AMENDED FILING EXPLANATION

EF26 #9 NINCTAXES #9-Income Taxes: The 2019 ratio on Line 9A. 3a. was changed to 1054% to reconcile to the RBC. The original note was incorrectly entered as 1.054%

26 NOTES Notes to Financial Statements: The 2019 ratio on Line 9A. 3a. was changed to 1054% to reconcile to the RBC. The original note was incorrectly entered as 1.054%

210.4 AHPEEXPT2 A&H Policy Experience Ex. Pt. 2 Group Summary: Line 1 was updated. It originally included the Stop Loss business, and now excludes the Stop Loss business which ties back to line 20 in the 210.3 group detail.

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ANNUAL STATEMENT

For the Year Ended December 31, 2019

of the Condition and Affairs of the

Medical Mutual of Ohio

NAIC Group Code..... 730, 730 (Current Period) (Prior Period) — NAIC Company Code..... 29076 — Employer's ID Number..... 34-0648820

Organized under the Laws of OH — State of Domicile or Port of Entry OH — Country of Domicile US

Licensed as Business Type Property/Casualty — Is HMO Federally Qualified? Yes [ ] No [ ]

Incorporated/Organized..... March 30, 1934 — Commenced Business..... January 1, 1934

Statutory Home Office	2060 East Ninth Street .. Cleveland .. OH .. US .. 44115-1355 *(Street and Number) (City or Town, State, Country and Zip Code)*	
Main Administrative Office	2060 East Ninth Street .. Cleveland .. OH .. US .. 44115-1355 *(Street and Number) (City or Town, State, Country and Zip Code)*	216-687-7000 *(Area Code) (Telephone Number)*
Mail Address	2060 East Ninth Street .. Cleveland .. OH .. US .. 44115-1355 *(Street and Number or P. O. Box) (City or Town, State, Country and Zip Code)*	
Primary Location of Books and Records	2060 East Ninth Street .. Cleveland .. OH .. US .. 44115-1355 *(Street and Number) (City or Town, State, Country and Zip Code)*	216-687-7000 *(Area Code) (Telephone Number)*
Internet Web Site Address	www.MedMutual.com	
Statutory Statement Contact	Kevin Spruch *(Name)*	216-687-2759 *(Area Code) (Telephone Number) (Extension)*
	Kevin.Spruch@medmutual.com *(E-Mail Address)*	216-360-4073 *(Fax Number)*

OFFICERS

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

OTHER

Kathleen Rose Golovan	EVP	Andrea Marie Hogben	EVP
John Steven Kish	EVP	Teresa Jo Koenig	EVP
Steffany Matticola Larkins	EVP	Raymond Karl Mueller	EVP
David Gerard Quiring	EVP		

DIRECTORS OR TRUSTEES

Charles Arthur Bryan	Richard Alan Chiricosta	Frederick David DiSanto	Terrance Callahan Egger
Michael Kipp Keating	Robert John King Jr.	Dennis John Roche	Greta Jane Russell

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

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

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

Subscribed and sworn to before me
This ________ day of ____________ 2020

a. Is this an original filing? Yes [ ] No [X]
b. If no
1. State the amendment number 2
2. Date filed 06/05/2020
3. Number of pages attached 2

NOTES TO FINANCIAL STATEMENTS

Note 1 – Summary of Significant Accounting Policies and Going Concern

A. Accounting Practices

The accompanying statutory financial statements of Medical Mutual of Ohio (the Company) have been prepared in conformity with the National Association of Insurance Commissioners' (NAIC) *Accounting Practices and Procedures Manual* (NAIC SAP), as prescribed by the Ohio Department of Insurance (ODI). No accounting practices were employed by the Company in 2019 or 2018 that departed from NAIC SAP.

	SSAP #	F/S Page	F/S Line #	2019	2018
NET INCOME					
(1) Company state basis (Page 4, Line 32, Columns 2 & 3)	XXX	XXX	XXX	$ 102,846,587	$ 128,037,370
(2) State Prescribed Practices that are an increase/(decrease) from NAIC SAP					
				$	$
(3) State Permitted Practices that are an increase/(decrease) from NAIC SAP					
				$	$
(4) NAIC SAP (1 – 2 – 3 = 4)	XXX	XXX	XXX	$ 102,846,587	$ 128,037,370
SURPLUS					
(5) Company state basis (Page 3, Line 33, Columns 3 & 4)	XXX	XXX	XXX	$1,802,459,130	$1,793,094,383
(6) State Prescribed Practices that are an increase/(decrease) from NAIC SAP					
				$	$
(7) State Permitted Practices that are an increase/(decrease) from NAIC SAP					
				$	$
(8) NAIC SAP (5 – 6 – 7 = 8)	XXX	XXX	XXX	$1,802,459,130	$1,793,094,383

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

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

C. Accounting Policy

Basis of Presentation
Statutory accounting practices vary from U.S. generally accepted accounting principles (GAAP). The more significant variances from GAAP are as follows:

Real Estate
Real estate is reported at cost, net of accumulated depreciation. The cost of the property included in the real estate investment, other than land, is depreciated on a straight-line basis over the estimated useful life of the building which the Company has estimated to be 35 years. Depreciation expense is included in investment expense. The Company includes in both income and expense an amount for rent relating to the real estate. The amount recorded is at a rate comparable to rental rates of like property in the same area. For GAAP, no rental income or expense is recognized.

Nonadmitted Assets
Certain assets designated as "nonadmitted," principally deferred taxes, furniture and equipment, electronic data processing equipment and software, certain accounts receivables, prepaid expenses, and other assets not identified as an admitted asset in the NAIC's Accounting Practices and Procedures Manual, are excluded from the statutory statements of admitted assets, liabilities and surplus and are charged directly to surplus. In accordance with GAAP, such assets are included in the balance sheet, net of a valuation allowance, if necessary. Surplus was reduced by nonadmitted assets of $114,439,000 and $36,562,000 at December 31, 2019 and 2018, respectively.

Guarantee Fund Premium Tax Assets
The Company recognizes premium tax assets that are recoverable in excess of one year if the credits are due to the insolvency of a writer of long-term care contracts. For GAAP, the Company is only permitted to recognize premium tax assets that are recoverable in the next calendar year as credits against taxes owed on premiums earned in the current calendar year.

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

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

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

NOTES TO FINANCIAL STATEMENTS

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

Reinsurance
Unpaid claims liability ceded to reinsurers have been reported as reductions of the related reserves rather than as assets as would be required under GAAP.

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

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

Other significant accounting policies are as follows:

Invested Assets
U.S. government securities and corporate bonds not backed by other assets are recorded at amortized cost using the interest method or fair value based on their NAIC rating. Single class mortgage-backed securities are valued at amortized cost using the interest method including anticipated prepayments. Prepayment assumptions are obtained from dealer surveys or internal estimates and are based on the current interest rate and economic environment. The retrospective adjustment method is used to value all such securities held. The fair values disclosed for these securities are obtained from independent pricing services.

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

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

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

Level 1 Values are unadjusted quoted prices for identical assets in active markets accessible at the measurement date.

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

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

Other Invested Assets
Other invested assets include investments in limited partnerships, assets associated with a non-qualified benefit plan, and a health and wellness trust.

Federal Medical Loss Ratio Rebate
The Company is subject to the Affordable Care Act (ACA), which requires the payment of rebates to eligible policyholders or enrollees when the amounts paid for healthcare benefits and quality improvement initiatives fall below specified thresholds. Separate calculations are performed for each state and by group size (individual, small group, large group and Medicare Advantage). At December 31, 2019 and 2018, no liabilities were recognized on the accompanying statutory statements of admitted assets, liabilities and surplus as the calculated amounts exceeded the applicable thresholds.

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

The Company’s Medicare Advantage premium revenues are subject to periodic adjustment under the Centers for Medicare & Medicaid Services’

(CMS) risk adjustment payment methodology. CMS deploys a risk adjustment model that apportions premiums paid to all health plans according to health severity and certain demographic factors. The CMS risk adjustment model provides higher per member payments for enrollees diagnosed with certain conditions and lower payments for enrollees who are healthier. Under this risk adjustment methodology, CMS calculates the risk adjusted premium payment using diagnosis data from hospital inpatient, hospital outpatient and physician treatment settings. The Company and health care providers collect, capture and submit the necessary and available diagnosis data to CMS within prescribed deadlines. Risk adjustment data for certain plans of the Company are subject to review by the government, including audit by regulators. See Note 14 for additional information regarding these audits.

Medicare Part D Pharmacy Benefits

The Company serves as a plan sponsor offering Medicare Part D prescription drug insurance coverage under contracts with CMS. Under the Medicare Part D program, there are seven separate elements of payment during the plan year. These payment elements are as follows:

- CMS Premium. CMS pays a fixed monthly premium per member to the Company for the entire plan year.

- Member Premium. Additionally, certain members pay a fixed monthly premium to the Company for the entire plan year.

- Low-Income Premium Subsidy. For qualifying low-income members, CMS pays some or all of the member's monthly premiums to the Company on the member's behalf.

- Catastrophic Reinsurance Subsidy. CMS pays the Company a cost reimbursement estimate monthly to fund the CMS obligation to pay approximately 80% of the costs incurred by individual members in excess of the individual annual out-of-pocket maximum. A settlement is made with CMS based on actual cost experience, after the end of the plan year.

- *Low-Income Member Cost Sharing Subsidy.* For qualifying low-income members, CMS pays on the member's behalf some or all of a member's cost sharing amounts, such as deductibles and coinsurance. The cost sharing subsidy is funded by CMS through monthly payments to the Company. The Company administers and pays the subsidized portion of the claims on behalf of CMS, and a settlement payment is made between CMS and the Company based on actual claims and premium experience, after the end of the plan year.

- *CMS Risk Corridor.* Premiums from CMS are subject to risk corridor provisions that compare costs targeted in the Company's annual bids by product and region to actual prescription drug costs, limited to actual costs that would have been incurred under the standard coverage as defined by CMS. Variances of more than 5% above or below the original bid submitted by the Company may result in CMS making additional payments to the Company or require the Company to refund to CMS a portion of the premiums it received. The Company estimates and recognizes an adjustment to net accident and health premiums earned related to the risk corridor payment settlement based upon pharmacy claims experience to date. The estimate of the settlement associated with these risk corridor provisions requires the Company to consider factors that may not be certain, including estimates of eligible pharmacy costs and member eligibility status differences with CMS. The Company records risk corridor adjustments to net accident and health premiums earned in the statutory statements of revenue and expenses.

