

Amended Explanation Page

On 06/17/2020 an amended 2019 Annual Statement was filed for AultCare Insurance Company. The following pages were amended:

1. Notes to Financial Statement
2. Schedule S, Part 3, Section 2



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2019

Document Code: 201

ANNUAL STATEMENT
For the Year Ending DECEMBER 31, 2019
OF THE CONDITION AND AFFAIRS OF THE
AultCare Insurance Company

NAIC Group Code	4805 (Current Period)	4805 (Prior Period)	NAIC Company Code	77216	Employer's ID Number	341624818
Organized under the Laws of	Ohio		State of Domicile or Port of Entry		OH	
Country of Domicile	United States of America					
Licensed as business type:	Life, Accident & Health[X]	Property/Casualty[]	Hospital, Medical & Dental Service or Indemnity[]			
	Dental Service Corporation[]	Vision Service Corporation[]	Health Maintenance Organization[]			
	Other[]	Is HMO Federally Qualified? Yes[X] No[] N/A[]				
Incorporated/Organized	08/15/1989		Commenced Business	11/01/1989		
Statutory Home Office	2600 Sixth Street SW (Street and Number)		Canton, OH, 44710 (City or Town, State, Country and Zip Code)			
Main Administrative Office	2600 Sixth Street SW Canton, OH, 44710 (Street and Number)		(330)363-4057 (Area Code) (Telephone Number)			
Primary Location of Books and Records	2600 Sixth Street SW Canton, OH, 44710 (Street and Number)		(330)363-4057 (Area Code) (Telephone Number)			
Internet Website Address	www.aultcare.com		(330)363-4057 (Area Code) (Telephone Number)			
Statutory Statement Contact	Jeffrey Alan Scheatzle (Name) jscheatzle@aultcare.com (E-Mail Address)		(330)363-4057 (Area Code)(Telephone Number)(Extension) (330)363-5012 (Fax Number)			

OFFICERS

Name	Title
Rick L. Haines	President
Joseph J. Feltes	Secretary
Mark D. Wright	Treasurer
Edward J. Roth III	Executive Vice President

OTHERS

DIRECTORS OR TRUSTEES

Michael E. Hanke	Gregory A. Haban M.D.
Edward J. Roth III	Rick L. Haines
Michael A. Rich M.D.	Mark D. Wright
John B. Humphrey Jr., M.D.	Darryl J. Dillenback
Allen Rovner M.D.	Joseph J. Feltes Esq.
Mark N. Rose M.D.	Barbara Hammontree-Bennett

State of Ohio
 County of Stark ss

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

(Signature)
 Rick L. Haines
 (Printed Name)
 1.
 President
 (Title)

(Signature)
 Joseph J. Feltes
 (Printed Name)
 2.
 Secretary
 (Title)

(Signature)
 Mark D. Wright
 (Printed Name)
 3.
 Treasurer
 (Title)

Subscribed and sworn to before me this

day of , 2020

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

Yes[] No[X]
 1
 06/17/2020
 14

(Notary Public Signature)

DIRECTORS OR TRUSTEES (continued)

Todd Hawke
Richard V. Maggiore

John Westerbeck M.D.

Notes to Financial Statements

CoSECTION A

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Accounting Practices

The accompanying financial statements of AultCare Insurance Company are presented on the basis of accounting practices prescribed or permitted by the Ohio Department of Insurance.

The Ohio Department of Insurance recognizes only statutory accounting prescribed or permitted by the State of Ohio for determining and reporting the financial condition and results of operations of an insurance company, for determining its solvency under the Ohio Insurance Law. The National Association of Insurance Commissioners' (NAIC) Accounting Practices and Procedures manual, (NAIC SAP) has been adopted as a component of prescribed or permitted practices by the state of Ohio.

Note 1A	SSAP #	F/S Page #	F/S Line #	2019	2018
Net Income					
(1) Company state basis (Page 4, Line 32, Columns 2 & 4)	xxx	xxx	xxx	<u>\$3,061,811</u>	<u>\$3,756,539</u>
(2) State prescribed practices that increase/(decrease) NAIC SAP Not Applicable	_____	_____	_____	\$ -	\$ -
(3) State permitted practices that increase/(decrease) NAIC SAP Not Applicable	_____	_____	_____	\$ -	\$ -
(4) NAIC SAP (1-2-3-4)	xxx	xxx	xxx	<u>\$3,061,811</u>	<u>\$3,756,539</u>
Capital and Surplus					
(5) Company state basis (Page 3, Line 33, Columns 3 & 4)	xxx	xxx	xxx	<u>\$54,944,174</u>	<u>\$48,311,523</u>
(6) State prescribed practices that increase/(decrease) NAIC SAP Not Applicable	_____	_____	_____	\$ -	\$ -
(7) State permitted practices that increase/(decrease) NAIC SAP Not Applicable	_____	_____	_____	\$ -	\$ -
(8) NAIC SAP (5-6-7=8)	xxx	xxx	xxx	<u>\$54,944,174</u>	<u>\$48,311,523</u>

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

The preparation of financial statement in conformity with Statutory Accounting Principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities. It also requires disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the period. Actual results could differ from those estimates.

