underwriting Gain reported on page 4 of the 2018 Annual Statement.	

27.5

GENERAL INTERROGATORIES

PART 2 - HEALTH INTERROGATORIES

1.1

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

Yes [X] No []

1.2

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

\$ 135,557,486

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.

\$ 99,790,771

1.6

Individual policies:

Most current three years:

1.61

Total premium earned

\$ 26,844,996

1.62

Total incurred claims

\$ 21,168,340

1.63

Number of covered lives

14,695

All years prior to most current three years:

1.64

Total premium earned

\$ 71,405,667

1.65

Total incurred claims

\$ 47,978,601

1.66

Number of covered lives

28,316

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

\$ 37,306,822

1.75

Total incurred claims

\$ 30,643,830

1.76

Number of covered lives

13,786

2.

Health Test:

1

Current Year

2

Prior Year

2.1

Premium Numerator

5,366,938,6975,747,354,334

2.2

Premium Denominator

5,366,938,6975,747,354,334

2.3

Premium Ratio (2.1/2.2)

1.0001.000

2.4

Reserve Numerator

490,102,014611,223,225

2.5

Reserve Denominator

490,102,014611,223,225

2.6

Reserve Ratio (2.4/2.5)

1.0001.000

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 []

5.1

Does the reporting entity have stop-loss reinsurance?

Yes [] No [X]

5.2

If no, explain:
Anthem has the ability to cover costs for the entity as needed.

5.3

Maximum retained risk (see instructions)

5.31

Comprehensive Medical

\$

5.32

Medical Only

\$

5.33

Medicare Supplement

\$

5.34

Dental & 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:
If the Company becomes insolvent, Anthem, Inc. has agreed to the full extent of its assets, to assume all contractual and financial obligations of the Company. The Company's provider contracts include insolvency provisions, continuity of care provisions, and hold harmless language. Benefit certificates include continuation language allowing subscribers and dependents to continue under certain circumstances.

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

72,646

8.2

Number of providers at end of reporting year

76,561

9.1

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

Yes [X] No []

9.2

If yes, direct premium earned:

9.21

Business with rate guarantees between 15-36 months

\$ 37,495,434

9.22

Business with rate guarantees over 36 months

\$ 5,480,837

ANNUAL STATEMENT FOR THE YEAR 2018 OF THE Community Insurance Company

GENERAL INTERROGATORIES

- 10.1 Does the reporting entity have Incentive Pool, Withhold or Bonus Arrangements in its provider contracts? Yes [X] No []
- 10.2 If yes:

10.21 Maximum amount payable bonuses.....\$21,977,774

10.22 Amount actually paid for year bonuses.....\$68,102,698

10.23 Maximum amount payable withholds.....\$

10.24 Amount actually paid for year withholds.....\$
- 11.1 Is the reporting entity organized as:

11.12 A Medical Group/Staff Model, Yes [] No [X]

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

11.14 A Mixed Model (combination of above)? Yes [] No [X]
- 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.\$2,500,000
- 11.5 Is this amount included as part of a contingency reserve in stockholder's equity? Yes [] No [X]
- 11.6 If the amount is calculated, show the calculation

12. List service areas in which reporting entity is licensed to operate:

1
Name of Service Area
State of Ohio
State of Indiana
.....

- 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 funds administered as of the reporting date.\$
- 14.1 Are any of the captive affiliates reported on Schedule S, Part 3, authorized reinsurers? Yes [] No [] N/A [X]
- 14.2 If the answer to 14.1 is yes, please provide the following:

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

15. Provide the following for individual ordinary life insurance* policies (U.S. business only) for the current year (prior to reinsurance assumed or ceded):
- 15.1 Direct Premium Written\$
- 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 gurantee)
Universal Life (with or without secondary gurantee)
Variable Universal Life (with or without secondary gurantee)

16. Is the reporting entity licensed or chartered, registered, qualified, eligible or writing business in at least two states? Yes [X] No []
- 16.1 If no, does the reporting entity assume reinsurance business that covers risks residing in at least one state other than the state of domicile of the reporting entity? Yes [] No []