- *Coverage Gap Discount Program.* Health Reform Legislation mandated a consumer discount on brand name prescription drugs for Medicare Part D plan participants in the coverage gap. This discount is funded by CMS and pharmaceutical manufacturers while the Company administers the application of these funds. Accordingly, amounts received are not reflected as premium revenues, but rather are accounted for as deposits.

The CMS Premium, the Member Premium and the Low-Income Premium Subsidy represent payments for the Company's insurance risk coverage under the Medicare Part D program and, therefore, are recorded as net accident and health premiums earned in the statutory statements of revenue and expenses. Premiums are recognized ratably over the period in which eligible individuals are entitled to receive prescription drug benefits. The Company records premium payments received in advance of the applicable service period in advanced premiums in the statutory statements of admitted assets, liabilities and surplus.

The Catastrophic Reinsurance Subsidy and the Low-Income Member Cost Sharing Subsidy (Subsidies) represent cost reimbursements under the Medicare Part D program. Amounts received for these Subsidies are not reflected as net accident and health premiums earned, but rather are accounted for as receivables and/or deposits.

Pharmacy benefit costs and administrative costs under the contract are expensed as incurred and are recognized in net accident and health benefits and general administrative expenses, respectively, in statutory statements of revenue and expenses.

The final 2019 risk corridor amount is expected to be settled during the second half of 2020, and is subject to the reconciliation process with CMS.

Uncertain Tax Policies The Company records uncertain tax positions on the basis of a two-step process whereby (1) the Company determines whether it is more likely than not that the tax positions will be sustained on the basis of the technical merits of the position and (2) for those tax positions that meet the more-likely-than-not recognition threshold, the Company recognizes the largest amount of tax benefit that is more than 50 percent likely to be realized upon ultimate settlement with the related tax authority.
Changes to liabilities for uncertain tax positions are recorded as income tax expenses in the accompanying statutory statement of revenue and expense. The total liability for uncertain tax positions at December 31, 2019 and 2018 was $10,503,000 and $8,647,000, respectively, included in current federal income tax payable in the statutory statements of admitted assets, liabilities and surplus. The Company does not expect any significant changes in its liability for uncertain tax positions in 2020.

Employee Benefits

The Company computes the funded status (i.e., the difference between the fair value of plan assets and the projected benefit obligations) of employee benefit plans in accordance with SSAP No. 92, Accounting for Postretirement Benefits Other Than Pensions and SSAP No. 102, Accounting for Pensions in the accompanying statutory statement of admitted assets, liabilities and surplus, with corresponding adjustments to surplus.

Health Insurer Fee
The Company is subject to a mandatory annual non tax-deductible assessment on health insurers imposed by the ACA. The Company estimates the expense for the Health Insurer Fee based upon the preceding year's ratio of the Company's applicable net written premium compared to the U.S. health insurance industry total applicable net written premium. The Company reclassifies from unassigned surplus to special surplus the estimated assessment amount for the subsequent year. H.R. 195, Division D – Suspension of Certain Health-Related Taxes, § 4003, suspended the Health Insurer Fee for 2019. Therefore, no amounts were reclassified to special surplus at December 31, 2018. See Note 7 for further detail. The fee returns in 2020 but is permanently repealed for years 2021 and after as a result of H.R. 1865: Further consolidated Appropriations Act, 2020.

ACA Risk Adjustment Program
The ACA authorized a permanent risk adjustment program designed to transfer funds from qualified individual and small group plans with below average risks scores to those respective plans with above average risk scores. The estimates of amounts owed or due from the ACA risk adjustment program is required to be reflected as an adjustment to earned premium if sufficient data is available to make an estimate. The Company accounts for the Premium Stabilization Program in accordance with SSAP No. 107, *Accounting for the Risk-Sharing Provisions of the Affordable Care Act*.

In 2019, the Company recognized $7,101,000 in net risk adjustment, of which $6,182,000 of income related to the 2019 program year, and income of $919,000 related to the prior program years as the final settlement was favorable to the estimate recorded in the 2018 statutory financial statements.

In 2018, the Company recognized $13,704,000 in net risk adjustment, of which $4,880,000 of income related to the 2018 program year, and income of $8,824,000 related to the prior program years as the final settlement was favorable to the estimate recorded in the 2017 statutory financial statements.

(1) Basis for Short-Term Investments

Short-term investments, principally money market accounts, include investments with maturities of one year or less at the time of acquisition and are principally stated at amortized cost, which approximates fair value.

(2) Basis for Bonds and Amortization Schedule

Investments in bonds are reported at amortized cost or fair value based on their NAIC rating; for GAAP, such fixed maturity investments are held as available-for-sale and are reported at fair value with unrealized holding gains and losses reported as a separate component of surplus. All single class and multiclass mortgage-backed securities (MBSs) (e.g., collateralized mortgage obligations (CMOs) are adjusted for the effects of changes in prepayment assumptions on the related accretion of discount or amortization of premium of such securities using either the retrospective or prospective methods. If it is determined that a decline in fair value is other than temporary, the cost basis of the security is written down to the undiscounted estimated future cash flows. For GAAP purposes, all securities purchased or retained that represent beneficial interests in securitized assets (e.g., CMO and MBS securities), other than high credit quality securities, are adjusted using the prospective method when there is a change in estimated future cash flows. If high credit quality securities are adjusted, the retrospective method is used. If it is determined that a decline in fair value is other than temporary, the cost basis of the security is written down to the discounted fair value.

Under statutory accounting, a realized loss is recorded upon the sale of an investment at a loss or when a decline in the fair value of an investment is determined by management to be other than temporary. Realized capital gains and losses are determined on the first-in, first-out cost method.

For GAAP, if a decline in the fair value is other than temporary, the difference between the security's fair value and carrying value (amortized cost) must be realized in earnings if the Company has the intent to sell the security or does not have the intent and ability to hold the security until recovery of the carrying value. If the Company does not intend to sell the security and it is more likely than not that the Company will be required to sell the security before recovery of its amortized cost basis, the other-than-temporary impairment (OTTI) would be separated into (a) the amount representing the credit loss and (b) the amount related to all other factors. The amount of the total OTTI related to the credit loss would be recognized in earnings. The amount of the total OTTI related to other factors would be recognized in other comprehensive income.

(3) Basis for Common Stocks

Common stocks are recorded at fair value as determined by the Securities Valuation Office of the NAIC. Related unrealized capital gains or losses are reported as an adjustment to surplus, net of federal income taxes. Under GAAP, unrealized gains and losses are reported in current period earnings.

(4) Basis for Preferred Stocks

Not Applicable.

(5) Basis for Mortgage Loans

Not Applicable.

(6) Basis for Loan-Backed Securities and Adjustment Methodology

Not Applicable.

(7) Accounting Policies for Investments in Subsidiaries, Controlled and Affiliated Entities

The accounts and operations of the Company's subsidiaries are not consolidated with the accounts and operations of the Company as would be required by GAAP. The investment in Medical Mutual Services, LLC (MMS) is carried at its audited GAAP equity value. The Company's investments in Medical Health Insuring Corporation of Ohio (MHICO), MedMutual Life Insuring Company (MMLIC) and Superior Dental Care, Inc. (SDC) are carried at their audited statutory surplus values. The changes in equity in the undistributed income or losses of subsidiaries are charged or credited directly to surplus. Distributed income of the subsidiaries is recognized in net investment income when the dividend is declared.

(8) Accounting Policies for Investments in Joint Ventures, Partnerships and Limited Liability Entities

Investments in limited partnerships are recorded in other invested assets. These investments are based on the Company's interest in the underlying audited GAAP equity of the investee. Undistributed earnings and losses of the investee are accounted for as changes in unrealized gains and losses.

Under GAAP, these earnings would be accounted for as an equity method investment and flow through net income.

(9) Accounting Policies for Derivatives

Not Applicable.

(10) Anticipated Investment Income Used in Premium Deficiency Calculation

The Company considers anticipated net investment income as a factor in determining the premium deficiency reserve amount.

(11) Management's Policies and Methodologies for Estimating Liabilities for Losses and Loss/Claim Adjustment Expenses

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

(12) Changes in the Capitalization Policy and Predefined Thresholds from Prior Period

Not Applicable.

(13) Method Used to Estimate Pharmaceutical Rebate Receivables

The Company accounts for pharmaceutical rebate receivables in accordance with SSAP No. 84.

D. Going Concern

Not Applicable.

Note 2 – Accounting Changes and Correction of Errors

Not Applicable.

Note 3 – Business Combinations and Goodwill

A. Statutory Purchase Method

Effective August 31, 2018, MMO entered into an acquisition agreement with Superior Dental Care Alliance, Inc. (SDCA) to be the sole shareholder of SDCA, an Ohio corporation. Its wholly owned subsidiary is SDC, an Ohio corporation. SDCA provided administrative services to self-insured dental plans. SDC is an Individual Practice Association prepaid dental plan. SDCA and SDC operate under the trade names Superior Dental Care Alliance and Superior Dental Care, respectively. Effective December 31, 2019 SDCA merged into SDC. In conjunction with the acquisition, liabilities assumed were $5,428,000.

The transaction was accounted for as a statutory purchased, and reflects the following:

1	2	3	4	5	6	7
Purchased Entity	Acquisition Date	Cost of Acquired Entity	Original Amount of Admitted Goodwill	Admitted Goodwill as of the Reporting Date	Amount of Goodwill Amortized During the Reporting Period	Admitted Goodwill as a % of SCA BACV, Gross of Admitted Goodwill
Superior Dental Care, Inc.	08/31/2018	$ 15,499,993	$ 7,177,242	$ 4,914,155	$ 1,699,411	29.60%

B. Statutory Merger

Not Applicable.

C. Assumption Reinsurance

Not Applicable.

D. Impairment Loss

Not Applicable.

Note 4 – Discontinued Operations

Not Applicable.

Note 5 – Investments

A. Mortgage Loans, including Mezzanine Real Estate Loans

Not Applicable.

B. Debt Restructuring

Not Applicable.

NOTES TO FINANCIAL STATEMENTS

C. Reverse Mortgages

Not Applicable.

D. Loan-Backed Securities

(1) Description of Sources Used to Determine Prepayment Assumptions

Prepayment assumptions for mortgage-backed / loan backed securities were obtained from Bloomberg.

(2) Other-Than-Temporary Impairments

Not Applicable.

(3) Recognized OTTI Securities

Not Applicable.