C. Accounting Policy

- (1) Short-term investments are stated at amortized cost.
- (2) Bonds were stated at amortized cost using the straight-line method.
- (3) Common stock is stated at market value.
- (4) The Company had no preferred stock during the periods reported.
- (5) The Company had no mortgage loans during the periods reported.
- (6) The Company had no loan backed securities during the periods reported.
- (7) The Company has investments in subsidiaries and affiliates with a book adjusted carrying value totaling \$19,219,248. Of this amount, \$1,633 is invested in McKinley Life Agency, Ltd, which is carried at GAAP equity value. In addition, \$8,623,572 is invested in AultCare Corporation, which is carried at statutory value. The remaining \$10,594,044 invested in West Tuscarawas Property Management, carried at GAAP equity.
- (8) The Company had no investments in joint ventures, partnerships, or limited liability companies during the periods reported.
- (9) The Company had no derivatives during the periods reported.
- (10) The Company does not utilize anticipated investment income as a factor in the premium deficiency calculation.
- (11) Claims unpaid and claim adjustment expenses include an amount based on individual case estimates and loss reports and an amount based on past experience for losses incurred but not reported (IBNR). Such liabilities are necessarily based on assumptions and estimates. While management believes the amounts to be adequate, the ultimate liabilities may be in excess of or less than the amounts provided. The methods for making such estimates and for establishing the resulting liabilities are continually

Notes to Financial Statements

reviewed and any adjustments are reflected in the period determined. The Company obtains an estimate of the liabilities for unpaid losses from its independent actuary calculations quarterly.

- (12) The Company has not modified its capitalization policy from the prior period.
- (13) The Company uses current year received pharmacy rebates as a percentage of current year claim expense to estimate current rebate receivable off of the most recent quarter's pharmacy claim expense in accordance with SSAP. 84

D. Going Concern

Management has concluded that there is no substantial doubt of the Company's ability to continue as a going concern.

2. ACCOUNTING CHANGES AND CORRECTIONS OF ERRORS

- A. The Company had no change in accounting principles and/or correction of errors during the periods reported.

3. BUSINESS COMBINATIONS AND GOODWILL

- A. The Company had no business combinations accounted for under the statutory purchase method during the periods reported.
- B. The Company was not part of any merger during the periods reported.
- C. The Company had no assumption of reinsurance during the periods reported.
- D. An impairment loss was not recognized during the periods reported.

4. DISCONTINUED OPERATIONS

- A-D. The Company did not discontinue any operations during the periods reported.

5. INVESTMENTS

- A. The Company had no investment in Mortgage Loan during the periods reported.
- B. The Company had no investments in Restructured Loans during the periods reported.
- C. The Company had no investments in Reverse Mortgages during the periods reported.
- D. The Company had no investments in Loan-Backed Securities during the periods reported.
- E. The Company had no investments in Repurchase Agreements during the periods reported.
- F. The Company had no repurchase agreements accounted for a secured borrowing.
- G. The Company had no reverse repurchase agreements accounted for a secured borrowing.
- H. The Company had no repurchase agreements accounted for as sales.
- I. The Company had no reverse repurchase agreements accounted for as sales
- J. The Company owns \$10,594,044 worth of shares in West Tuscarawas Property Management, an affiliate company that hold certain real estate properties for the production of income.
- K. The Company has no investments in Low-Income Housing Tax Credits.
- L. The Company had no restricted assets.
- M. The Company had no Working Capital Finance Investments during the periods reported.
- N. The Company was not involved in any Offsetting and Netting of Assets and Liabilities during the periods reported.
- O. The Company had no 5*Securities during the periods reported.
- P. The Company had no short sale securities.
- Q. The Company had no prepayment penalty or acceleration fees.

6. JOINT VENTURES, PARTNERSHIPS AND LIMITED LIABILITY COMPANIES

- A. The Company had no investments in joint ventures, partnerships or limited liability companies during the periods reported.
- B. The Company had no impaired investments in joint ventures, partnerships or limited liability companies during the periods reported.

7. INVESTMENT INCOME

- A-B. The Company did not exclude any investment income due and accrued during the periods reported.

8. DERIVATIVE INSTRUMENTS

- A-B. The Company did not own derivative financial instruments during the periods reported.

9. INCOME TAXES

- A. The components of the net deferred tax asset/ (liability) at December 31, 2019 are as follows:

1. (reported in thousands)		12/31/2019			12/31/2018			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	\$ 672	\$ -	\$ 672	\$ 699	\$ -	\$ 699	\$ (27)	\$ -	\$ (27)
(b)	Statutory Valuation Allowance Adjustment	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
(c)	Adjusted Gross Deferred Tax Assets(1a-1b)	\$ 672	\$ -	\$ 672	\$ 699	\$ -	\$ 699	\$ (27)	\$ -	\$ (27)
(d)	Deferred Tax Assets Nonadmitted	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
(e)	Subtotal (Net Deferred Tax Assets) (1c-1d)	\$ 672	\$ -	\$ 672	\$ 699	\$ -	\$ 699	\$ (27)	\$ -	\$ (27)
(f)	Deferred Tax Liabilities	\$ 27	\$ 752	\$ 779	\$ -	\$ 420	\$ 420	\$ 27	\$ 332	\$ 359
(g)	Net Admitted Deferred Tax Asset/(Net Deferred Tax Liability) (1e-1f)	\$ 645	\$ (752)	\$ (107)	\$ 699	\$ (420)	\$ 279	\$ (54)	\$ (332)	\$ (386)
2. (reported in thousands)		12/31/2019			12/31/2018			Change		
Admission Calculation Components		(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)

