



ANNUAL STATEMENT

For the Year Ending December 31, 2012

OF THE CONDITION AND AFFAIRS OF THE

Capital Health Plan, Inc.

NAIC Group Code <u>0536</u> , <u>0536</u> <small>(current period) (prior period)</small>	NAIC Company Code <u>95112</u>	Employer's ID Number <u>59-1830622</u>
Organized under the Laws of _____ ,	State of Domicile or Port of Entry <u>Florida</u>	
Country of Domicile <u>United States of America</u>		
Licensed as business type: Life, Accident & Health [] Dental Service Corporation [] Other []	Property/Casualty [] Vision Service Corporation [] Is HMO Federally Qualified? Yes[X] No [] N/A []	Hospital, Medical & Dental Service or Indemnity [] Health Maintenance Organization [X]
Incorporated/Organized <u>06/26/1978</u>	Commenced Business <u>06/01/1982</u>	
Statutory Home Office <u>2140 Centerville Place</u> <small>(Street and Number)</small>	<u>Tallahassee, FL, 32308</u> <small>(City or Town, State, Country and Zip Code)</small>	
Main Administrative Office _____	<u>2140 Centerville Place</u> <small>(Street and Number)</small>	
_____ <u>Tallahassee, FL, 32308</u> <small>(City or Town, State, Country and Zip Code)</small>	_____ <u>(850)383-3333</u> <small>(Area Code)(Telephone Number)</small>	
Mail Address _____ <u>P.O. Box 15349</u> <small>(Street and Number)</small>	_____ <u>Tallahassee, FL, 32317</u> <small>(City or Town, State, Country and Zip Code)</small>	
Primary Location of Books and Records _____	<u>1545 Raymond Diehl Road</u> <small>(Street and Number)</small>	
_____ <u>Tallahassee, FL, 32308</u> <small>(City or Town, State, Country and Zip Code)</small>	_____ <u>(850)383-3333</u> <small>(Area Code)(Telephone Number)</small>	
Internet Website Address _____ <u>www.capitalhealth.com</u>		
Statutory Statement Contact _____ <u>Sabin C. Bass</u> <small>(Name)</small>	_____ <u>(850)383-3377</u> <small>(Area Code)(Telephone Number)</small>	
_____ <u>SCBASS@chp.org</u> <small>(E-Mail Address)</small>	_____ <u>(850)383-3441</u> <small>(Fax Number)</small>	

OFFICERS

Name	Title
Wallace Kenneth Boutwell Jr.	Chairman
Thomas Arnold Barron	Secretary
David Keith Coburn	Treasurer
Winifred Schmeling	Vice Chairman

OTHERS

John Hogan, Chief Executive Officer

Sabin Bass, Chief Financial Officer

DIRECTORS OR TRUSTEES

Dubose Ausley
Isaac Moore M.D.
Patricia Hayward
Lillie Bogan

John Tom Herndon
James Brian Sheedy M.D.
Joyce Kramzer

State of Florida
County of Leon ss

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

_____ <small>(Signature)</small> <u>Wallace Kenneth Boutwell, Jr.</u> <small>(Printed Name)</small> 1. Chairman _____ <small>(Title)</small>	_____ <small>(Signature)</small> <u>Thomas Arnold Barron</u> <small>(Printed Name)</small> 2. Secretary _____ <small>(Title)</small>	_____ <small>(Signature)</small> <u>David Keith Coburn</u> <small>(Printed Name)</small> 3. Treasurer _____ <small>(Title)</small>
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Subscribed and sworn to before me this _____ day of _____ 2013

(Notary Public Signature)

- a. Is this an original filing? Yes[X] No []
- b. If no: 1. State the amendment number 0
2. Date filed _____
3. Number of pages attached 0

ASSETS

	Current Year			Prior Year
	1 Assets	2 Nonadmitted Assets	3 Net Admitted Assets (Cols. 1-2)	4 Net Admitted Assets
1. Bonds (Schedule D)	326,591,778	421,395	326,170,383	282,182,179
2. Stocks (Schedule D)				
2.1 Preferred stocks				
2.2 Common Stocks	52,886,267		52,886,267	46,423,169
3. Mortgage loans on real estate (Schedule B):				
3.1 First liens				
3.2 Other than first liens				
4. Real estate (Schedule A):				
4.1 Properties occupied by the company (less \$.....0 encumbrances)	21,339,453		21,339,453	21,644,888
4.2 Properties held for the production of income (less \$.....0 encumbrances)				
4.3 Properties held for sale (less \$.....0 encumbrances)				
5. Cash (\$.....4,254,798 Schedule E Part 1), cash equivalents (\$.....0 Schedule E Part 2) and short-term investments (\$.....8,812,222 Schedule DA)	13,067,020		13,067,020	31,011,468
6. Contract loans (including \$.....0 premium notes)				
7. Derivatives (Schedule DB)				
8. Other invested assets (Schedule BA)				
9. Receivables for securities	1,338,610		1,338,610	3,653,274
10. Securities Lending Reinvested Collateral Assets (Schedule DL)				
11. Aggregate write-ins for invested assets	70,335	70,335		
12. Subtotals, cash and invested assets (Lines 1 to 11)	415,293,463	491,730	414,801,733	384,914,978
13. Title plants less \$.....0 charged off (for Title insurers only)				
14. Investment income due and accrued	2,044,729		2,044,729	1,946,699
15. Premiums and considerations:				
15.1 Uncollected premiums and agents' balances in the course of collection	4,960,516		4,960,516	4,070,992
15.2 Deferred premiums, agents' balances and installments booked but deferred and not yet due (Including \$.....0 earned but unbilled premiums)				
15.3 Accrued retrospective premiums				
16. Reinsurance:				
16.1 Amounts recoverable from reinsurers				294,593
16.2 Funds held by or deposited with reinsured companies				
16.3 Other amounts receivable under reinsurance contracts				
17. Amounts receivable relating to uninsured plans				
18.1 Current federal and foreign income tax recoverable and interest thereon				
18.2 Net deferred tax asset				
19. Guaranty funds receivable or on deposit				
20. Electronic data processing equipment and software	1,204,415	293,352	911,063	778,458
21. Furniture and equipment, including health care delivery assets (\$.....0)	1,606,940	1,606,940		
22. Net adjustment in assets and liabilities due to foreign exchange rates				
23. Receivables from parent, subsidiaries and affiliates	492,247	492,247		
24. Health care (\$.....3,757,185) and other amounts receivable	7,665,898	3,908,713	3,757,185	2,296,027
25. Aggregate write-ins for other than invested assets	4,467,796	2,582,558	1,885,238	1,735,728
26. Total assets excluding Separate Accounts, Segregated Accounts and Protected Cell Accounts (Lines 12 to 25)	437,736,004	9,375,540	428,360,464	396,037,475
27. From Separate Accounts, Segregated Accounts and Protected Cell Accounts				
28. Total (Lines 26 and 27)	437,736,004	9,375,540	428,360,464	396,037,475
DETAILS OF WRITE-INS				
1101. Deposits	70,335	70,335		
1102.				
1103.				
1198. Summary of remaining write-ins for Line 11 from overflow page				
1199. TOTALS (Lines 1101 through 1103 plus 1198) (Line 11 above)	70,335	70,335		
2501. Prepaid Expenses and Other Assets	2,582,558	2,582,558		
2502. Medical Supply Inventory	369,211		369,211	390,701
2503. Deferred Compensation	1,516,027		1,516,027	1,345,027
2598. Summary of remaining write-ins for Line 25 from overflow page				
2599. TOTALS (Lines 2501 through 2503 plus 2598) (Line 25 above)	4,467,796	2,582,558	1,885,238	1,735,728

LIABILITIES, CAPITAL AND SURPLUS

	Current Year			Prior Year
	1 Covered	2 Uncovered	3 Total	4 Total
1. Claims unpaid (less \$.....0 reinsurance ceded)	52,763,662		52,763,662	52,564,329
2. Accrued medical incentive pool and bonus amounts				
3. Unpaid claims adjustment expenses	490,000		490,000	480,000
4. Aggregate health policy reserves, including the liability of \$.....0 for medical loss ratio rebate per the Public Health Service Act				
5. Aggregate life policy reserves				
6. Property/casualty unearned premium reserves				
7. Aggregate health claim reserves				
8. Premiums received in advance	10,854,425		10,854,425	10,523,151
9. General expenses due or accrued	3,019,547		3,019,547	2,986,401
10.1 Current federal and foreign income tax payable and interest thereon (including \$.....0 on realized capital gains (losses))				
10.2 Net deferred tax liability				
11. Ceded reinsurance premiums payable				
12. Amounts withheld or retained for the account of others				
13. Remittances and items not allocated				
14. Borrowed money (including \$.....0 current) and interest thereon \$.....0 (including \$.....0 current)				
15. Amounts due to parent, subsidiaries and affiliates	154,666		154,666	148,635
16. Derivatives				
17. Payable for securities	9,816,214		9,816,214	8,071,332
18. Payable for securities lending				
19. Funds held under reinsurance treaties (with \$.....0 authorized reinsurers, \$.....0 unauthorized reinsurers and \$.....0 certified reinsurers)				
20. Reinsurance in unauthorized and certified (\$.....0) companies				
21. Net adjustments in assets and liabilities due to foreign exchange rates				
22. Liability for amounts held under uninsured plans				
23. Aggregate write-ins for other liabilities (including \$.....0 current)	9,034,379		9,034,379	8,199,329
24. TOTAL Liabilities (Lines 1 to 23)	86,132,893		86,132,893	82,973,177
25. Aggregate write-ins for special surplus funds	X X X	X X X		
26. Common capital stock	X X X	X X X		
27. Preferred capital stock	X X X	X X X		
28. Gross paid in and contributed surplus	X X X	X X X		
29. Surplus notes	X X X	X X X		
30. Aggregate write-ins for other than special surplus funds	X X X	X X X		
31. Unassigned funds (surplus)	X X X	X X X	342,227,558	313,064,298
32. Less treasury stock, at cost:				
32.10 shares common (value included in Line 26 \$.....0)	X X X	X X X		
32.20 shares preferred (value included in Line 27 \$.....0)	X X X	X X X		
33. TOTAL Capital and Surplus (Lines 25 to 31 minus Line 32)	X X X	X X X	342,227,558	313,064,298
34. TOTAL Liabilities, Capital and Surplus (Lines 24 and 33)	X X X	X X X	428,360,451	396,037,475
DETAILS OF WRITE-INS				
2301. S&B Payable	7,390,786		7,390,786	6,754,103
2302. Deferred Compensation payable	1,516,027		1,516,027	1,345,027
2303. FCHA and Assessments	127,428		127,428	100,000
2398. Summary of remaining write-ins for Line 23 from overflow page	138		138	199
2399. TOTALS (Lines 2301 through 2303 plus 2398) (Line 23 above)	9,034,379		9,034,379	8,199,329
2501.	X X X	X X X		
2502.	X X X	X X X		
2503.	X X X	X X X		
2598. Summary of remaining write-ins for Line 25 from overflow page	X X X	X X X		
2599. TOTALS (Lines 2501 through 2503 plus 2598) (Line 25 above)	X X X	X X X		
3001.	X X X	X X X		
3002.	X X X	X X X		
3003.	X X X	X X X		
3098. Summary of remaining write-ins for Line 30 from overflow page	X X X	X X X		
3099. TOTALS (Lines 3001 through 3003 plus 3098) (Line 30 above)	X X X	X X X		

STATEMENT OF REVENUE AND EXPENSES

	Current Year		Prior Year
	1 Uncovered	2 Total	3 Total
1. Member Months	X X X	1,501,555	1,420,704
2. Net premium income (including \$.....0 non-health premium income)	X X X	615,229,372	626,055,155
3. Change in unearned premium reserves and reserve for rate credits	X X X		
4. Fee-for-service (net of \$.....0 medical expenses)	X X X	1,955,694	2,065,519
5. Risk revenue	X X X		
6. Aggregate write-ins for other health care related revenues	X X X		
7. Aggregate write-ins for other non-health revenues	X X X		
8. TOTAL Revenues (Lines 2 to 7)	X X X	617,185,066	628,120,674
Hospital and Medical:			
9. Hospital/medical benefits		472,048,432	424,516,317
10. Other professional services			
11. Outside referrals		1,583,283	2,031,418
12. Emergency room and out-of-area		43,454,102	36,594,071
13. Prescription drugs		53,739,766	90,724,600
14. Aggregate write-ins for other hospital and medical			
15. Incentive pool, withhold adjustments and bonus amounts			
16. Subtotal (Lines 9 to 15)		570,825,583	553,866,406
Less:			
17. Net reinsurance recoveries		151,544	213,671
18. TOTAL Hospital and Medical (Lines 16 minus 17)		570,674,039	553,652,735
19. Non-health claims (net)			
20. Claims adjustment expenses, including \$.....4,634,308 cost containment expenses		8,416,356	7,605,619
21. General administrative expenses		29,224,344	29,378,028
22. Increase in reserves for life and accident and health contracts (including \$.....0 increase in reserves for life only)			
23. TOTAL Underwriting Deductions (Lines 18 through 22)		608,314,739	590,636,382
24. Net underwriting gain or (loss) (Lines 8 minus 23)	X X X	8,870,327	37,484,292
25. Net investment income earned (Exhibit of Net Investment Income, Line 17)		12,605,206	13,841,496
26. Net realized capital gains (losses) less capital gains tax of \$.....0		1,339,539	980,201
27. Net investment gains (losses) (Lines 25 plus 26)		13,944,745	14,821,697
28. Net gain or (loss) from agents' or premium balances charged off [(amount recovered \$.....0) (amount charged off \$.....0)]			
29. Aggregate write-ins for other income or expenses		140,888	244,710
30. Net income or (loss) after capital gains tax and before all other federal income taxes (Lines 24 plus 27 plus 28 plus 29)	X X X	22,955,960	52,550,699
31. Federal and foreign income taxes incurred	X X X		
32. Net income (loss) (Lines 30 minus 31)	X X X	22,955,960	52,550,699
DETAILS OF WRITE-INS			
0601.	X X X		
0602.	X X X		
0603.	X X X		
0698. Summary of remaining write-ins for Line 6 from overflow page	X X X		
0699. TOTALS (Lines 0601 through 0603 plus 0698) (Line 6 above)	X X X		
0701. ~	X X X		
0702.	X X X		
0703.	X X X		
0798. Summary of remaining write-ins for Line 7 from overflow page	X X X		
0799. TOTALS (Line 0701 through 0703 plus 0798) (Line 7 above)	X X X		
1401.			
1402.			
1403.			
1498. Summary of remaining write-ins for Line 14 from overflow page			
1499. TOTALS (Lines 1401 through 1403 plus 1498) (Line 14 above)			
2901. Rental Income		54,193	142,966
2902. Miscellaneous Income		86,695	101,744
2903.			
2998. Summary of remaining write-ins for Line 29 from overflow page			
2999. TOTALS (Line 2901 through 2903 plus 2998) (Line 29 above)		140,888	244,710

