

**ANNUAL STATEMENT**

**OF THE**

**BLUE CROSS & BLUE SHIELD OF RHODE ISLAND**

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**of PROVIDENCE COUNTY**

**STATE OF RHODE ISLAND**

**TO THE**

**Insurance Department**

**OF THE**

**STATE OF RHODE ISLAND**

**FOR THE YEAR ENDED**

**December 31, 2018**

**HEALTH**

**2018**



53473201820100100

# ANNUAL STATEMENT

For the Year Ended December 31, 2018  
OF THE CONDITION AND AFFAIRS OF THE

## BLUE CROSS & BLUE SHIELD OF RHODE ISLAND

NAIC Group Code 0000 0000 NAIC Company Code 53473 Employer's ID Number 05-0158952  
(Current Period) (Prior Period)

Organized under the Laws of RHODE ISLAND, State of Domicile or Port of Entry RI  
Country of Domicile USA

Licensed as business type: Life, Accident & Health  Property/Casualty  Hospital, Medical & Dental Service or Indemnity   
Dental Service Corporation  Vision Service Corporation  Health Maintenance Organization   
Other  Is HMO Federally Qualified? Yes  No

Incorporated/Organized February 27, 1939 Commenced Business September 1, 1939

Statutory Home Office 500 EXCHANGE STREET, PROVIDENCE, RI, US 02903  
(Street and Number) (City or Town, State, Country and Zip Code)

Main Administrative Office 500 EXCHANGE STREET  
(Street and Number)  
PROVIDENCE, RI, US 02903 401-459-5886  
(City or Town, State, Country and Zip Code) (Area Code) (Telephone Number)

Mail Address 500 EXCHANGE STREET, PROVIDENCE, RI, US 02903  
(Street and Number or P.O. Box) (City or Town, State, Country and Zip Code)

Primary Location of Books and Records 500 EXCHANGE STREET PROVIDENCE, RI, US 02903 401-459-1000  
(Street and Number) (City or Town, State, Country and Zip Code) (Area Code) (Telephone Number)

Internet Web Site Address www.bcbsri.com

Statutory Statement Contact MARK C. STEWART 401-459-5886  
(Name) (Area Code) (Telephone Number) (Extension)  
MARK.STEWART@BCBSRI.ORG 401-459-1198  
(E-Mail Address) (Fax Number)

### OFFICERS

	Name	Title
1.	KIM A. KECK	PRESIDENT & CEO
2.	MICHELE B. LEDERBERG	EVP. & GEN. COUNSEL
3.	MARK C. STEWART	EXECUTIVE VICE PRESIDENT & CFO

### VICE-PRESIDENTS

Name	Title	Name	Title
CHRISTOPHER G. BUSH	VP - NETWORK MANAGEMENT	MATTHEW COLLINS M.D.	VP - CLINICAL INTEGRATION
DEREK E. COSTA	VP - CHIEF INFORMATION OFFICER	MELISSA B. CUMMINGS	EVP - CHIEF CUSTOMER OFFICER
LINDA WINFREY	VP - INTERNAL AUDIT & ERM	TARA L. DEMOURA	VP - CUSTOMER OPERATIONS
JEREMY S. DUNCAN	VP - MARKETING	AUGUSTINE A. MANOCCHIA M.D.	EVP - CHIEF MEDICAL OFFICER
MICHAEL J. MARRONE	VP - FINANCE	COREY R. MCCARTY	VP - CONSUMER SEGMENT
SAMIR MISTRY #	VP - CHIEF PHARMACY OFFICER	MONICA A. NERONHA	VP - LEGAL SERVICES
CHRISTINA PITNEY	VP - STRATEGIC PLN & PARTNERSHIPS	VISAEL RODRIGUEZ	VP - CHIEF PEOPLE OFFICER
SAMUEL B. SLADE	VP - EMPLOYER SEGMENT	KEVIN SPLAINE	EVP - CARE INTEGRATION & MGMT

### DIRECTORS OR TRUSTEES

DENISE A. BARGE	STEPHEN COHAN #	CHRISTOPHER CROSBY	NICHOLAS DENICE
MICHAEL DICHIRO	SCOTT DUHAMEL	JAMES A. HARRINGTON	DONNA HUNTLEY-NEWBY
MICHAEL A ISRAELITE	ELIZABETH B. LANGE M.D.	JOHN C. LANGENUS	WARREN E. LICHT M.D.
ROBERT G. NORTON	DEBRA PAUL	PETER QUATTROMANI	ROBERT A. SANDERS
MERRILL SHERMAN	RANDY A. WYROFSKY		

State of RHODE ISLAND  
County of PROVIDENCE 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.

_____ (Signature) KIM A. KECK _____ (Printed Name) 1.	_____ (Signature) MICHELE B. LEDERBERG _____ (Printed Name) 2.	_____ (Signature) MARK C. STEWART _____ (Printed Name) 3.
_____ PRESIDENT & CEO _____ (Title)	_____ EVP. & GEN. COUNSEL _____ (Title)	_____ EXECUTIVE VICE PRESIDENT & CFO _____ (Title)

Subscribed and sworn to (or affirmed) before me this on this \_\_\_\_\_ day of \_\_\_\_\_, 2019, by