Notes to Financial Statements

SSAP No. 101		Ordinary	Capital	Col 1+2 Total	Ordinary	Capital	Col 4+5 Total	Col 1-4 Ordinary	Col 2-5 Capital	Col 7+8 Total
(a)	Federal Income Taxes Paid in Prior Years Recoverable Through Loss Carrybacks	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
(b)	Adjusted Gross Deferred Tax Assets Expected to be Realized (Excluding the Amount of Deferred Tax Assets from 2(a) above) After Application of the Threshold Limitation. (The lesser of 2(b)1 and 2(b)2 Below)	\$ 672	\$ -	\$ 672	\$ 699	\$ -	\$ 699	\$ (27)	\$ -	\$ (27)

Cont. Note 9 A 2

	1 Adjusted Gross Deferred Tax Assets Expected to be Realized Following the Balance Sheet Date	\$ 672	\$ -	\$ 672	\$ 699	\$ -	\$ 699	\$ (27)	\$ -	\$ (27)
	2 Adjusted Gross Deferred Tax Assets Allowed per Limitation Threshold	\$ 8,242	XXX	\$8,242	XXX	XXX	\$7,247	995	XXX	\$ 995
(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	\$ (27)	\$ (752)	\$ (779)	\$ -	\$ (420)	\$ (420)	\$ (27)	\$ (332)	\$ (359)
(d)	Deferred Tax Assets Admitted as the Result of Application of SSAP No. 101 Total (2(a) + 2(b) + 2(c))	\$ 645	\$ (752)	\$ (107)	\$ 699	\$ (420)	\$ 279	\$ (54)	\$ (332)	\$ (386)
3. (reported in thousands)		2019		2018						
(a)	Ratio Percentage Used to Determine Recovery Period and Threshold Limitation Amount	436%		436%						
(b)	Amount of Adjusted Capital and Surplus Used to Determine Recovery Period and Threshold Limitation in 2(b)2 Above	\$54,944		\$48,312						
4. (reported in thousands)		12/31/2019			12/31/2018			Change		
		(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
	Impact of Tax Planning Strategies	Ordinary	Capital	Col 1+2 Total	Ordinary	Capital	Col 4+5 Total	Col 1-4 Ordinary	Col 2-5 Capital	Col 7+8 Total
(a)	Adjusted Gross DTA's (% of total adjusted gross DTA's)	\$ 672	\$ -	\$ 672	\$ 699	\$ -	\$ 699	\$ (27)	\$ -	\$ (27)
(b)	Net Admitted Adjusted Gross DTA's (% of total net admitted adjusted gross DTA's)	\$ 672	\$ -	\$ 672	\$ -	\$ -	\$ -	\$ 672	\$ -	\$ 672
(c)	Does the Company's Tax Planning Strategies Include the Use of Reinsurance?	Yes	No X							

B. Not Applicable

C. Current Income Taxes Incurred consist of the following major components:

1. Current Income Tax			(1) 12/31/2019	(2) 12/31/2018	(3) (Col 1-2) Change
(a)	Federal		\$970,458	\$ 654,094	\$ 316,364
(b)	Foreign		\$ -	\$ -	\$ -
(c)	Subtotal		\$970,458	\$ 654,094	\$ 316,364
(d)	Federal Income Tax on Net Capital Gains		\$ -	\$ -	\$ -
(e)	Utilization of Capital Loss Carry-Forwards		\$ -	\$ -	\$ -
(f)	Other		\$ -	\$ -	\$ -
(g)	Federal and Foreign Income Taxes Incurred		\$970,458	\$ 654,094	\$ 316,364
2. Deferred Tax Assets					
(a)	Ordinary				
(1)	Discounting of Unpaid Losses		\$ 49,686	\$ -	\$ 49,686
(2)	Unearned Premium Reserve		\$ 260,531	\$ 238,790	\$ 21,741
(3)	Policyholder Reserves		\$ 80,883	\$ 99,868	\$ (18,985)
(4)	Investments		\$ 281,249	\$ 78,935	\$ 202,314
(5)	Deferred Acquisition Costs		\$ -	\$ -	\$ -
(6)	Policyholder Dividends Accrual		\$ -	\$ -	\$ -
(7)	Fixed Assets		\$ -	\$ -	\$ -
(8)	Compensation and Benefits Accrual		\$ -	\$ 281,249	\$ (281,249)
(9)	Pension Accrual		\$ -	\$ -	\$ -
(10)	Receivables – Allowance		\$ -	\$ -	\$ -
(11)	Net Operating Loss Carry-Forward		\$ -	\$ -	\$ -
(12)	Tax Credit Carry-Forward		\$ -	\$ -	\$ -
	Other (including items <5% of total ordinary tax assets)		\$ 672,349	\$ 698,842	\$ (26,493)

Cont. Note 9 C 2

(14)	Subtotal	\$ 672,349	\$ 698,842	\$ (26,493)
(b)	Statutory valuation allowance adjustment	\$ -	\$ -	\$ -
(c)	Nonadmitted	\$ -	\$ -	\$ -
(d)	Admitted ordinary deferred tax assets (2a14- 2b-2c)	\$ 672,349	\$ 698,842	\$ (26,493)
(e)	Capital			
(1)	Net Capital Loss Carry-Forward	\$ -	\$ -	\$ -