STATEMENT OF REVENUE AND EXPENSES (Continued)

		1	2
		Current Year	Prior Year
CAPITAL & SURPLUS ACCOUNT			
33.	Capital and surplus prior reporting year	313,064,298	266,203,552
34.	Net income or (loss) from Line 32	22,955,960	52,550,699
35.	Change in valuation basis of aggregate policy and claim reserves		
36.	Change in net unrealized capital gains (losses) less capital gains tax of \$.....0	6,920,014	(4,801,686)
37.	Change in net unrealized foreign exchange capital gain or (loss)		
38.	Change in net deferred income tax		
39.	Change in nonadmitted assets	(712,713)	(888,268)
40.	Change in unauthorized and certified reinsurance		
41.	Change in treasury stock		
42.	Change in surplus notes		
43.	Cumulative effect of changes in accounting principles		
44.	Capital Changes:		
44.1	Paid in		
44.2	Transferred from surplus (Stock Dividend)		
44.3	Transferred to surplus		
45.	Surplus adjustments:		
45.1	Paid in		
45.2	Transferred to capital (Stock Dividend)		
45.3	Transferred from capital		
46.	Dividends to stockholders		
47.	Aggregate write-ins for gains or (losses) in surplus		
48.	Net change in capital and surplus (Lines 34 to 47)	29,163,261	46,860,745
49.	Capital and surplus end of reporting year (Line 33 plus 48)	342,227,559	313,064,297
DETAILS OF WRITE-INS			
4701.		
4702.		
4703.		
4798.	Summary of remaining write-ins for Line 47 from overflow page		
4799.	TOTALS (Lines 4701 through 4703 plus 4798) (Line 47 above)		

CASH FLOW

		1	2
		Current Year	Prior Year
Cash from Operations			
1.	Premiums collected net of reinsurance	614,671,122	622,481,443
2.	Net investment income	12,311,983	15,710,122
3.	Miscellaneous income	394,461	2,129,437
4.	Total (Lines 1 through 3)	627,377,566	640,321,002
5.	Benefit and loss related payments	568,413,862	557,745,744
6.	Net transfers to Separate Accounts, Segregated Accounts and Protected Cell Accounts		
7.	Commissions, expenses paid and aggregate write-ins for deductions	32,948,955	35,147,445
8.	Dividends paid to policyholders		
9.	Federal and foreign income taxes paid (recovered) net of \$.....0 tax on capital gains (losses)		
10.	Total (Lines 5 through 9)	601,362,817	592,893,189
11.	Net cash from operations (Line 4 minus Line 10)	26,014,749	47,427,813
Cash from Investments			
12.	Proceeds from investments sold, matured or repaid:		
12.1	Bonds	96,264,218	99,523,091
12.2	Stocks	4,972,708	
12.3	Mortgage loans		
12.4	Real estate		
12.5	Other invested assets		
12.6	Net gains or (losses) on cash, cash equivalents and short-term investments		
12.7	Miscellaneous proceeds		
12.8	Total investment proceeds (Lines 12.1 to 12.7)	101,236,926	99,523,091
13.	Cost of investments acquired (long-term only):		
13.1	Bonds	135,045,304	99,026,377
13.2	Stocks	7,331,702	51,224,856
13.3	Mortgage loans		
13.4	Real estate	1,212,955	
13.5	Other invested assets	1,606,163	
13.6	Miscellaneous applications		1,813,374
13.7	Total investments acquired (Lines 13.1 to 13.6)	145,196,124	152,064,607
14.	Net increase (decrease) in contract loans and premium notes		
15.	Net cash from investments (Line 12.8 minus Line 13.7 minus Line 14)	(43,959,198)	(52,541,516)
Cash from Financing and Miscellaneous Sources			
16.	Cash provided (applied):		
16.1	Surplus notes, capital notes		
16.2	Capital and paid in surplus, less treasury stock		
16.3	Borrowed funds		
16.4	Net deposits on deposit-type contracts and other insurance liabilities		
16.5	Dividends to stockholders		
16.6	Other cash provided (applied)		
17.	Net cash from financing and miscellaneous sources (Lines 16.1 to 16.4 minus Line 16.5 plus Line 16.6)		
RECONCILIATION OF CASH, CASH EQUIVALENTS AND SHORT-TERM INVESTMENTS			
18.	Net change in cash, cash equivalents and short-term investments (Line 11, plus Lines 15 and 17)	(17,944,449)	(5,113,703)
19.	Cash, cash equivalents and short-term investments:		
19.1	Beginning of year	31,011,469	36,125,172
19.2	End of year (Line 18 plus Line 19.1)	13,067,020	31,011,469

Note: Supplemental Disclosures of Cash Flow Information for Non-Cash Transactions:

20.0001		
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ANALYSIS OF OPERATIONS BY LINES OF BUSINESS

	1	2	3	4	5	6	7	8	9	10
	Total	Comprehensive (Hospital & Medical)	Medicare Supplement	Dental Only	Vision Only	Federal Employees Health Benefit Plan	Title XVIII Medicare	Title XIX Medicaid	Other Health	Other Non-Health
1. Net premium income	615,229,372	454,138,634				15,309,116	145,781,622			
2. Change in unearned premium reserves and reserve for rate credit										
3. Fee-for-service (net of \$.....0 medical expenses)	1,955,694	1,569,867				1,959	383,868			X X X
4. Risk revenue										X X X
5. Aggregate write-ins for other health care related revenues										X X X
6. Aggregate write-ins for other non-health care related revenues		X X X	X X X	X X X	X X X	X X X	X X X	X X X	X X X	
7. TOTAL Revenues (Lines 1 to 6)	617,185,066	455,708,501				15,311,075	146,165,490			
8. Hospital/medical benefits	472,048,432	357,084,132				11,143,626	103,820,674			X X X
9. Other professional services										X X X
10. Outside referrals	1,583,283	1,244,188				51,539	287,556			X X X
11. Emergency room and out-of-area	43,454,102	38,876,746				1,274,621	3,302,735			X X X
12. Prescription drugs	53,739,766	34,363,747				2,630,147	16,745,872			X X X
13. Aggregate write-ins for other hospital and medical										X X X
14. Incentive pool, withhold adjustments and bonus amounts										X X X
15. Subtotal (Lines 8 to 14)	570,825,583	431,568,813				15,099,933	124,156,837			X X X
16. Net reinsurance recoveries	151,544	151,544								X X X
17. TOTAL Hospital and Medical (Lines 15 minus 16)	570,674,039	431,417,269				15,099,933	124,156,837			X X X
18. Non-health claims (net)		X X X	X X X	X X X	X X X	X X X	X X X	X X X	X X X	
19. Claims adjustment expenses including \$.....4,634,308 cost containment expenses	8,416,356	6,011,305				202,584	2,202,467			
20. General administrative expenses	29,224,344	23,894,176				319,523	5,010,645			
21. Increase in reserves for accident and health contracts										X X X
22. Increase in reserves for life contracts		X X X	X X X	X X X	X X X	X X X	X X X	X X X	X X X	
23. TOTAL Underwriting Deductions (Lines 17 to 22)	608,314,739	461,322,750				15,622,040	131,369,949			
24. Net underwriting gain or (loss) (Line 7 minus Line 23)	8,870,327	(5,614,249)				(310,965)	14,795,541			
DETAILS OF WRITE-INS										
0501.										X X X
0502.										X X X
0503.										X X X
0598. Summary of remaining write-ins for Line 5 from overflow page										X X X
0599. TOTALS (Lines 0501 through 0503 plus 0598) (Line 5 above)										X X X
0601.		X X X	X X X	X X X	X X X	X X X	X X X	X X X	X X X	
0602.		X X X	X X X	X X X	X X X	X X X	X X X	X X X	X X X	
0603.		X X X	X X X	X X X	X X X	X X X	X X X	X X X	X X X	
0698. Summary of remaining write-ins for Line 6 from overflow page		X X X	X X X	X X X	X X X	X X X	X X X	X X X	X X X	
0699. TOTALS (Lines 0601 through 0603 plus 0698) (Line 6 above)		X X X	X X X	X X X	X X X	X X X	X X X	X X X	X X X	
1301.										X X X
1302.										X X X
1303.										X X X
1398. Summary of remaining write-ins for Line 13 from overflow page										X X X
1399. TOTALS (Lines 1301 through 1303 plus 1398) (Line 13 above)										X X X

UNDERWRITING AND INVESTMENT EXHIBIT

PART 1 - PREMIUMS

		1	2	3	4
	Line of Business	Direct Business	Reinsurance Assumed	Reinsurance Ceded	Net Premium Income (Columns 1 + 2 - 3)
1.	Comprehensive (hospital and medical)	455,039,305		900,671	454,138,634
2.	Medicare Supplement				
3.	Dental only				
4.	Vision only				
5.	Federal Employees Health Benefits Plan	15,335,034		25,918	15,309,116
6.	Title XVIII - Medicare	145,799,248		17,626	145,781,622
7.	Title XIX - Medicaid				
8.	Other health				
9.	Health subtotal (Lines 1 through 8)	616,173,587		944,215	615,229,372
10.	Life				
11.	Property/casualty				
12.	TOTALS (Lines 9 to 11)	616,173,587		944,215	615,229,372

UNDERWRITING AND INVESTMENT EXHIBIT

PART 2 - CLAIMS INCURRED DURING THE YEAR

	1	2	3	4	5	6	7	8	9	10
	Total	Comprehensive (Hospital & Medical)	Medicare Supplement	Dental Only	Vision Only	Federal Employees Health Benefits Plan	Title XVIII Medicare	Title XIX Medicaid	Other Health	Other Non-Health
1. Payments during the year:										
1.1 Direct	570,626,251	430,672,946				15,114,183	124,839,122			
1.2 Reinsurance assumed										
1.3 Reinsurance ceded	386,000	386,000								
1.4 Net	570,240,251	430,286,946				15,114,183	124,839,122			
2. Paid medical incentive pools and bonuses										
3. Claim liability December 31, current year from Part 2A:										
3.1 Direct	52,763,662	38,764,581				957,703	13,041,378			
3.2 Reinsurance assumed										
3.3 Reinsurance ceded										
3.4 Net	52,763,662	38,764,581				957,703	13,041,378			
4. Claim reserve December 31, current year from Part 2D:										
4.1 Direct										
4.2 Reinsurance assumed										
4.3 Reinsurance ceded										
4.4 Net										
5. Accrued medical incentive pools and bonuses, current year										
6. Net healthcare receivables (a)										
7. Amounts recoverable from reinsurers December 31, current year										
8. Claim liability December 31, prior year from Part 2A:										
8.1 Direct	52,564,329	37,868,714				971,952	13,723,663			
8.2 Reinsurance assumed										
8.3 Reinsurance ceded	(60,137)	(60,137)								
8.4 Net	52,624,466	37,928,851				971,952	13,723,663			
9. Claim reserve December 31, prior year from Part 2D:										
9.1 Direct										
9.2 Reinsurance assumed										
9.3 Reinsurance ceded										
9.4 Net										
10. Accrued medical incentive pools and bonuses, prior year										
11. Amounts recoverable from reinsurers December 31, prior year	294,593	294,593								
12. Incurred benefits:										
12.1 Direct	570,825,584	431,568,813				15,099,934	124,156,837			
12.2 Reinsurance assumed										
12.3 Reinsurance ceded	151,544	151,544								
12.4 Net	570,674,040	431,417,269				15,099,934	124,156,837			
13. Incurred medical incentive pools and bonuses										

(a) Excludes \$.....0 loans or advances to providers not yet expensed.

UNDERWRITING AND INVESTMENT EXHIBIT

PART 2A - CLAIMS LIABILITY END OF CURRENT YEAR

	1	2	3	4	5	6	7	8	9	10
	Total	Compre- hensive (Hospital & Medical)	Medicare Supplement	Dental Only	Vision Only	Federal Employees Health Benefits Plan	Title XVIII Medicare	Title XIX Medicaid	Other Health	Other Non-Health
1. Reported in Process of Adjustment:										
1.1 Direct										
1.2 Reinsurance assumed										
1.3 Reinsurance ceded										
1.4 Net										
2. Incurred but Unreported:										
2.1 Direct	52,763,662	38,764,581				957,703	13,041,378			
2.2 Reinsurance assumed										
2.3 Reinsurance ceded										
2.4 Net	52,763,662	38,764,581				957,703	13,041,378			
3. Amounts Withheld from Paid Claims and Capitations:										
3.1 Direct										
3.2 Reinsurance assumed										
3.3 Reinsurance ceded										
3.4 Net										
4. TOTALS										
4.1 Direct	52,763,662	38,764,581				957,703	13,041,378			
4.2 Reinsurance assumed										
4.3 Reinsurance ceded										
4.4 Net	52,763,662	38,764,581				957,703	13,041,378			

UNDERWRITING AND INVESTMENT EXHIBIT

PART 2B - ANALYSIS OF CLAIMS UNPAID-PRIOR YEAR-NET OF REINSURANCE

	Line of Business	Claims Paid During the Year		Claim Reserve and Claim Liability December 31 of Current Year		5	6
		1 On Claims Incurred Prior to January 1 of Current Year	2 On Claims Incurred During the Year	3 On Claims Unpaid December 31 of Prior Year	4 On Claims Incurred During the Year	Claims Incurred in Prior Years (Columns 1 + 3)	Estimated Claim Reserve and Claim Liability December 31 of Prior Year
1.	Comprehensive (hospital and medical)	34,683,897	395,989,049		38,764,581	34,683,897	37,868,713
2.	Medicare Supplement						
3.	Dental only						
4.	Vision only						
5.	Federal Employees Health Benefits Plan	1,137,290	13,976,893		957,703	1,137,290	971,952
6.	Title XVIII - Medicare	12,478,068	112,361,054		13,041,378	12,478,068	13,723,664
7.	Title XIX - Medicaid						
8.	Other health						
9.	Health subtotal (Lines 1 to 8)	48,299,255	522,326,996		52,763,662	48,299,255	52,564,329
10.	Healthcare receivables (a)						
11.	Other non-health						
12.	Medical incentive pool and bonus amounts						
13.	TOTALS (Lines 9 - 10 + 11 + 12)	48,299,255	522,326,996		52,763,662	48,299,255	52,564,329

(a) Excludes \$.....0 loans or advances to providers not yet expensed.