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

## ASSETS

	Current Year			Prior Year
	1	2	3	4
	Assets	Nonadmitted Assets	Net Admitted Assets (Cols. 1 - 2)	Net Admitted Assets
1. Bonds (Schedule D)	314,102,016		314,102,016	295,047,192
2. Stocks (Schedule D):				
2.1 Preferred stocks	45,225		45,225	66,185
2.2 Common stocks	108,095,353		108,095,353	120,511,345
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 \$ 62,260,951 encumbrances)	37,693,095		37,693,095	36,577,499
4.2 Properties held for the production of income (less \$ 0 encumbrances)				
4.3 Properties held for sale (less \$ 0 encumbrances)				
5. Cash (\$ 4,017,872, Schedule E - Part 1), cash equivalents (\$ 7,366,913, Schedule E - Part 2), and short-term investments (\$ 3,360,982, Schedule DA)	14,745,766		14,745,766	20,984,323
6. Contract loans (including \$ 0 premium notes)				
7. Derivatives (Schedule DB)				
8. Other invested assets (Schedule BA)	16,852,066		16,852,066	14,497,399
9. Receivables for securities	2,896		2,896	94,511
10. Securities lending reinvested collateral assets (Schedule DL)				
11. Aggregate write-ins for invested assets				
12. Subtotals, cash and invested assets (Lines 1 to 11)	491,536,417		491,536,417	487,778,454
13. Title plants less \$ 0 charged off (for Title insurers only)				
14. Investment income due and accrued	1,893,771		1,893,771	1,719,024
15. Premiums and considerations:				
15.1 Uncollected premiums and agents' balances in the course of collection	32,370,314	1,840,292	30,530,022	59,827,274
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 (\$ 35,672,098) and contracts subject to redetermination (\$ 35,672,098)	35,672,098		35,672,098	9,781,715
16. Reinsurance:				
16.1 Amounts recoverable from reinsurers	815,020		815,020	1,656,843
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	22,721,725	51,319	22,670,406	20,619,657
18.1 Current federal and foreign income tax recoverable and interest thereon				137,899
18.2 Net deferred tax asset	72,516,207	72,516,207		
19. Guaranty funds receivable or on deposit				
20. Electronic data processing equipment and software	27,034,743	26,736,384	298,359	535,488
21. Furniture and equipment, including health care delivery assets (\$ 0)	1,764,119	1,764,119		
22. Net adjustment in assets and liabilities due to foreign exchange rates				
23. Receivables from parent, subsidiaries and affiliates				
24. Health care (\$ 20,498,523) and other amounts receivable	21,511,966	1,013,443	20,498,523	15,603,323
25. Aggregate write-ins for other-than-invested assets	48,160,190	13,832,366	34,327,824	29,495,351
26. Total assets excluding Separate Accounts, Segregated Accounts and Protected Cell Accounts (Lines 12 to 25)	755,996,570	117,754,130	638,242,440	627,155,028
27. From Separate Accounts, Segregated Accounts and Protected Cell Accounts				
28. Total (Lines 26 and 27)	755,996,570	117,754,130	638,242,440	627,155,028

DETAILS OF WRITE-IN LINES				
1101.				
1102.				
1103.				
1198. Summary of remaining write-ins for Line 11 from overflow page				
1199. Totals (Lines 1101 through 1103 plus 1198) (Line 11 above)				
2501. OTHER RECEIVABLES	18,918,157		18,918,157	20,871,560
2502. PREPAID EXPENSES	9,552,536	9,552,536		
2503. FEP UNPAID CLAIMS	8,825,063		8,825,063	8,413,000
2598. Summary of remaining write-ins for Line 25 from overflow page	10,864,434	4,279,830	6,584,604	210,791
2599. Totals (Lines 2501 through 2503 plus 2598) (Line 25 above)	48,160,190	13,832,366	34,327,824	29,495,351

NONE

## LIABILITIES, CAPITAL AND SURPLUS

	Current Year			Prior Year
	1 Covered	2 Uncovered	3 Total	4 Total
1. Claims unpaid (less \$ 0 reinsurance ceded)	120,163,351		120,163,351	131,395,827
2. Accrued medical incentive pool and bonus amounts	27,714,000		27,714,000	26,742,488
3. Unpaid claims adjustment expenses	18,365,862		18,365,862	18,251,987
4. Aggregate health policy reserves, including the liability of \$ 239,456 for medical loss ratio rebate per the Public Health Services Act	23,786,238		23,786,238	32,736,414
5. Aggregate life policy reserves				
6. Property/casualty unearned premium reserves				
7. Aggregate health claim reserves	3,418,000		3,418,000	3,421,000
8. Premiums received in advance	20,029,112		20,029,112	17,615,672
9. General expenses due or accrued	44,605,768		44,605,768	42,309,985
10.1. Current federal and foreign income tax payable and interest thereon (including \$ 0 on realized gains (losses))	335,172		335,172	
10.2. Net deferred tax liability				
11. Ceded reinsurance premiums payable	372,895		372,895	199,578
12. Amounts withheld or retained for the account of others	7,201,386		7,201,386	245,768
13. Remittances and items not allocated	2,596,568		2,596,568	2,639,594
14. Borrowed money (including \$ 25,000,000 current) and interest thereon \$ 196,659 (including \$ 196,659 current)	25,196,659		25,196,659	
15. Amounts due to parent, subsidiaries and affiliates				
16. Derivatives				
17. Payable for securities	1,633,075		1,633,075	1,385,974
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	27,531,217		27,531,217	40,699,401
23. Aggregate write-ins for other liabilities (including \$ 11,057,592 current)	16,634,513		16,634,513	16,514,463
24. Total liabilities (Lines 1 to 23)	339,583,816		339,583,816	334,158,151
25. Aggregate write-ins for special surplus funds	X X X	X X X		35,300,000
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	298,658,624	257,696,877
32. Less treasury stock, at cost:				
32.1 0 shares common (value included in Line 26 \$ 0)	X X X	X X X		
32.2 0 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	298,658,624	292,996,877
34. Total liabilities, capital and surplus (Lines 24 and 33)	X X X	X X X	638,242,440	627,155,028

DETAILS OF WRITE-IN LINES				
2301. OTHER ACCOUNTS PAYABLE	11,597,544		11,597,544	5,822,496
2302. UNFUNDED ACCUMULATED BENEFIT OBLIGATION	2,576,921		2,576,921	5,131,206
2303. ACCRUED CAPITAL EXPENSES	2,336,939		2,336,939	5,600,450
2398. Summary of remaining write-ins for Line 23 from overflow page	123,109		123,109	(39,689)
2399. Totals (Lines 2301 through 2303 plus 2398) (Line 23 above)	16,634,513		16,634,513	16,514,463
2501. PPACA HEALTH INSURER FEE 2018	X X X	X X X		35,300,000
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		35,300,000
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		