Notes to Financial Statements

	(2) Subtotal	\$ -	\$ -	\$ -
(f)	Statutory valuation allowance adjustment	\$ -	\$ -	\$ -
(g)	Nonadmitted	\$ -	\$ -	\$ -
(h)	Admitted capital deferred tax assets (2e2 - 2f - 2g)	\$ -	\$ -	\$ -
(i)	Admitted deferred tax assets (2d + 2h)	\$ 672,349	\$ 698,842	\$ (26,493)
3.	Deferred Tax Liabilities			
(a)	Ordinary			
(1)	Investments	\$ 27,760	\$ -	\$ 27,760
	(2) Subtotal	\$ 27,760	\$ -	\$ 27,760
(b)	Capital	\$ -	\$ -	\$ -
(1)	Investments	\$ 751,577	\$ 419,737	\$ 331,840
	(2) Subtotal	\$ 751,577	\$ 419,737	\$ 331,840
(c)	Deferred tax liabilities (3a2 + 3b2)	\$ 779,337	\$ 419,737	\$ 359,600
4.	Net deferred tax assets/liabilities (2i - 3c)	\$ (106,988)	\$ 279,105	\$ (386,093)

D. Among the more significant book to tax adjustments were the following:

	12/31/2019	Effective Tax Rate
Provision computed at statutory rate	\$ 846,776	21.1%
Change in nonadmitted assets	\$ -	0.0%
Tax exempt income, net of proration	\$ -	0.0%
Dividends received deduction, net of proration	\$ -	0.0%
Nondeductible expenses	\$ 107,029	2.7%
Elimination of IMR Amortization	\$ -	0.0%
Small Life Insurance Company Deduction	\$ -	0.0%
Prior year under (over) accrual	\$ 13,868	0.3%
Other	\$ 57,038	1.4%
Total statutory income tax expense (benefit)	\$ 1,024,711	25.6%
	12/31/2019	Effective Tax Rate
Federal and foreign income taxes incurred	\$ 996,951	24.9%
Realized capital gains (losses) tax	\$ -	0.0%
Change in net deferred income taxes	\$ (26,493)	-0.7%
Total statutory income tax expense (benefit)	\$ 970,458	24.2%

E. Operating Loss and Tax Credit Carry forwards and Protective Tax Deposits

- (1) At December 31, 2019, the Company had no net operating loss carry forwards available to offset against future taxable income.
- (2) The following are income taxes incurred in the current and prior years that will be available for recoupment in the event of future net losses:
 - (a) 2016 \$0
 - (b) 2017 \$0
 - (c) 2018 \$0
- (3) The Company did not have any deposits admitted under Section 6603 of the Internal Revenue Service Code.

F. The Company is included in a consolidated federal income tax return with the following affiliates: Aultra Administrative Group; North Central Medical Resources; Aultman Medical Group, Inc.; and MainSite Solutions ASO, LLC.

The Company has a written agreement, approved by the Company's Board of Directors, which sets forth the manner in which the total combined federal income tax is allocated to each entity in which is a party to the consolidation. In the event any federal Tax Benefit Item of the AultCare Companies for any taxable period after they cease being Members of the Consolidated Group is eligible to be carried back to a taxable period while the AultCare Companies were Members of the Consolidated Group, the AultCare Companies shall, where possible, elect to carry such amounts forward to subsequent taxable periods. If the AultCare Companies are required by law to carry back any such federal Tax Benefit Item, the AultCare Companies shall be entitled to a payment at the time and to the extent that such Tax Benefit Item reduces the federal income Tax liability of the Consolidated Group. For purposes of computing the amount of the payment described in this section, one or more federal Tax Benefit Items shall be considered to have reduced the Consolidated Group's federal income Tax liability in a given taxable period by an amount equal to the difference, if any, between (i) the amount of the Consolidated Group's federal income Tax liability for the taxable period computed without regard to such federal Tax Benefit Item or Items and (ii) the amount of the Consolidated Group's federal income Tax liability for the taxable period computed with regard to such federal Tax Benefit Item or Items. For the avoidance of doubt, if the AultCare Companies are required to carry back a federal Tax Benefit Item, such federal Tax Benefit Item shall reduce the Consolidated Group's federal income Tax liability only after all federal Tax Benefit Items of AultCare Holdings have been applied to reduce the Consolidated Group's federal income Tax liability in such taxable period. Appropriate reconciliation payments shall be made in the event that it is subsequently determined that a Tax Benefit Item did not reduce the Consolidated Group's federal income Tax liabilities,

Notes to Financial Statements

including by reason of any such Tax Benefit Item being subsequently disallowed in whole or in part or by reason of other Tax benefits becoming available.

10. INFORMATION CONCERNING PARENT, SUBSIDIARIES AND AFFILIATES

A, B, C, The Company had the following transactions with affiliates.

The Company is a party to a Master Services Agreement with Aultman Health Foundation, the ultimate controlling person, under which AHF provides the Company with certain professional management, administration, billing, purchasing, physical plant, and staffing services and support. The Company paid Aultman Health Foundation \$559,745 and \$527,808, respectively, for services provided under the Master Services Agreement as of December 31, 2019 and 2018, respectively.

The Company has a capitation arrangement with Aultman Hospital and has paid \$31,014,266 and \$32,769,761 in capitated claims for its commercial enrollees as of December 31, 2019 and 2018, respectively. The company paid claims to affiliated companies in the amount of \$11,584,968 as of December 31, 2019.