ANNUAL STATEMENT FOR THE YEAR 2018 OF THE Community Insurance Company

FIVE-YEAR HISTORICAL DATA

	1 2018	2 2017	3 2016	4 2015	5 2014
Balance Sheet (Pages 2 and 3)					
1. Total admitted assets (Page 2, Line 28)	1,812,303,254	1,990,383,823	2,138,680,961	2,091,388,096	2,014,267,869
2. Total liabilities (Page 3, Line 24)	1,010,122,090	1,160,408,378	1,330,908,705	1,337,248,778	1,202,115,393
3. Statutory minimum capital and surplus requirement	2,500,000	2,500,000	2,500,000	2,500,000	2,500,000
4. Total capital and surplus (Page 3, Line 33)	802,181,164	829,975,445	807,772,256	754,139,318	812,152,476
Income Statement (Page 4)					
5. Total revenues (Line 8)	5,398,359,574	5,714,239,382	5,297,048,925	5,255,401,210	5,309,220,422
6. Total medical and hospital expenses (Line 18)	4,460,443,424	4,844,936,342	4,414,793,254	4,347,507,705	4,366,679,675
7. Claims adjustment expenses (Line 20)	124,988,263	123,219,036	102,243,429	129,868,302	111,950,331
8. Total administrative expenses (Line 21)	410,096,786	327,205,978	328,819,684	390,664,518	433,286,971
9. Net underwriting gain (loss) (Line 24)	400,190,812	423,533,893	453,431,363	390,644,188	392,877,479
10. Net investment gain (loss) (Line 27)	95,875,283	79,653,788	64,976,026	51,428,875	64,085,296
11. Total other income (Lines 28 plus 29)	2,123,183	1,367,482	(926,360)	863,127	1,882,668
12. Net income or (loss) (Line 32)	386,618,759	348,557,354	319,116,362	266,266,380	276,872,294
Cash Flow (Page 6)					
13. Net cash from operations (Line 11)	295,209,280	330,336,438	152,481,367	272,626,870	280,415,320
Risk-Based Capital Analysis					
14. Total adjusted capital	802,181,164	829,975,445	807,772,256	754,139,318	812,152,476
15. Authorized control level risk-based capital	185,337,282	190,927,970	186,323,758	177,912,459	179,324,836
Enrollment (Exhibit 1)					
16. Total members at end of period (Column 5, Line 7)	1,958,586	2,034,466	1,841,214	1,854,137	1,974,741
17. Total members months (Column 6, Line 7)	23,543,428	24,315,451	21,880,782	22,435,066	24,051,555
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)	82.6	84.8	83.3	82.7	82.2
20. Cost containment expenses	1.3	1.2	0.9	1.3	1.2
21. Other claims adjustment expenses	1.0	0.9	1.1	1.1	0.9
22. Total underwriting deductions (Line 23)	92.6	92.6	91.4	92.6	92.6
23. Total underwriting gain (loss) (Line 24)	7.4	7.4	8.6	7.4	7.4
Unpaid Claims Analysis (U&I Exhibit, Part 2B)					
24. Total claims incurred for prior years (Line 13, Col. 5)	446,643,094	485,896,042	470,117,412	472,471,730	417,353,240
25. Estimated liability of unpaid claims-[prior year (Line 13, Col. 6)]	541,836,779	535,396,304	524,603,915	522,284,518	468,951,454
Investments In Parent, Subsidiaries and Affiliates					
26. Affiliated bonds (Sch. D Summary, Line 12, Col. 1)					
27. Affiliated preferred stocks (Sch. D Summary, Line 18, Col. 1)					
28. Affiliated common stocks (Sch. D Summary, Line 24, Col. 1)					
29. Affiliated short-term investments (subtotal included in Schedule DA Verification, Col. 5, Line 10)	0	0	0	0	0
30. Affiliated mortgage loans on real estate					
31. All other affiliated					
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:

ANNUAL STATEMENT FOR THE YEAR 2018 OF THE Community Insurance Company

SCHEDULE T PREMIUMS AND OTHER CONSIDERATIONS

Allocated by States and Territories										
States, etc.	1	Direct Business Only								
	Active Status (a)	2	3	4	5 Federal Employees Health Benefits Plan Premiums	6 Life & Annuity Premiums & Other Considerations	7 Property/ Casualty Premiums	8 Total Columns 2 Through 7	9 Deposit-Type Contracts	
1. Alabama	AL	N						0		
2. Alaska	AK	N						0		
3. Arizona	AZ	N						0		
4. Arkansas	AR	N						0		
5. California	CA	N						0		
6. Colorado	CO	N						0		
7. Connecticut	CT	N						0		
8. Delaware	DE	N						0		
9. District of Columbia	DC	N						0		
10. Florida	FL	N						0		
11. Georgia	GA	N						0		
12. Hawaii	HI	N						0		
13. Idaho	ID	N						0		
14. Illinois	IL	N						0		
15. Indiana	IN	L	341,147					341,147		
16. Iowa	IA	N						0		
17. Kansas	KS	N						0		
18. Kentucky	KY	N						0		
19. Louisiana	LA	N						0		
20. Maine	ME	N						0		
21. Maryland	MD	N						0		
22. Massachusetts	MA	N						0		
23. Michigan	MI	N						0		
24. Minnesota	MN	N						0		
25. Mississippi	MS	N						0		
26. Missouri	MO	N						0		
27. Montana	MT	N						0		
28. Nebraska	NE	N						0		
29. Nevada	NV	N						0		
30. New Hampshire	NH	N						0		
31. New Jersey	NJ	N						0		
32. New Mexico	NM	N						0		
33. New York	NY	N						0		
34. North Carolina	NC	N						0		
35. North Dakota	ND	N						0		
36. Ohio	OH	L	2,627,574,226	1,855,035,002	1,144,512,916			5,627,122,144		
37. Oklahoma	OK	N						0		
38. Oregon	OR	N						0		
39. Pennsylvania	PA	N						0		
40. Rhode Island	RI	N						0		
41. South Carolina	SC	N						0		
42. South Dakota	SD	N						0		
43. Tennessee	TN	N						0		
44. Texas	TX	N						0		
45. Utah	UT	N						0		
46. Vermont	VT	N						0		
47. Virginia	VA	N						0		
48. Washington	WA	N						0		
49. West Virginia	WV	N						0		
50. Wisconsin	WI	N						0		
51. Wyoming	WY	N						0		
52. American Samoa	AS	N						0		
53. Guam	GU	N						0		
54. Puerto Rico	PR	N						0		
55. U.S. Virgin Islands	VI	N						0		
56. Northern Mariana Islands	MP	N						0		
57. Canada	CAN	N						0		
58. Aggregate other alien	OT	XXX	0	0	0	0	0	0	0	
59. Subtotal	XXX		2,627,915,373	1,855,035,002	0	1,144,512,916	0	5,627,463,291	0	
60. Reporting entity contributions for Employee Benefit Plans	XXX							0		
61. Total (Direct Business)	XXX		2,627,915,373	1,855,035,002	0	1,144,512,916	0	5,627,463,291	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	
58999. Totals (Lines 58001 through 58003 plus 58998)(Line 58 above)	XXX		0	0	0	0	0	0	0	

(a) Active Status Counts:

L - Licensed or Chartered - Licensed insurance carrier or domiciled RRG.....2

E - Eligible - Reporting entities eligible or approved to write surplus lines in the state.....0

N - None of the above - Not allowed to write business in the state.....55

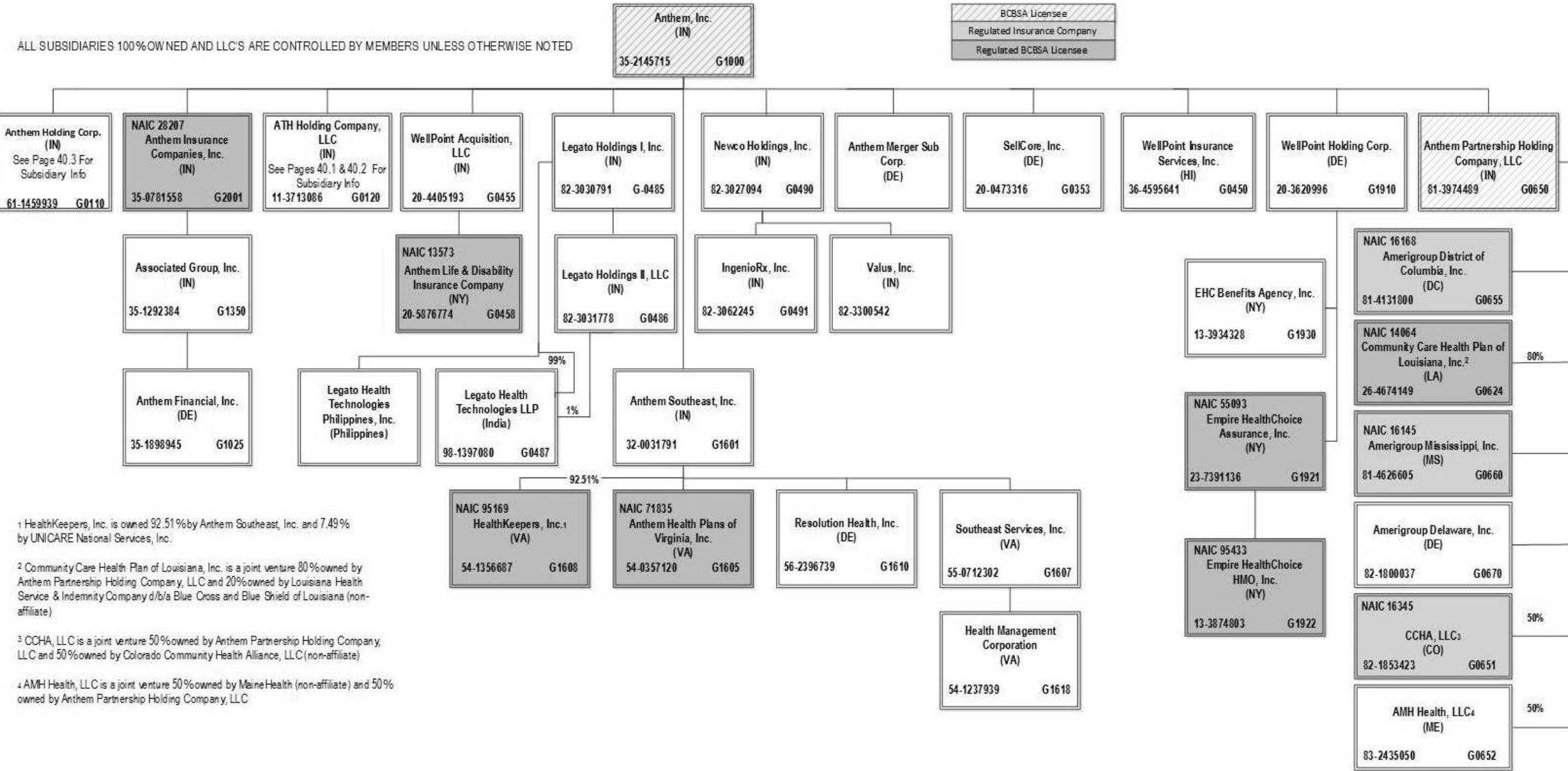
(b) Explanation of basis of allocation by states, premiums by state, etc.

Allocated based on the situs of the contract.