(4) All impaired securities (fair value is less than cost or amortized cost) for which an other-than-temporary impairment has not been recognized in earnings as a realized loss (including securities with a recognized other-than-temporary impairment for non-interest related declines when a non-recognized interest related impairment remains):

a.	The aggregate amount of unrealized losses:	1. Less than 12 Months	$ 669,521
		2. 12 Months or Longer	$ 664,003
b.	The aggregate related fair value of securities with unrealized losses:	1. Less than 12 Months	$ 126,512,835
		2. 12 Months or Longer	$ 60,504,278

(5) Information Investor Considered in Reaching Conclusion that Impairments are Not Other-Than-Temporary

The unrealized losses on bonds and common stocks have been reviewed for OTTI as of December 31, 2019. The Company has determined that the decline in value of bonds is principally the result of a general increase in interest rates and widening of credit spreads subsequent to the purchases of these securities and in the opinion of management is temporary. The Company does not intend to sell any of the bonds in an unrealized loss position, nor does the Company expect to be required to sell any of these investments prior to recovery of fair value or maturity. All of the fixed maturity securities in an unrealized loss position at December 31, 2019, are current with respect to required principal and interest payments.

For the common stocks in an unrealized loss position, the Company evaluated the near-term prospects of the issuers in relation to the severity and duration of the impairment. Based on that evaluation and the Company's ability and intent to hold these investments for a reasonable period of time sufficient for a forecasted recovery of fair value, the Company does not consider these common stock investments to be other-than-temporarily impaired at December 31, 2019.

E. Dollar Repurchase Agreements and/or Securities Lending Transactions

Not Applicable.

F. Repurchase Agreements Transactions Accounted for as Secured Borrowing
Repurchase Transaction – Cash Taker – Overview of Secured Borrowing Transactions

Not Applicable.

G. Reverse Repurchase Agreements Transactions Accounted for as Secured Borrowing
Repurchase Transactions – Cash Provider – Overview of Secured Borrowing Transactions

Not Applicable.

H. Repurchase Agreements Transactions Accounted for as a Sale
Repurchase Transaction – Cash Taker – Overview of Sale Transactions

Not Applicable.

I. Reverse Repurchase Agreements Transactions Accounted for as a Sale
Repurchase Transaction – Cash Provider – Overview of Sale Transactions

Not Applicable.

J. Real Estate

Not Applicable.

K. Low-Income Housing Tax Credits (LIHTC)

Not Applicable.

L. Restricted Assets

(1) Restricted Assets (Including Pledged)

Certain state insurance laws require the Company to maintain deposits with the respective state insurance departments in connection with the licensing requirements.

	1	2	3	4	5	6	7

NOTES TO FINANCIAL STATEMENTS

Restricted Asset Category	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 & Nonadmitted) Restricted to Total Assets (a)	Additional Restricted to Total Admitted Assets (b)
a. Subject to contractual obligation for which liability is not shown	$	$	$	$	$	%	%
b. Collateral held under security lending arrangements						%	%
c. Subject to repurchase agreements						%	%
d. Subject to reverse repurchase agreements						%	%
e. Subject to dollar repurchase agreements						%	%
f. Subject to dollar reverse repurchase agreements						%	%
g. Placed under option contracts						%	%
h. Letter stock or securities restricted as to sale – excluding FHLB capital stock						%	%
i. FHLB capital stock						%	%
j. On deposit with states	887,304	899,670	(12,366)		887,304	%	%
k. On deposit with other regulatory bodies						%	%
l. Pledged as collateral to FHLB (including assets backing funding agreements)						%	%
m. Pledged as collateral not captured in other categories						%	%
n. Other restricted assets						%	%
o. Total Restricted Assets	$ 887,304	$ 899,670	$ (12,366)	$	$ 887,304	%	%

(a) Column 1 divided by Asset Page, Column 1, Line 28
(b) Column 5 divided by Asset Page, Column 1, Line 28

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

Not Applicable.

(3) Detail of Other Restricted Assets (Contracts that Share Similar Characteristics, such as Reinsurance and Derivatives, are Reported in the Aggregate)

Not Applicable.

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

Not Applicable.

M. Working Capital Finance Investments

Not Applicable.

N. Offsetting and Netting of Assets and Liabilities

Not Applicable.

O. 5GI Securities

Not Applicable.

P. Short Sales

Not Applicable.

Q. Prepayment Penalty and Acceleration Fees

Included in the losses recognized in 2019 are prepayment penalties and acceleration fees of $147,263 related to fifteen called bonds.

(1) Number of CUSIPs	15
(2) Aggregate Amount of Investment Income	$ 147,263

Note 6 – Joint Ventures, Partnerships and Limited Liability Companies

A. Investments in Joint Ventures, Partnerships and Limited Liability Companies that Exceed 10% of Ownership

Not Applicable.

B. Investments in Impaired Joint Ventures, Partnerships and Limited Liability Companies

Not Applicable.

Note 7 – Investment Income

Not Applicable.

NOTES TO FINANCIAL STATEMENTS

Note 8 – Derivative Instruments

Not Applicable.

Note 9 – Income Taxes

A. Deferred Tax Assets/(Liabilities)

The Company is taxed as a stock property and casualty insurance company and files a consolidated federal income tax return with certain subsidiaries.

Certain subsidiaries of the Company are organized as single-member, limited liability companies (LLC) and accordingly taxable income or loss of these LLC subsidiaries are included in the tax provision of the Company, regardless of the level of income or loss of such subsidiaries recognized in the Statements of Operations.

Deferred income tax assets (DTAs) and liabilities (DTLs) represent the expected future tax consequences of temporary items with differences generated by statutory accounting as defined in SSAP No. 101. DTAs and DTLs are computed by means of identifying temporary differences which are measured using a balance sheet approach whereby statutory and tax basis balance sheets are compared. Current federal income tax recoverables include all current income taxes, including interest, reasonably expected to be recovered in a subsequent accounting period. Current federal income tax payables include all current income taxes, including interest, expected to be paid in a subsequent accounting period.

As part of the Tax Cuts and Jobs Act, the Alternative Minimum Tax (AMT) program was eliminated for taxable years beginning after December 31, 2017. The AMT credits as of this date are available to offset regular tax each year and the remaining balances are refunded according to a monetization schedule. This monetization schedule, which is outlined in IRC Section 53, states that AMT credits will first offset 100 percent of the current year tax liability and 50 percent of the remaining AMT credits will be refunded. This offset/refund schedule applies for tax years 2018 – 2021. At the end of said period all AMT credits will have offset current taxes payable or will have been refunded. In 2017, pursuant to the requirements of the Balanced Budget and Emergency Deficit Control Act of 1985, these remaining credits were subject to a sequestration reduction rate of 6.6 percent. In December 2018, the Office of Management and Budget issued a formal directive to the U.S. Department of Treasury announcing its decision to rescind the sequestration of AMT credits. In response to this new directive, the Company released the valuation allowance for sequestration. AMT credits expected to be refunded for the current year have been reclassified as a current receivable, while the remaining AMT Credits are classified as DTAs.

The Company paid no federal income taxes during 2019 or 2018 due to the AMT credit offsets.

The Company is subject to federal income tax examinations by tax authorities for the years 2016 through 2019. 2015 and prior years are closed.

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

	2019			2018			Change		
	1 Ordinary	2 Capital	3 (Col 1+2) Total	4 Ordinary	5 Capital	6 (Col 4+5) Total	7 (Col 1-4) Ordinary	8 (Col 2-5) Capital	9 (Col 7+8) Total
a. Gross deferred tax assets	$134,785,334	$ 3,203,521	$137,988,855	$189,148,539	$ 3,540,360	$192,688,899	$(54,363,205)	$ (336,839)	$(54,700,044)
b. Statutory valuation allowance adjustment	71,676,799	2,040,390	73,717,189	44,574,220	2,377,230	46,951,450	27,102,579	(336,840)	26,765,739
c. Adjusted gross deferred tax assets (1a-1b)	$ 63,108,535	$ 1,163,131	$ 64,271,666	$144,574,319	$ 1,163,130	$145,737,449	$(81,465,784)	$ 1	$(81,465,783)
d. Deferred tax assets nonadmitted									
e. Subtotal net admitted deferred tax asset (1c-1d)	$ 63,108,535	$ 1,163,131	$ 64,271,666	$144,574,319	$ 1,163,130	$145,737,449	$(81,465,784)	$ 1	$(81,465,783)
f. Deferred tax liabilities	1,469,898	12,746,768	14,216,666	1,391,577	1,133,836	2,525,413	78,321	11,612,932	11,691,253
g. Net admitted deferred tax assets/(net deferred tax liability) (1e-1f)	$ 61,638,637	$(11,583,637)	$ 50,055,000	$143,182,742	$ 29,294	$143,212,036	$(81,544,105)	$(11,612,931)	$(93,157,036)

2. Admission Calculation Components SSAP No. 101

	2019			2018			Change		
	1 Ordinary	2 Capital	3 (Col 1+2) Total	4 Ordinary	5 Capital	6 (Col 4+5) Total	7 (Col 1-4) Ordinary	8 (Col 2-5) Capital	9 (Col 7+8) Total
a. Federal income taxes paid in prior years recoverable through loss carrybacks	$ 11,471,758	$ 1,163,131	$ 12,634,889	$ 18,697,096	$ 1,163,130	$ 19,860,226	$ (7,225,338)	$ 1	$ (7,225,337)
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)	50,166,879		50,166,879	124,485,647		124,485,647	(74,318,768)		(74,318,768)
1. Adjusted gross deferred tax assets expected to be	50,166,879		50,166,879	124,485,647		124,485,647	(74,318,768)		(74,318,768)

NOTES TO FINANCIAL STATEMENTS

	2019			2018			Change	
	1 Ordinary	2 Capital	3 (Col 1+2) Total	4 Ordinary	5 Capital	6 (Col 4+5) Total	7 (Col 1-4) Ordinary	8 (Col 2-5) Capital	9 (Col 7+8) Total
realized following the balance sheet date									
2. Adjusted gross deferred tax assets allowed per limitation threshold			50,166,879			124,485,647			(74,318,768)
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	1,469,898		1,469,898	1,391,576		1,391,576	78,322		78,322
d. Deferred tax assets admitted as the result of application of SSAP 101. Total (2(a)+2(b)+2(c))	$ 63,108,535	$ 1,163,131	$ 64,271,666	$144,574,319	$ 1,163,130	$145,737,449	$ (81,465,784)	$ 1	$ (81,465,783)

3. Other Admissibility Criteria

	2019	2018
a. Ratio percentage used to determine recovery period and threshold limitation amount	1,054.0%	1,126.0%
b. Amount of adjusted capital and surplus used to determine recovery period and threshold limitation in 2(b)2 above	$ 1,752,454,457	$ 1,649,931,453

4. Impact of Tax Planning Strategies

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

	2019		2018		Change	
	1 Ordinary	2 Capital	3 Ordinary	4 Capital	5 (Col. 1-3) Ordinary	6 (Col. 2-4) Capital
1. Adjusted gross DTAs amount from Note 9A1(c)	$ 63,108,535	$ 1,163,131	$ 144,574,319	$ 1,163,130	$ (81,465,784)	$ 1
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)	$ 63,108,535	$ 1,163,131	$ 144,574,319	$ 1,163,130	$ (81,465,784)	$ 1
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? NO

B. Deferred Tax Liabilities Not Recognized

There are no temporary differences for deferred tax liabilities that are not recognized at December 2019 and 2018.