The Company also is a party to a Management and Administrative Services Agreement with AultCare Corporation under which AultCare Corporation provides the Company with certain specified services, including (among others) management and administrative services, provider networking services, marketing and sales services, and office facilities. The Company paid AultCare Corporation \$25,289,025 and \$21,973,131, respectively, for services provided under the Management and Administrative Services Agreement as of December 31, 2019 and 2018, respectively.

D. The Company has an intercompany revolving credit facility in place with the parent company, AultCare Health Insuring Corporation; The Company reported \$772,027 due from the parent and \$0 due to the parent company, as of December 31, 2019 and December 31, 2018, respectively.

The Company has an intercompany revolving credit facility in place with AultCare Corporation, an affiliate that allows AultCare to borrow and repay operating funds. AultCare owed \$8,623,572 and \$9,420,926 as of December 31, 2019 and 2018, respectively, under the terms of the agreement.

The Company also has a capitation arrangement with Aultman Hospital for anticipation of future services. As of December 31, 2019, the Company has paid \$2,561,505 Aultman Hospital for these future services.

E. The Company did not make any guarantees or undertakings, written or otherwise, for the benefit of an affiliate or related party which resulted in a material contingent exposure of the Company's assets to any liabilities during the periods reported.

F. Both Aultman Health Foundation, the ultimate controlling entity, and AultCare Corporation, an affiliate, provided various administrative, marketing, and claims processing services for the Company.

G. All outstanding shares of the Company were owned by the Company's parent, AultCare Health Insuring Corporation, a not-for-profit corporation domiciled in the State of Ohio.

H. The Company did not own any shares, directly or indirectly, of an upstream intermediate entity or ultimate parent during the periods reported.

I. The Company did not have an investment in an SCA entity that exceeds 10% of admitted assets of the insurer.

J. The Company did not realize any impairment write down for its investments in Subsidiary, Controlled or Affiliated Companies during the statement period.

K. The Company does not have an investment in a foreign insurance subsidiary.

L. The Company did not hold an investment in a downstream non insurance holding company during the periods reported.

M. The Company did not hold any other SCA Investments.

N. The Company did not hold any insurance SCA investments that departed from NAIC statutory accounting practices and procedures during the periods reported.

O. The company did not have any SCA losses.

11. DEBT

A-B. The Company did not have any debt including capital notes.

12. RETIREMENT PLANS, DEFERRED COMPENSATION, POSTEMPLOYMENT BENEFITS AND COMPENSATED ABSENCES AND OTHER POSTRETIREE BENEFIT PLANS

A-D. The Company had no defined benefit plans.

E. The Company participates in a defined contribution plan sponsored by Aultman Health Foundation.

Contributions of 3% of each employee's compensation are made each year to the plan. The Company's contributions for the defined contribution plan were \$423,972 and \$404,805 as of December 31, 2019 and 2018 respectively.

F-I. The Company had no multiemployer plans, consolidated company plans, post-employment plans, compensated absences, or postretirement benefit plans during the periods reported.

13. CAPITAL AND SURPLUS, SHAREHOLDERS' DIVIDEND RESTRICTIONS AND QUASI-REORGANIZATIONS

(1) The Company has \$1,000,000 in common stock outstanding, which is owned by its direct parent, AultCare Health Insuring Corporation.

(2) The Company had no preferred stock outstanding.

Notes to Financial Statements

- (3) Without prior approval of its domiciliary commissioner, dividends to shareholders are limited by the laws of the Company's state of incorporation, Ohio, to an amount that is based on restrictions relating to statutory surplus and net income.
- (4) The Company paid \$0 dividends in 2019 to AultCare Health Insurance Company.
- (5) There were no restrictions placed on the Company's profits that may be paid as ordinary dividends to stock holders.
- (6) There were no restrictions placed on the Company's surplus.
- (7) The Total Amount of advances to surplus not repaid is \$0.
- (8) The Amounts of stock held by the Company, including stock of affiliated companies, for special purposes was:
 - For conversion of preferred stock: 0 shares.
 - A. For employee stock options: 0 shares.
 - B. For stock purchase warrants: 0 shares.
- (9) The Company had changes in the balances for write-ins for special surplus funds, which are related to the Health Insurer Fee (HIT) under the ACA. The HIT was suspended for fee year 2018 thus no amount was segregated as of December 31, 2018, and thus, the HIT was not paid in fee year 2019. As of December 31, 2019 the Company estimates the amount of HIT for data year 2019 to be \$4,200,000 and has segregated such amount in the write-ins for special surplus funds.
- (10) The Company did not have any surplus funds represented that were reduced
- (11) The Company had no outstanding surplus debentures or similar obligations during the periods reported.
- (12) The Company had no restatements due to quasi-reorganizations during the periods reported.
- (13) The Company was not involved in a quasi-reorganization during the periods reported.

14. CONTINGENCIES

- A. The Company is not aware of any material contingent commitments.
- B. The Company is subject to the Ohio Life and Health Insurance Guaranty and does not know of any assessments that could have a material financial effect.
- C. The Company had no Gain Contingencies.
- D-F. Contingent liabilities arising from litigation, income taxes and other matters were not considered material in relation to the financial position of the Company.

15. LEASES

- A. Lessee Operating Lease
 - (1) The Company has no operating leases. Corporate office facilities expense is covered through the management service agreement with AultCare Corporation in Note 10 above.
 - (2) At January 1, 2020, the minimum aggregate rental commitments are as follows:

Year Ending December 31		Operating Leases
1.	2019	\$0
2.	2018	\$0

- B. Leasing is not a significant part of the lessor's business activities in terms of revenue, net income, or assets.