R - Registered - Non-domiciled RRGs.....0

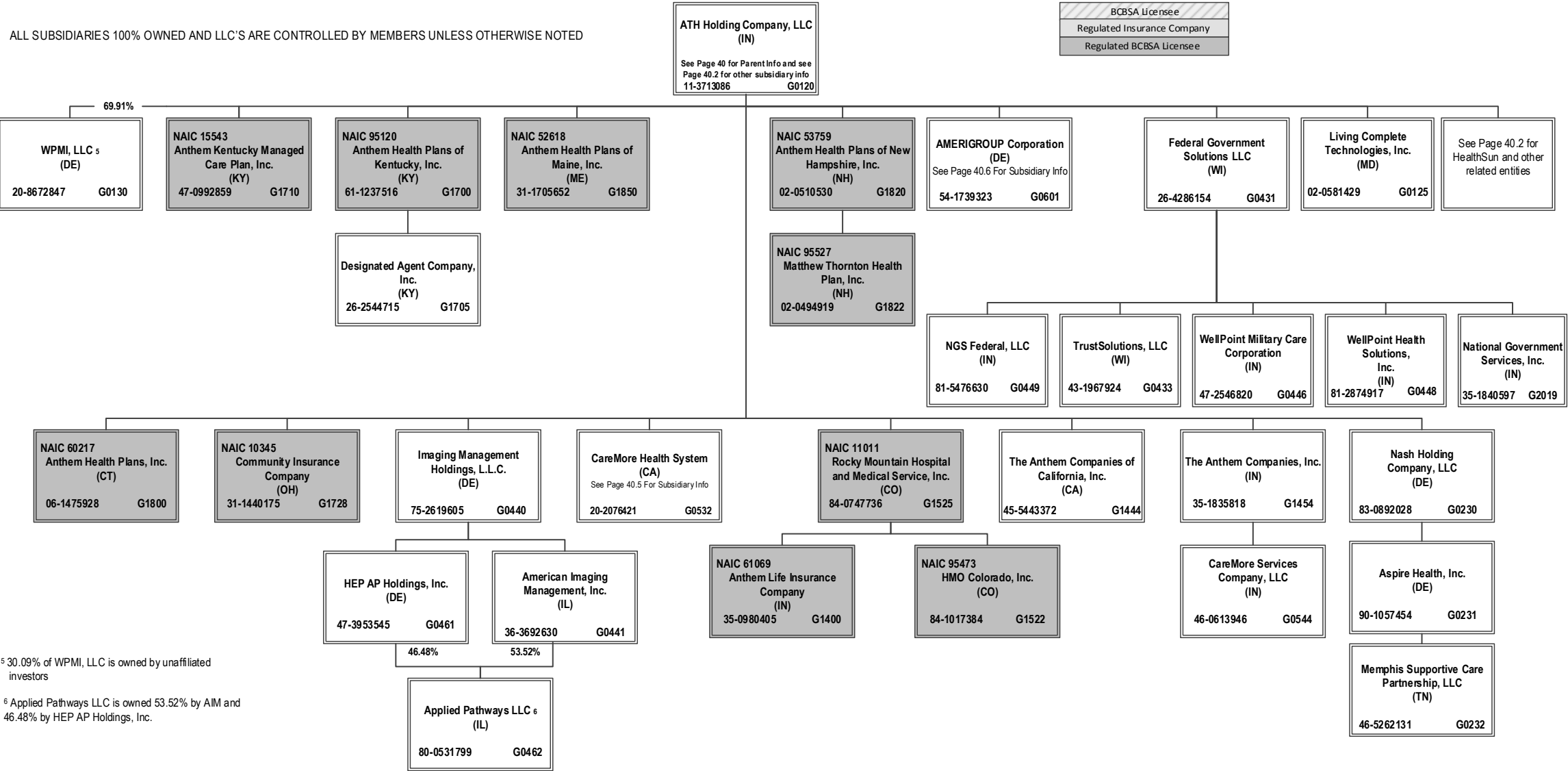
Q - Qualified - Qualified or accredited reinsurer.....0

SCHEDULE Y – INFORMATION CONCERNING ACTIVITIES OF INSURER MEMBERS OF A HOLDING COMPANY GROUP
PART 1 – ORGANIZATIONAL CHART



SCHEDULE Y – INFORMATION CONCERNING ACTIVITIES OF INSURER MEMBERS OF A HOLDING COMPANY GROUP
PART 1 – ORGANIZATIONAL CHART

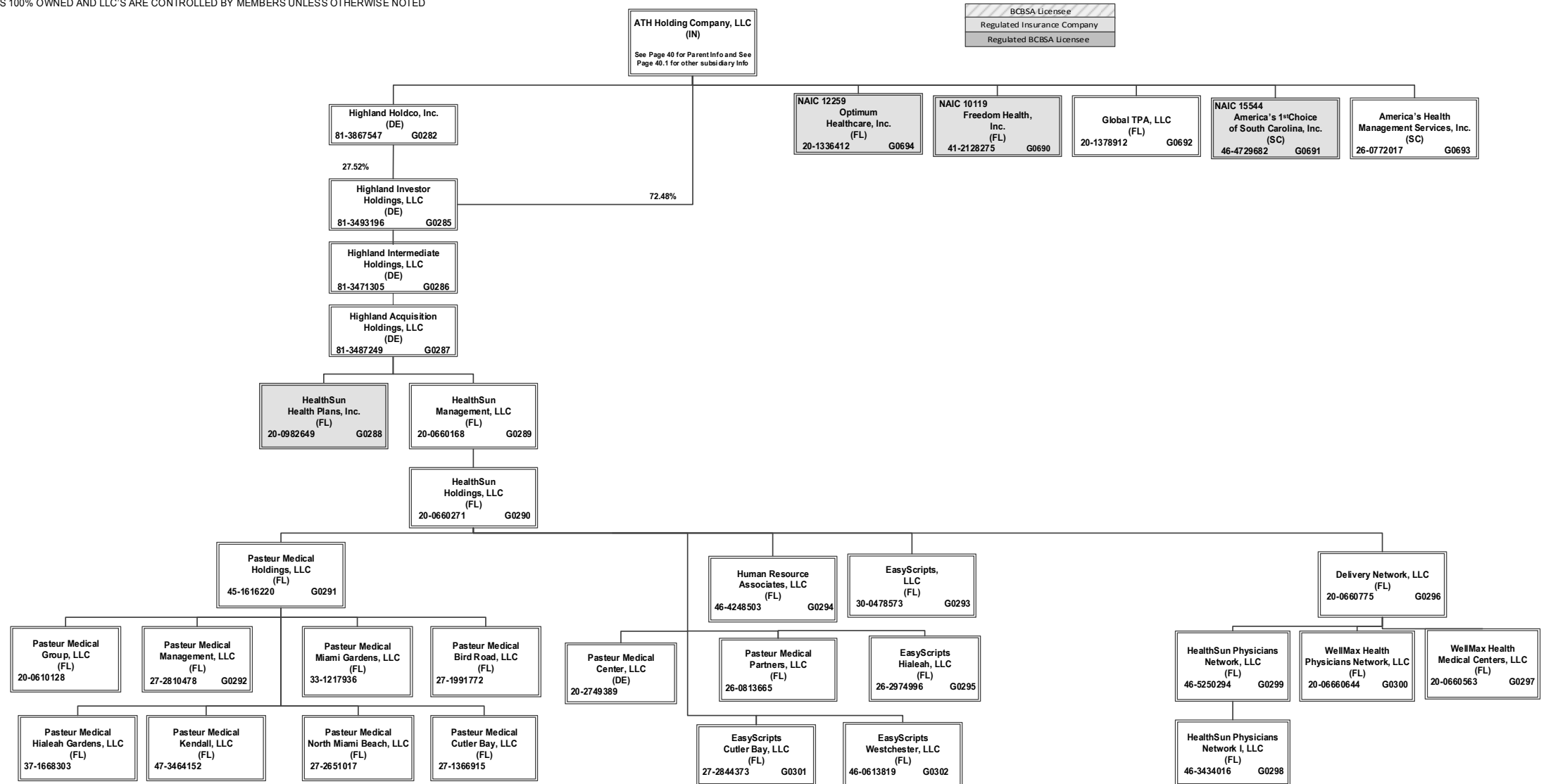
ALL SUBSIDIARIES 100% OWNED AND LLC'S ARE CONTROLLED BY MEMBERS UNLESS OTHERWISE NOTED