NONE

## STATEMENT OF REVENUE AND EXPENSES

	Current Year		Prior Year
	1 Uncovered	2 Total	3 Total
1. Member Months	X X X	4,711,740	4,816,302
2. Net premium income (including \$ 0 non-health premium income)	X X X	1,712,956,037	1,716,371,132
3. Change in unearned premium reserves and reserve for rate credits	X X X	(4,090,980)	2,979,965
4. Fee-for-service (net of \$ 0 medical expenses)	X X X		
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	1,708,865,057	1,719,351,097
<b>Hospital and Medical:</b>			
9. Hospital/medical benefits		954,017,502	999,102,097
10. Other professional services		22,951,081	21,644,067
11. Outside referrals			
12. Emergency room and out-of-area		157,306,261	166,451,008
13. Prescription drugs		214,046,431	235,454,802
14. Aggregate write-ins for other hospital and medical		51,716,474	51,377,084
15. Incentive pool, withhold adjustments and bonus amounts		19,391,856	4,627,543
16. Subtotal (Lines 9 to 15)		1,419,429,605	1,478,656,601
<b>Less:</b>			
17. Net reinsurance recoveries		2,062,386	1,520,409
18. Total hospital and medical (Lines 16 minus 17)		1,417,367,219	1,477,136,192
19. Non-health claims (net)			
20. Claims adjustment expenses, including \$ 25,346,308 cost containment expenses		60,188,631	63,259,817
21. General administrative expenses		196,550,484	168,677,852
22. Increase in reserves for life and accident and health contracts (including \$ 0 increase in reserves for life only)		(2,100,000)	2,100,000
23. Total underwriting deductions (Lines 18 through 22)		1,672,006,334	1,711,173,861
24. Net underwriting gain or (loss) (Lines 8 minus 23)	X X X	36,858,723	8,177,236
25. Net investment income earned (Exhibit of Net Investment Income, Line 17)		6,019,021	6,371,143
26. Net realized capital gains (losses) less capital gains tax of \$ 0		(7,130,761)	10,718,918
27. Net investment gains (losses) (Lines 25 plus 26)		(1,111,740)	17,090,061
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		(26,337,001)	(2,271,683)
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	9,409,982	22,995,614
31. Federal and foreign income taxes incurred	X X X	(1,416)	379,246
32. Net income (loss) (Lines 30 minus 31)	X X X	9,411,398	22,616,368

DETAILS OF WRITE-IN LINES			
0601.		X X X	
0602.		X X X	
0603.		X X X	
0698. Summary of remaining write-ins for Line 06 from overflow page		X X X	
0699. Totals (Lines 0601 through 0603 plus 0698) (Line 06 above)		X X X	
0701.		X X X	
0702.		X X X	
0703.		X X X	
0798. Summary of remaining write-ins for Line 07 from overflow page		X X X	
0799. Totals (Lines 0701 through 0703 plus 0798) (Line 07 above)		X X X	
1401. MENTAL HEALTH			51,716,474
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)			51,716,474
2901. WELLNESS WORKS REVENUE			2,651,531
2902. INDIGO COMMISSIONS			16,961
2903. PREMIUM ASSISTANCE PROGRAM			(2,428)
2998. Summary of remaining write-ins for Line 29 from overflow page			(29,003,065)
2999. Totals (Lines 2901 through 2903 plus 2998) (Line 29 above)			(26,337,001)

## STATEMENT OF REVENUE AND EXPENSES (Continued)

	1	2
	Current Year	Prior Year
<b>CAPITAL &amp; SURPLUS ACCOUNT</b>		
33. Capital and surplus prior reporting year	292,996,877	266,470,581
34. Net income or (loss) from Line 32	9,411,398	22,616,368
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	(12,192,962)	12,033,189
37. Change in net unrealized foreign exchange capital gain or (loss)		
38. Change in net deferred income tax	4,784,747	47,912,080
39. Change in nonadmitted assets	1,104,279	(55,444,456)
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	2,554,285	(590,885)
48. Net change in capital and surplus (Lines 34 to 47)	5,661,747	26,526,296
49. Capital and surplus end of reporting year (Line 33 plus 48)	298,658,624	292,996,877

DETAILS OF WRITE-IN LINES		
4701. OTHER POSTEMPLOYMENT BENEFITS	2,061,252	(275,779)
4702. NON-QUALIFIED PENSION PLAN	493,033	(315,106)
4703.		
4798. Summary of remaining write-ins for Line 47 from overflow page		
4799. Totals (Lines 4701 through 4703 plus 4798) (Line 47 above)	2,554,285	(590,885)

## CASH FLOW

	1	2
<b>Cash from Operations</b>	Current Year	Prior Year
1. Premiums collected net of reinsurance	1,712,443,894	1,722,390,939
2. Net investment income	7,031,027	8,125,158
3. Miscellaneous income	(26,246,662)	(2,199,841)
4. Total (Lines 1 through 3)	1,693,228,259	1,728,316,256
5. Benefit and loss related payments	1,437,659,071	1,454,521,265
6. Net transfers to Separate Accounts, Segregated Accounts and Protected Cell Accounts		
7. Commissions, expenses paid and aggregate write-ins for deductions	235,939,849	200,375,585
8. Dividends paid to policyholders		
9. Federal and foreign income taxes paid (recovered) net of \$ 0 tax on capital gains (losses)	(384,149)	770,975
10. Total (Lines 5 through 9)	1,673,214,771	1,655,667,825
11. Net cash from operations (Line 4 minus Line 10)	20,013,488	72,648,431
<b>Cash from Investments</b>		
12. Proceeds from investments sold, matured or repaid:		
12.1 Bonds	138,445,360	280,998,172
12.2 Stocks	64,395,021	105,929,618
12.3 Mortgage loans		
12.4 Real estate		
12.5 Other invested assets	49,693	10,036,593
12.6 Net gains or (losses) on cash, cash equivalents and short-term investments	(8,300)	
12.7 Miscellaneous proceeds	91,615	
12.8 Total investment proceeds (Lines 12.1 to 12.7)	202,973,389	396,964,383
13. Cost of investments acquired (long-term only):		
13.1 Bonds	160,876,666	277,945,547
13.2 Stocks	67,995,111	124,991,880
13.3 Mortgage loans		
13.4 Real estate	3,573,482	3,684,400
13.5 Other invested assets	3,493,000	152,671
13.6 Miscellaneous applications		94,511
13.7 Total investments acquired (Lines 13.1 to 13.6)	235,938,259	406,869,009
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)	(32,964,870)	(9,904,626)
<b>Cash from Financing and Miscellaneous Sources</b>		
16. Cash provided (applied):		
16.1 Surplus notes, capital notes		
16.2 Capital and paid in surplus, less treasury stock		
16.3 Borrowed funds	25,196,659	(35,049,953)
16.4 Net deposits on deposit-type contracts and other insurance liabilities		
16.5 Dividends to stockholders		
16.6 Other cash provided (applied)	(18,483,833)	(7,632,255)
17. Net cash from financing and miscellaneous sources (Lines 16.1 to 16.4 minus Line 16.5 plus Line 16.6)	6,712,826	(42,682,208)
<b>RECONCILIATION OF CASH, CASH EQUIVALENTS AND SHORT-TERM INVESTMENTS</b>		
18. Net change in cash, cash equivalents and short-term investments (Line 11, plus Lines 15 and 17)	(6,238,556)	20,061,597
19. Cash, cash equivalents and short-term investments:		
19.1 Beginning of year	20,984,322	922,725
19.2 End of year (Line 18 plus Line 19.1)	14,745,766	20,984,322