C. Current and Deferred Income Taxes

1. Current Income Tax

	1 2019	2 2018	3 (Col 1-2) Change
a. Federal	$ 25,662,566	$ 33,938,177	$ (8,275,611)
b. Foreign	$	$	$
c. Subtotal	$ 25,662,566	$ 33,938,177	$ (8,275,611)
d. Federal income tax on net capital gains	$ 350,017	$ 626,000	$ (275,983)
e. Utilization of capital loss carry-forwards	$	$	$
f. Other	$ 471,612	$ (370,722)	$ 842,334
g. Federal and Foreign income taxes incurred	$ 26,484,195	$ 34,193,455	$ (7,709,260)

2. Deferred Tax Assets

	1	2	3

NOTES TO FINANCIAL STATEMENTS

	2019	2018	(Col 1-2) Change
a. Ordinary:			
1. Discounting of unpaid losses	$	$	$
2. Unearned premium reserve			
3. Policyholder reserves	7,936,621	8,972,028	(1,035,407)
4. Investments			
5. Deferred acquisition costs			
6. Policyholder dividends accrual			
7. Fixed assets			
8. Compensation and benefits accrual	19,653,858	17,035,644	2,618,214
9. Pension accrual			
10. Receivables - nonadmitted			
11. Net operating loss carry-forward	3,899,868	3,993,573	(93,705)
12. Tax credit carry-forward	50,166,879	124,485,647	(74,318,768)
13. Other (items <=5% and >5% of total ordinary tax assets)	53,128,108	34,661,647	18,466,461
Other (items listed individually >5%of total ordinary tax assets)			
99. Subtotal	$ 134,785,334	$ 189,148,539	$ (54,363,205)
b. Statutory valuation allowance adjustment	71,676,799	44,574,220	27,102,579
c. Nonadmitted			
d. Admitted ordinary deferred tax assets (2a99-2b-2c)	$ 63,108,535	$ 144,574,319	$ (81,465,784)
e. Capital:			
1. Investments	$ 2,984,365	$ 2,815,276	$ 169,089
2. Net capital loss carry-forward			
3. Real estate			
4. Other (items <=5% and >5% of total capital tax assets)	219,156	725,084	(505,928)
Other (items listed individually >5% of total capital tax assets)			
99. Subtotal	$ 3,203,521	$ 3,540,360	$ (336,839)
f. Statutory valuation allowance adjustment	2,040,390	2,377,230	(336,840)
g. Nonadmitted			
h. Admitted capital deferred tax assets (2e99-2f-2g)	1,163,131	1,163,130	1
i. Admitted deferred tax assets (2d+2h)	$ 64,271,666	$ 145,737,449	$ (81,465,783)

3. Deferred Tax Liabilities

	1 2019	2 2018	3 (Col 1-2) Change
a. Ordinary:			
1. Investments	$	$	$
2. Fixed assets	1,430,204	1,350,733	79,471
3. Deferred and uncollected premium			
4. Policyholder reserves			
5. Other (items <=5% and >5% of total ordinary tax liabilities)	39,694	40,844	(1,150)
Other (items listed individually >5% of total ordinary tax liabilities)			
99. Subtotal	$ 1,469,898	$ 1,391,577	$ 78,321
b. Capital:			
1. Investments	$ 12,746,768	$ 1,133,836	$ 11,612,932
2. Real estate			
3. Other (Items <=5% and >5% of total capital tax liabilities)			
Other (items listed individually >5% of total capital tax liabilities)			
99. Subtotal	$ 12,746,768	$ 1,133,836	$ 11,612,932
c. Deferred tax liabilities (3a99+3b99)	$ 14,216,666	$ 2,525,413	$ 11,691,253
4. Net Deferred Tax Assets/Liabilities (2i – 3c)	$ 50,055,000	$ 143,212,036	$ (93,157,036)

NOTES TO FINANCIAL STATEMENTS

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

	December 31					
	2019			2018		
Description	**Amount**	**Tax Effect**	**Effective Tax Rate**	**Amount**	**Tax Effect**	**Effective Tax Rate**
Income before taxes	$ 129,331,000	$ 27,160,000	21.0 %	$ 161,604,000	$ 33,937,000	21.0 %
AMT credit utilization	352,699,000	74,067,000	57.3	800,297,000	168,062,000	104.0
Change in valuation allowances	127,457,000	26,766,000	20.7	(400,422,000)	(84,089,000)	(52.0)
Health Insurer Fee	-	-	-	42,502,000	8,925,000	5.5
Expiration of charitable contributions	-	-	-	836,000	175,000	0.1
Benefit from pass-through entities	(39,165,000)	(8,225,000)	(6.4)	(22,272,000)	(4,677,000)	(2.9)
Other DTA adjustments	(11,045,000)	(2,319,000)	(1.8)	(21,156,000)	(4,443,000)	(2.7)
Other	10,364,000	2,176,000	1.7	(741,000)	(153,000)	(0.1)
Permanent adjustments	26,681,000	5,603,000	4.3	8,381,000	1,760,000	1.1
Adjustment for nonadmitted assets	(78,175,000)	(16,417,000)	(12.7)	(5,332,000)	(1,120,000)	(0.7)
	$ 518,147,000	$ 108,811,000	84.1 %	$ 563,697,000	$118,377,000	73.3 %

Federal income taxes incurred		$ 26,484,000	20.5		$ 33,567,000	20.8
Tax on capital gains		350,000	0.2		626,000	0.4
Change in net deferred income taxes		81,977,000	63.4		84,184,000	52.1
Total statutory income taxes		$108,811,000	84.1 %		$118,377,000	73.3 %

E. Operating Loss Carry Forwards and Income Taxes Available for Recoupment

1 -2.

The Company cannot recover any income tax incurred relating to 2019 and 2018 if the Company has losses in future years. At December 31, 2019, the Company had net operating loss carryforwards of approximately $18,571,000 expiring through 2026, of which $15,447,000 are limited by IRC Section 382. The Company had no capital loss carryforwards to utilize in future years at December 31, 2019 and 2018.

3. The Company's aggregate amount of deposits admitted under Section 6603 of the Internal Revenue Service Code

Not Applicable.

F. Consolidated Federal Income Tax Return

1. The Company's federal income tax return is consolidated with the following entities:
   Medical Mutual of Ohio
   Medical Health Insuring Corporation of Ohio
   MedMutual Life Insurance Company
   Medical Mutual Services, LLC
   Superior Dental Care, Inc

2. The manner in which the Board of Directors sets forth for allocating the consolidated federal income tax:

The Company is party to a written tax sharing agreement with its affiliates that specifies that each member pays taxes to or receives credits from the Company as if the member had filed a separate tax return. The payment is finalized for the tax year after the return is filed and/or after an IRS audit is completed. A member generating a taxable loss, or whose net operating losses (NOLs) or other tax attributes are utilized in the current year, or whose tax attributes are utilized, is compensated for such losses or attributes utilized in the year absorbed. The Company had receivable from subsidiaries related to the tax sharing agreement of $2,645,000 and $10,844,000 at December 31, 2019 and 2018.

G. Federal or Foreign Federal Income Tax Loss Contingencies:

The Company does not have any tax loss contingencies for which it is reasonably possible that the total liability will significantly increase within twelve months of the reporting date.

H. Repatriation Transition Tax (RTT) - RTT owed under the TCJA

Not Applicable.

I. Alternative Minimum Tax Credit
Was the AMT Credit recognized as a current year recoverable or Deferred Tax Asset (DTA)?

At December 31, 2019, the schedule of expected receipt of AMT credits is as follows:

(1) Gross AMT credit recognized as:	$ 100,334,000
(a) Current year recoverable	$ 50,167,000
(b) DTA	$ 50,167,000

(2)	Beginning balance of AMT credit carryforward	$ 248,972,000
(3)	Amounts recovered	$ 124,234,000
(4)	Adjustments	$ 24,404,000
(5)	Ending balance of AMT credit carryforward (5 = 2-3-4)	$ 100,334,000
(6)	Reduction for sequestration	$ -
(7)	Nonadmitted by reporting entity	$ -
(8)	Reporting entity ending balance (8 = 5-6-7)	$ 100,334,000

(1) AMT Credit Carryover each year is a total of Recognized Recoverable and Remaining DTA.
(2) The payment of each tax year's refund is received in the subsequent period with the final payment in 2022.

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

A - L.

The Company is a mutual casualty insurance organization domiciled in Ohio. The Company provides commercial, Medicare Advantage (MA) and Medicare Supplement, accident and health plans to both individuals and employer groups in Ohio. The Company also provides stop loss coverage to uninsured accident and health plans. The Company's principal operating subsidiaries are MMS, a wholly owned subsidiary which provides claims processing and network access services to uninsured accident and health plans, third-party administrators, and other insurance companies; MHICO, a wholly owned stock casualty company; MMLIC, (fka Consumers Life Insurance Company), a wholly owned life and accident and health insurance company; and SDC, an Ohio domiciled dental insurance company. Effective December 31, 2019, SDCA merged into SDC, a wholly owned subsidiary which provides administrative services to self-insured dental plans. SDCA was the sole owner of its subsidiary SDC.

The Company shares office facilities and personnel with its subsidiaries. Such shared costs are allocated between the Company and its subsidiaries based on the actual work performed for, and facilities utilized by, each entity. The Company also provided various services to its subsidiaries, including claims processing, membership, billing, payroll, customer service, information technology services and other administrative services. Charges for shared facilities and services totaled $307,742,000 and $268,137,000 in 2019 and 2018, respectively, and are reported as a reduction of expenses on the accompanying statutory statements of revenue and expenses. Amounts due to and from the Company and its subsidiaries are settled within 90 days.

During 2019 and 2018, MMLIC provided life, accidental death and dismemberment, and long-term disability coverage to employees of the Company. Premiums paid by the Company to MMLIC for such coverage totaled $1,923,000 and $1,772,000 for 2019 and 2018, respectively.

MMS provides access to the Company's Ohio provider networks through sales to unaffiliated third-party administrators, uninsured accident and health plans, and unaffiliated insurance companies. The Company receives no income from subsidiaries for access to the Company's provider network.