16. INFORMATION ABOUT FINANCIAL INSTRUMENTS WITH OFF-BALANCE SHEET RISK AND FINANCIAL INSTRUMENTS WITH CONCENTRATIONS OF CREDIT RISK

- A. The Company had no financial instruments with off-balance sheet risk during the periods reported.

17. SALE, TRANSFER AND SERVICING OF FINANCIAL ASSETS AND EXTINGUISHMENTS OF LIABILITIES

- A. The Company had no transfers of receivables reported as sales.
- B. The Company had no transfers of financial assets.
- C. The Company had no wash sales.

18. GAIN OR LOSS TO THE REPORTING ENTITY FROM UNINSURED PLANS AND THE UNINSURED PORTION OF PARTIALLY INSURED PLANS

- A-C. The Company had no Uninsured A&H Plans or Uninsured Portion of Partially Insured Plans during the periods reported.

19. DIRECT PREMIUM WRITTEN/PRODUCED BY MANAGING GENERAL AGENTS/THIRD PARTY ADMINISTRATORS

- A. The Company had no direct premium written or produced by managing general agents or third party administrators during the periods reported.

20. FAIR VALUE MEASUREMENT

- A. The Company has assets that are measured at fair value on a recurring basis.

Fair Value Measurements at Reporting Date				
(1) Description	(2) (Level 1)	(3) (Level 2)	(4) (Level 3)	(5) Total
a. Assets at fair value				
Common Stock	\$ 11,969,009	\$ -	\$ -	\$ 11,969,009
Total assets at fair value	<u>\$ 11,969,009</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 11,969,009</u>

Notes to Financial Statements

The Company had no assets with fair value measurements using significant unobservable inputs.

- (3) The Company uses the valuation technique that is based on the quoted prices in the active markets.
- (4) The Company has no Level 2 or Level 3 assets.
- (5) The Company does not have any derivative assets or liabilities.

- B. The Company does not have any other fair value assets to disclose.
- C. Fair Value Measurement

Type of Financial Instrument	Aggregate Fair Value	Admitted Assets	(Level 1)	(Level 2)	(Level 3)	Not Practicable (Carrying Value)
Bonds	\$19,125,714	\$18,895,782		\$19,125,714		
Industrial and Misc.	\$13,227,908	\$13,038,278		\$13,227,908		
Common Stock	\$11,469,009	\$11,469,009	\$11,469,009			

D. The Company had no fair value instruments or classes of financial instruments where it was not practicable to estimate the fair value at either December 31, 2019, or 2018.

E. The Company had no fair value instruments or classes of financial instruments where it was not practicable to estimate the fair value at either December 31, 2019, or 2018.

21. OTHER ITEMS

- A. The Company did not experience an unusual or infrequent item that resulted in a gain or loss.
- B. The Company had no troubled debt to restructure.
- C. There are no other applicable disclosures.
- D. The Company did not have any Business Interruption Insurance Recoveries.
- E. The Company did not have any State Transferable Tax Credits.
- F. The Company had no Subprime Mortgage Related Risk Exposure.
- G. The Company had no retained assets.
- H. The Company has no Insurance Linked Securities.

22. EVENTS SUBSEQUENT

- A. As of March 1, 2019, there have been no Type I events subsequent to December 31, 2019, which would have a material effect on the financial condition of the Company or on the financial statement issued March 1, 2019.
- B. As of March 1, 2019, there have been no Type II events subsequent to December 31, 2019, which would have a material effect on the financial condition of the Company or on the financial statement issued March 1, 2019.

23. REINSURANCE

- A. Ceded Reinsurance Report

Section 1 – General Interrogatories

- (1) Are any of the reinsurers, listed in Schedule S as non-affiliated, owned in excess of 10% or controlled, either directly or indirectly, by the Company or by any representative, officer, trustee, or director of the company?
Yes () No (X)
- (2) Have any policies issued by the company been reinsured with a company chartered in a country other than the United States (excluding U.S. branches of such companies) that is owned in excess of 10% or controlled directly or indirectly by an insured, a beneficiary, a creditor or any other person not primarily engaged in the insurance business?
Yes () No (X)

Section 2 – Ceded Reinsurance Report – Part A

- (1) Does the Company have any reinsurance agreements in effect under which the reinsurer may unilaterally cancel any reinsurance for reasons other than for nonpayment of premium or other similar credits?
Yes () No (X)
- (2) Does the company 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 which, in aggregate and allowing for offset of mutual credits from other reinsurance agreements with the same reinsurers exceed the total direct premium collected under the reinsured policies?
Yes () No (X)

Section 3 – Ceded Reinsurance Report – part B

- (1) What is the estimated amount of the aggregate reduction in surplus, (for agreements other than those under which the reinsurer may unilaterally cancel 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 this statement, to included policies or contracts that were in force or which had existing reserves established by the company as of the effective date of the agreement?
Yes () No (X)
- B. The Company did not write off any uncollectible reinsurance during the periods reported.
- C. The Company did not have any commutation of ceded reinsurance during the periods reported.
- D. The Company did not have a Reinsurer Rating Downgrade or Status Subject to Revocation during the periods reported.