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

20.0001		
20.0002		
20.0003		

### 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	1,712,956,037	869,572,052	59,570,648	31,959,624	763,771	128,426,741	600,597,704		22,065,497	
2. Change in unearned premium reserves and reserve for rate credit	(4,090,980)					(4,090,980)				
3. Fee-for-service (net of \$ 0 medical expenses)										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)	1,708,865,057	869,572,052	59,570,648	31,959,624	763,771	124,335,761	600,597,704		22,065,497	
8. Hospital/medical benefits	954,017,502	418,749,042	48,109,419			88,790,982	392,911,500		5,456,559	X X X
9. Other professional services	22,951,081			22,535,111	415,970					X X X
10. Outside referrals										X X X
11. Emergency room and out-of-area	157,306,261	101,503,078					55,803,183			X X X
12. Prescription drugs	214,046,431	139,763,265	1,387,812			23,957,210	37,181,497		11,756,647	X X X
13. Aggregate write-ins for other hospital and medical	51,716,474	41,160,085					10,556,389			X X X
14. Incentive pool, withhold adjustments and bonus amounts	19,391,856	13,044,330					6,347,526			X X X
15. Subtotal (Lines 8 to 14)	1,419,429,605	714,219,800	49,497,231	22,535,111	415,970	112,748,192	502,800,095		17,213,206	X X X
16. Net reinsurance recoveries	2,062,386	2,062,386								X X X
17. Total hospital and medical (Lines 15 minus 16)	1,417,367,219	712,157,414	49,497,231	22,535,111	415,970	112,748,192	502,800,095		17,213,206	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 \$ 25,346,308 cost containment expenses	60,188,631	27,290,198	2,569,324	1,873,036	93,446	3,992,992	23,596,751		772,884	
20. General administrative expenses	196,550,484	114,328,326	6,643,024	4,842,763	241,605	7,486,722	61,009,741		1,998,303	
21. Increase in reserves for accident and health contracts	(2,100,000)	(2,100,000)								
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)	1,672,006,334	851,675,938	58,709,579	29,250,910	751,021	124,227,906	587,406,587		19,984,393	
24. Net underwriting gain or (loss) (Line 7 minus Line 23)	36,858,723	17,896,114	861,069	2,708,714	12,750	107,855	13,191,117		2,081,104	

DETAILS OF WRITE-IN LINES										
0501.										X X X
0502.										X X X
0503.										X X X
0598. Summary of remaining write-ins for Line 05 from overflow page										X X X
0599. Totals (Lines 0501 through 0503 plus 0598) (Line 05 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 06 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 06 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. MENTAL HEALTH	51,716,474	41,160,085					10,556,389			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)	51,716,474	41,160,085					10,556,389			X X X



## UNDERWRITING AND INVESTMENT EXHIBIT

### PART 1 – PREMIUMS

Line of Business	1  Direct Business	2  Reinsurance Assumed	3  Reinsurance Ceded	4  Net Premium Income (Cols. 1 + 2 - 3)
1. Comprehensive (hospital and medical) .....	869,572,052			869,572,052
2. Medicare Supplement .....	59,570,648			59,570,648
3. Dental only .....	31,959,624			31,959,624
4. Vision only .....	763,771			763,771
5. Federal Employees Health Benefits Plan .....	124,335,761			124,335,761
6. Title XVIII – Medicare .....	600,597,704			600,597,704
7. Title XIX – Medicaid .....				
8. Other health .....	24,154,118		2,088,621	22,065,497
9. Health subtotal (Lines 1 through 8) .....	1,710,953,678		2,088,621	1,708,865,057
10. Life .....				
11. Property/casualty .....				
12. Totals (Lines 9 to 11) .....	1,710,953,678		2,088,621	1,708,865,057

## 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	1,414,988,844	711,186,245	48,551,178	22,476,095	513,413	111,751,551	503,684,512		16,825,850	
1.2 Reinsurance assumed										
1.3 Reinsurance ceded	2,230,332	2,230,332								
1.4 Net	1,412,758,512	708,955,913	48,551,178	22,476,095	513,413	111,751,551	503,684,512		16,825,850	
2. Paid medical incentive pools and bonuses	18,420,344	13,209,176					5,211,168			
3. Claim liability December 31, current year from Part 2A:										
3.1 Direct	120,163,351	56,076,569	6,889,466	1,323,000	42,275	9,498,231	45,520,468		813,342	
3.2 Reinsurance assumed										
3.3 Reinsurance ceded										
3.4 Net	120,163,351	56,076,569	6,889,466	1,323,000	42,275	9,498,231	45,520,468		813,342	
4. Claim reserve December 31, current year from Part 2D:										
4.1 Direct	3,418,000	3,418,000								
4.2 Reinsurance assumed										
4.3 Reinsurance ceded										
4.4 Net	3,418,000	3,418,000								
5. Accrued medical incentive pools and bonuses, current year	27,714,000	15,426,794					12,287,206			
6. Net healthcare receivables (a)	3,715,619	(43,434)		4,984			3,754,069			
7. Amounts recoverable from reinsurers December 31, current year	815,020	815,020								
8. Claim liability December 31, prior year from Part 2A:										
8.1 Direct	131,395,827	68,021,116	5,943,413	1,259,000		8,501,590	47,244,721		425,987	
8.2 Reinsurance assumed										
8.3 Reinsurance ceded										
8.4 Net	131,395,827	68,021,116	5,943,413	1,259,000		8,501,590	47,244,721		425,987	
9. Claim reserve December 31, prior year from Part 2D:										
9.1 Direct	3,421,000	3,421,000								
9.2 Reinsurance assumed										
9.3 Reinsurance ceded										
9.4 Net	3,421,000	3,421,000								
10. Accrued medical incentive pools and bonuses, prior year	26,742,488	14,208,020					12,534,468			
11. Amounts recoverable from reinsurers December 31, prior year	982,966	982,966								
12. Incurred benefits:										
12.1 Direct	1,400,037,749	699,282,132	49,497,231	22,535,111	555,688	112,748,192	498,206,190		17,213,205	
12.2 Reinsurance assumed										
12.3 Reinsurance ceded	2,062,386	2,062,386								
12.4 Net	1,397,975,363	697,219,746	49,497,231	22,535,111	555,688	112,748,192	498,206,190		17,213,205	
13. Incurred medical incentive pools and bonuses	19,391,856	14,427,950					4,963,906			