The Company also guarantees that MHICO will maintain minimum surplus in accordance with state laws.

The Company made a cash capital contribution of $50,000,000 to MMS and $25,000,000 to MHICO in 2019 and $10,000,000 to MHICO in 2018. No other capital contributions were made in 2019 or 2018.

M. All SCA Investments

(1) Balance Sheet Value (Admitted and Nonadmitted) All SCAs (Except 8bi Entities)

SCA Entity	Percentage of SCA Ownership	Gross Amount	Admitted Amount	Nonadmitted Amount
a. SSAP No. 97 8a Entities				
	%	$	$	$
Total SSAP No. 97 8a Entities	XXX	$	$	$
b. SSAP No. 97 8b(ii) Entities				
	%	$	$	$
Total SSAP No. 97 8b(ii) Entities	XXX	$	$	$
c. SSAP No. 97 8b(iii) Entities				
Superior Dental Care, Inc.	100.0%	$ 16,594,075	$ 16,594,075	$
Total SSAP No. 97 8b(iii) Entities	XXX	$ 16,594,075	$ 16,594,075	$
d. SSAP No. 97 8b(iv) Entities				
	%	$	$	$
Total SSAP No. 97 8b(iv) Entities	XXX	$	$	$
e. Total SSAP No. 97 8b Entities (except 8b(i) entities) (b + c + d)	XXX	$ 16,594,075	$ 16,594,075	$
f. Aggregate Total (a + e)	XXX	$ 16,594,075	$ 16,594,075	$

(2) NAIC Filing Response Information

SCA Entity (Should be the same entities as shown in M(1) above)	Type of NAIC Filing*	Date of Filing to the NAIC	NAIC Valuation Amount	NAIC Response Received Y/N	NAIC Disallowed Entities Valuation Method Resubmission Required Y/N	Code**
a. SSAP No. 97 8a Entities						
			$			
Total SSAP No. 97 8a Entities	XXX	XXX	$	XXX	XXX	XXX
b. SSAP No. 97 8b(ii) Entities						
			$			

NOTES TO FINANCIAL STATEMENTS

SCA Entity (Should be the same entities as shown in M(1) above)	Type of NAIC Filing*	Date of Filing to the NAIC	NAIC Valuation Amount	NAIC Response Received Y/N	NAIC Disallowed Entities Valuation Method Resubmission Required Y/N	Code**
Total SSAP No. 97 8b(ii) Entities	XXX	XXX	$	XXX	XXX	XXX
c. SSAP No. 97 8b(iii) Entities						
Superior Dental Care, Inc.	S1	11/29/2018	$ No Value	Y	N	I
Total SSAP No. 97 8b(iii) Entities	XXX	XXX	$	XXX	XXX	XXX
d. SSAP No. 97 8b(iv) Entities						
			$			
Total SSAP No. 97 8b(iv) Entities	XXX	XXX	$	XXX	XXX	XXX
e. Total SSAP No. 97 8b Entities (except 8b(i) entities) (b + c + d)	XXX	XXX	$	XXX	XXX	XXX
f. Aggregate Total (a + e)	XXX	XXX	$	XXX	XXX	XXX

* S1 – Sub-1, S2 – Sub-2 or RDF – Resubmission of Disallowed Filing
** I – Immaterial or M – Material

N. Investment in Insurance SCAs

Not Applicable.

O. SCA or SSAP 48 Entity Loss Tracking

Not Material.

Note 11 – Debt

Not Applicable.

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

A. Defined Benefit Plan

Nonqualified Defined Benefit Pension Plans
The Company sponsors a nonqualified defined benefit pension plan for specified independent members of the Board of Directors. The benefit is an annuity form of payment, based upon current compensation and years-of-service, and is limited to a maximum benefit period of 12 years. The accompanying statutory statements of admitted assets, liabilities and surplus include $2,609,000 and $3,019,000 at December 31, 2019 and 2018, respectively, in other liabilities related to this plan.

The Company sponsors a nonqualified defined benefit pension plan for certain executive level employees. The plan provides a lump sum distribution upon retirement, based on a base salary calculation and the applicable vesting period. The accompanying statutory statements of admitted assets, liabilities and surplus includes a liability of $1,595,000 and $1,018,000 at December 31, 2019 and 2018, respectively, in accounts payable and accrued expenses related to this plan.

Postretirement Health and Life Insurance Plan
The Company sponsors a postretirement plan (the Postretirement Plan) that provides certain health care and life insurance benefits for retired employees who have attained age 55 and have provided at least ten years of service. Postretirement health care is considered for employees hired on or before January 1, 2010. Retiree contributions, which vary by employee age, years of service at retirement and date of retirement, are made only by retirees utilizing these benefits. Retiree contributions are adjusted as the cost of health care changes. Effective January 1, 2016, a Health Reimbursement Arrangement (HRA) was provided to certain Medicare-eligible participants. The HRA amount is based on plan eligibility and is equal to the cap amount the participant previously received based on points at retirement or is allocated as a portion of their retiree health premium account balance. Postretirement life insurance is considered for all employees meeting retirement criteria.

(1) Change in Benefit Obligation

	Overfunded		Underfunded	
	2019	2018	2019	2018
a. Pension Benefits				
1. Benefit obligation at beginning of year	$	$	$	$
2. Service cost				
3. Interest cost				
4. Contribution by plan participants				
5. Actuarial gain (loss)				
6. Foreign currency exchange rate changes				
7. Benefits paid				
8. Plan amendments				
9. Business combinations, divestitures, curtailments, settlements and special termination benefits				
10. Benefit obligation at end of year	$	$	$	$
	Overfunded		Underfunded	
b. Postretirement Benefits	2019	2018	2019	2018
1. Benefit obligation at beginning of year	$	$	$ 59,005,000	$ 60,778,000

NOTES TO FINANCIAL STATEMENTS

	Overfunded		Underfunded	
	2019	2018	2019	2018
2. Service cost			1,471,000	1,207,000
3. Interest cost			2,284,000	2,072,000
4. Contribution by plan participants			112,000	145,000
5. Actuarial gain (loss)			5,310,000	(1,394,000)
6. Foreign currency exchange rate changes				
7. Benefits paid			2,983,000	3,884,000
8. Plan amendments				
9. Business combinations, divestitures, curtailments, settlements and special termination benefits			(74,000)	(81,000)
10. Benefit obligation at end of year	$	$	$ 65,273,000	$ 59,005,000

	Overfunded		Underfunded	
c. Special or Contractual Benefits per SSAP No. 11	2019	2018	2019	2018
1. Benefit obligation at beginning of year	$	$	$	$
2. Service cost				
3. Interest cost				
4. Contribution by plan participants				
5. Actuarial gain (loss)				
6. Foreign currency exchange rate changes				
7. Benefits paid				
8. Plan amendments				
9 Business combinations, divestitures, curtailments, settlements and special termination benefits				
10. Benefit obligation at end of year	$	$	$	$

(2) Change in Plan Assets

	Pension Benefits		Postretirement Benefits		Special or Contractual Benefits per SSAP No. 11	
	2019	2018	2019	2018	2019	2018
a. Fair value of plan assets at beginning of year	$	$	$	$	$	$
b. Actual return on plan assets						
c. Foreign currency exchange rate changes						
d. Reporting entity contribution			2,797,000	3,658,000		
e. Plan participants' contributions			112,000	145,000		
f. Benefits paid			2,983,000	3,884,000		
g. Business combinations, divestitures and settlements			(74,000)	(81,000)		
h. Fair value of plan assets at end of year	$	$	$	$	$	$

(3) Funded Status

	Pension Benefits		Postretirement Benefits	
	2019	2018	2019	2018
a. Components				
1. Prepaid benefit costs	$	$	$	$
2. Overfunded plans assets	$	$	$	$
3. Accrued benefit costs	$	$	$ 65,273,000	$ 59,005,000
4. Liability for pension benefits	$	$	$	$
b. Assets and liabilities recognized				
1. Assets (nonadmitted)	$	$	$	$
2. Liabilities recognized	$	$	$ 65,273,000	$ 59,005,000
c. Unrecognized liabilities	$	$	$	$

(4) Components of Net Periodic Benefit Cost

	Pension Benefits		Postretirement Benefits		Special or Contractual Benefits per SSAP No. 11	
	2019	2018	2019	2018	2019	2018
a. Service cost	$	$	$ 1,471,000	$ 1,207,000	$	$
b. Interest cost			2,284,000	2,072,000		
c. Expected return on plan assets						
d. Transition asset or obligation			1,419,000	1,419,000		
e. Gains and losses						
f. Prior service cost or credit			173,000	173,000		
g. Gain or loss recognized						

NOTES TO FINANCIAL STATEMENTS

	Pension Benefits		Postretirement Benefits		Special or Contractual Benefits per SSAP No. 11	
	2019	2018	2019	2018	2019	2018
due to a settlement curtailment						
h. Total net periodic benefit cost	$	$	$ 5,347,000	$ 4,871,000	$	$

(5) Amounts in Unassigned Funds (Surplus) Recognized as Components of Net Periodic Benefit Cost

	Pension Benefits		Postretirement Benefits	
	2019	2018	2019	2018
a. Items not yet recognized as a component of net periodic cost – prior year	$	$	$ 7,641,000	$ 10,627,000
b. Net transition asset or obligation recognized			(1,419,000)	(1,419,000)
c. Net prior service cost or credit arising during the period				
d. Net prior service cost or credit recognized			(173,000)	(173,000)
e. Net gain and loss arising during the period			5,310,000	(1,394,000)
f. Net gain and loss recognized				
g. Items not yet recognized as a component of net periodic cost – current period	$	$	$ 11,359,000	$ 7,641,000

(6) Amounts in Unassigned Funds (Surplus) That Have Not Yet Been Recognized as Components of Net Periodic Benefit Cost

	Pension Benefits		Postretirement Benefits	
	2019	2018	2019	2018
a. Net transition asset or obligation	$	$	$ 6,159,000	$ 7,578,000
b. Net prior service cost or credit	$	$	$ 1,989,000	$ 2,162,000
c. Net recognized gains and losses	$	$	$ 3,211,000	$ (2,099,000)

(7) Weighted-Average Assumptions Used to Determine Net Periodic Benefit Cost as of December 31

	2019	2018
a. Weighted-average discount rate	3.0%	4.0%
b. Expected long-term rate of return on plan assets	%	%
c. Rate of compensation increase	4.0%	4.0%
d. Interest crediting rates (for cash balance plans and other plans with promised interest crediting rates)	%	%
Weighted-average assumptions used to determine projected benefit obligations as of December 31		
e. Weighted-average discount rate	3.0%	4.0%
f. Rate of compensation increase	4.0%	4.0%
g. Interest crediting rates (for cash balance plans and other plans with promised interest crediting rates)	%	%

The discount rates selected at the measurement dates for purposes of determining the benefit obligation and cost reflect the time value of money. These rates are based on investment-grade bond yields, after allowing for call and default risk. The expected compensation increase assumption is a long-term rate based on current expectations regarding future compensation increases. The health care trend model used to develop the future trend rates is the Getzen Model.