⁵ 30.09% of WPMI, LLC is owned by unaffiliated investors

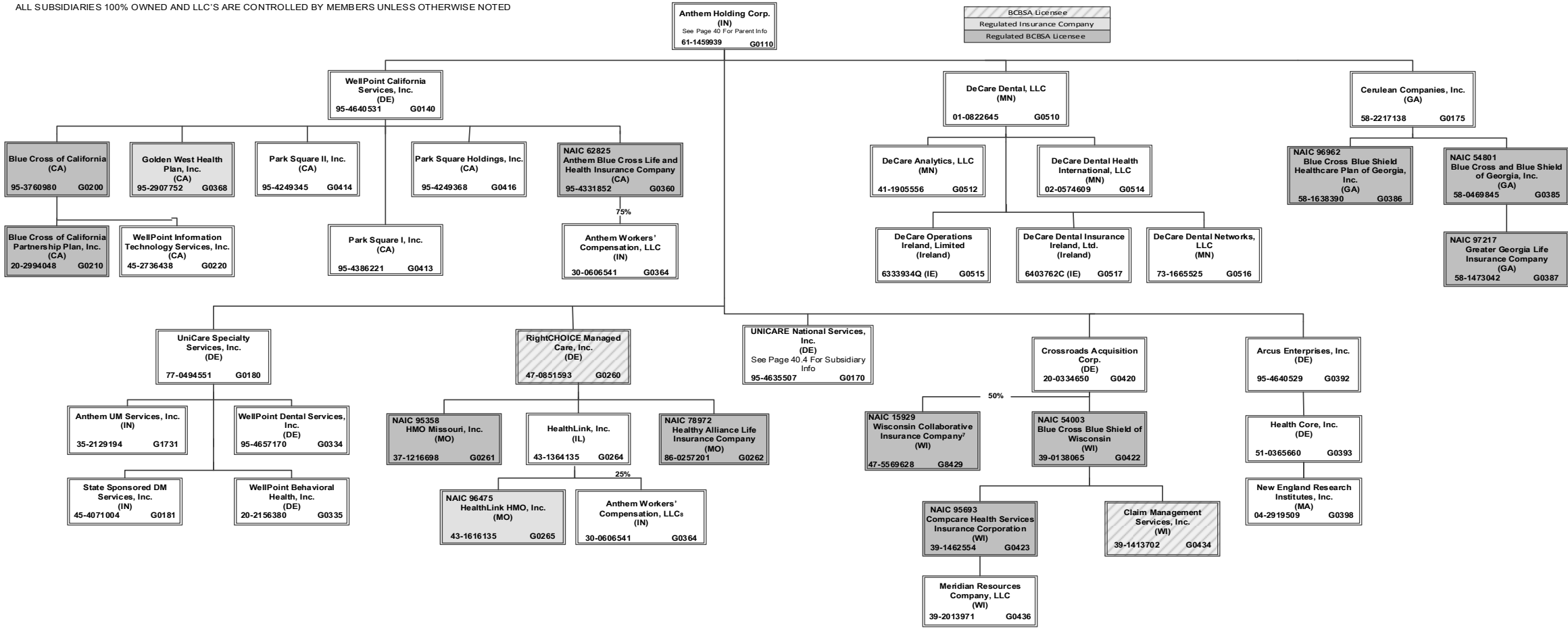
⁶ Applied Pathways LLC is owned 53.52% by AIM and 46.48% by HEP AP Holdings, Inc.

ALL SUBSIDIARIES 100% OWNED AND LLC'S ARE CONTROLLED BY MEMBERS UNLESS OTHERWISE NOTED



SCHEDULE Y – INFORMATION CONCERNING ACTIVITIES OF INSURER MEMBERS OF A HOLDING COMPANY GROUP
PART 1 – ORGANIZATIONAL CHART