(a) Excludes \$ 750,000 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	Comprehensive (Hospital & Medical)	Medicare Supplement	Dental Only	Vision Only	Federal Employees Health Benefits Plan	Title XVIII Medicare	Title XIX Medicaid	Other Health	Other Non-Health
1. Reported in Process of Adjustment:										
1.1 Direct	38,018,718	19,575,647	839,395	499,102	42,275	2,221,013	14,027,944		813,342	
1.2 Reinsurance assumed										
1.3 Reinsurance ceded										
1.4 Net	38,018,718	19,575,647	839,395	499,102	42,275	2,221,013	14,027,944		813,342	
2. Incurred but Unreported:										
2.1 Direct	82,144,633	36,500,922	6,050,071	823,898		7,277,218	31,492,524			
2.2 Reinsurance assumed										
2.3 Reinsurance ceded										
2.4 Net	82,144,633	36,500,922	6,050,071	823,898		7,277,218	31,492,524			
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	120,163,351	56,076,569	6,889,466	1,323,000	42,275	9,498,231	45,520,468		813,342	
4.2 Reinsurance assumed										
4.3 Reinsurance ceded										
4.4 Net	120,163,351	56,076,569	6,889,466	1,323,000	42,275	9,498,231	45,520,468		813,342	

**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 Claims Incurred in Prior Years (Columns 1 + 3)	6 Estimated Claim Reserve and Claim Liability December 31 of Prior Year
	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		
1. Comprehensive (hospital and medical)	33,892,506	675,910,271	376,854	59,117,715	34,269,360	71,442,116
2. Medicare Supplement	5,612,763	42,938,415	39,821	6,849,645	5,652,584	5,943,413
3. Dental only	1,079,687	21,396,408	16,452	1,306,548	1,096,139	1,259,000
4. Vision only	139,718	373,695		42,275	139,718	
5. Federal Employees Health Benefits Plan	11,160,853	100,590,698	92,378	9,405,853	11,253,231	8,501,590
6. Title XVIII – Medicare	34,530,826	469,153,686	(42,833)	45,563,301	34,487,993	47,244,721
7. Title XIX – Medicaid						
8. Other health	1,228,983	15,596,867		813,342	1,228,983	425,987
9. Health subtotal (Lines 1 to 8)	87,645,336	1,325,960,040	482,672	123,098,679	88,128,008	134,816,827
10. Health care receivables (a)	1,105,699	18,465,599		1,190,668	1,105,699	16,367,428
11. Other non-health						
12. Medical incentive pools and bonus amounts	18,420,344		1,000,000	26,714,000	19,420,344	26,742,488
13. Totals (Lines 9 - 10 + 11 + 12)	104,959,981	1,307,494,441	1,482,672	148,622,011	106,442,653	145,191,887

(a) Excludes \$ 750,000 loans or advances to providers not yet expensed.

**UNDERWRITING AND INVESTMENT EXHIBIT**  
**PART 2C – DEVELOPMENT OF PAID AND INCURRED HEALTH CLAIMS**  
**(\$000 Omitted)**  
**Hospital & Medical**

**Section A – Paid Health Claims**

Year in Which Losses Were Incurred	Cumulative Net Amounts Paid				
	1 2014	2 2015	3 2016	4 2017	5 2018
1. Prior	804,217	804,285	804,409	804,342	804,204
2. 2014	711,201	757,293	756,526	756,551	756,167
3. 2015	X X X	710,792	758,401	758,341	758,009
4. 2016	X X X	X X X	712,867	759,791	760,795
5. 2017	X X X	X X X	X X X	717,259	764,361
6. 2018	X X X	X X X	X X X	X X X	675,910

**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 2014	2 2015	3 2016	4 2017	5 2018
1. Prior	804,217	804,285	804,409	804,342	804,204
2. 2014	711,201	757,293	756,526	756,551	756,167
3. 2015	X X X	710,792	758,401	758,341	758,009
4. 2016	X X X	X X X	712,867	763,390	760,795
5. 2017	X X X	X X X	X X X	776,928	764,738
6. 2018	X X X	X X X	X X X	X X X	750,454

**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. 2014	937,593	758,366			758,366	80.884			758,366	80.884
2. 2015	894,906	759,731			759,731	84.895			759,731	84.895
3. 2016	907,498	764,183			764,183	84.208			764,183	84.208
4. 2017	903,939	717,259	15,082	2.103	732,341	81.017	377	46	732,764	81.063
5. 2018	869,572	675,910	15,082	2.231	690,992	79.463	74,544	9,176	774,712	89.091

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**UNDERWRITING AND INVESTMENT EXHIBIT**  
**PART 2C – DEVELOPMENT OF PAID AND INCURRED HEALTH CLAIMS**  
 (\$000 Omitted)  
**Medicare Supplement**

**Section A – Paid Health Claims**

Year in Which Losses Were Incurred	Cumulative Net Amounts Paid				
	1 2014	2 2015	3 2016	4 2017	5 2018
1. Prior	43,900	43,929	43,958	43,957	43,974
2. 2014	38,898	43,692	43,671	43,664	43,666
3. 2015	X X X	39,808	45,145	45,159	45,246
4. 2016	X X X	X X X	39,757	44,694	44,828
5. 2017	X X X	X X X	X X X	41,516	46,654
6. 2018	X X X	X X X	X X X	X X X	42,938

**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 2014	2 2015	3 2016	4 2017	5 2018
1. Prior	43,692	43,671	43,700	43,957	43,974
2. 2014	39,808	45,145	45,124	43,664	43,666
3. 2015	X X X	39,757	45,191	45,159	45,246
4. 2016	X X X	X X X	45,684	44,714	44,828
5. 2017	X X X	X X X	X X X	47,439	46,694
6. 2018	X X X	X X X	X X X	X X X	49,788

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**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. 2014	55,334	45,152			45,152	81.599			45,152	81.599
2. 2015	56,055	44,708			44,708	79.757			44,708	79.757
3. 2016	57,632	46,453			46,453	80.603			46,453	80.603
4. 2017	59,551	41,516	1,032	2.486	42,548	71.448	40	4	42,592	71.522
5. 2018	59,572	42,938	1,032	2.403	43,970	73.810	6,850	627	51,447	86.361

**UNDERWRITING AND INVESTMENT EXHIBIT**  
**PART 2C – DEVELOPMENT OF PAID AND INCURRED HEALTH CLAIMS**  
 (\$000 Omitted)  
 Dental Only