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

Grand Total

Section A - Paid Health Claims

Year in Which Losses Were Incurred		Cumulative Net Amounts Paid				
		1 2008	2 2009	3 2010	4 2011	5 2012
1.	Prior	39,870	39,858	39,817	39,817	39,817
2.	2008	423,668	469,054	469,142	469,142	469,142
3.	2009	X X X	452,981	499,696	499,696	499,696
4.	2010	X X X	X X X	469,376	519,167	519,167
5.	2011	X X X	X X X	X X X	507,360	555,659
6.	2012	X X X	X X X	X X X	X X X	522,327

Section B - Incurred Health Claims

Year in Which Losses Were Incurred		Sum of Cumulative Net Amount Paid and Claim Liability, Claim Reserve and Medical Incentive Pool and Bonuses Outstanding at End of Year				
		1 2008	2 2009	3 2010	4 2011	5 2012
1.	Prior	95,499	39,858	39,817	39,817	39,817
2.	2008	464,901	469,054	469,142	469,142	469,142
3.	2009	X X X	503,885	499,696	499,696	499,696
4.	2010	X X X	X X X	525,226	519,167	519,167
5.	2011	X X X	X X X	X X X	559,924	555,659
6.	2012	X X X	X X X	X X X	X X X	575,091

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

Years in Which Premiums were Earned and Claims were Incurred	1	2	3	4	5	6	7	8	9	10
	Premiums Earned	Claims Payments	Claim Adjustment Expense Payments	(Col. 3/2) Percent	Claim and Claim Adjustment Expense Payments (Col. 2 + 3)	(Col. 5/1) Percent	Claims Unpaid	Unpaid Claims Adjustment Expenses	Total Claims and Claims Adjustment Expense Incurred (Col. 5 + 7 + 8)	(Col. 9/1) Percent
1. 2008	497,773	469,142	7,061	1.505	476,203	95.667			476,203	95.667
2. 2009	533,885	499,696	8,792	1.759	508,488	95.243			508,488	95.243
3. 2010	577,695	519,167	8,061	1.553	527,228	91.264			527,228	91.264
4. 2011	626,055	555,659	7,605	1.369	563,264	89.970			563,264	89.970
5. 2012	615,230	522,327	7,296	1.397	529,623	86.085	52,764	490	582,877	94.741

12 Total

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

Hospital and Medical
Section A - Paid Health Claims

Year in Which Losses Were Incurred		Cumulative Net Amounts Paid				
		1 2008	2 2009	3 2010	4 2011	5 2012
1.	Prior	32,521	32,417	32,358	32,358	32,358
2.	2008	347,800	384,736	384,763	384,763	384,763
3.	2009	X X X	363,854	400,039	400,039	400,039
4.	2010	X X X	X X X	370,163	406,833	406,833
5.	2011	X X X	X X X	X X X	396,889	431,573
6.	2012	X X X	X X X	X X X	X X X	395,989

Section B - Incurred Health Claims

Year in Which Losses Were Incurred		Sum of Cumulative Net Amount Paid and Claim Liability, Claim Reserve and Medical Incentive Pool and Bonuses Outstanding at End of Year				
		1 2008	2 2009	3 2010	4 2011	5 2012
1.	Prior	32,521	32,417	32,358	32,358	32,358
2.	2008	380,954	384,736	384,763	384,763	384,763
3.	2009	X X X	403,220	400,039	400,039	400,039
4.	2010	X X X	X X X	413,550	406,833	406,833
5.	2011	X X X	X X X	X X X	434,757	431,573
6.	2012	X X X	X X X	X X X	X X X	434,754

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

Years in Which Premiums were Earned and Claims were Incurred		1 Premiums Earned	2 Claims Payments	3 Claim Adjustment Expense Payments	4 (Col. 3/2) Percent	5 Claim and Claim Adjustment Expense Payments (Col. 2 + 3)	6 (Col. 5/1) Percent	7 Claims Unpaid	8 Unpaid Claims Adjustment Expenses	9 Total Claims and Claims Adjustment Expense Incurred (Col. 5 + 7 + 8)	10 (Col. 9/1) Percent
1.	2008	403,705	384,763	5,791	1.505	390,554	96.742			390,554	96.742
2.	2009	423,211	400,039	7,038	1.759	407,077	96.188			407,077	96.188
3.	2010	457,490	406,833	6,317	1.553	413,150	90.308			413,150	90.308
4.	2011	487,109	431,573	5,907	1.369	437,480	89.812			437,480	89.812
5.	2012	454,139	395,989	5,536	1.398	401,525	88.414	38,765	372	440,662	97.032

12 Hospital and Medical

12 Underwriting Invest Exh Pt 2C Sn A - Paid Claims - Medicare Supplement NONE

12 Underwriting Invest Exh Pt 2C Sn B - Incur. Claims - Medicare Supplement . . . NONE

12 Underwriting Invest Exh Pt 2C Sn C - Expns Ratios - Medicare Supplement . . . NONE

12 Underwriting Invest Exh Pt 2C Sn A - Paid Claims - Dental Only NONE

12 Underwriting Invest Exh Pt 2C Sn B - Incur. Claims - Dental Only NONE

12 Underwriting Invest Exh Pt 2C Sn C - Expns Ratios - Dental Only NONE

12 Underwriting Invest Exh Pt 2C Sn A - Paid Claims - Vision Only NONE

12 Underwriting Invest Exh Pt 2C Sn B - Incur. Claims - Vision Only NONE

12 Underwriting Invest Exh Pt 2C Sn C - Expns Ratios - Vision Only NONE

UNDERWRITING AND INVESTMENT EXHIBIT
PART 2C - DEVELOPMENT OF PAID AND INCURRED HEALTH CLAIMS (000 Omitted)
Federal Employees Health Benefits Plan Premiums
Section A - Paid Health Claims

Year in Which Losses Were Incurred		Cumulative Net Amounts Paid				
		1 2008	2 2009	3 2010	4 2011	5 2012
1.	Prior	859	859	854	854	854
2.	2008	10,519	11,393	11,382	11,382	11,382
3.	2009	X X X	10,921	11,868	11,868	11,868
4.	2010	X X X	X X X	12,301	13,527	13,527
5.	2011	X X X	X X X	X X X	13,217	14,354
6.	2012	X X X	X X X	X X X	X X X	13,977

Section B - Incurred Health Claims

Year in Which Losses Were Incurred		Sum of Cumulative Net Amount Paid and Claim Liability, Claim Reserve and Medical Incentive Pool and Bonuses Outstanding at End of Year				
		1 2008	2 2009	3 2010	4 2011	5 2012
1.	Prior	859	859	854	854	854
2.	2008	11,428	11,393	11,382	11,382	11,382
3.	2009	X X X	11,853	11,868	11,868	11,868
4.	2010	X X X	X X X	13,232	13,527	13,527
5.	2011	X X X	X X X	X X X	14,189	14,354
6.	2012	X X X	X X X	X X X	X X X	14,935

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

Years in Which Premiums were Earned and Claims were Incurred		1 Premiums Earned	2 Claims Payments	3 Claim Adjustment Expense Payments	4 (Col. 3/2) Percent	5 Claim and Claim Adjustment Expense Payments (Col. 2 + 3)	6 (Col. 5/1) Percent	7 Claims Unpaid	8 Unpaid Claims Adjustment Expenses	9 Total Claims and Claims Adjustment Expense Incurred (Col. 5 + 7 + 8)	10 (Col. 9/1) Percent
1.	2008	10,941	11,382	171	1.502	11,553	105.594			11,553	105.594
2.	2009	12,129	11,868	209	1.761	12,077	99.571			12,077	99.571
3.	2010	12,448	13,527	210	1.552	13,737	110.355			13,737	110.355
4.	2011	14,597	14,354	196	1.366	14,550	99.679			14,550	99.679
5.	2012	15,309	13,977	208	1.488	14,185	92.657	958	13	15,156	99.000

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

Title XVIII - Medicare

Section A - Paid Health Claims

Year in Which Losses Were Incurred	Cumulative Net Amounts Paid				
	1 2008	2 2009	3 2010	4 2011	5 2012
1. Prior	6,490	6,582	6,605	6,605	6,605
2. 2008	65,349	72,925	72,997	72,997	72,997
3. 2009	X X X	78,206	87,789	87,789	87,789
4. 2010	X X X	X X X	86,912	98,807	98,807
5. 2011	X X X	X X X	X X X	97,254	109,732
6. 2012	X X X	X X X	X X X	X X X	112,361

Section B - Incurred Health Claims

Year in Which Losses Were Incurred	Sum of Cumulative Net Amount Paid and Claim Liability, Claim Reserve and Medical Incentive Pool and Bonuses Outstanding at End of Year				
	1 2008	2 2009	3 2010	4 2011	5 2012
1. Prior	62,119	6,582	6,605	6,605	6,605
2. 2008	72,519	72,925	72,997	72,997	72,997
3. 2009	X X X	88,812	87,789	87,789	87,789
4. 2010	X X X	X X X	98,444	98,807	98,807
5. 2011	X X X	X X X	X X X	110,978	109,732
6. 2012	X X X	X X X	X X X	X X X	125,402

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

Years in Which Premiums were Earned and Claims were Incurred	1 Premiums Earned	2 Claims Payments	3 Claim Adjustment Expense Payments	4 (Col. 3/2) Percent	5 Claim and Claim Adjustment Expense Payments (Col. 2 + 3)	6 (Col. 5/1) Percent	7 Claims Unpaid	8 Unpaid Claims Adjustment Expenses	9 Total Claims and Claims Adjustment Expense Incurred (Col. 5 + 7 + 8)	10 (Col. 9/1) Percent
1. 2008	83,127	72,997	1,099	1.506	74,096	89.136			74,096	89.136
2. 2009	98,545	87,789	1,545	1.760	89,334	90.653			89,334	90.653
3. 2010	107,757	98,807	1,534	1.553	100,341	93.118			100,341	93.118
4. 2011	124,349	109,732	1,502	1.368	111,234	89.453			111,234	89.453
5. 2012	145,782	112,361	1,552	1.382	113,913	78.140	13,041	105	127,059	87.157

12 Title XVIII-Medicare

12 Underwriting Invest Exh Pt 2C Sn A - Paid Claims - Title XIX-Medicaid NONE

12 Underwriting Invest Exh Pt 2C Sn B - Incur. Claims - Title XIX-Medicaid NONE

12 Underwriting Invest Exh Pt 2C Sn C - Expns Ratios - Title XIX-Medicaid NONE

12 Underwriting Invest Exh Pt 2C Sn A - Paid Claims - Other NONE

12 Underwriting Invest Exh Pt 2C Sn B - Incur Claims - Other NONE

12 Underwriting Invest Exh Pt 2C Sn C - Expns Ratios - Other NONE

13 Underwriting Invest Exh Pt 2D - A & H Reserve NONE

UNDERWRITING AND INVESTMENT EXHIBIT

PART 3 - ANALYSIS OF EXPENSES

	Claim Adjustment Expenses		3 General Administrative Expenses	4 Investment Expenses	5 Total
	1 Cost Containment Expenses	2 Other Claim Adjustment Expenses			
1. Rent (\$.....2,781,689 for occupancy of own building)			2,781,689		2,781,689
2. Salaries, wages and other benefits	2,545,966	1,286,570	10,467,125		14,299,661
3. Commissions (less \$.....0 ceded plus \$.....0 assumed)			3,539,770		3,539,770
4. Legal fees and expenses			205,573		205,573
5. Certifications and accreditation fees					
6. Auditing, actuarial and other consulting services	15,719	8,886	1,072,670		1,097,275
7. Traveling expenses	2,068		10,327		12,395
8. Marketing and advertising			176,786		176,786
9. Postage, express and telephone	35,755	89,766	341,530		467,051
10. Printing and office supplies	74,523	60,439	1,059,076		1,194,038
11. Occupancy, depreciation and amortization	39,789	10,306	227,080		277,175
12. Equipment	22,647	7,158	315,862		345,667
13. Cost or depreciation of EDP equipment and software					
14. Outsourced services including EDP, claims, and other services	510,520				510,520
15. Boards, bureaus and association fees					
16. Insurance, except on real estate	3,262	1,739	290,920		295,921
17. Collection and bank service charges			168,762		168,762
18. Group service and administration fees					
19. Reimbursements by uninsured plans					
20. Reimbursements from fiscal intermediaries					
21. Real estate expenses	63,649	24,618	251,630		339,897
22. Real estate taxes	15,869	4,111	79,891		99,871
23. Taxes, licenses and fees:					
23.1 State and local insurance taxes					
23.2 State premium taxes					
23.3 Regulatory authority licenses and fees			142,386		142,386
23.4 Payroll taxes	153,375	57,031	509,295		719,701
23.5 Other (excluding federal income and real estate taxes)					
24. Investment expenses not included elsewhere			25,921	253,079	279,000
25. Aggregate write-ins for expenses	1,151,166	2,231,425	7,558,050		10,940,641
26. TOTAL Expenses Incurred (Lines 1 to 25)	4,634,308	3,782,049	29,224,343	253,079	(a) 37,893,779
27. Less expenses unpaid December 31, current year			3,019,547		3,019,547
28. Add expenses unpaid December 31, prior year			2,986,401		2,986,401
29. Amounts receivable relating to uninsured plans, prior year					
30. Amounts receivable relating to uninsured plans, current year					
31. TOTAL Expenses Paid (Lines 26 minus 27 plus 28 minus 29 plus 30)	4,634,308	3,782,049	29,191,197	253,079	37,860,633
DETAILS OF WRITE-INS					
2501. Community Benefit			3,435,223		3,435,223
2502. HR Costs	30,723	13,948	88,394		133,065
2503. Faud and Abuse			102,000		102,000
2598. Summary of remaining write-ins for Line 25 from overflow page	1,120,443	2,217,477	3,932,433		7,270,353
2599. TOTALS (Lines 2501 through 2503 plus 2598) (Line 25 above)	1,151,166	2,231,425	7,558,050		10,940,641

(a) Includes management fees of \$.....0 to affiliates and \$.....0 to non-affiliates.