ALL SUBSIDIARIES 100% OWNED AND LLC'S ARE CONTROLLED BY MEMBERS UNLESS OTHERWISE NOTED

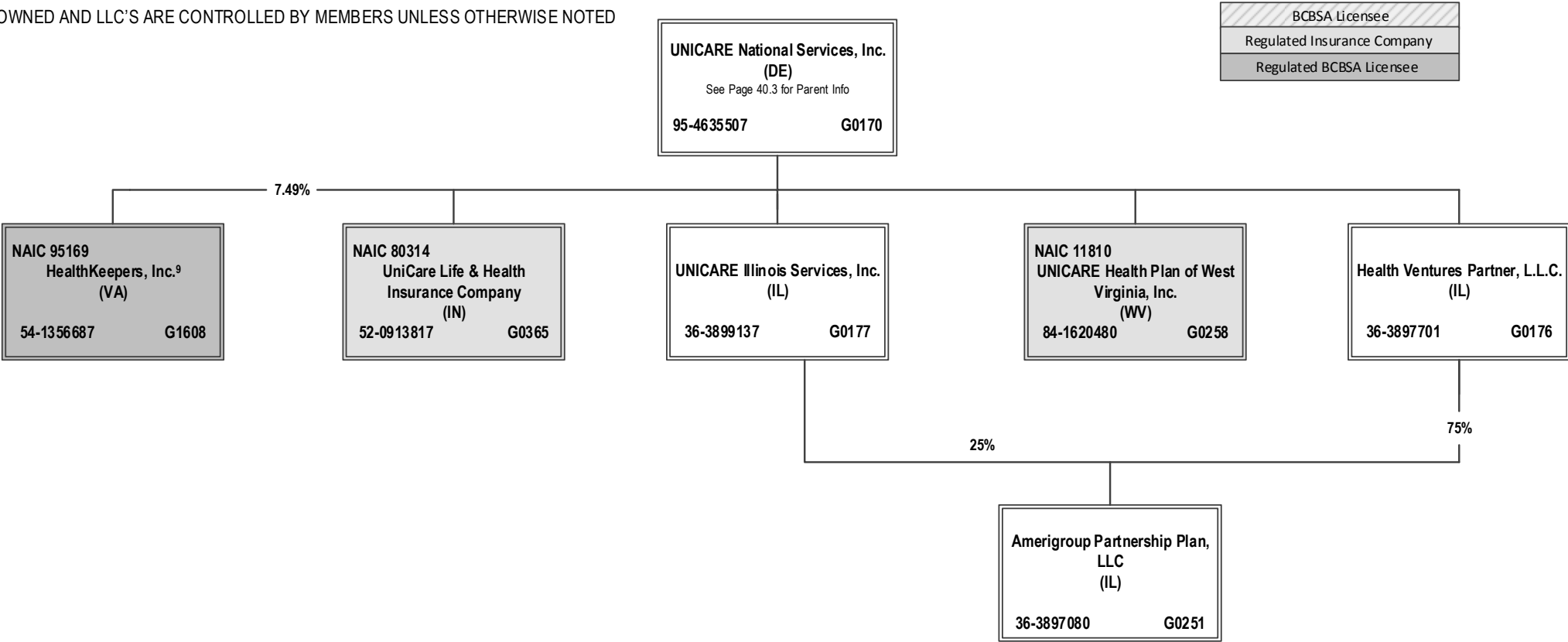


⁷ 50% of WCIC is owned by Aurora Health Care, Inc. (non-affiliate). Not consolidated for accounting purposes.

⁸ Anthem Workers' Compensation LLC is owned 75% by Anthem Blue Cross Life and Health Insurance Company and 25% by HealthLink, Inc.

SCHEDULE Y – INFORMATION CONCERNING ACTIVITIES OF INSURER MEMBERS OF A HOLDING COMPANY GROUP
PART 1 – ORGANIZATIONAL CHART