**Section A – Paid Health Claims**

Year in Which Losses Were Incurred	Cumulative Net Amounts Paid				
	1 2014	2 2015	3 2016	4 2017	5 2018
1. Prior	22,515	22,517	22,516	22,516	22,516
2. 2014	22,820	24,408	24,411	24,411	24,411
3. 2015	X X X	21,079	22,904	22,914	22,918
4. 2016	X X X	X X X	20,903	22,076	22,087
5. 2017	X X X	X X X	X X X	20,659	21,764
6. 2018	X X X	X X X	X X X	X X X	21,396

**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 2014	2 2015	3 2016	4 2017	5 2018
1. Prior	24,408	24,411	24,410	22,516	22,516
2. 2014	21,079	22,904	22,907	24,411	24,411
3. 2015	X X X	20,903	22,730	22,914	22,918
4. 2016	X X X	X X X	22,226	22,095	22,087
5. 2017	X X X	X X X	X X X	21,899	21,780
6. 2018	X X X	X X X	X X X	X X X	22,703

**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. 2014	31,381	22,914			22,914	73.019			22,914	73.019
2. 2015	29,415	22,086			22,086	75.084			22,086	75.084
3. 2016	30,695	21,832			21,832	71.126			21,832	71.126
4. 2017	30,354	20,659	478	2.314	21,137	69.635	16	4	21,157	69.701
5. 2018	31,960	21,396	478	2.234	21,874	68.442	1,307	288	23,469	73.432

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**UNDERWRITING AND INVESTMENT EXHIBIT**  
**PART 2C – DEVELOPMENT OF PAID AND INCURRED HEALTH CLAIMS**  
 (\$000 Omitted)  
 Vision Only

**Section A – Paid Health Claims**

Year in Which Losses Were Incurred	Cumulative Net Amounts Paid				
	1 2014	2 2015	3 2016	4 2017	5 2018
1. Prior					
2. 2014					
3. 2015	XXX				
4. 2016	XXX	XXX			
5. 2017	XXX	XXX	XXX		140
6. 2018	XXX	XXX	XXX	XXX	374

**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 2014	2 2015	3 2016	4 2017	5 2018
1. Prior					
2. 2014					
3. 2015	XXX				
4. 2016	XXX	XXX			
5. 2017	XXX	XXX	XXX		
6. 2018	XXX	XXX	XXX	XXX	

**NONE**

**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. 2014										
2. 2015										
3. 2016										
4. 2017										
5. 2018	764	374			374	48.953	42		416	54.450

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**UNDERWRITING AND INVESTMENT EXHIBIT**  
**PART 2C – DEVELOPMENT OF PAID AND INCURRED HEALTH CLAIMS**

(\$000 Omitted)

**Fed Emp Health Benefits Plan**

**Section A – Paid Health Claims**

Year in Which Losses Were Incurred	Cumulative Net Amounts Paid				
	1 2014	2 2015	3 2016	4 2017	5 2018
1. Prior	95,316	95,435	95,312	95,298	95,294
2. 2014	88,486	96,702	96,483	96,479	96,472
3. 2015	X X X	93,070	100,632	100,603	100,552
4. 2016	X X X	X X X	93,815	100,538	100,621
5. 2017	X X X	X X X	X X X	94,717	105,801
6. 2018	X X X	X X X	X X X	X X X	100,591

**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 2014	2 2015	3 2016	4 2017	5 2018
1. Prior	96,702	96,483	96,360	95,298	95,294
2. 2014	93,070	100,632	100,413	96,479	96,472
3. 2015	X X X	93,815	101,448	100,603	100,552
4. 2016	X X X	X X X	101,219	100,560	100,621
5. 2017	X X X	X X X	X X X	103,197	105,893
6. 2018	X X X	X X X	X X X	X X X	109,997

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**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. 2014	112,337	100,599			100,599	89.551			100,599	89.551
2. 2015	111,864	100,509			100,509	89.849			100,509	89.849
3. 2016	113,836	101,440			101,440	89.111			101,440	89.111
4. 2017	111,865	94,717	2,375	2.507	97,092	86.794	92	14	97,198	86.889
5. 2018	124,336	100,591	2,375	2.361	102,966	82.813	9,406	1,438	113,810	91.534

**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 2014	2 2015	3 2016	4 2017	5 2018
1. Prior	329,385	328,592	328,601	328,655	328,602
2. 2014	423,483	457,158	456,573	456,726	456,337
3. 2015	X X X	453,479	490,419	490,221	490,007
4. 2016	X X X	X X X	471,134	507,725	508,162
5. 2017	X X X	X X X	X X X	472,389	512,163
6. 2018	X X X	X X X	X X X	X X X	469,154

**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 2014	2 2015	3 2016	4 2017	5 2018
1. Prior	457,158	456,573	456,582	328,655	328,602
2. 2014	453,479	490,419	489,834	456,726	456,337
3. 2015	X X X	471,134	511,298	490,221	490,007
4. 2016	X X X	X X X	525,885	510,571	508,162
5. 2017	X X X	X X X	X X X	529,322	513,120
6. 2018	X X X	X X X	X X X	X X X	526,004

**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. 2014	482,573	490,374			490,374	101.617			490,374	101.617
2. 2015	545,426	507,527			507,527	93.051			507,527	93.051
3. 2016	581,753	508,980			508,980	87.491			508,980	87.491
4. 2017	590,047	472,389	10,703	2.266	483,092	81.873	957	(6)	484,043	82.035
5. 2018	600,598	469,154	10,703	2.281	479,857	79.897	56,850	6,550	543,257	90.453

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**UNDERWRITING AND INVESTMENT EXHIBIT**  
**PART 2C – DEVELOPMENT OF PAID AND INCURRED HEALTH CLAIMS**  
 (\$000 Omitted)  
 Title XIX - Medicaid

**Section A – Paid Health Claims**

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

**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 2014	2 2015	3 2016	4 2017	5 2018
1. Prior					
2. 2014					
3. 2015	XXX				
4. 2016	XXX	XXX			
5. 2017	XXX	XXX	XXX		
6. 2018	XXX	XXX	XXX	XXX	

**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. 2014										
2. 2015										
3. 2016										
4. 2017										
5. 2018										

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**UNDERWRITING AND INVESTMENT EXHIBIT**  
**PART 2C – DEVELOPMENT OF PAID AND INCURRED HEALTH CLAIMS**  
 (\$000 Omitted)  
 Other

**Section A – Paid Health Claims**

Year in Which Losses Were Incurred	Cumulative Net Amounts Paid				
	1 2014	2 2015	3 2016	4 2017	5 2018
1. Prior	14,289	14,289	14,289	13,895	13,895
2. 2014	11,025	12,561	12,561	14,289	14,289
3. 2015	X X X	12,602	13,845	12,561	12,561
4. 2016	X X X	X X X	12,014	13,243	13,243
5. 2017	X X X	X X X	X X X	11,948	13,177
6. 2018	X X X	X X X	X X X	X X X	15,597