(8) Accumulated Benefit Obligation for Defined Benefit Pension Plans

The accompanying statutory statements of admitted assets, liabilities and surplus include $4,204,000 and $4,037,000 at December 31, 2019 and 2018, respectively, in other liabilities related to this plan.

(9) For Postretirement Benefits Other Than Pensions, the Assumed Health Care Cost Trend Rate(s)

For measurement purposes, a 6.00% and 6.25% annual rate of increase in the per capita cost of covered health care benefits was assumed for 2019 and 2018, respectively.

(10) The following estimated future payments, which reflect expected future service, as appropriate, are expected to be paid in the year indicated:

Year(s)	Amount
a. 2020	$ 4,000,000
b. 2021	$ 4,383,000
c. 2022	$ 4,662,000
d. 2023	$ 4,821,000
e. 2024	$ 4,829,000
f. 2025 through 2029	$ 23,078,000

(11) Estimate of Contributions Expected to be Paid to the Plan

Expected employer contributions during 2020 are $4,000,000.

(12) Amounts and Types of Securities Included in Plan Assets

Not Applicable.

(13) Alternative Method Used to Amortize Prior Service Amounts or Net Gains and Losses

The Company uses an alternative amortization method for gain/loss recognition for the Postretirement Plan. If gains and losses are in excess of 5% of the accumulated benefit obligation, the entire amount is amortized over a period of five years. Otherwise there is no amortization.

(14) Substantive Comment Used to Account for Benefit Obligation

The Company uses December 31 as the measurement date for calculating its obligations relating to postretirement benefits.

(15) Cost of Providing Special or Contractual Termination Benefits Recognized

Not Applicable.

(16) Reasons for Significant Gains/Losses Related to Changes in Defined Benefit Obligation and any Other Significant Change in the Benefit Obligations or Plan Assets Not Otherwise Apparent

The majority of the actuarial loss in 2019 is a result of the decrease in the discount rate.

(17) Accumulated Postretirement and Pension Benefit Obligation and Fair Value of Plan Assets for Defined Postretirement and Pension Benefit Plans

Not Applicable.

(18) Full Transition Surplus Impact of SSAP 102

Not Applicable.

B. Investment Policies and Strategies

Not Applicable.

C. Fair Value of Plan Assets

Not Applicable.

D. Basis Used to Determine Expected Long-Term Rate-of-Return

Not Applicable.

E. Defined Contribution Plans

Retirement Savings Plan
The Company sponsors a retirement savings plan that consists of a defined contribution employee retirement savings plan (the 401(k) Plan) and a defined contribution retirement plan (the Horizons Plan).

The 401(k) Plan is available to employees. The Company contributes 100% of the first 3% and 50% of the next 2% of compensation that a participant contributes to the 401(k) Plan. Participants in the 401(k) Plan immediately vest in employer matching contributions. The Company's contributions to the 401(k) Plan totaled $8,588,000 and $7,516,000 for 2019 and 2018, respectively.

The Horizons Plan provides for a fixed contribution to eligible employees, calculated as a percentage of the employees' covered compensation. The fixed contribution is calculated using percentages ranging from 3% to 8%, based on an age plus years of service-graded scale. At December 31, 2019, the Company accrued $14,223,000 for the fixed contribution relating to the 2019 plan year, which was subsequently paid in January 2020. At December 31, 2018, the Company accrued $12,957,000 for the fixed contribution relating to the 2018 plan year, which was subsequently paid in January 2019. Amounts are included in accounts payable and accrued expenses in the statutory financial statements.

Restoration Savings Plan
The Company sponsors a funded, nonqualified deferred compensation plan (the Restoration Plan) for certain highly compensated employees and Directors participating in the nonqualified deferred compensation plan. The IRC currently limits the amounts the Company can pay to certain employees pursuant to the Horizons Plan and the 401(k) Plan. The Restoration Plan provides an additional contribution amount calculated as if those contributions were not limited. Director-level participation is limited to Horizons Plan contributions lost due to nonqualified deferred compensation. At December 31, 2019, the Company accrued $2,115,000 related to the 2019 plan year, which is expected to be paid in 2020. At December 31, 2018, the Company accrued $1,441,000 related to the 2018 plan year, which was paid in 2019. Amounts are included in accounts payable and accrued expenses in the statutory financial statements.

F. Multiemployer Plans

Not Applicable.

G. Consolidated/Holding Company Plans

Not Applicable.

H. Postemployment Benefits and Compensated Absences

Not Applicable.

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

Not Applicable.

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

(1) Number of Share and Par or State Value of Each Class

Not Applicable.

(2) Dividend Rate, Liquidation Value and Redemption Schedule of Preferred Stock Issues

Not Applicable.

(3) Dividend Restrictions

Not Applicable.

(4) Dates and Amounts of Dividends Paid

Not Applicable.

(5) Profits that may be Paid as Ordinary Dividends to Stockholders

Not Applicable.

(6) Restrictions Placed on Unassigned Funds (Surplus)

Not Applicable.

(7) Amount of Advances to Surplus not Repaid

Not Applicable.

(8) Amount of Stock Held for Special Purposes

Not Applicable.

(9) Reasons for Changes in Balance of Special Surplus Funds from Prior Period

Changes in the balance of special surplus funds from the prior year end are due to the increase in the Health Insurer Fee.

(10) The Portion of Unassigned Funds (Surplus) Represented or Reduced by Unrealized Gains and Losses is: $121,823,354.

(11) The Reporting Entity Issued the Following Surplus Debentures or Similar Obligations

Not Applicable.

(12) The impact of any restatement due to prior quasi-reorganizations is as follows

Not Applicable.

(13) Effective Date of Quasi-Reorganization for a Period of Ten Years Following Reorganization

Not Applicable.

Note 14 – Liabilities, Contingencies and Assessments

A. Contingent Commitments

(1) Total SSAP No. 97, Investments in Subsidiary, Controlled, and Affiliated Entities, A Replacement of SSAP No. 88, and SSAP No. 48, Joint Ventures, Partnerships and Limited Liability Company contingent liabilities: $6,416,858.

The Company has invested in various limited partnership interests as an alternative to direct equity investments. These alternative investments are part of the Company's investment strategy and are organized to invest in selected healthcare and technology opportunities, multi-family rental and mixed use properties, community banks, hedged strategies, microcap manufacturing and service and distribution businesses. The aggregate fair value of the Company's limited partnerships was $41,554,000 and $32,108,000 at December 31, 2019 and 2018, respectively. The Company records these investments as other invested assets and the audited GAAP equity method is the basis of valuation. Undistributed earnings and losses of the investee are accounted for as changes in unrealized gains. The values of the investments assigned by the general partners may not be realizable until the sale or disposal of the related assets, which may not occur for several years. Limited partnerships are also highly illiquid investments and the Company's ability to withdraw funds is generally subject to significant restrictions. Distributions of earnings from these limited partnerships are largely at the sole discretion of the general partners and distributions are generally not received by the Company for many years after the earnings have been reported.

(2) Detail of other contingent commitments

Nature and Circumstances of Guarantee and Key Attributes, Including Date and Duration of Agreement	Liability Recognition of Guarantee, (Include Amount Recognized at Inception. If no Initial Recognition, Document Exception Allowed Under SSAP No. 5R)	Ultimate Financial Statement Impact if Action under the Guarantee is Required	Maximum Potential Amount of Future Payments (Undiscounted) the Guarantor could be Required to make under the Guarantee. If unable to Develop	Current Status of Payment or Performance Risk of Guarantee. Also Provide Additional Discussion as Warranted

			an Estimate, this Should be Specifically Noted	
MHICO parental guarantee	$ -	Investment in subsidiary	Not able to estimate	No payment needed as of December 31, 2019
Total	$	XXX	$	XXX

(3) Guarantee Obligations

Not Applicable.

B. Assessments

(1) Assessments Where Amount is Known or Unknown

The Company is subject to regulations that may result in assessments under state insurance guaranty association laws. The Company is not anticipating any significant assessments as of December 31, 2019.

(2) Assessments

Not Applicable.

(3) Guaranty Fund Liabilities and Assets Related to Assessments from Insolvencies for Long-Term Care Contracts

a. Discount Rate Applied 3.5%

b. The undiscounted and discounted amount of the guaranty fund assessments and related assets by insolvency:

	Guaranty Fund Assessment		Related Assets	
Name of the Insolvency	Undiscounted	Discounted	Undiscounted	Discounted
Penn Treaty	$	$	$ 1,792,310	$ 3,415,750

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:

	Payables			Recoverables		
Name of the Insolvency	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	5	2

C. Gain Contingencies

Not Applicable.

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

Not Applicable.

E. Joint and Several Liabilities

Not Applicable.

F. All Other Contingencies

Various lawsuits against the Company have arisen in the ordinary course of business. While the outcome of these matters cannot be predicted with certainty at this time, management believes they will not have a material adverse effect on the Company's financial position or results of operations.

CMS uses a risk-adjustment model to determine premiums paid to MA plans according to the health status of covered members. Under the risk-adjustment methodology, all MA plans must collect and submit specified medical diagnosis code information from providers to CMS. This data is used to calculate the risk-adjusted premium payments to MA plans. The Company relies on providers to submit claims using proper coding practices and to appropriately document medical data. The Company conducts medical record reviews as part of our data and payment accuracy compliance efforts.

CMS has instituted risk adjustment data validation (RADV) audits to validate the coding practices and supporting documentation maintained by providers. If selected for audit, CMS could require the Company to refund premium payments if the Company's risk-adjusted premiums are not properly supported by medical record data. Currently, none of the Company's MA plans have been selected for audit. The Company is unable to predict if any of the Company's MA plans will be selected for future audit, or the amount of any retrospective or prospective MA premium adjustments that may result. Premium adjustments resulting from RADV audits could have a material adverse effect on the Company's operating results, financial position, and cash flows.

Note 15 – Leases

A. Lessee Operating Lease

NOTES TO FINANCIAL STATEMENTS

(1) Lessee's Leasing Arrangements

The Company leases office space and computer equipment. Renewal options are available on the majority of leases and, under certain conditions; options exist to purchase equipment at the end of the lease term. Rental expense was $10,681,000 and $7,702,000 for 2019 and 2018, respectively.