24. RETROSPECTIVELY RATED CONTRACTS & CONTRACTS SUBJECT TO REDETERMINATION (N/A –TITLE)

- A. The Company has one contract with CMS that is subject to redetermination upon audits performed by the Inspector General.
- B. The Company records accrued retrospective premiums as an adjustment to earned premiums.
- C. The Company has accrued \$0 of net premiums written as of December 31, 2019 for the group health plan. No other net premiums written by the Company are subject to retrospective rating features.

Notes to Financial Statements

D. Not Applicable

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/NO)? YES

2. Impact of Risk-Sharing Provisions of the Affordable Care Act on Admitted Assets, Liabilities and Revenue for the Current Year

		Description				Amount	
a. Permanent ACA Risk Adjustment Program							
Assets							
1. Premium adjustments receivable due to ACA Risk Adjustment				\$4,061,431			
Liabilities				\$0			
2. Risk adjustment user fees payable for ACA Risk Adjustment				\$0			
3. Premium adjustments payable due to ACA Risk Adjustment				\$0			
Operations (Revenue & Expense)							
4. Reported as revenue in premium for accident and health contracts (written/collected) due to ACA Risk Adjustment				\$2,515,660			
5. Reported in expenses as ACA risk adjustment user fees (incurred/paid)				\$(14,857)			
b. Transitional ACA Reinsurance Program							
Assets				\$0			
1. Amounts recoverable for claims paid due to ACA Reinsurance				\$0			
2. Amounts recoverable for claims unpaid due to ACA Reinsurance (Contra Liability)				\$0			
3. Amounts receivable relating to uninsured plans for contributions for ACA Reinsurance				\$0			
Liabilities							
4. Liabilities for contributions payable due to ACA Reinsurance – not reported as ceded premium				\$0			
5. Ceded reinsurance premiums payable due to ACA Reinsurance				\$0			
6. Liabilities for amounts held under uninsured plans contributions for ACA Reinsurance				\$0			
Operations (Revenue & Expense)							
7. Ceded reinsurance premiums due to ACA Reinsurance				\$0			
8. Reinsurance recoveries (income statement) due to ACA Reinsurance payments or expected payments				\$0			
9. ACA Reinsurance contributions – not reported as ceded premium				\$0			
c. Temporary ACA Risk Corridors Program							
Assets				\$0			
1. Accrued retrospective premium due to ACA Risk Corridors				\$0			
Liabilities						\$0	
2. Reserve for rate credits or policy experience rating refunds due to ACA Risk Corridors				\$0			
Operations (Revenue & Expense)							
3. Effect of ACA Risk Corridors on net premium income (paid/received)				\$0			
4. Effect of ACA Risk Corridors on change in reserves for rate credits				\$0			

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.

	Ac crued During the Prior Year on Business Written Before December 31 of the Prior Year	Received or Paid as of the Current Year on Business Written Before December 31 of the Prior Year	Differences		Adjustments		Unsettled Balances as of the Reporting Date				
			Prior Year Accrued Less Payments (Col 1 - 3)	Prior Year Accrued Less Payments (Col 2 - 4)	To Prior Year Balanc es	To Prior Year Balanc es	Cumulative Balance from Prior Years (Col 1 - 3 +7)	Cumulative Balance from Prior Years (Col 2 - 4 +8)			
			1	2	3	4	5	6	7	8	9
	Receivable	(Payable)	Receivable	(Payable)	Receivable	(Payable)	Receivable	(Payable)	Ref	Receivable	(Payable)
a. Permanent ACA Risk Adjustment Program											
1. Premium adjustments receivable		\$ -	\$ -	\$2,515,660	\$ -	\$(2,515,660)	\$ -	\$ -	A	\$ -	\$(2,515,660)
2. Premium adjustments (payable)		\$ -	\$ -	\$ -	\$ -	\$14,857	\$ -	\$(14,857)	B	\$ -	\$ -
3. Subtotal ACA Permanent Risk Adjustment Program		\$ -	\$ -	\$2,515,660	\$ -	\$14,857	\$ -	\$(2,515,660)		\$ -	\$(14,857)
b. Transitional ACA Reinsurance Program											
1. Amounts recoverable for claims paid		\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	C	\$99,423	\$ -
2. Amounts recoverable for claims unpaid (contra liability)		\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	D	\$ -	\$ -
3. Amounts receivable relating to uninsured plans		\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	E	\$ -	\$(102,043)
4. Liabilities for contributions payable due to ACA Reinsurance – not reported as ceded premium		\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	F	\$ -	\$ -
5. Ceded reinsurance premiums payable		\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	G	\$ -	\$ -
6. Liability for amounts held under uninsured plans		\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	H	\$ -	\$ -
7. Subtotal ACA Transitional Reinsurance Program		\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -		\$ -	\$(2,620)
c. Temporary ACA Risk Corridors Program											
1. Accrued retrospective		\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	I	\$ -	\$ -

Notes to Financial Statements

premium										
2. Reserve for rate credits or policy experience rating refunds	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	J	\$ -
3. Subtotal ACA Risk Corridors Program	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -		\$ -
d. Total for ACA Risk Sharing Provisions	\$ -	\$ -	\$2,515,660	\$ 14,857	(\$2,515,660)	(\$14,857)	\$ -	\$ -	(\$2,515,660)	(\$14,857)

Explanation of Adjustments

A.										
B.										
C.										
D.										
E.										
F.										
G.										
H.										
I.										
J.										

4.