**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 2014	2 2015	3 2016	4 2017	5 2018
1. Prior	12,561	12,561	14,289	13,895	13,895
2. 2014	12,602	13,845	12,561	14,289	14,289
3. 2015	X X X	12,014	13,842	12,561	12,561
4. 2016	X X X	X X X	12,745	13,210	13,243
5. 2017	X X X	X X X	X X X	12,407	13,177
6. 2018	X X X	X X X	X X X	X X X	16,410

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**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. 2014	21,321	14,289			14,289	67.018			14,289	67.018
2. 2015	23,653	12,561			12,561	53.105			12,561	53.105
3. 2016	24,682	13,243			13,243	53.654			13,243	53.654
4. 2017	23,595	11,948	358	2.996	12,306	52.155			12,306	52.155
5. 2018	22,065	15,597	358	2.295	15,955	72.309	813	219	16,987	76.986

**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 2014	2 2015	3 2016	4 2017	5 2018	
1. Prior		1,309,622	1,309,047	1,309,085	1,308,663	1,308,485
2. 2014		1,295,913	1,391,814	1,390,225	1,392,120	1,391,342
3. 2015	X X X		1,330,830	1,431,346	1,429,799	1,429,293
4. 2016	X X X		X X X	1,350,490	1,448,067	1,449,736
5. 2017	X X X		X X X		1,358,488	1,464,060
6. 2018	X X X		X X X	X X X		1,325,960

**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 2014	2 2015	3 2016	4 2017	5 2018	
1. Prior		1,438,738	1,437,984	1,439,750	1,308,663	1,308,485
2. 2014		1,331,239	1,430,238	1,427,365	1,392,120	1,391,342
3. 2015	X X X		1,348,415	1,452,910	1,429,799	1,429,293
4. 2016	X X X		X X X	1,420,626	1,454,540	1,449,736
5. 2017	X X X		X X X		1,491,192	1,465,402
6. 2018	X X X		X X X	X X X		1,475,356

**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. 2014	1,640,539	1,431,694			1,431,694	87.270			1,431,694	87.270
2. 2015	1,661,319	1,447,122			1,447,122	87.107			1,447,122	87.107
3. 2016	1,716,096	1,456,131			1,456,131	84.851			1,456,131	84.851
4. 2017	1,719,351	1,358,488	30,028	2.210	1,388,516	80.758	1,482	62	1,390,060	80.848
5. 2018	1,708,867	1,325,960	30,028	2.265	1,355,988	79.350	149,812	18,298	1,524,098	89.188

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## UNDERWRITING AND INVESTMENT EXHIBIT

### PART 2D – AGGREGATE RESERVE FOR ACCIDENT AND HEALTH CONTRACTS ONLY

	1	2	3	4	5	6	7	8	9
	Total	Comprehensive (Hospital & Medical)	Medicare Supplement	Dental Only	Vision Only	Federal Employees Health Benefits Plan	Title XVIII Medicare	Title XIX Medicaid	Other
1. Unearned premium reserves	18,848,782					18,848,782			
2. Additional policy reserves (a)	4,000,000						4,000,000		
3. Reserve for future contingent benefits									
4. Reserve for rate credits or experience rating refunds (including \$ 0 for investment income)	698,000						698,000		
5. Aggregate write-ins for other policy reserves	239,456								239,456
6. Totals (gross)	23,786,238					18,848,782	4,698,000		239,456
7. Reinsurance ceded									
8. Totals (Net) (Page 3, Line 4)	23,786,238					18,848,782	4,698,000		239,456
9. Present value of amounts not yet due on claims									
10. Reserve for future contingent benefits	490,000	490,000							
11. Aggregate write-ins for other claim reserves	2,928,000	2,928,000							
12. Totals (gross)	3,418,000	3,418,000							
13. Reinsurance ceded									
14. Totals (Net) (Page 3, Line 7)	3,418,000	3,418,000							

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DETAILS OF WRITE-IN LINES									
0501. REBATES DUE CMS	239,456								239,456
0502.									
0503.									
0598. Summary of remaining write-ins for Line 05 from overflow page									
0599. Totals (Lines 0501 through 0503 plus 0598) (Line 05 above)	239,456								239,456
1101. MATERNITY	2,928,000	2,928,000							
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)	2,928,000	2,928,000							

(a) Includes \$ 0 premium deficiency reserve.

## 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 (\$ 9,290,273 for occupancy of own building)		3,222,405	8,330,009		11,552,414
2. Salaries, wages and other benefits	20,774,946	11,783,090	67,574,621		100,132,657
3. Commissions (less \$ 0 ceded plus \$ 0 assumed)			11,100,382		11,100,382
4. Legal fees and expenses			699,243		699,243
5. Certifications and accreditation fees					
6. Auditing, actuarial and other consulting services	190,106	608,841	7,956,467		8,755,414
7. Traveling expenses	82,640	133,246	375,583		591,469
8. Marketing and advertising	3,996	7,874	3,738,659		3,750,529
9. Postage, express and telephone	80,717	920,215	2,835,406		3,836,338
10. Printing and office supplies	35,028	577,583	1,004,179		1,616,790
11. Occupancy, depreciation and amortization	65,264	181,408	2,514,973		2,761,645
12. Equipment					
13. Cost or depreciation of EDP equipment and software	5,679,578	5,440,949	28,667,747		39,788,274
14. Outsourced services including EDP, claims, and other services	5,195,087	15,711,578	45,259,074		66,165,739
15. Boards, bureaus and association fees	94,245	35,902	1,127,833		1,257,980
16. Insurance, except on real estate			1,403,589		1,403,589
17. Collection and bank service charges					
18. Group service and administration fees			1,658,678		1,658,678
19. Reimbursements by uninsured plans	(7,533,081)	(10,419,493)	(46,407,232)		(64,359,806)
20. Reimbursements from fiscal intermediaries					
21. Real estate expenses				5,769,116	5,769,116
22. Real estate taxes				1,268,094	1,268,094
23. Taxes, licenses and fees:					
23.1 State and local insurance taxes			9,196		9,196
23.2 State premium taxes			19,568,168		19,568,168
23.3 Regulatory authority licenses and fees			35,861,065		35,861,065
23.4 Payroll taxes	1,377,431	748,515	3,063,346		5,189,292
23.5 Other (excluding federal income and real estate taxes)					
24. Investment expenses not included elsewhere					
25. Aggregate write-ins for expenses	(699,649)	5,890,210	209,498	1,348,391	6,748,450
26. Total expenses incurred (Lines 1 to 25)	25,346,308	34,842,323	196,550,484	8,385,601	(a) 265,124,716
27. Less expenses unpaid December 31, current year	7,706,501	10,659,361	44,605,768		62,971,630
28. Add expenses unpaid December 31, prior year	7,591,122	10,660,865	42,309,985		60,561,972
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)	25,230,929	34,843,827	194,254,701	8,385,601	262,715,058