EXHIBIT OF NET INVESTMENT INCOME

	1 Collected During Year	2 Earned During Year
1. U.S. Government bonds	(a) 2,476,842	2,466,269
1.1 Bonds exempt from U.S. tax	(a)	
1.2 Other bonds (unaffiliated)	(a) 6,017,835	6,157,244
1.3 Bonds of affiliates	(a)	
2.1 Preferred stocks (unaffiliated)	(b)	
2.11 Preferred stocks of affiliates	(b)	
2.2 Common stocks (unaffiliated)		
2.21 Common stocks of affiliates	1,441,184	1,440,997
3. Mortgage loans	(c)	
4. Real estate	(d) 2,781,689	2,781,689
5. Contract loans		
6. Cash, cash equivalents and short-term investments	(e) 16,111	12,085
7. Derivative instruments	(f)	
8. Other invested assets		
9. Aggregate write-ins for investment income		
10. Total gross investment income	12,733,661	12,858,285
11. Investment expenses		(g) 253,079
12. Investment taxes, licenses and fees, excluding federal income taxes		(g)
13. Interest expense		(h)
14. Depreciation on real estate and other invested assets		(i)
15. Aggregate write-ins for deductions from investment income		
16. Total deductions (Lines 11 through 15)		253,079
17. Net Investment income (Line 10 minus Line 16)		12,605,206

DETAILS OF WRITE-INS

0901.		
0902.		
0903.		
0998. Summary of remaining write-ins for Line 9 from overflow page		
0999. TOTALS (Lines 0901 through 0903 plus 0998) (Line 9, above)		
1501.		
1502.		
1503.		
1598. Summary of remaining write-ins for Line 15 from overflow page		
1599. TOTALS (Lines 1501 through 1503 plus 1598) (Line 15, above)		

- (a) Includes \$.....0 accrual of discount less \$.....0 amortization of premium and less \$.....0 paid for accrued interest on purchases.
- (b) Includes \$.....0 accrual of discount less \$.....0 amortization of premium and less \$.....0 paid for accrued dividends on purchases.
- (c) Includes \$.....0 accrual of discount less \$.....0 amortization of premium and less \$.....0 paid for accrued interest on purchases.
- (d) Includes \$.....0 for company's occupancy of its own buildings; and excludes \$.....0 interest on encumbrances.
- (e) Includes \$.....0 accrual of discount less \$.....0 amortization of premium and less \$.....0 paid for accrued interest on purchases.
- (f) Includes \$.....0 accrual of discount less \$.....0 amortization of premium.
- (g) Includes \$.....0 investment expenses and \$.....0 investment taxes, licenses and fees, excluding federal income taxes, attributable to segregated and Separate Accounts.
- (h) Includes \$.....0 interest on surplus notes and \$.....0 interest on capital notes.
- (i) Includes \$.....0 depreciation on real estate and \$.....0 depreciation on other invested assets.

EXHIBIT OF CAPITAL GAINS (LOSSES)

	1 Realized Gain (Loss) on Sales or Maturity	2 Other Realized Adjustments	3 Total Realized Capital Gain (Loss) (Columns 1 + 2)	4 Change in Unrealized Capital Gain (Loss)	5 Change in Unrealized Foreign Exchange Capital Gain (Loss)
1. U.S. Government bonds	785,390		785,390		
1.1 Bonds exempt from U.S. tax					
1.2 Other bonds (unaffiliated)	410,922		410,922		
1.3 Bonds of affiliates					
2.1 Preferred stocks (unaffiliated)					
2.11 Preferred stocks of affiliates					
2.2 Common stocks (unaffiliated)	143,228		143,228	6,920,014	
2.21 Common stocks of affiliates					
3. Mortgage loans					
4. Real estate					
5. Contract loans					
6. Cash, cash equivalents and short-term investments					
7. Derivative instruments					
8. Other invested assets					
9. Aggregate write-ins for capital gains (losses)					
10. Total capital gains (losses)	1,339,540		1,339,540	6,920,014	

DETAILS OF WRITE-INS

0901.					
0902.					
0903.					
0998. Summary of remaining write-ins for Line 9 from overflow page					
0999. TOTALS (Lines 0901 through 0903 plus 0998) (Line 9, above)					

EXHIBIT OF NONADMITTED ASSETS

	1	2	3
	Current Year Total Nonadmitted Assets	Prior Year Total Nonadmitted Assets	Change in Total Nonadmitted Assets (Col. 2 - Col. 1)
1. Bonds (Schedule D)	421,395		(421,395)
2. Stocks (Schedule D):			
2.1 Preferred stocks			
2.2 Common stocks			
3. Mortgage loans on real estate (Schedule B):			
3.1 First liens			
3.2 Other than first liens			
4. Real estate (Schedule A):			
4.1 Properties occupied by the company			
4.2 Properties held for the production of income			
4.3 Properties held for sale			
5. Cash (Schedule E-Part 1), cash equivalents (Schedule E-Part 2) and short-term investments (Schedule DA)			
6. Contract loans			
7. Derivatives (Schedule DB)			
8. Other invested assets (Schedule BA)			
9. Receivables for securities			
10. Securities lending reinvested collateral assets (Schedule DL)			
11. Aggregate write-ins for invested assets	70,335	97,101	26,766
12. Subtotals, cash and invested assets (Lines 1 to 11)	491,730	97,101	(394,629)
13. Title plants (for Title insurers only)			
14. Invested income due and accrued			
15. Premium and considerations:			
15.1 Uncollected premiums and agents' balances in the course of collection			
15.2 Deferred premiums, agents' balances and installments booked but deferred and not yet due			
15.3 Accrued retrospective premiums			
16. Reinsurance:			
16.1 Amounts recoverable from reinsurers			
16.2 Funds held by or deposited with reinsured companies			
16.3 Other amounts receivable under reinsurance contracts			
17. Amounts receivable relating to uninsured plans			
18.1 Current federal and foreign income tax recoverable and interest thereon			
18.2 Net deferred tax asset			
19. Guaranty funds receivable or on deposit			
20. Electronic data processing equipment and software	293,352	231,152	(62,200)
21. Furniture and equipment, including health care delivery assets	1,606,940	1,042,456	(564,484)
22. Net adjustment in assets and liabilities due to foreign exchange rates			
23. Receivables from parent, subsidiaries and affiliates	492,247	267,574	(224,673)
24. Health care and other amounts receivable	3,908,713	4,029,135	120,422
25. Aggregate write-ins for other than invested assets	2,582,558	2,995,409	412,851
26. Total assets excluding Separate Accounts, Segregated Accounts and Protected Cell Accounts (Lines 12 to 25)	9,375,540	8,662,827	(712,713)
27. From Separate Accounts, Segregated Accounts and Protected Cell Accounts			
28. Total (Lines 26 and 27)	9,375,540	8,662,827	(712,713)
DETAILS OF WRITE-INS			
1101. Deposits	70,335	97,101	26,766
1102.			
1103.			
1198. Summary of remaining write-ins for Line 11 from overflow page			
1199. TOTALS (Lines 1101 through 1103 plus 1198) (Line 11 above)	70,335	97,101	26,766
2501. Prepaid Insurance, Maintenance, Licenses, Rent	2,582,558	2,995,409	412,851
2502.			
2503.			
2598. Summary of remaining write-ins for Line 25 from overflow page			
2599. TOTALS (Lines 2501 through 2503 plus 2598) (Line 25 above)	2,582,558	2,995,409	412,851

EXHIBIT 1 - ENROLLMENT BY PRODUCT TYPE FOR HEALTH BUSINESS ONLY

Source of Enrollment	Total Members at End of					6 Current Year Member Months
	1 Prior Year	2 First Quarter	3 Second Quarter	4 Third Quarter	5 Current Year	
1. Health Maintenance Organizations	118,353	125,728	125,317	124,552	124,779	1,501,555
2. Provider Service Organizations						
3. Preferred Provider Organizations						
4. Point of Service						
5. Indemnity Only						
6. Aggregate write-ins for other lines of business						
7. TOTAL	118,353	125,728	125,317	124,552	124,779	1,501,555
DETAILS OF WRITE-INS						
0601.						
0602.						
0603.						
0698. Summary of remaining write-ins for Line 6 from overflow page						
0699. TOTALS (Lines 0601 through 0603 plus 0698) (Line 6 above)						

Notes to Financial Statements

1. Summary of Significant Accounting Policies

CHP is domiciled in the State of Florida and is required to prepare statutory financial statements in accordance with the *National Association of Insurance Commissioners ("NAIC") Accounting Practices and Procedures Manual*, subject to any deviations prescribed or permitted by the Office of Insurance Regulation of the State of Florida ("OIR"), the basis for statutory accounting practices ("SAP"). For the years ending 2012 and 2011, there were no differences between NAIC SAP and practices prescribed or permitted by OIR of the State of Florida. Accordingly, these statutory financial statements are not intended to present the financial position and results of operations in conformity with accounting principles generally accepted in the United States of America ("GAAP").

The accounting policies utilized in preparing the statutory financial statements differ in certain respects from those which would have been used if these financial statements were prepared in accordance with GAAP. The most significant differences are:

- Certain assets are designated as "nonadmitted assets" for statutory accounting purposes. These nonadmitted assets include certain accounts receivable, nonoperating system software, prepaid insurance, and maintenance assets. These differences have been charged to surplus.
- For statutory purposes, CHP's bonds, which are comprised of United States of America ("U.S.") Government treasury and agency securities, municipal bonds, corporate bonds, and mortgage and asset backed securities, are primarily reported at amortized cost. For GAAP, such investments are reported at fair value as of the financial statement date.

A reconciliation of statutory surplus to unrestricted net assets GAAP as of December 31 is as follows:

<i>(in thousands of dollars)</i>	2012	2011
Statutory surplus	\$ 342,227	\$ 313,064
Net unrealized gains on investments	15,706	14,415
Nonadmitted assets	9,376	8,663
Unrestricted net assets - GAAP	<u>\$ 367,309</u>	<u>\$ 336,142</u>

A reconciliation of statutory net income to net income - GAAP as of December 31 is as follows:

	2012	2011
Statutory net income	\$ 22,956	\$ 52,551
Change in unrealized gain on investments	8,211	1,143
Net income - GAAP	<u>\$ 31,167</u>	<u>\$ 53,694</u>

New Accounting Pronouncements

In May 2011, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2011-04, *Amendments to Achieve Common Fair Value Measurement and Disclosure Requirements in U.S. GAAP*, amending Accounting Standards Codification ("ASC") Topic 820. The amended standard specifies that the concepts of highest and best use and valuation premise in a fair value measurement are relevant only when measuring the fair value of nonfinancial assets. The amendment permits a group of financial instruments that are managed on the basis of their net exposure to market and credit risks to be measured at fair value on a net basis. The amendment clarifies that the application of premiums and discounts in a fair value measurement is related to the unit of account for the asset or liability being measured at fair value and that premiums or discounts based on size of the holding are not permitted in a fair value measurement. This amendment is effective for annual periods beginning after December 15, 2011, the adoption of the amendment did not have a significant impact on CHP's financial statements.

In July 2011, the FASB issued ASU 2011-06, *Fees Paid to the Federal Government by Health Insurers*, amending ASC Topic 720, *Other Expenses*. The amended standard specifies that the liability for the fee should be estimated and recorded in full once the entity provides qualifying health insurance in the applicable calendar year in which the fee is payable. The amendment is effective for calendar years beginning after December 31, 2013. CHP is currently evaluating the financial impact of these fees which could have a material impact on the financial statements in future years.

Cash and Cash Equivalents and Short-Term Investments

Cash and cash equivalents consist of cash demand deposits, certificates of deposit, and investments with original maturities of 90 days or less from the date of purchase. CHP's management places its cash and cash equivalents with what it believes to be high quality financial

Notes to Financial Statements

institutions and thus limits its credit exposure. Short-term investments, which include money market funds, have a maturity when purchased of less than one year and are stated at fair value.

Investments

Bonds are comprised of U.S. Government treasury and agency securities, municipal bonds, corporate bonds, and mortgage-backed and asset-backed securities, and are primarily carried at amortized cost. Amortization of bond premium or discount is calculated using the prospective interest method, taking into consideration specific interest and principal provisions over the life of the bond. Bonds, including loan-backed securities, are stated at the lower of amortized cost or fair value, based upon NAIC designation. Loan-backed securities are stated at amortized cost using the scientific interest method including anticipated prepayments at the date of purchase. Bonds have a maturity date exceeding one year from the date of purchase. Realized investment gains and losses resulting from sales and investment write-downs are calculated on a weighted-average basis of identification and are included in realized investment gains. Common stocks are reported at fair market value. Investment income is reported net of investment expenses.

Bonds and common stocks are considered impaired and are written down to fair value through the statutory statements of income and changes in surplus when management expects a decline in value to persist (i.e. the decline is "other-than-temporary"), intends to sell the security prior to recovery, or if it is more likely than not that CHP will be required to sell the security prior to recovery. With respect to securities where the decline in value is determined to be temporary and the security's value is not written down, a subsequent decision may be made to sell that security and realize a loss. If a security's decline in fair value is not expected to be fully recovered prior to the expected time of sale, CHP would record an other-than-temporary impairment in the period in which the decision to sell is made.

Fair Value of Financial Instruments

In accordance with Statements of Statutory Accounting Practices ("SSAP 100") – *Fair Value Measurements*, which establishes a framework for measuring and reporting fair value, levels are classified based on types of inputs used to measure fair value and are prioritized by the fair value hierarchy established by SSAP 100. Highest priority is given to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurement) and lowest to unobservable inputs (Level 3 measurement). CHP obtains pricing for investments from a single pricing service, Interactive Data Corporation ("IDC").

The three levels of the fair value hierarchy defined by SSAP 100 are as follows:

- Level 1 Pricing inputs are based on quoted prices available in active markets for identical assets or liabilities as of the reporting date. Active markets are those in which transactions for the asset or liability occur in sufficient frequency and volume to provide pricing information on an ongoing basis.
- Level 2 Pricing inputs are other than quoted prices in active markets included in Level 1, which are either directly or indirectly observable as of the reporting date. Level 2 includes those financial instruments that are valued using models or other valuation methodologies.
- Level 3 Pricing inputs include significant inputs that are generally less observable or unobservable from objective sources and may include internally developed methodologies that result in management's best estimate of fair value from the perspective of a market participant.

The following methods and assumptions were used to determine fair value of each class:

Bonds: CHP obtains pricing for bonds from a single pricing service, Interactive Data Corporation ("IDC"). Based on CHP's internal price verification procedures and review of fair value methodology documentation provided by independent pricing services, CHP has not historically adjusted the prices obtained from the pricing service. In situations where IDC does not have multiple observable inputs or the ability to price a given security, a price is obtained from another pricing service or by obtaining nonbinding broker or dealer quotes.

Common Stocks: Fair values are generally designated as Level 1 and are based on net asset value which is determined by the value of the underlying securities which are based on quoted market prices.