During 2018, the Company entered into a lease agreement for the new location of our operations facility in Brooklyn, Ohio. The initial term of sixteen years commenced January 1, 2020 with an option to extend the lease.

(2) Leases with Initial or Remaining Noncancelable Lease Terms in Excess of One Year

The following is a summary of future minimum lease payments under noncancelable leases having initial or remaining terms in excess of one year at December 31, 2019:

a. At December 31, 2019 the minimum aggregate rental commitments are as follows:

Year Ending December 31	Operating Leases	
1. 2020	$	4,053,000
2. 2021	$	4,748,000
3. 2022	$	4,192,000
4. 2023	$	3,376,000
5. 2024	$	3,376,000
6. Total	$	19,745,000

The minimum aggregate rental commitments for years thereafter are $41,284,000 for the year ending December 31, 2019.

b. Total of Minimum Rentals to be Received in the Future under Noncancelable Subleases

Not Applicable.

(3) For Sale-Leaseback Transactions

Not Applicable.

B. Lessor Leases

Not Applicable.

Note 16 – Information about Financial Instruments with Off-Balance Sheet Risk and Financial Instruments with Concentrations of Credit Risk

Not Applicable.

Note 17 – Sale, Transfer and Servicing of Financial Assets and Extinguishments of Liabilities

Not Applicable.

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

A. ASO Plans

Not Applicable.

B. ASC Plans

Not Applicable.

C. Medicare or Similarly Structured Cost Based Reimbursement Contract

The statutory statements of admitted assets, liabilities, and surplus include $3,903,000 of subsidies included in other liabilities, $2,007,000 of coverage gap discount receivables included in other admitted assets, and $224,000 risk corridor payables included in aggregate health policy reserves at December 31, 2019 related to the Medicare Part D program.

The statutory statements of admitted assets, liabilities, and surplus include $11,002,000 of subsidies included in other liabilities, $1,478,000 of coverage gap discount receivables included in other admitted assets, and $2,313,000 risk corridor payables included in aggregate health policy reserves at December 31, 2018 related to the Medicare Part D program.

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

Not Applicable.

Note 20 – Fair Value Measurements

A. Fair Value Measurements

(1) Fair Value Measurements at Reporting Date

Level 1 fair values are based on quoted prices for identical assets in active markets. Other invested assets consist of mutual funds that are held in the Company's nonqualified deferred benefit plans. The fair value measurements for other invested assets are also based on Level 1 inputs. If Level 1 valuations are not available, fair value is determined using models such as matrix pricing, which uses quoted market prices of fixed maturity securities with similar characteristics or discounted cash flows to estimate fair value. The Company does not have any assets carried at fair value based upon Level 2 or 3 inputs.

NOTES TO FINANCIAL STATEMENTS

As the Company is responsible for the determination of fair value, it performs quarterly reviews of the prices received from its custodian. Specifically, the Company compares changes in the reported fair values and returns to relevant market indices to test the reasonableness of the reported prices. If further review is required, and also at year end, the Company will compare the prices received from its custodian to a secondary pricing source. The Company's internal price verification procedures and review of fair value methodology documentation provided by its custodian's independent pricing has not historically resulted in adjustment in the prices obtained from the custodian.

There were no transfers between Level 1, 2, and 3 during 2019 or 2018.

Description for Each Type of Asset or Liability	(Level 1)	(Level 2)	(Level 3)	Net Asset Value (NAV)	Total
Assets at Fair Value					
COMMON STOCK INDUSTRIAL & MISC	$ 305,752,364	$	$	$	$ 305,752,364
OTHER INVESTED ASSETS	$ 15,679,392	$	$	$	$ 15,679,392
Total	$ 321,431,756	$	$	$	$ 321,431,756
Liabilities at Fair Value					
	$	$	$	$	$
Total	$	$	$	$	$

(2) - (5)

Not Applicable.

B. Fair Value Reporting under SSAP 100 and Other Accounting Pronouncements

Not Applicable.

C. Fair Value Level

Type of Financial Instrument	Aggregate Fair Value	Admitted Assets	(Level 1)	(Level 2)	(Level 3)	Net Asset Value (NAV)	Not Practicable (Carrying Value)
BONDS	$1,193,482,329	$1,172,180,893	$	$ 193,482,329	$	$	$
COMMON STOCK INDUSTRIAL & MISC	$ 305,752,364	$ 305,752,364	$ 305,752,364	$	$	$	$
OTHER INVESTED ASSETS	$ 15,679,392	$ 15,679,392	$ 15,679,392	$	$	$	$

D. Not Practicable to Estimate Fair Value

Not Applicable.

E. NAV Practical Expedient Investments

Not Applicable.

Note 21 – Other Items

A. Unusual or Infrequent Items

Not Applicable.

B. Troubled Debt Restructuring Debtors

Not Applicable.

C. Other Disclosures

The Company, MHICO, CLIC, and SDC are subject to certain RBC requirements which are calculated based on factors specified by the NAIC. Under those requirements, the minimum amounts of surplus which must be maintained are determined based on various risk factors. At December 31, 2019 and 2018, the Company, MHICO, MMLIC and SDC met their specific RBC requirements. The Company also guarantees that MHICO will maintain minimum surplus in accordance with state laws.

D. Business Interruption Insurance Recoveries

Not Applicable.

E. State Transferable and Non-Transferable Tax Credits

Not Applicable.

F. Subprime Mortgage Related Risk Exposure

Not Applicable.

G. Retained Assets

Not Applicable.

NOTES TO FINANCIAL STATEMENTS

H. Insurance-Linked Securities (ILS) Contracts

Not Applicable.

I. The Amount that Could be Realized on Life Insurance Where the Reporting Entity is Owner and Beneficiary or has Otherwise Obtained Rights to Control the Policy

Not Applicable.

Note 22 – Events Subsequent

The Company has evaluated subsequent events from the end of the most recent fiscal year through February 27, 2020, the date the statutory financial statements were available to be issued noting no reportable events other than those noted below.

Effective January 1, 2020 the Company entered into a quota share agreement (Quota Share) with a health and wellness trust (Trust). The Quota Share is a 90% / 10% share with MMO/Trust for both the claims and premiums. The Quota Share agreement is for three years, subject to annual renewal at mutually agreeable rates. The initial term ends on December 31, 2022. If the parties are unable to agree to renewal terms the agreement will terminate at the end of the 12-month period.

Effective January 1, 2020 the Company acquired Bravo Wellness, LLC (Bravo) for $30.7 million base purchase price, with potential earnout payments totaling an additional $35 million if Bravo achieves certain performance targets over the next five years. Although control of Bravo was not effective until January 1, 2020, the Company transferred the base purchase price on December 31, 2019 which has been nonadmitted.

Bravo was formed in 2008, under the laws of the State of Delaware, and is headquartered in Cleveland, Ohio and serves clients throughout the United States. Bravo is a provider of compliance expertise, technology, and administrative support services for wellness and related incentive plans. Bravo supports hundreds of employers and their associated health plans and wellness providers with customized solutions for participation-based, progress-based, and outcomes-based incentives, including providing the appeals and alternatives process administration.

Subsequent events have been considered through February 27, 2020 for these statutory financial statements which are to be issued on February 27, 2020.

A. Did the reporting entity write accident and health insurance premium that is subject to Section 9010 of the Federal Affordable Care Act (YES/NO)? Yes [X] No [ ]

		2019	2018
B.	ACA fee assessment payable for the upcoming year	$ 55,018,000	$
C	ACA fee assessment paid	$	$ 42,501,845
D.	Premium written subject to ACA 9010 assessment	$	$
E.	Total adjusted capital before surplus adjustment (Five-Year Historical Line 14)	$ 1,802,509,457	
F.	Total adjusted capital after surplus adjustment (Five-Year Historical Line 14 minus 22B above)	$ 1,747,491,457	
G.	Authorized control level (Five-Year Historical Line 15)	$ 166,227,742	

H. Would reporting the ACA assessment as of December 31, 2019 have triggered an RBC action level (YES/NO)? Yes [ ] No [X]

Note 23 – Reinsurance

A. Ceded Reinsurance Report

Certain premiums and benefits are assumed from other insurance companies under various reinsurance agreements. Such reinsurance agreements are subject to certain limitations or exceptions that may include a loss limit.

The effects of reinsurance on earned premiums for the year ended December 31, 2019 and 2018 are as follows:

	Year Ended December 31 2019	2018
Direct accident and health insurance premiums	$ 2,736,460,000	$ 2,627,870,000
Assumed accident and health insurance premiums	9,019,000	8,210,000
Net accident and health insurance premiums	$ 2,745,479,000	$ 2,636,080,000

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

Section 1 – General Interrogatories

(1) Are any of the reinsurers listed in Schedule S as non-affiliated, owned in excess of 10% or controlled, either directly or indirectly, by the company or by any representative, officer, trustee, or director of the company? Yes [ ] No [X]
If yes, give full details.

(2) Have any policies issued by the company been reinsured with a company chartered in a country other than the United States (excluding U.S. Branches of such companies) that is owned in excess of 10% or controlled directly or indirectly by an insured, a beneficiary, a creditor or any other person not primarily engaged in the insurance business? Yes [ ] No [X]
If yes, give full details.

Section 2 – Ceded Reinsurance Report – Part A

(1) Does the company have any reinsurance agreements in effect under which the reinsurer may unilaterally cancel any reinsurance for reasons other than for nonpayment of premium or other similar credits? Yes [ ] No [X]
   a. If yes, what is the estimated amount of the aggregate reduction in surplus of a unilateral cancellation by the reinsurer as of the date of this statement, for those agreements in which cancellation results in a net obligation of the reporting entity to the reinsurer, and for which such obligation is not presently accrued? Where necessary, the reporting entity may consider the current or anticipated experience of the business reinsured in making this estimate. **$**
   b. What is the total amount of reinsurance credits taken, whether as an asset or as a reduction of liability, for these agreements in this statement? **$0**

NOTES TO FINANCIAL STATEMENTS

(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. **$0**

(2) Have any new agreements been executed or existing agreements amended, since January 1 of the year of this statement, to include policies or contracts that were in force or which had existing reserves established by the company as of the effective date of the agreement? Yes [ ] No [X]
If yes, what is the amount of reinsurance credits, whether an asset or a reduction of liability, taken for such new agreements or amendments? **$**

B. Uncollectible Reinsurance

Not Applicable.

C. Commutation of Ceded Reinsurance

Not Applicable.

D. Certified Reinsurer Rating Downgraded or Status Subject to Revocation

Not Applicable.