ALL SUBSIDIARIES 100% OWNED AND LLC'S ARE CONTROLLED BY MEMBERS UNLESS OTHERWISE NOTED

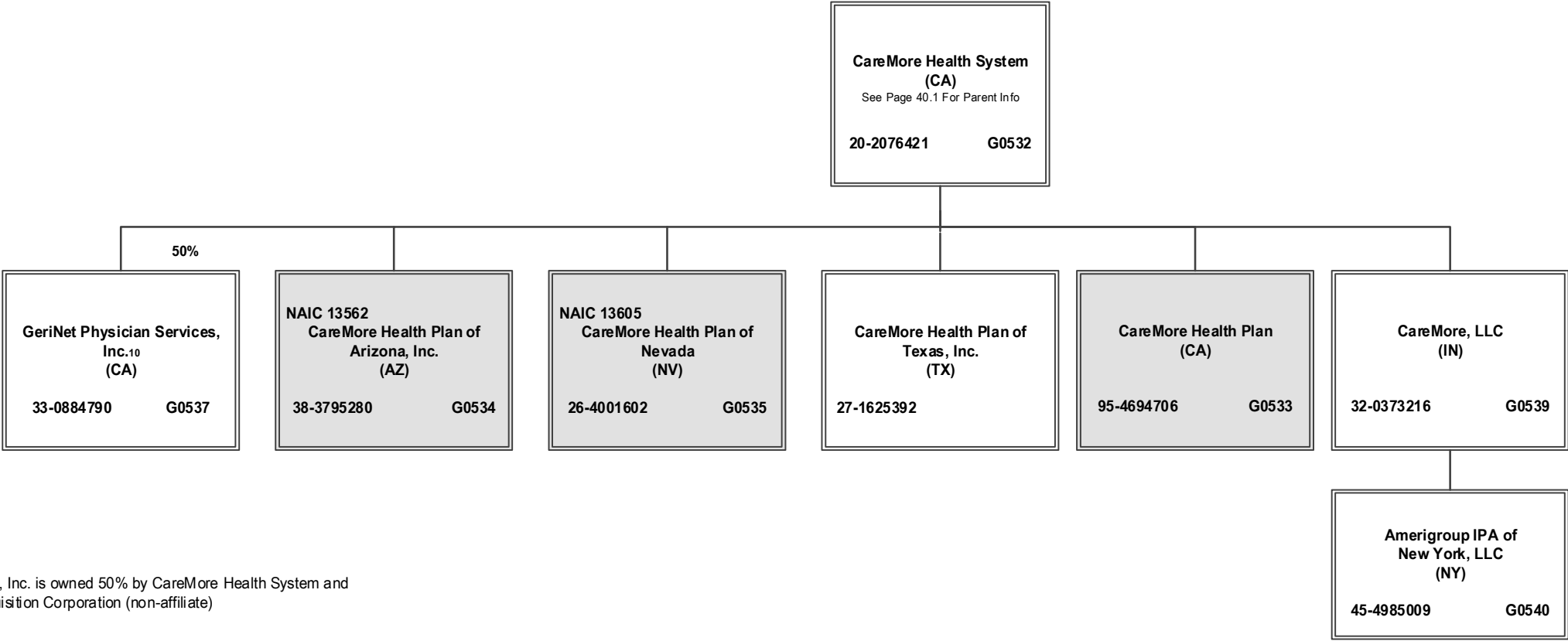


⁹ HealthKeepers, Inc. is owned 92.51% by Anthem Southeast, Inc. and 7.49% by UNICARE National Services, Inc.

SCHEDULE Y – INFORMATION CONCERNING ACTIVITIES OF INSURER MEMBERS OF A HOLDING COMPANY GROUP
PART 1 – ORGANIZATIONAL CHART

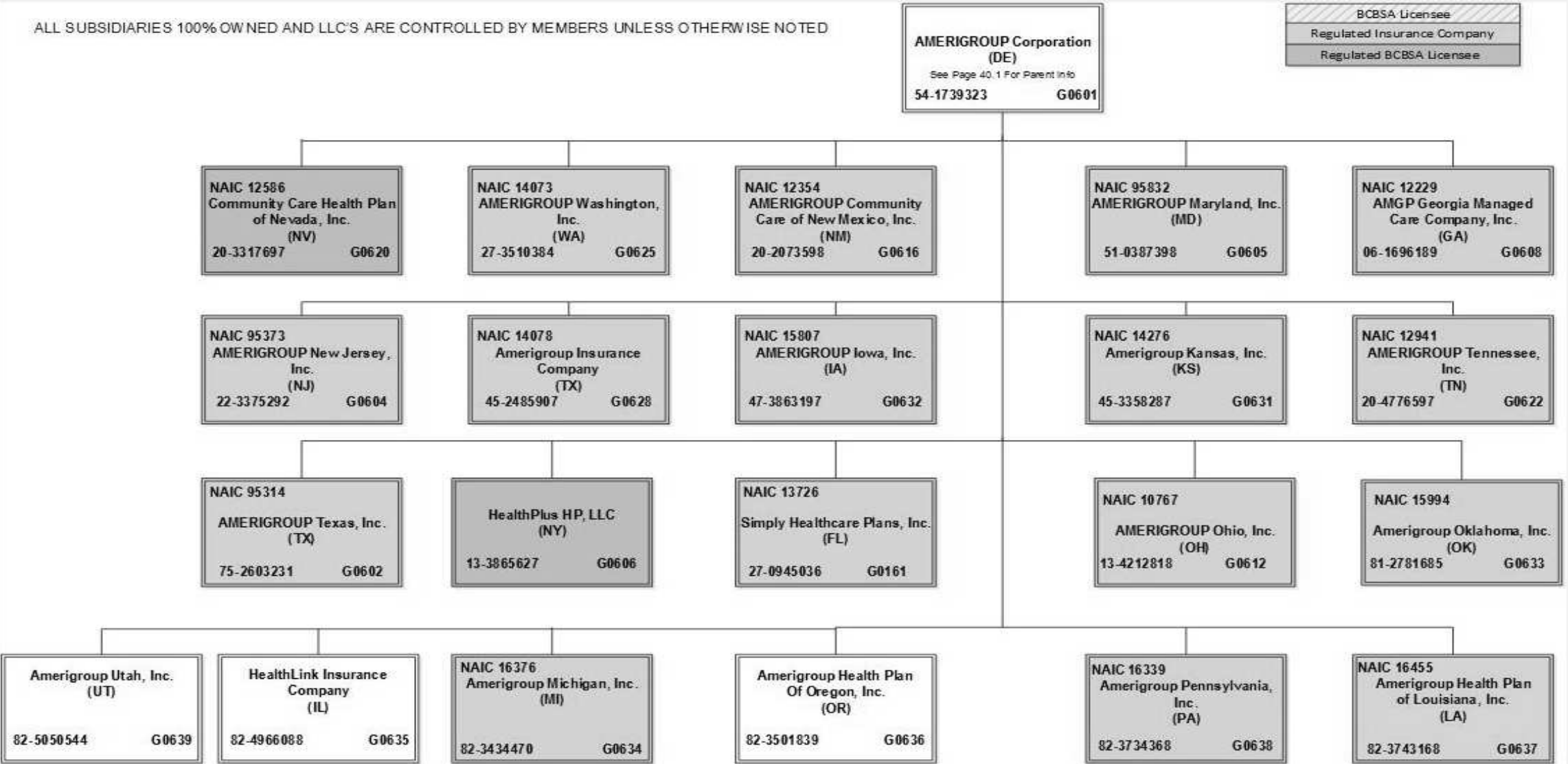
BCBSA Licensee
Regulated Insurance Company
Regulated BCBSA Licensee

ALL SUBSIDIARIES 100% OWNED AND LLC'S ARE CONTROLLED BY MEMBERS UNLESS OTHERWISE NOTED



¹⁰ GeriNet Physician Services, Inc. is owned 50% by CareMore Health System and 50% by Health Essentials Acquisition Corporation (non-affiliate)