Real Estate Investments, Net

Real estate investments, net, which include expenditures for significant improvements, are recorded at cost, less accumulated depreciation. Maintenance, repairs, and minor improvements are expensed as incurred. When assets are retired or otherwise disposed of, the cost and accumulated depreciation are removed from the accounts and any resulting gain or loss is reflected as other income or expense in the statutory statements of operations and changes in surplus. Depreciation is computed on the straight-line method over the estimated useful lives of the related

Notes to Financial Statements

assets, which range from five to forty years. Real estate investments are reviewed for possible impairment whenever events or changes in circumstances indicate the carrying amount may not be recoverable or exceeds fair value as determined by a recent appraisal. No losses were incurred for either 2012 or 2011 as a result of this review.

Concentration of Credit Risk

Investments in cash demand deposits are held primarily in noninterest-bearing accounts with major banks which do not exceed federally insured amounts. Investments in money market accounts are not federally insured. The financial stability of these institutions and money market accounts are reviewed on a continuous basis. Credit losses are not anticipated. Bonds, including loan-backed securities, are diversified and include investment grade securities that are rated at the time of purchase by nationally recognized statistical rating organizations. These credit ratings are routinely reviewed and holdings are adjusted accordingly.

CHP's potential exposure to subprime lending is limited to investments within its bond investment portfolio which contain securities collateralized by mortgages that have characteristics of subprime lending. CHP's bond investment strategy limits securities that are backed by subprime mortgages. As of December 31, 2012 and 2011, there were no securities backed by subprime mortgages.

CHP has concentration of credit risk with respect to unpaid premiums and business volume. CHP maintains the right to terminate coverage for employer groups and individuals who fail to pay premiums timely. CHP has one customer, the State of Florida that accounts for 39% and 45% of CHP's direct premium income for the years ending December 31, 2012 and 2011, respectively. CHP has a contract to provide health care coverage to State of Florida employees and its retirees through 2013 which can be extended for up to three additional years under the terms of the agreement. While inherently impossible to predict, a loss of the State of Florida contract could have adverse results on CHP operations.

Furniture and Equipment, Net

Furniture and equipment are recorded at cost less accumulated depreciation. Depreciation is computed using the straight-line method, based on the estimated useful lives of the related assets which range from three to five years. Upon retirement or disposal, the related asset and corresponding accumulated depreciation are removed from CHP's accounts and any gain or loss is recorded as other income or expense in the statutory statements of operations and changes in surplus.

Claims Unpaid and Unpaid Claims Adjustment Expenses

Claims unpaid includes an accrual for incurred but unpaid and unreported claims. The liability is based upon estimates of the eventual net cost of such services provided to members through December 31. Estimates of unpaid and unreported claims are based upon claims payment experience. The methods used in determining the liability are periodically reviewed and any adjustments resulting from these revisions are reflected in current operations. The assumptions used are actuarially based and represent good and sufficient provision for all incurred but unpaid and unreported claims. Administrative costs to process outstanding claims are included in unpaid claims adjustment expenses.

Revenue Recognition

All of CHP's individual and group contracts provide for the individual or group to be fully insured. Premiums for these contracts are billed on a monthly basis in advance of the coverage period and are recognized as revenue ratably over the period of coverage. Fee-for-service income, investment income, and other revenue are recognized when earned.

Accounting for the Medicare Advantage and Part D Prescription Drug Program

CHP offers Medicare Advantage and Part D prescription drug insurance coverage under a contract with the Centers for Medicare & Medicaid Services ("CMS"). Premiums received in advance are recorded as unearned premiums. Costs for covered medical and prescription drugs are expensed as incurred. CMS utilizes a risk adjustment model which adjusts the payment for enrollees based on the underlying health condition of the beneficiaries. Under this model, member payments are adjusted in subsequent periods after CHP has submitted the final medical diagnosis information to CMS. CHP recorded a premium receivable of \$1,900,000 and \$2,000,000 for these unpaid premiums as of December 31, 2012 and 2011, respectively.

Under the Medicare Part D program, a risk-sharing arrangement provides a risk corridor whereby the target amount (premiums received from members and CMS based on CHP's annual bid amount less administrative expenses) is compared to actual drug cost incurred during the contract year. Low-income cost subsidy and reinsurance amounts are paid prospectively for individual Medicare members by CMS and reduce hospital and medical expense as incurred. CMS reimburses low-income cost subsidy and reinsurance retrospectively for employer group Medicare members, which are recorded as a reduction to hospital and medical expense when incurred. Reconciliations for both individual and employer group Medicare members on the final risk-sharing, low-income, and reinsurance amounts are required annually. Based upon the actual drug expense incurred, a receivable from, or a payable to, CMS is recorded as an adjustment to hospital and

Notes to Financial Statements

medical expenses. CHP recorded a net receivable of approximately \$1,872,000 and \$233,000 at December 31, 2012 and 2011, respectively.

Beginning in 2011, as a Medicare plan sponsor, CHP administers the Medicare coverage gap subsidy, a 50% discount from pharmaceutical manufacturers to Medicare Part D enrollees on brand drug costs exceeding their initial coverage limit until they qualify for catastrophic coverage. Amounts paid to pharmacies for this discount by CHP are recorded as a receivable in premiums and considerations receivables, net until reimbursement is received from the pharmaceutical manufacturers. As of December 31, 2012 and 2011, the receivable from pharmaceutical manufacturers was nonadmitted and was approximately \$1,364,000 and \$2,052,000, respectively.

Premiums and Consideration Receivables, Net

Premiums and other consideration receivables are reported net of an allowance for estimated uncollectible accounts of approximately \$217,000 and \$176,000 at December 31, 2012 and 2011, respectively, which is calculated based upon historical activity and management's estimate of collectability. None of the receivables are held for sale.

Health care receivables consist of pharmaceutical rebates and other receivables. Pharmaceutical rebates ("rebates") are generally volume discounts negotiated with drug manufacturers by CHP's pharmacy benefit manager on behalf of the company. Rebates are earned when a medication is dispensed to CHP's members. CHP estimates rebates based on historical rebate patterns and the arrangement between CHP and its pharmacy benefit management company. Rebates are recorded in health care receivables, net, and as a reduction to hospital and medical expenses (see Note 14). Other receivables, primarily fee-for-service receivables, are reported net of an allowance for estimated uncollectible amounts. The allowance for uncollectible accounts supports all receivables aged in excess of 90 days. The allowance for uncollectible accounts was \$25,000 at December 31, 2012 and 2011.

Health Care Service Cost Recognition

CHP contracts with various health care providers for the provision of certain medical services to its members. CHP compensates these providers on a capitated and noncapitated basis. These expenses are included in hospital and medical expenses in the statutory statements of income and changes in surplus.

Reinsurance Recognition

Reinsurance premiums are recorded as a reduction in premium income, and reinsurance recoveries are recorded as a reduction of hospital and medical expense when the eligible insured amount of the event can be estimated.

Malpractice Insurance

Malpractice insurance coverage is provided on a claims-made basis. The claims-made policies, which are subject to renewal on an annual basis, cover only claims made during the term of the policies. CHP is not aware of any claims that arose during the fiscal year that will be reported outside the policy renewal period. Accordingly, no provision for such claims was made at December 31, 2012 and 2011.

Use of Estimates

The accompanying financial statements have been prepared in conformity with the *NAIC Accounting Practices and Procedures Manual*, which requires management to make certain estimates and assumptions that affect the reported amounts of admitted assets and liabilities and disclosure of contingent assets and liabilities at the date of the statutory financial statements, and the reported amounts of revenue and expenses during the reporting periods.

2. Accounting Changes and Corrections of Errors

Not Applicable

3. Business Combinations and Goodwill

Not Applicable

4. Discontinued Operations

Not Applicable

5. Investments

Notes to Financial Statements

The composition of investments for the years ended December 31 is set forth in the following table. Investments are stated at amortized cost or fair market value. Common stocks are reported at fair value. The composition of investments for the years ended December 31 is set forth in the following table. Bonds are reported at the lower of amortized cost or fair market value. Common stocks are reported at fair value.

(in thousands of dollars)

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
2012				
U.S. Government and agencies	\$ 254,056	\$ 9,783	\$ (81)	\$ 263,758
Corporate	61,844	4,925	(61)	66,708
Commercial mortgage-backed securities	6,026	765	-	6,791
Other	4,244	368	-	4,612
Total bonds	326,170	15,841	(142)	341,869
Common stocks	50,768	3,189	(1,071)	52,886
	<u>\$ 376,938</u>	<u>\$ 19,030</u>	<u>\$ (1,213)</u>	<u>\$ 394,755</u>
2011				
U.S. Government and agencies	\$ 219,951	\$ 10,867	\$ -	\$ 230,818
Corporate	50,887	3,038	(175)	53,750
Commercial mortgage-backed securities	8,122	512	-	8,634
Other	3,222	210	(37)	3,395
Total bonds	282,182	14,627	(212)	296,597
Common stocks	51,225	-	(4,802)	46,423
	<u>\$ 333,407</u>	<u>\$ 14,627</u>	<u>\$ (5,014)</u>	<u>\$ 343,020</u>

The expected maturities of the investments are shown below. Expected maturities may differ from actual maturities due to call provisions.

(in thousands of dollars)

	2012		2011	
	Amortized Cost	Fair Value	Amortized Cost	Fair Value
Due in one year or less	\$ 8,002	\$ 8,187	\$ 5,906	\$ 6,034
Due after one year through five years	133,559	137,442	103,090	106,340
Due after five years through ten years	71,075	77,379	64,998	70,246
Due after ten years	113,534	118,861	108,188	113,977
	<u>\$ 326,170</u>	<u>\$ 341,869</u>	<u>\$ 282,182</u>	<u>\$ 296,597</u>

The difference between amortized cost and fair value on these investments totaled approximately \$15,699,000 and \$14,415,000 as of December 31, 2012 and 2011, respectively. Proceeds from sales of investments during 2012 and 2011 were approximately \$96,047,000 and \$100,979,000, respectively. Proceeds from maturities of investments during 2012 and 2011 were approximately \$2,875,000 and \$1,690,000, respectively. Gross gains of approximately \$1,578,000 and \$1,458,000 and gross losses of approximately \$239,000 and \$478,000 were realized on those sales and maturities in 2012 and 2011, respectively. There were no such write downs for impairment during 2012 and 2011.

As of December 31, 2012 and 2011, investments with a decline in fair value below amortized cost were as follows, including the length of time of such decline:

(in thousands of dollars)

	One Year or Less			More than One Year			Total		
	Fair Value	Unrealized Loss	Amortized Cost	Fair Value	Unrealized Loss	Amortized Cost	Fair Value	Unrealized Loss	Amortized Cost
2012									
Corporate	\$ 6,356	\$ (46)	\$ 6,402	\$ -	\$ -	\$ -	\$ 6,356	\$ (46)	\$ 6,402
US Government & Agencies	21,566	(81)	21,647	-	-	-	21,566	(81)	21,647
Total bonds	27,922	(127)	28,049	-	-	-	27,922	(127)	28,049
Common stocks	-	-	-	21,159	(323)	21,482	21,159	(323)	21,482
	<u>\$ 27,922</u>	<u>\$ (127)</u>	<u>\$ 28,049</u>	<u>\$ 21,159</u>	<u>\$ (323)</u>	<u>\$ 21,482</u>	<u>\$ 49,081</u>	<u>\$ (450)</u>	<u>\$ 49,531</u>
2011									
Corporate	\$ 4,783	\$ (133)	\$ 4,916	\$ 1,831	\$ (42)	\$ 1,873	\$ 6,614	\$ (175)	\$ 6,789
Other	-	-	-	661	(37)	698	661	(37)	698
Total bonds	4,783	(133)	4,916	2,492	(79)	2,571	7,275	(212)	7,487
Common stocks	46,423	(4,802)	51,225	-	-	-	46,423	(4,802)	51,225
	<u>\$ 51,206</u>	<u>\$ (4,935)</u>	<u>\$ 56,141</u>	<u>\$ 2,492</u>	<u>\$ (79)</u>	<u>\$ 2,571</u>	<u>\$ 53,698</u>	<u>\$ (5,014)</u>	<u>\$ 58,712</u>

Investments with gross unrealized losses were not considered "other-than-temporarily" impaired due to the duration, low magnitude of the losses, or indications of recovery, and the conclusion that collection of contractual amounts due is probable. As of December 31, 2012, CHP does not intend

Notes to Financial Statements

to sell the securities with an unrealized loss position and it is not likely that CHP will be required to sell these securities before recovery of their amortized costs.

<i>(in thousands of dollars)</i>	2012	2011
Investment income		
Dividends and interest	\$ 12,663	\$ 12,611
Amortization of premium and discount on investments, net	(2,587)	(1,876)
Rent for owner occupied property	2,782	3,371
Total investment income	<u>12,858</u>	<u>14,106</u>
Less: Investment expenses	<u>(253)</u>	<u>(264)</u>
Net investment income earned	<u>\$ 12,605</u>	<u>\$ 13,842</u>

6. Joint Ventures, Partnership and Limited Liability

Not Applicable

7. Investment Income

Not Applicable

8. Derivative Investments

Not Applicable

9. Income Taxes

CHP has been granted an exemption from Federal income tax under the Internal Revenue Code, Section 501(C)(4). The Internal Revenue Code provides for taxation of certain unrelated business income. CHP had no significant unrelated business income in 2012 and 2011.

10. Information Concerning Parent, Subsidiaries and Affiliates

Capital Health Plan, Inc. ("CHP") is a federally qualified and state licensed staff model Health Maintenance Organization ("HMO"), which provides health care services to subscribers in Leon and surroundings counties.

CHP has an affiliation agreement with Blue Cross and Blue Shield of Florida, Inc. ("BCBSF") giving BCBSF majority control of the corporate membership of CHP. The agreement provides that BCBSF may supply certain administrative services and products to CHP and also commits BCBSF to loan CHP operating funds, if necessary.

CHP maintains an agreement with BCBSF whereby the companies combine to offer certain group purchasers a multiple option health care program, which includes consolidated billing, administrative services, and a provision for equalizing underwriting gains and losses on these particular groups. CHP's receivable for reimbursement from BCBSF related to this agreement was approximately \$492,000 and \$267,000 at December 31, 2012 and 2011, respectively. CHP recorded approximately \$6,218,000 and \$6,095,000 of premiums collected from these groups under the consolidated billing arrangement with BCBSF in 2012 and 2011, respectively. CHP recorded approximately \$2,458,000 and \$2,027,000 in equalization settlements during the years ended December 31, 2012 and 2011, respectively. Equalization settlements paid were approximately \$2,213,000 and \$1,250,000 in 2012 and 2011, respectively.