Note 24 – Retrospectively Rated Contracts and Contracts Subject to Redetermination

A. Method Used to Estimate Accrued Retrospective Premium Adjustments

Not Applicable.

B. Retrospective Premiums Recorded Through Written Premium or Adjustment to Earned Premium

Not Applicable.

C. Amount and Percentage of Net Premiums Written Subject to Retrospective Rating Features

Not Applicable.

D. Medical Loss Ratio Rebates Required Pursuant to the Public Health Service Act

At December 31, 2019 and 2018, no liabilities were recognized on the accompanying statutory statements of admitted assets, liabilities and surplus as the calculated amounts exceeded the applicable thresholds.

E. Risk-Sharing Provisions of the Affordable Care Act

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

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

a. Permanent ACA Risk Adjustment Program	AMOUNT
Assets	
1. Premium adjustments receivable due to ACA Risk Adjustment (including high-risk pool payments)	$ 6,668,000
Liabilities	
2. Risk adjustment user fees payable for ACA Risk Adjustment	$ 18,550
3. Premium adjustments payable due to ACA Risk Adjustment (including high-risk pool premium)	$ 1,302,525
Operations (Revenue & Expenses)	
4. Reported as revenue in premium for accident and health contracts (written/collected) due to ACA Risk Adjustment	$ 7,101,493
5. Reported in expenses as ACA Risk Adjustment user fees (incurred/paid)	$ 18,592

b. Transitional ACA Reinsurance Program	AMOUNT
Assets	
1. Amounts recoverable for claims paid due to ACA Reinsurance	$
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. Liabilities for amounts held under uninsured plans contributions for ACA Reinsurance	$
Operations (Revenue & Expenses)	
7. Ceded reinsurance premiums due to ACA Reinsurance	$
8. Reinsurance recoveries (income statement) due to ACA Reinsurance payments or expected payments	$ 156,581
9. ACA Reinsurance contributions – not reported as ceded premium	$

c. Temporary ACA Risk Corridors Program	AMOUNT
Assets	
1. Accrued retrospective premium due to ACA Risk Corridors Liabilities	$

NOTES TO FINANCIAL STATEMENTS

c. Temporary ACA Risk Corridors Program	AMOUNT
2. Reserve for rate credits or policy experience rating refunds due to ACA Risk Corridors	$
Operations (Revenue & Expenses)	
3. Effect of ACA Risk Corridors on net premium income (paid/received)	$
4. Effect of ACA Risk Corridors on change in reserves for rate credits	$

(3) 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 Dec. 31 of the Prior Year		Received or Paid as of the Current Year on Business Written Before Dec. 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		0	10
	Receivable	(Payable)	Receivable	(Payable)	Receivable	(Payable)	Receivable	(Payable)		Receivable	(Payable)
a. Permanent ACA Risk Adjustment Program											
1. Premium adjustments receivable (including high-risk pool payments)	$ 4,880,000	$	$ 6,830,918	$	$ (1,950,918)	$	$ 1,950,918	$	A	$	$
2. Premium adjustments (payable) (including high-risk pool premium)				(214,900)		214,900		(1,031,425)	B		(816,525)
3. Subtotal ACA Permanent Risk Adjustment Program	$ 4,880,000	$	$ 6,830,918	$ (214,900)	$ (1,950,918)	$ 214,900	$ 1,950,918	$ (1,031,425)		$	$ (816,525)
b. Transitional ACA Reinsurance Program											
1. Amounts recoverable for claims paid	$	$	$ 156,581	$	$ (156,581)	$	$ 156,581	$	C	$	$
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	$	$	$ 156,581	$	$ (156,581)	$	$ 156,581	$		$	$
c. Temporary ACA Risk Corridors Program											
1. Accrued retrospective premium	$	$	$	$	$	$	$	$	I	$	$
2. Reserve for rate credits or policy experience rating refunds									J		

NOTES TO FINANCIAL STATEMENTS

	Accrued During the Prior Year on Business Written Before Dec. 31 of the Prior Year		Received or Paid as of the Current Year on Business Written Before Dec. 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		0	10
	Receivable	(Payable)	Receivable	(Payable)	Receivable	(Payable)	Receivable	(Payable)		Receivable	(Payable)
3. Subtotal ACA Risk Corridors Program	$	$	$	$	$	$	$	$		$	$
d. Total for ACA Risk-Sharing Provisions	$ 4,880,000	$	$ 6,987,499	$ (214,900)	$ (2,107,499)	$ 214,900	$ 2,107,499	$ (1,031,425)		$	$ (816,525)

Explanations of Adjustments

A. ACA Risk Adjustment based on the final risk adjustment report received from HHS on June 30, 2019, risk adjustment data validation adjustments report from HHS on August 1, 2019 and payment and receipts through December 31, 2019.

B. ACA Risk Adjustment based on the final risk adjustment report received from HHS on June 30, 2019, risk adjustment data validation adjustments report from HHS on August 1, 2019 and payment and receipts through December 31, 2019.

C. ACA Reinsurance based on the final reinsurance report received from HHS on June 30, 2017 and payments received through March 31, 2019.

D. Not Applicable.

E. Not Applicable.

F. Not Applicable.

G. Not Applicable.

H. Not Applicable.

I. Not Applicable.

J. Not Applicable.

(4) - (5)

Not Applicable.

Note 25 – Change in Incurred Losses and Loss Adjustment Expenses

A. Change in Incurred Losses and Loss Adjustment Expenses

The following table provides a reconciliation of the beginning and ending reserve balances for unpaid claims, medical incentive pool and bonuses, and claim adjustment expenses (CAE), net of reinsurance and recoveries. The table is also net of health care receivables of $75,565 and $63,163 for 2019 and 2018, respectively:

	2019	2018
Unpaid claims and CAE	$ 302,985,000	$ 296,039,000
Reinsurance payable, net	7,492,000	3,064,000
Healthcare receivables, net	(63,165,000)	(65,221,000)
Reserve at beginning of year, net of health care receivables and net reinsurance payables	247,312,000	233,882,000
Add provision for claims and CAE, net of reinsurance, occurring in:		
Current year	2,512,884,000	2,326,103,000
Prior years	(36,869,000)	(45,575,000)
Net incurred claims and CAE during the current year	2,476,015,000	2,280,528,000
Deduct payments for claims and CAE, net of reinsurance, occurring in:		
Current year	2,205,872,000	2,083,641,000
Prior years	201,455,000	183,457,000
Net claims and CAE payments during the current year	2,407,327,000	2,267,098,000
Reserve at end of year, net of health care receivables and reinsurance payables	$ 316,000,000	$ 247,312,000
Reinsurance payable, net	(16,180,000)	(7,492,000)
Healthcare receivables, net	75,565,000	63,165,000
Unpaid claims and CAE	$ 375,385,000	$ 302,985,000

At December 31, 2019 and 2018, health care receivables include $7,475,000 and $6,018,000, respectively, that are nonadmitted in accordance with SSAP No. 84, *Certain Health Care Receivables and Receivables Under Government Insured Plans.*

A $36,869,000 redundancy in the December 31, 2018 reserves emerged in 2019, and a $45,575,000 redundancy in the December 31, 2017 reserves emerged in 2018. The redundancies resulted from differences in claims severity and utilization as compared to expectations.

B. Information about Significant Changes in Methodologies and Assumptions

Not Applicable.

Note 26 – Intercompany Pooling Arrangements

Not Applicable.

Note 27 – Structured Settlements

Not Applicable.

NOTES TO FINANCIAL STATEMENTS

Note 28 – Health Care Receivables

A. Pharmaceutical Rebate Receivables

The admitted receivable balances as of December 31, 2019 and 2018 of $60,412,000 and $48,069,000, respectively, are included in health care receivables for insured plans and other admitted assets for uninsured plans on the statutory statements of admitted assets, liabilities and surplus. These are comprised of the estimated pharmacy rebates for the current quarter as reported in the statutory financial statements plus the pharmacy rebates invoiced/confirmed for the preceding quarter. Additional details are included in the table below:

Quarter	Estimated Pharmacy Rebates as Reported on Financial Statements	Pharmacy Rebates as Billed or Otherwise Confirmed	Actual Rebates Received Within 90 Days of Billing	Actual Rebates Received Within 91 to 180 Days of Billing	Actual Rebates Received More than 180 Days After Billing
12/31/2019	$ 30,460,000	$	$	$	$
09/30/2019	$ 26,825,000	$ 29,952,000	$	$	$
06/30/2019	$ 26,246,000	$ 28,689,291	$ 27,218,429	$	$
03/31/2019	$ 24,372,000	$ 27,083,000	$ 26,019,985	$ 123,511	$
	$	$	$	$	$
12/31/2018	$ 24,424,000	$ 24,424,000	$ 613,409	$ 26,741,293	$ 511,248
09/30/2018	$ 20,883,000	$ 23,645,000	$ 21,969,752	$ 3,800,836	$ 182,163
06/30/2018	$ 19,182,000	$ 23,281,284	$ 21,686,237	$ 107,924	$ 3,169,904
03/31/2018	$ 18,055,000	$ 22,388,338	$ 21,112,014	$ 22,311	$ 2,521,646
	$	$	$	$	$
12/31/2017	$ 23,092,000	$ 23,092,000	$ 352,750	$ 35,783,695	$ 759,068
09/30/2017	$ 21,411,000	$ 21,350,000	$ 16,942,655	$ 23,544	$ 462,834
06/30/2017	$ 15,039,000	$ 21,410,000	$ 16,440,439	$ 207,336	$ 230,588
03/31/2017	$ 14,940,065	$ 19,191,073	$ 15,838,786	$ 246,625	$ 237,067

B. Risk-Sharing Receivables

Not Applicable.

Note 29 – Participating Policies

Not Applicable.

Note 30 – Premium Deficiency Reserves

Aggregate health policy reserves include premium deficiency reserves that are recognized for health contracts when expected claims, claim adjustment expenses, and administrative costs exceed the premium to be collected for the remainder of the contract period. The Company considers anticipated net investment income as a factor in determining the premium deficiency reserve amount. Premium deficiency reserves related to Medicare Advantage policies at December 31, 2019 and 2018 totaled $29,900,000 and $35,700,000, respectively.

1. Liability carried for premium deficiency reserve: $29,900,000
2. Date of most recent evaluation of this liability: December 31, 2019
3. Was anticipated investment income utilized in the calculation? Yes [X] No [ ]

Note 31 – Anticipated Salvage and Subrogation

The reserve for unpaid claims and CAE at December 31, 2019 and 2018, has been reduced by $7,748,000 and $7,178,000, respectively, related to anticipated subrogation claims recoverable.