SCHEDULE Y – INFORMATION CONCERNING ACTIVITIES OF INSURER MEMBERS OF A HOLDING COMPANY GROUP
PART 1 – ORGANIZATIONAL CHART



ANNUAL STATEMENT FOR THE YEAR 2018 OF THE Community Insurance Company

OVERFLOW PAGE FOR WRITE-INS

Additional Write-ins for Assets Line 25

		Current Year			Prior Year
		1	2	3	4
		Assets	Nonadmitted Assets	Net Admitted Assets (Cols. 1 - 2)	Net Admitted Assets
2504.	Prepaid expenses	10,620,973	10,620,973	0	0
2505.	FEP assets held by agents	0		0	29,425,468
2597.	Summary of remaining write-ins for Line 25 from overflow page	10,620,973	10,620,973	0	29,425,468

Additional Write-ins for Liabilities Line 23

		Current Year			Prior Year
		1	2	3	4
		Covered	Uncovered	Total	Total
2304.	Cost sharing reduction liability	0		0	2,850,558
2397.	Summary of remaining write-ins for Line 23 from overflow page	0	0	0	2,850,558

ALPHABETICAL INDEX

ANNUAL STATEMENT BLANK

Analysis of Operations By Lines of Business	7
Assets	2
Cash Flow	6
Exhibit 1 - Enrollment By Product Type for Health Business Only	17
Exhibit 2 - Accident and Health Premiums Due and Unpaid	18
Exhibit 3 - Health Care Receivables	19
Exhibit 3A - Analysis of Health Care Receivables Collected and Accrued	20
Exhibit 4 - Claims Unpaid and Incentive Pool, Withhold and Bonus	21
Exhibit 5 - Amounts Due From Parent, Subsidiaries and Affiliates	22
Exhibit 6 - Amounts Due To Parent, Subsidiaries and Affiliates	23
Exhibit 7 - Part 1 - Summary of Transactions With Providers	24
Exhibit 7 - Part 2 - Summary of Transactions With Intermediaries	24
Exhibit 8 - Furniture, Equipment and Supplies Owned	25
Exhibit of Capital Gains (Losses)	15
Exhibit of Net Investment Income	15
Exhibit of Nonadmitted Assets	16
Exhibit of Premiums, Enrollment and Utilization (State Page)	30
Five-Year Historical Data	29
General Interrogatories	27
Jurat Page	1
Liabilities, Capital and Surplus	3
Notes To Financial Statements	26
Overflow Page For Write-ins	44
Schedule A - Part 1	E01
Schedule A - Part 2	E02
Schedule A - Part 3	E03
Schedule A - Verification Between Years	SI02
Schedule B - Part 1	E04
Schedule B - Part 2	E05
Schedule B - Part 3	E06
Schedule B - Verification Between Years	SI02
Schedule BA - Part 1	E07
Schedule BA - Part 2	E08
Schedule BA - Part 3	E09
Schedule BA - Verification Between Years	SI03
Schedule D - Part 1	E10
Schedule D - Part 1A - Section 1	SI05
Schedule D - Part 1A - Section 2	SI08
Schedule D - Part 2 - Section 1	E11
Schedule D - Part 2 - Section 2	E12
Schedule D - Part 3	E13
Schedule D - Part 4	E14
Schedule D - Part 5	E15
Schedule D - Part 6 - Section 1	E16
Schedule D - Part 6 - Section 2	E16
Schedule D - Summary By Country	SI04
Schedule D - Verification Between Years	SI03
Schedule DA - Part 1	E17
Schedule DA - Verification Between Years	SI10
Schedule DB - Part A - Section 1	E18
Schedule DB - Part A - Section 2	E19
Schedule DB - Part A - Verification Between Years	SI11
Schedule DB - Part B - Section 1	E20
Schedule DB - Part B - Section 2	E21
Schedule DB - Part B - Verification Between Years	SI11
Schedule DB - Part C - Section 1	SI12
Schedule DB - Part C - Section 2	SI13
Schedule DB - Part D - Section 1	E22
Schedule DB - Part D - Section 2	E23
Schedule DB - Verification	SI14
Schedule DL - Part 1	E24
Schedule DL - Part 2	E25
Schedule E - Part 1 - Cash	E26
Schedule E - Part 2 - Cash Equivalents	E27
Schedule E - Part 2 - Verification Between Years	SI15
Schedule E - Part 3 - Special Deposits	E28

ANNUAL STATEMENT BLANK (Continued)

Schedule S - Part 1 - Section 2	31
Schedule S - Part 2	32
Schedule S - Part 3 - Section 2	33
Schedule S - Part 4	34
Schedule S - Part 5	35
Schedule S - Part 6.....	36
Schedule S - Part 7.....	37
Schedule T - Part 2 - Interstate Compact	39
Schedule T - Premiums and Other Considerations	38
Schedule Y - Information Concerning Activities of Insurer Members of a Holding Company Group	40
Schedule Y - Part 1A - Detail of Insurance Holding Company System	41
Schedule Y - Part 2 - Summary of Insurer's Transactions With Any Affiliates	42
Statement of Revenue and Expenses	4
Summary Investment Schedule	SI01
Supplemental Exhibits and Schedules Interrogatories	43
Underwriting and Investment Exhibit - Part 1	8
Underwriting and Investment Exhibit - Part 2	9
Underwriting and Investment Exhibit - Part 2A	10
Underwriting and Investment Exhibit - Part 2B	11
Underwriting and Investment Exhibit - Part 2C	12
Underwriting and Investment Exhibit - Part 2D	13
Underwriting and Investment Exhibit - Part 3	14