CHP also has agreements with BCBSF to provide certain administrative services. The total fees paid to BCBSF under these agreements were approximately \$425,000 and \$331,000 in 2012 and 2011, respectively.

CHP obtained worker's compensation insurance coverage from Comp Options Insurance Company, Inc ("COI"), a subsidiary of BCBSF, during 2012 and 2011. Total premiums paid to COI were approximately \$103,000 and \$94,000 in 2012 and 2011, respectively.

11. Debt

Not Applicable

Notes to Financial Statements

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

CHP has a simplified employee pension plan (defined contribution plan) whereby contributions are made directly to employees' individual retirement accounts. Contributions, which are discretionary, are determined annually by CHP's management and allocated among participants in proportion to their eligible compensation during the plan year. All employees are eligible to participate and 100% vesting occurs after a six month length of service requirement is met. Contributions during 2012 and 2011 were approximately \$3,500,000 and \$3,400,000, respectively.

13. Surplus

CHP is required by the OIR to maintain statutory surplus not less than the greater of \$1.5 million; 10% of total liabilities; or 2% of annualized premium, which is approximately \$12,305,000 and \$12,500,000 as of December 31, 2012 and 2011, respectively. CHP's surplus exceeds OIR minimum statutory surplus requirements by approximately \$330,000,000 and \$301,000,000 as of December 31, 2012 and 2011, respectively.

Additionally, Florida statutes require each HMO to ensure its net income before taxes is not less than 2% of total revenues. If the HMO fails to meet the 2% requirement, then a corrective action plan may be required to be filed as part of the annual report. CHP met this requirement for each of the years ended December 31, 2012 and 2011.

14. Contingencies

Litigation

In the normal course of business, CHP is involved in routine litigation. In management's opinion, based upon the advice of external legal counsel, there is no litigation or unasserted claims outstanding that would have a material adverse effect on CHP's financial position, results of operations or cash flows.

Line of Credit

In May 2012, CHP entered into a \$20 million unsecured revolving line of credit agreement for working capital purposes. The agreement includes a variable floating rate of London Interbank Offered Rates ("LIBOR") plus 1.50% subject to a minimum interest rate of not less than 2.25%, measured each monthly payment date. As of December 31, 2012, CHP had no borrowings outstanding and approximately \$3,000 of interest due under this agreement. CHP paid approximately \$23,000 in interest expense during 2012. Any outstanding principal or unpaid interest will be due in full on April 15, 2013. The agreement governing borrowing includes covenants, which serve to ensure that CHP maintains adequate liquidity. CHP was in compliance with all debt covenants during the year and at December 31, 2012.

15. Leases

Not Applicable

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

Not Applicable

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

Not Applicable

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

Not Applicable

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

Not Applicable

20. Fair Value Measurement

The following methods and assumptions are used by CHP to estimate its fair value disclosures for admitted assets in the accompanying statutory financial statements and notes thereto:

Notes to Financial Statements

Cash and Cash Equivalents and Short-term Investments

The carrying amounts reported in the accompanying statutory statements of admitted assets, liabilities and surplus for these financial instruments approximate their fair values.

Bonds

The fair values of most of the bonds are based on quoted market prices where available (see note 2).

Receivables

The carrying amounts of CHP's receivables approximate fair values.

The fair value of CHP's financial instruments at December 31, are summarized below:

<i>(in thousands of dollars)</i>	2012		2011	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Cash and cash equivalents and short-term investments	\$ 13,067	\$ 13,067	\$ 31,012	\$ 31,012
Bonds	326,170	341,869	282,182	296,597
Common stocks	52,886	52,886	46,423	46,423
Receivables	12,102	12,102	12,262	12,262

The admitted assets and related fair values of all financial instruments, along with the levels within the fair value hierarchy used to determine the fair value measurements are as follows:

<i>(in thousands of dollars)</i>	Admitted Assets	(Level 1)	(Level 2)	(Level 3)	Fair Value	Not Practicable
2012						
Cash, cash equivalents and short-term investments	\$ 13,067	\$ 13,067	\$ -	\$ -	\$ 13,067	\$ -
Bonds	326,170	263,758	78,111	-	341,869	-
Common stock	52,886	52,886	-	-	52,886	-
Total assets	\$ 392,123	\$ 329,711	\$ 78,111	\$ -	\$ 407,822	\$ -
2011						
Cash, cash equivalents and short-term investments	\$ 31,012	\$ 31,012	\$ -	\$ -	\$ 31,012	\$ -
Bonds	282,182	230,818	65,779	-	296,597	-
Common stock	46,423	46,423	-	-	46,423	-
Total assets	\$ 359,617	\$ 308,253	\$ 65,779	\$ -	\$ 374,032	\$ -

Transfers between levels are recognized at the beginning of the reporting period. There were no material transfers between levels in 2012 or 2011. There were no realized gains (losses) included in investment income and no unrealized gains and losses included in surplus that required disclosure for the years ending December 31, 2012 and 2011.

21. Other

Not Applicable

22. Events Subsequent

CHP has evaluated subsequent events through March 29, 2013, the date the financial statements were available for issuance. No such events were noted.

23. Reinsurance

CHP reinsures certain risks with another insurance company. The reinsurance agreement provides 50%-90% coverage for eligible inpatient hospital and transplant services in excess of a specific deductible of \$600,000 for each covered member. The reinsurance policy has a maximum reinsurance coverage limit of \$3,000,000 per member per year. During 2011, eligible hospital and transplant services coverage provided reimbursement for 50%-90% of eligible hospital services in excess of a \$600,000 with an annual policy deductible of \$250,000 for CHP's commercial line of business and a policy limit of \$2,000,000 per member per year. If the reinsurance carrier fails to meet its commitment under the reinsurance agreements, CHP will be liable for the covered services. Total premiums paid during 2012 and 2011 were approximately \$944,000 and \$1,038,000, respectively. Recoveries associated with premiums paid during 2012 and 2011 totaled approximately \$152,000 and \$205,000, respectively. Amounts due to CHP under reinsurance agreements were approximately \$0 and \$295,000 at December 31, 2012 and 2011, respectively, and were included in premiums and other receivables, net in the statutory statements of admitted assets, liabilities and surplus.

Notes to Financial Statements

24. Retrospectively Rated Contracts & Contracts Subject to Redetermination

In March 2010, the President signed into law The Patient Protection and Affordable Care Act and The Health Care and Education Reconciliation Act of 2010 (collectively referred to as "PPACA") which enact significant reforms to various aspects of the U.S. health insurance industry. The total impact of PPACA is still being determined through additional guidance and clarification provided by the Department of Health and Human Services, the Department of Labor, the Department of the Treasury, the Office of Insurance Regulation of the State of Florida and the National Association of Insurance Commissioners. As a result of this and other market factors, the full impact of PPACA will not be known for several years. Certain provisions of the new legislation are likely to have significant impacts on CHPs, future operations including fee assessments and changes that could result in increased medical and administrative costs.

The following outlines certain provisions of the new Health Reform that have taken effect in 2012:

Commercial fully insured health plans in the individual and group health insurance markets are required to spend at least 85% of premium earned from large employer groups and 80% of premiums earned for individual and small group markets on a combination of medical care claims and activities to improve health care quality. The regulations require health plans to provide rebates to policy holders for any portion below these minimum thresholds. As of December 31, 2012 and 2011, CHP had no need to accrue a provision for rebates to policy holders.

In addition, under the new Health Reform a Premium Rate Regulations subject insurance carrier rate increases to a higher level of review and visibility. Health insurance issuers who propose premium rate increases equal to or exceeding 10% are required to submit detailed justification for the deemed "unreasonable premium increase." This process does not preempt any existing state laws or processes for review or approval of rates. The rate review process only applies to issuers in the individual and small group markets.

25. Change in Incurred Claims and Unpaid Claim Adjustment Expenses

Activity in claims unpaid and unpaid claims adjustment expenses is summarized as follows for the years ended December 31:

(in thousands of dollars)

	2012	2011
Balances at January 1,	\$ 53,044	\$ 56,371
Incurred related to		
Current year	470,804	422,036
Prior year	(3,920)	(5,731)
Total incurred	<u>466,884</u>	<u>416,305</u>
Paid related to		
Current year	417,550	368,992
Prior year	49,124	50,640
Total paid	<u>466,674</u>	<u>419,632</u>
Balances at December 31,	<u>\$ 53,254</u>	<u>\$ 53,044</u>

The balances above are comprised of claims unpaid (approximately \$52.8 million and approximately \$52.5 million at December 31, 2012 and 2011, respectively), and unpaid claims adjustment expenses (approximately \$0.5 million at both December 31, 2012 and 2011).

Changes in the provision for claims unpaid and unpaid claims adjustment expenses attributable to insured events of the prior year are primarily the result of changes in estimates due to a decrease in medical cost trends that emerged when compared to historical levels. These estimates are reviewed regularly by management and periodically by an independent consulting actuary, and are adjusted as necessary as new information becomes known. Such adjustments are included in current operations.

26. Intercompany Pooling Arrangements

Not Applicable

27. Structured Settlements

Not Applicable

Notes to Financial Statements

28. Health Care Receivables

At December 31, 2012 and 2011, respectively, the estimated pharmaceutical rebate receivables were approximately \$1,741,000 and \$1,998,000 and were included in health care receivables, net in the statutory statement of admitted assets, liabilities and surplus.

The activity related to pharmaceutical rebates for the years ended December 31, 2012, 2011, and 2010 by quarter is summarized as follows:
(in thousands of dollars)

Quarter Ended	Estimated Pharmacy Rebates as Reported on Financial Statements	Pharmacy Rebates as Billed or Otherwise Confirmed	Actual Rebates Received Within 91 to 180 Days of Billing	Actual Rebates Received More Than 180 Days After Billing	Total Rebates Received
12/31/2012	\$ 1,741	\$ -	\$ -	\$ -	\$ -
9/30/2012	1,640	-	-	-	-
6/30/2012	1,350	1,604	1,254	-	1,254
3/31/2012	1,165	1,484	1,313	138	1,450
12/31/2011	1,998	2,238	1,988	215	2,203
9/30/2011	1,986	2,324	1,980	183	2,163
6/30/2011	1,910	2,305	2,017	206	2,223
3/31/2011	1,969	2,203	1,971	220	2,190
12/31/2010	2,041	2,415	2,169	189	2,358
9/30/2010	2,049	2,435	2,163	182	2,345
6/30/2010	2,046	2,265	2,004	249	2,253
3/31/2010	2,033	2,279	2,016	275	2,291

29. Participating Policies

Not Applicable

30. Premium Deficiency Reserves

Not Applicable

31. Anticipated Salvage and Subrogation

Not Applicable

GENERAL INTERROGATORIES

PART 1 - COMMON INTERROGATORIES

GENERAL

- 1.1 Is the reporting entity a member of an Insurance Holding Company System consisting of two or more affiliated persons, one or more of which is an insurer? Yes [] No[X]
- 1.2 If yes, did the reporting entity register and file with its domiciliary State Insurance Commissioner, Director or Superintendent or with such regulatory official of the state of domicile of the principal insurer in the Holding Company System, a registration statement providing disclosure substantially similar to the standards adopted by the National Association of Insurance Commissioners (NAIC) in its Model Insurance Holding Company System Regulatory Act and model regulations pertaining thereto, or is the reporting entity subject to standards and disclosure requirements substantially similar to those required by such Act and regulations? Yes [] No [] N/A[X]
Florida
- 1.3 State Regulating?
- 2.1 Has any change been made during the year of this statement in the charter, by-laws, articles of incorporation, or deed of settlement of the reporting entity? Yes [] No[X]
- 2.2 If yes, date of change:
- 3.1 State as of what date the latest financial examination of the reporting entity was made or is being made. 12/31/2010
- 3.2 State the as of date that the latest financial examination report became available from either the state of domicile or the reporting entity. This date should be the date of the examined balance sheet and not the date the report was completed or released. 04/23/2012
- 3.3 State as of what date the latest financial examination report became available to other states or the public from either the state of domicile or the reporting entity. This is the release date or completion date of the examination report and not the date of the examination (balance sheet date). 04/23/2012
- 3.4 By what department or departments?
Florida Office of Insurance Regulation
- 3.5 Have all financial statement adjustments within the latest financial examination report been accounted for in a subsequent financial statement filed with departments? Yes [] No [] N/A[X]
- 3.6 Have all of the recommendations within the latest financial examination report been complied with? Yes [] No [] N/A[X]
- 4.1 During the period covered by this statement, did any agent, broker, sales representative, non-affiliated sales/service organization or any combination thereof under common control (other than salaried employees of the reporting entity) receive credit or commissions for or control a substantial part (more than 20 percent of any major line of business measured on direct premiums) of:
- 4.11 sales of new business? Yes [] No[X]
- 4.12 renewals? Yes [] No[X]
- 4.2 During the period covered by this statement, did any sales/service organization owned in whole or in part by the reporting entity or an affiliate, receive credit or commissions for or control a substantial part (more than 20 percent of any major line of business measured on direct premiums) of:
- 4.21 sales of new business? Yes [] No[X]
- 4.22 renewals? Yes [] No[X]
- 5.1 Has the reporting entity been a party to a merger or consolidation during the period covered by this statement? Yes [] No[X]
- 5.2 If yes, provide the name of the entity, NAIC company code, and state of domicile (use two letter state abbreviation) for any entity that has ceased to exist as a result of the merger or consolidation. Yes [] No[X]

1 Name of Entity	2 NAIC Company Code	3 State of Domicile
.....

- 6.1 Has the reporting entity had any Certificates of Authority, licenses or registrations (including corporate registration, if applicable) suspended or revoked by any governmental entity during the reporting period? Yes [] No[X]
- 6.2 If yes, give full information:
- 7.1 Does any foreign (non-United States) person or entity directly or indirectly control 10% or more of the reporting entity? Yes [] No[X]
- 7.2 If yes, 0.000%
- 7.21 State the percentage of foreign control
- 7.22 State the nationality(s) of the foreign person(s) or entity(s); or if the entity is a mutual or reciprocal, the nationality of its manager or attorney-in-fact and identify the type of entity(s) (e.g., individual, corporation, government, manager or attorney-in-fact)

1 Nationality	2 Type of Entity
.....

- 8.1 Is the company a subsidiary of a bank holding company regulated by the Federal Reserve Board? Yes [] No[X]
- 8.2 If response to 8.1 is yes, please identify the name of the bank holding company.
- 8.3 Is the company affiliated with one or more banks, thrifts or securities firms? Yes [] No[X]
- 8.4 If response to 8.3 is yes, please provide the names and location (city and state of the main office) of any affiliates regulated by a federal financial regulatory services agency [i.e., the Federal Reserve Board (FRB), the Office of the Comptroller of the Currency (OCC), the Federal Deposit Insurance Corporation (FDIC) and the Securities Exchange Commission (SEC) and identify the affiliate's primary federal regulator.