Risk Corridors Program Year	Received or Paid as of the Current Year on Business Written Before December 31 of the Prior Year				Differences		Adjustments		Unsettled Balances as of the Reporting Date	
	Accrued During the Prior Year on Business Written Before December 31 of the Prior Year		Prior Year Accrued Less Payments (Col 1 - 3)		Prior Year Accrued Less Payments (Col 2 - 4)		To Prior Year Balances	To Prior Year Balances	Cumulative Balance from Prior Years (Col 1 - 3 +7)	Cumulative Balance from Prior Years (Col 2 - 4 +8)
	1 Receivable	2 (Payable)	3 Receivable	4 (Payable)	5 Receivable	6 (Payable)	7 Receivable	8 (Payable)	9 Ref	10 Receivable (Payable)
a. 2014										
1. Accrued retrospective premium	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	A	\$ -
2. Reserve for rate credits or policy experience rating refunds	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	B	\$ -
b. 2015									C	\$ -
1. Accrued retrospective premium	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -		\$ -
2. Reserve for rate credits or policy experience rating refunds	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	D	\$ -
c. 2016									E	\$ -
1. Accrued retrospective premium	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -		\$ -
2. Reserve for rate credits or policy experience rating refunds	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	F	\$ -
d. Total for risk corridors	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -		\$ -

Explanation of Adjustments

A.										
B.										
C.										
D.										
E.										
F.										

5.

Risk Corridors Program Year	(1) Estimated Amount to be Filed or Final Amount Filed with CMS	(2) Non-Accrued Amounts for Impairment or Other Reasons	(3) Amounts received from CMS	(4) Asset Balance (Gross of Non-admissions) (1-2-3)	(5) Non-admitted Amount	(6) Net Admitted Asset (4-5)	
						Non-admitted Amount	Net Admitted Asset (4-5)
a. 2015	\$129,608	\$139,327	(\$9,719)	\$ -	\$ -	\$ -	\$ -
b. 2016	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
c. 2017	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
d. Total (a+b+c)	\$129,608	\$139,327	(\$9,719)	\$ -	\$ -	\$ -	\$ -

25. CHANGE IN INCURRED CLAIMS AND CLAIMS ADJUSTMENT EXPENSES

A-B. Reserves as of December 31, 2018 were \$30,961,139. As of December 31, 2019, \$31,279,521 had been paid for incurred claims and claim adjustment expenses attributable to insured events of prior years.

Reserves remaining for prior years are now \$0. Therefore, there has been \$318,382 in unfavorable prior-year development since December 31, 2018. Original estimates are increased or decreased as additional information becomes known regarding individual claims.

26. INTERCOMPANY POOLING ARRANGEMENTS

A-G. The Company had no intercompany pooling arrangements.

27. STRUCTURED SETTLEMENTS

A. The Company had no structured settlements.

28. HEALTH CARE RECEIVABLES

A. The Company follows the guidance of Statement of Statutory Accounting Principles (SSAP) No. 84 for its pharmacy rebates receivable. Pharmacy rebates receivable consist of estimated amounts and billed amounts. Estimated amounts are related to prescriptions filled during the three months immediately following year-end. Billed amounts represent those that have been accepted in writing, but not collected at the time of the reporting date. Being that the company does not confirm billed amounts within two months of the reporting date, only estimated amounts are admitted at the time of year-end.

Pharmacy rebates receivable are estimated based on pharmacy claims eligible for rebates reported during the period multiplied by agreed-upon rates. Pharmacy rebates as of the end of each quarter for

Notes to Financial Statements

the years ended December 31, 2019, 2018, and 2017 are as follows:

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	\$2,399,224	\$2,096,895	\$ -	\$ -	\$ -
9/30/2019	\$3,818,865	\$2,120,006	\$ -	\$ -	\$ -
6/30/2019	\$3,393,084	\$2,110,168	\$ 2,303,746	\$ -	\$ -
3/31/2019	\$3,965,027	\$ 1,873,182	\$ 1,912,219	\$ -	\$ -
12/31/2018	\$2,191,701	\$ 2,335,528	\$ -	\$ 2,970,543	\$ -
9/30/2018	\$5,010,343	\$ 2,232,431	\$ -	\$ 2,242,202	\$ -
6/30/2018	\$3,334,882	\$ 1,842,247	\$ -	\$ 2,086,914	\$ -
3/31/2018	\$1,863,228	\$ 1,201,117	\$ -	\$ 1,114,819	\$ -
12/31/2017	\$1,863,228	\$ 855,806	\$ -	\$ 931,183	\$ -
9/30/2017	\$1,223,357	\$ 795,460	\$ -	\$ 849,275	\$ 42,135
6/30/2017	\$1,223,357	\$ 650,192	\$ -	\$ 1,000,603	\$ 21,845
3/31/2017	\$1,223,357	\$ 658,529	\$ -	\$ 759,036	\$ 24,980

B. The Company did not have any risk sharing receivables during the periods reported.

29. PARTICIPATING POLICIES

A. The Company does not have participating policies or policyholder dividends.

30. PREMIUM DEFICIENCY RESERVES

A. The Company does not have Premium Deficiency Reserves.

1. Liability carried for premium deficiency reserves	\$	0
2. Date of the most recent evaluation of this liability		12/31/2019

3. Was anticipated investment income utilized in the calculation? (Yes / No)	_____	No
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31. ANTICIPATED SALVAGE AND SUBROGATION

A. The Company did not have anticipated salvage and subrogation included as a reduction of loss reserves.