1 Affiliate Name	2 Location (City, State)	3 FRB	4 OCC	5 FDIC	6 SEC
..... Yes [] No[X] ...			

9. What is the name and address of the independent certified public accountant or accounting firm retained to conduct the annual audit?
PriceWaterhouse Coopers LLP, 50 N. Laura St. Suite 3000, Jacksonville, FL 32202
- 10.1 Has the insurer been granted any exemptions to the prohibited non-audit services provided by the certified independent public accountant requirements as allowed in Section 7H of the Annual Financial Reporting Model Regulation (Model Audit Rule), or substantially similar state law or regulation? Yes[X] No []
- 10.2 If response to 10.1 is "yes," provide information related to this exemption:
No such regulation requirement applies to HMOs in Florida
- 10.3 Has the insurer been granted any exemptions related to the other requirements of the Annual Financial Reporting Model Regulation as allowed for in Section 17A of the Model Regulation, or substantially similar state law or regulation? Yes[X] No []
- 10.4 If response to 10.3 is "yes," provide information related to this exemption:
No such regulation requirement applies to HMOs in Florida.
- 10.5 Has the reporting entity established an Audit Committee in compliance with the domiciliary state insurance laws? Yes [] No [] N/A[X]
- 10.6 If the response to 10.5 is "NO" or "N/A" please explain:
No such regulation requirement applies to HMOs in Florida. CHP does have an Audit Committee.
11. What is the name, address and affiliation (officer/employee of the reporting entity or actuary/consultant associated with an actuarial consulting firm) of the individual providing the statement of actuarial opinion/certification?

GENERAL INTERROGATORIES (Continued)

David Llewellyn, FSA, MAAA, 12639 Muirfield Blvd. S., Jacksonville, FL 32225. Independent Actuarial Consultant

- 12.1 Does the reporting entity own any securities of a real estate holding company or otherwise hold real estate indirectly? Yes No
- 12.11 Name of real estate holding company
- 12.12 Number of parcels involved 0
- 12.13 Total book/adjusted carrying value \$ 0
- 12.2 If yes, provide explanation
13. FOR UNITED STATES BRANCHES OF ALIEN REPORTING ENTITIES ONLY:
- 13.1 What changes have been made during the year in the United States manager or the United States trustees of the reporting entity?
- 13.2 Does this statement contain all business transacted for the reporting entity through its United States Branch on risks wherever located? Yes No N/A
- 13.3 Have there been any changes made to any of the trust indentures during the year? Yes No N/A
- 13.4 If answer to (13.3) is yes, has the domiciliary or entry state approved the changes? Yes No N/A
- 14.1 Are the senior officers (principal executive officer, principal financial officer, principal accounting officer or controller, or persons performing similar functions) of the reporting entity subject to a code of ethics, which includes the following standards? Yes No
- a. Honest and ethical conduct, including the ethical handling of actual or apparent conflicts of interest between personal and professional relationships;
- b. Full, fair, accurate, timely and understandable disclosure in the periodic reports required to be filed by the reporting entity;
- c. Compliance with applicable governmental laws, rules and regulations;
- d. The prompt internal reporting of violations to an appropriate person or persons identified in the code; and
- e. Accountability for adherence to the code.
- 14.11 If the response to 14.1 is no, please explain:
- 14.2 Has the code of ethics for senior managers been amended? Yes No
- 14.21 If the response to 14.2 is yes, provide information related to amendment(s).
- 14.3 Have any provisions of the code of ethics been waived for any of the specified officers? Yes No
- 14.31 If the response to 14.3 is yes, provide the nature of any waiver(s).
- 15.1 Is the reporting entity the beneficiary of a Letter of Credit that is unrelated to reinsurance where the issuing or confirming bank is not on the SVO Bank List? Yes No
- 15.2 If the response to 15.1 is yes, indicate the American Bankers Association (ABA) Routing Number and the name of the issuing or confirming bank of the Letter of Credit and describe the circumstances in which the Letter of Credit is triggered.

	1 American Bankers Association (ABA) Routing Number	2 Issuing or Confirming Bank Name	3 Circumstances That Can Trigger the Letter of Credit	4 Amount
15.2001

BOARD OF DIRECTORS

16. Is the purchase or sale of all investments of the reporting entity passed upon either by the Board of Directors or a subordinate committee thereof? Yes No
17. Does the reporting entity keep a complete permanent record of the proceedings of its Board of Directors and all subordinate committees thereof? Yes No
18. Has the reporting entity an established procedure for disclosure to its board of directors or trustees of any material interest or affiliation on the part of any of its officers, directors, trustees or responsible employees that is in conflict or is likely to conflict with the official duties of such person? Yes No

FINANCIAL

19. Has this statement been prepared using a basis of accounting other than Statutory Accounting Principles (e.g., Generally Accepted Accounting Principles)? Yes No
- 20.1 Total amount loaned during the year (inclusive of Separate Accounts, exclusive of policy loans):
- 20.11 To directors or other officers \$ 0
- 20.12 To stockholders not officers \$ 0
- 20.13 Trustees, supreme or grand (Fraternal only) \$ 0
- 20.2 Total amount of loans outstanding at end of year (inclusive of Separate Accounts, exclusive of policy loans):
- 20.21 To directors or other officers \$ 0
- 20.22 To stockholders not officers \$ 0
- 20.23 Trustees, supreme or grand (Fraternal only) \$ 0
- 21.1 Were any assets reported in this statement subject to a contractual obligation to transfer to another party without the liability for such obligation being reported in the statement? Yes No
- 21.2 If yes, state the amount thereof at December 31 of the current year:
- 21.21 Rented from others \$ 0
- 21.22 Borrowed from others \$ 0
- 21.23 Leased from others \$ 0
- 21.24 Other \$ 0
- 22.1 Does this statement include payments for assessments as described in the Annual Statement Instructions other than guaranty fund or guaranty association assessments? Yes No
- 22.2 If answer is yes:
- 22.21 Amount paid as losses or risk adjustment \$ 0
- 22.22 Amount paid as expenses \$ 0
- 22.23 Other amounts paid \$ 0
- 23.1 Does the reporting entity report any amounts due from parent, subsidiaries or affiliates on Page 2 of this statement? Yes No
- 23.2 If yes, indicate any amounts receivable from parent included in the Page 2 amount: \$ 0

INVESTMENT

- 24.01 Were all the stocks, bonds and other securities owned December 31 of current year, over which the reporting entity has exclusive control, in the actual possession of the reporting entity on said date? (other than securities lending programs addressed in 24.03) Yes No
- 24.02 If no, give full and complete information, relating thereto
Current bonds and other securities at year end are held pursuant to our custodial agreement with a qualified bank.
- 24.03 For security lending programs, provide a description of the program including value for collateral and amount of loaned securities, and whether collateral is carried on or off-balance sheet. (an alternative is to reference Note 17 where this information is also provided)
- 24.04 Does the Company's security lending program meet the requirements for a conforming program as outlined in the Risk-Based Capital Instructions? Yes No N/A
- 24.05 If answer to 24.04 is yes, report amount of collateral for conforming programs. \$ 0
- 24.06 If answer to 24.04 is no, report amount of collateral for other programs. \$ 0

GENERAL INTERROGATORIES (Continued)

- 24.07 Does your securities lending program require 102% (domestic securities) and 105% (foreign securities) from the counterparty at the outset of the contract? Yes[] No[] N/A[X]
- 24.08 Does the reporting entity non-admit when the collateral received from the counterparty falls below 100%? Yes[] No[] N/A[X]
- 24.09 Does the reporting entity or the reporting entity's securities lending agent utilize the Master Securities Lending Agreement (MSLA) to conduct securities lending? Yes[] No[] N/A[X]
- 24.10 For the reporting entity's security lending program, state the amount of the following as of December 31 of the current year:
- 24.101 Total fair value of reinvested collateral assets reported on Schedule DL, Parts 1 and 2. \$ 0
- 24.102 Total book/adjusted carrying value of reinvested collateral assets reported on Schedule DL, Parts 1 and 2. \$ 0
- 24.103 Total payable for securities lending reported on the liability page. \$ 0

- 25.1 Were any of the stocks, bonds or other assets of the reporting entity owned at December 31 of the current year not exclusively under the control of the reporting entity, or has the reporting entity sold or transferred any assets subject to a put option contract that is currently in force? (Exclude securities subject to Interrogatory 21.1 and 24.03). Yes[X] No[]
- 25.2 If yes, state the amount thereof at December 31 of the current year:
- 25.21 Subject to repurchase agreements \$ 0
- 25.22 Subject to reverse repurchase agreements \$ 0
- 25.23 Subject to dollar repurchase agreements \$ 0
- 25.24 Subject to reverse dollar repurchase agreements \$ 0
- 25.25 Pledged as collateral \$ 0
- 25.26 Placed under option agreements \$ 0
- 25.27 Letter stock or securities restricted as to sale \$ 0
- 25.28 On deposit with state or other regulatory body \$ 385,000
- 25.29 Other \$ 0
- 25.3 For category (25.27) provide the following:

1 Nature of Restriction	2 Description	3 Amount

- 26.1 Does the reporting entity have any hedging transactions reported on Schedule DB? Yes[] No[X]
- 26.2 If yes, has a comprehensive description of the hedging program been made available to the domiciliary state? Yes[] No[] N/A[X]
If no, attach a description with this statement.
- 27.1 Were any preferred stocks or bonds owned as of December 31 of the current year mandatorily convertible into equity, or, at the option of the issuer, convertible into equity? Yes[] No[X]
- 27.2 If yes, state the amount thereof at December 31 of the current year. \$ 0

28. Excluding items in Schedule E - Part 3 - Special Deposits, real estate, mortgage loans and investments held physically in the reporting entity's offices, vaults or safety deposit boxes, were all stocks, bonds and other securities, owned throughout the current year held pursuant to a custodial agreement with a qualified bank or trust company in accordance with Section I, III - General Examination Considerations, F. Outsourcing of Critical Functions, Custodial or Safekeeping Agreements of the NAIC Financial Condition Examiners Handbook? Yes[X] No[]
- 28.01 For agreements that comply with the requirements of the NAIC Financial Condition Examiners Handbook, complete the following:

1 Name of Custodian(s)	2 Custodian's Address
Bank of New York Mellon	BNY Mellon Center, Pittsburgh, PA 15258
Banc of America Securities LLC	600 Peachtree Street, Atlanta, GA 30308

- 28.02 For all agreements that do not comply with the requirements of the NAIC Financial Condition Examiners Handbook, provide the name, location and a complete explanation:
- | 1
Name(s) | 2
Location(s) | 3
Complete Explanation(s) |
|--------------|------------------|------------------------------|
| | | |
- 28.03 Have there been any changes, including name changes, in the custodian(s) identified in 28.01 during the current year? Yes[] No[X]
- 28.04 If yes, give full and complete information relating thereto:

1 Old Custodian	2 New Custodian	3 Date of Change	4 Reason

- 28.05 Identify all investment advisers, broker/dealers or individuals acting on behalf of broker/dealers that have access to the investment accounts, handle securities and have authority to make investments on behalf of the reporting entity:
- | 1
Central Registration Depository Number(s) | 2
Name | 3
Address |
|--|---|---|
| | Scott Ullum, Dreyfus, BONY Mellon | BNY Mellon Center, Pittsburgh, PA 15258 |
| | Taylor Lerner, Banc of America Securities LLC | 600 Peachtree Street, Atlanta, GA 30308 |

- 29.1 Does the reporting entity have any diversified mutual funds reported in Schedule D, Part 2 (diversified according to the Securities and Exchange Commission (SEC) in the Investment Company Act of 1940 [Section 5 (b)(1)])? Yes[X] No[]
- 29.2 If yes, complete the following schedule:

1 CUSIP #	2 Name of Mutual Fund	3 Book/Adjusted Carrying Value
..... 921909826	Vanguard Developed Markets 21,158,857
..... 922040100	Vanguard Institutional Index 31,727,410
29.2999 Total 52,886,267

GENERAL INTERROGATORIES (Continued)

29.3 For each mutual fund listed in the table above, complete the following schedule:

1 Name of Mutual Fund (from above table)	2 Name of Significant Holding of the Mutual Fund	3 Amount of Mutual Fund's Book/Adjusted Carrying Value Attributable to the Holding	4 Date of Valuation
Vanguard Developed Markets	Nestle SA	404,134	12/31/2012
Vanguard Developed Markets	HSBC Holdings plc	372,396	12/31/2012
Vanguard Developed Markets	Novartis AG	279,297	12/31/2012
Vanguard Developed Markets	Roche Holding AG	275,065	12/31/2012
Vanguard Developed Markets	BP plc	253,906	12/31/2012
Vanguard Institutional Index	Apple Inc.	1,243,714	12/31/2012
Vanguard Institutional Index	Exxon Mobile Corp.	977,204	12/31/2012
Vanguard Institutional Index	General Electric Co.	545,711	12/31/2012
Vanguard Institutional Index	Chevron Corp.	523,502	12/31/2012
Vanguard Institutional Index	International Business Machines Corp.	504,466	12/31/2012

30. Provide the following information for all short-term and long-term bonds and all preferred stocks. Do not substitute amortized value or statement value for fair value.

	1 Statement (Admitted) Value	2 Fair Value	3 Excess of Statement over Fair Value (-), or Fair Value over Statement (+)
30.1 Bonds	326,170,383	341,868,845	15,698,462
30.2 Preferred stocks			
30.3 Totals	326,170,383	341,868,845	15,698,462

30.4 Describe the sources or methods utilized in determining the fair values
Fair value of bonds are determined using daily bond market quotations.

- 31.1 Was the rate used to calculate fair value determined by a broker or custodian for any of the securities in Schedule D? Yes[X] No[]
- 31.2 If the answer to 31.1 is yes, does the reporting entity have a copy of the broker's or custodian's pricing policy (hard copy or electronic copy) for all brokers or custodians used as a pricing source? Yes[X] No[] N/A[]
- 31.3 If the answer to 31.2 is no, describe the reporting entity's process for determining a reliable pricing source for purposes of disclosure of fair value for Schedule D:
- 32.1 Have all the filing requirements of the Purposes and Procedures Manual of the NAIC Securities Valuation Office been followed? Yes[X] No[]
- 32.2 If no, list exceptions:

OTHER

- 33.1 Amount of payments to Trade Associations, Service Organizations and Statistical or Rating Bureaus, if any? \$ 166,675
- 33.2 List the name of the organization and the amount paid if any such payment represented 25% or more of the total payments to Trade Associations, Service Organizations and Statistical or Rating Bureaus during the period covered by this statement.

1 Name	2 Amount Paid
Alliance of Community Health Plan	166,675

- 34.1 Amount of payments for legal expenses, if any? \$ 230,086
- 34.2 List the name of the firm and the amount paid if any such payments represented 25% or more of the total payments for legal expenses during the period covered by this statement.

1 Name	2 Amount Paid
Madsen Goldman and Holcomb	195,944

- 35.1 Amount of payments for expenditures in connection with matters before legislative bodies, officers or department of government, if any? \$ 150,000
- 35.2 List the name of firm and the amount paid if any such payment represented 25% or more of the total payment expenditures in connection with matters before legislative bodies, officers or departments of government during the period covered by this statement.

1 Name	2 Amount Paid
Southern Strategies	60,000
Spearmen Management	90,000

GENERAL INTERROGATORIES (Continued)

PART 2 - HEALTH INTERROGATORIES

- 1.1 Does the reporting entity have any direct Medicare Supplement Insurance in force? Yes No
- 1.2 If yes, indicate premium earned on U.S. business only: \$ 0
- 1.3 What portion of Item (1.2) is not reported on the Medicare Supplement Insurance Experience Exhibit? \$ 0
- 1.31 Reason for excluding:
- 1.4 Indicate amount of earned premium attributable to Canadian and/or Other Alien not included in Item (1.2) above. \$ 0
- 1.5 Indicate total incurred claims on all Medicare Supplement insurance. \$ 0
- 1.6 Individual policies - Most current three years:
- 1.61 Total premium earned \$ 0
- 1.62 Total incurred claims \$ 0
- 1.63 Number of covered lives 0
- All years prior to most current three years:
- 1.64 Total premium earned \$ 0
- 1.65 Total incurred claims \$ 0
- 1.66 Number of covered lives 0
- 1.7 Group policies - Most current three years:
- 1.71 Total premium earned \$ 0
- 1.72 Total incurred claims \$ 0
- 1.73 Number of covered lives 0
- All years prior to most current three years:
- 1.74 Total premium earned \$ 0
- 1.75 Total incurred claims \$ 0
- 1.76 Number of covered lives 0

2. Health Test

	1 Current Year	2 Prior Year
2.1 Premium Numerator	615,229,372	626,055,155
2.2 Premium Denominator	615,229,372	626,055,155
2.3 Premium Ratio (2.1 / 2.2)	1.000	1.000
2.4 Reserve Numerator	52,763,662	52,564,329
2.5 Reserve Denominator	52,763,662	52,564,329
2.6 Reserve Ratio (2.4 / 2.5)	1.000	1.000

- 3.1 Has the reporting entity received any endowment or gift from contracting hospitals, physicians, dentists, or others that is agreed will be returned when, as and if the earnings of the reporting entity permits? Yes No
- 3.2 If yes, give particulars:
- 4.1 Have copies of all agreements stating the period and nature of hospitals', physicians', and dentists' care offered to subscribers and dependents been filed with the appropriate regulatory agency? Yes No
- 4.2 If not previously filed furnish herewith a copy(ies) of such agreement(s). Do these agreements include additional benefits offered? Yes No N/A
- 5.1 Does the reporting entity have stop-loss reinsurance? Yes No
- 5.2 If no, explain:
- 5.3 Maximum retained risk (see instructions):
- 5.31 Comprehensive Medical \$ 615,000
- 5.32 Medical Only \$ 0
- 5.33 Medicare Supplement \$ 0
- 5.34 Dental & Vision \$ 0
- 5.35 Other Limited Benefit Plan \$ 0
- 5.36 Other \$ 0
- 6. Describe arrangement which the reporting entity may have to protect subscribers and their dependents against the risk of insolvency including hold harmless provisions, conversion privileges with other carriers, agreements with providers to continue rendering services, and any other agreements:
Florida statutes prohibit balance billing to subscribers and their dependents. Contracts with providers and facilities include holdharmless provision.
- 7.1 Does the reporting entity set up its claim liability for provider services on a service date basis? Yes No
- 7.2 If no, give details:
- 8. Provide the following information regarding participating providers:
- 8.1 Number of providers at start of reporting year 550
- 8.2 Number of providers at end of reporting year 583
- 9.1 Does the reporting entity have business subject to premium rate guarantees? Yes No
- 9.2 If yes, direct premium earned:
- 9.21 Business with rate guarantees between 15-36 months 0
- 9.22 Business with rate guarantees over 36 months 0
- 10.1 Does the reporting entity have Incentive Pool, Withhold or Bonus Arrangements in its provider contracts? Yes No
- 10.2 If yes:
- 10.21 Maximum amount payable bonuses \$ 0
- 10.22 Amount actually paid for year bonuses \$ 0
- 10.23 Maximum amount payable withholds \$ 0
- 10.24 Amount actually paid for year withholds \$ 0
- 11.1 Is the reporting entity organized as:
- 11.12 A Medical Group/Staff Model, Yes No
- 11.13 An Individual Practice Association (IPA), or, Yes No
- 11.14 A Mixed Model (combination of above)? Yes No
- 11.2 Is the reporting entity subject to Minimum Net Worth Requirements? Yes No
- 11.3 If yes, show the name of the state requiring such net worth.
Florida
- 11.4 If yes, show the amount required. \$ 12,304,587
- 11.5 Is this amount included as part of a contingency reserve in stockholder's equity? Yes No
- 11.6 If the amount is calculated, show the calculation.
2% of annualized premiums - \$615,229,372 x .02 = \$12,304,587
- 12. List service areas in which the reporting entity is licensed to operate:

1 Name of Service Area
Florida counties-Leon, Wakulla, Jefferson, Gadsden, Liberty, Calhoun, Franklin

- 13.1 Do you act as a custodian for health savings accounts? Yes No
- 13.2 If yes, please provide the amount of custodial funds held as of the reporting date: \$ 0
- 13.3 Do you act as an administrator for health savings accounts? Yes No
- 13.4 If yes, please provide the balance of the funds administered as of the reporting date: \$ 0

FIVE-YEAR HISTORICAL DATA

	1 2012	2 2011	3 2010	4 2009	5 2008
BALANCE SHEET (Pages 2 and 3)					
1. TOTAL Admitted Assets (Page 2, Line 28)	428,360,464	396,037,475	351,688,311	319,517,426	306,600,981
2. TOTAL Liabilities (Page 3, Line 24)	86,132,893	82,973,177	85,484,759	99,063,530	91,129,793
3. Statutory surplus	12,304,587	12,521,103	11,553,886	10,677,705	9,955,458
4. TOTAL Capital and Surplus (Page 3, Line 33)	342,227,558	313,064,298	266,203,552	220,453,896	215,471,188
INCOME STATEMENT (Page 4)					
5. TOTAL Revenues (Line 8)	617,185,066	628,120,674	580,210,819	536,410,574	500,591,222
6. TOTAL Medical and Hospital Expenses (Line 18)	570,674,039	553,652,735	521,085,021	505,769,480	452,309,375
7. Claims adjustment expenses (Line 20)	8,416,356	7,605,619	8,060,736	8,791,503	7,060,688
8. TOTAL Administrative Expenses (Line 21)	29,224,344	29,378,028	24,710,496	24,099,113	22,590,697
9. Net underwriting gain (loss) (Line 24)	8,870,327	37,484,292	26,354,566	(2,249,522)	18,630,462
10. Net investment gain (loss) (Line 27)	13,944,745	14,821,697	6,914,572	16,589,302	14,928,263
11. TOTAL Other Income (Lines 28 plus 29)	140,888	244,710	206,735	255,745	298,561
12. Net income or (loss) (Line 32)	22,955,960	52,550,699	33,475,873	14,595,525	33,857,286
Cash Flow (Page 6)					
13. Net cash from operations (Line 11)	26,014,749	47,427,813	29,264,738	23,013,088	31,489,636
RISK-BASED CAPITAL ANALYSIS					
14. TOTAL Adjusted Capital	342,227,558	313,064,298	266,203,552	220,453,897	215,471,188
15. Authorized control level risk-based capital	22,567,154	21,866,100	20,374,341	18,075,256	15,929,798
ENROLLMENT (Exhibit 1)					
16. TOTAL Members at End of Period (Column 5, Line 7)	124,779	118,353	114,080	112,748	112,205
17. TOTAL Members Months (Column 6, Line 7)	1,501,555	1,420,704	1,360,799	1,355,451	1,351,341
OPERATING PERCENTAGE (Page 4)					
(Item divided by Page 4, sum of Lines 2, 3 and 5) x 100.0					
18. Premiums earned plus risk revenue (Line 2 plus Lines 3 and 5)	100.0	100.0	100.0	100.0	100.0
19. TOTAL Hospital and Medical plus other non-health (Lines 18 plus Line 19)	92.8	88.4	90.2	94.7	90.9
20. Cost containment expenses	0.8	0.7	0.8	1.1	0.8
21. Other claims adjustment expenses	0.6	0.5	0.6	0.6	0.6
22. TOTAL Underwriting Deductions (Line 23)	98.9	94.3	95.9	100.9	96.8
23. TOTAL Underwriting Gain (Loss) (Line 24)	1.4	6.0	4.6	(0.4)	3.7
UNPAID CLAIMS ANALYSIS					
(U&I Exhibit, Part 2B)					
24. TOTAL Claims Incurred for Prior Years (Line 13, Column 5)	48,299,255	49,791,460	46,762,325	45,374,196	39,914,817
25. Estimated liability of unpaid claims-[prior year (Line 13, Column 6)]	52,564,329	55,850,808	50,903,702	41,232,966	43,186,916
INVESTMENTS IN PARENT, SUBSIDIARIES AND AFFILIATES					
26. Affiliated bonds (Sch. D Summary, Line 12, Column 1)					
27. Affiliated preferred stocks (Sch. D Summary, Line 18, Column 1)					
28. Affiliated common stocks (Sch. D Summary, Line 24, Column 1)					
29. Affiliated short-term investments (subtotal included in Sch. DA Verification, Col. 5, Line 10)					
30. Affiliated mortgage loans on real estate					
31. All other affiliated					
32. TOTAL of Above Lines 26 to 31					
33. TOTAL investment in parent included in Lines 26 to 31 above					

NOTE: If a party to a merger, have the two most recent years of this exhibit been restated due to a merger in compliance with the disclosure requirements of SSAP No. 3, Accounting Changes and Correction of Errors? Yes[] No[] N/A[X]

If no, please explain::

SCHEDULE T - PREMIUMS AND OTHER CONSIDERATIONS ALLOCATED BY STATES AND TERRITORIES

	1	Direct Business Only							
		2	3	4	5	6	7	8	9
State, Etc.	Active Status	Accident & Health Premiums	Medicare Title XVIII	Medicaid Title XIX	Federal Employees Health Benefits Program Premiums	Life & Annuity Premiums & Other Considerations	Property/ Casualty Premiums	Total Columns 2 Through 7	Deposit - Type Contracts
1. Alabama (AL)	N								
2. Alaska (AK)	N								
3. Arizona (AZ)	N								
4. Arkansas (AR)	N								
5. California (CA)	N								
6. Colorado (CO)	N								
7. Connecticut (CT)	N								
8. Delaware (DE)	N								
9. District of Columbia (DC)	N								
10. Florida (FL)	L	455,039,305	145,799,248		15,335,034			616,173,587	
11. Georgia (GA)	N								
12. Hawaii (HI)	N								
13. Idaho (ID)	N								
14. Illinois (IL)	N								
15. Indiana (IN)	N								
16. Iowa (IA)	N								
17. Kansas (KS)	N								
18. Kentucky (KY)	N								
19. Louisiana (LA)	N								
20. Maine (ME)	N								
21. Maryland (MD)	N								
22. Massachusetts (MA)	N								
23. Michigan (MI)	N								
24. Minnesota (MN)	N								
25. Mississippi (MS)	N								
26. Missouri (MO)	N								
27. Montana (MT)	N								
28. Nebraska (NE)	N								
29. Nevada (NV)	N								
30. New Hampshire (NH)	N								
31. New Jersey (NJ)	N								
32. New Mexico (NM)	N								
33. New York (NY)	N								
34. North Carolina (NC)	N								
35. North Dakota (ND)	N								
36. Ohio (OH)	N								
37. Oklahoma (OK)	N								
38. Oregon (OR)	N								
39. Pennsylvania (PA)	N								
40. Rhode Island (RI)	N								
41. South Carolina (SC)	N								
42. South Dakota (SD)	N								
43. Tennessee (TN)	N								
44. Texas (TX)	N								
45. Utah (UT)	N								
46. Vermont (VT)	N								
47. Virginia (VA)	N								
48. Washington (WA)	N								
49. West Virginia (WV)	N								
50. Wisconsin (WI)	N								
51. Wyoming (WY)	N								
52. American Samoa (AS)	N								
53. Guam (GU)	N								
54. Puerto Rico (PR)	N								
55. U.S. Virgin Islands (VI)	N								
56. Northern Marianas Islands (MP)	N								
57. Canada (CAN)	N								
58. Aggregate other alien (OT)	X X X								
59. Subtotal	X X X	455,039,305	145,799,248		15,335,034			616,173,587	
60. Reporting entity contributions for Employee Benefit Plans	X X X								
61. TOTAL (Direct Business)	(a) 1	455,039,305	145,799,248		15,335,034			616,173,587	
DETAILS OF WRITE-INS									
5801.	X X X								
5802.	X X X								
5803.	X X X								
5898. Summary of remaining write-ins for Line 58 from overflow page	X X X								
5899. TOTALS (Lines 5801 through 5803 plus 5898) (Line 58 above)	X X X								

(L) Licensed or Chartered - Licensed Insurance Carrier or Domiciled RRG; (R) Registered - Non-domiciled RRGs; (Q) Qualified - Qualified or Accredited Reinsurer; (E) Eligible - Reporting Entities eligible or approved to write Surplus Lines in the state; (N) None of the above - Not allowed to write business in the state.

(a) Insert the number of L responses except for Canada and Other Alien.
Explanation of basis of allocation of premiums by states, etc.:

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

Blue Cross and Blue Shield of Florida, Inc.
59-2015694
Jacksonville, Florida

Capital Health Plan, Inc. (1)
59-1830622
Tallahassee, Florida

BCBSF holds majority control of corporate membership and thereby has power to select Board members.

(1) Not-for-profit

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