DETAILS OF WRITE-IN LINES					
2501. ADMINISTRATIVE ALLOWANCES	1,126,608	1,558,284	(399)		2,684,493
2502. MISCELLANEOUS	20,664	415,921	209,897		646,482
2503. HOME PLAN SERVICE CHARGE		6,686,402			6,686,402
2598. Summary of remaining write-ins for Line 25 from overflow page	(1,846,921)	(2,770,397)		1,348,391	(3,268,927)
2599. Totals (Lines 2501 through 2503 plus 2598) (Line 25 above)	(699,649)	5,890,210	209,498	1,348,391	6,748,450

(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) 1,940,606	2,136,404
1.1 Bonds exempt from U.S. tax	(a)	
1.2 Other bonds (unaffiliated)	(a) 5,327,395	5,203,960
1.3 Bonds of affiliates	(a)	
2.1 Preferred stocks (unaffiliated)	(b) 2,299	2,120
2.11 Preferred stocks of affiliates	(b)	
2.2 Common stocks (unaffiliated)	2,473,960	2,536,781
2.21 Common stocks of affiliates		
3. Mortgage loans	(c)	
4. Real estate	(d) 7,617,647	7,617,647
5. Contract loans		
6. Cash, cash equivalents and short-term investments	(e) 377,229	417,036
7. Derivative instruments	(f)	
8. Other invested assets	52,222	52,222
9. Aggregate write-ins for investment income		(1,308,346)
10. Total gross investment income	17,791,358	16,657,824
11. Investment expenses		(g) 8,385,739
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) 2,253,063
15. Aggregate write-ins for deductions from investment income		
16. Total deductions (Lines 11 through 15)		10,638,802
17. Net investment income (Line 10 minus Line 16)		6,019,022

DETAILS OF WRITE-IN LINES		
0901. INVESTMENT EXPENSES INTERNAL COSTS INVESTING AND INCOME		(915,498)
0902. PROMPT PAY INTEREST		(392,848)
0903.		
0998. Summary of remaining write-ins for Line 09 from overflow page		
0999. Totals (Lines 0901 through 0903 plus 0998) (Line 09 above)		(1,308,346)
1501.	<b>NONE</b>	
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 \$ 385,796 accrual of discount less \$ 1,656,416 amortization of premium and less \$ 707,099 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 \$ 19,558 accrual of discount less \$ 25,469 amortization of premium and less \$ 42,007 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	(561,443)	(473,103)	(1,034,546)	38,521	
1.1 Bonds exempt from U.S. tax					
1.2 Other bonds (unaffiliated)	(666,075)	(472,486)	(1,138,561)	(55,139)	
1.3 Bonds of affiliates					
2.1 Preferred stocks (unaffiliated)	993	(2,171)	(1,178)		
2.11 Preferred stocks of affiliates					
2.2 Common stocks (unaffiliated)	6,368,386	(11,326,752)	(4,958,366)	(11,077,513)	
2.21 Common stocks of affiliates					
3. Mortgage loans					
4. Real estate					
5. Contract loans					
6. Cash, cash equivalents and short-term investments	(2,852)	(5,447)	(8,299)		
7. Derivative instruments					
8. Other invested assets	10,190		10,190	(1,098,831)	
9. Aggregate write-ins for capital gains (losses)					
10. Total capital gains (losses)	5,149,199	(12,279,959)	(7,130,760)	(12,192,962)	

DETAILS OF WRITE-IN LINES					
0901.	<b>NONE</b>				
0902.					
0903.					
0998. Summary of remaining write-ins for Line 09 from overflow page					
0999. Totals (Lines 0901 through 0903 plus 0998) (Line 09 above)					



## EXHIBIT OF NONADMITTED ASSETS

	1 Current Year Total Nonadmitted Assets	2 Prior Year Total Nonadmitted Assets	3 Change in Total Nonadmitted Assets (Col. 2 - Col. 1)
1. Bonds (Schedule D)			
2. Stocks (Schedule D):			
2.1 Preferred stocks			
2.2 Common stocks			
3. Mortgage loans on real estate (Schedule B):			
3.1 First lines			
3.2 Other than first lines			
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			
12. Subtotals, cash and invested assets (Lines 1 to 11)			
13. Title plants (for Title insurers only)			
14. Investment income due and accrued			
15. Premiums and considerations:			
15.1 Uncollected premiums and agents' balances in the course of collection	1,840,292	1,566,847	(273,445)
15.2 Deferred premiums, agents' balances and installments booked but deferred and not yet due			
15.3 Accrued retrospective premiums and contracts subject to redetermination			
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	51,319	372,787	321,468
18.1 Current federal and foreign income tax recoverable and interest thereon			
18.2 Net deferred tax asset	72,516,207	67,731,460	(4,784,747)
19. Guaranty funds receivable or on deposit			
20. Electronic data processing equipment and software	26,736,384	33,996,376	7,259,992
21. Furniture and equipment, including health care delivery assets	1,764,119	2,838,306	1,074,187
22. Net adjustment in assets and liabilities due to foreign exchange rates			
23. Receivables from parent, subsidiaries and affiliates			
24. Health care and other amounts receivable	1,013,443	1,889,105	875,662
25. Aggregate write-ins for other-than-invested assets	13,832,366	10,463,528	(3,368,838)
26. Total assets excluding Separate Accounts, Segregated Accounts and Protected Cell Accounts (Lines 12 to 25)	117,754,130	118,858,409	1,104,279
27. From Separate Accounts, Segregated Accounts and Protected Cell Accounts			
28. Total (Lines 26 and 27)	117,754,130	118,858,409	1,104,279

DETAILS OF WRITE-IN LINES			
1101.			
1102.			
1103.			
1198. Summary of remaining write-ins for Line 11 from overflow page			
1199. Totals (Lines 1101 through 1103 plus 1198) (Line 11 above)			
2501. PREPAID EXPENSES	9,552,536	8,139,624	(1,412,912)
2502. LEASEHOLD IMPROVEMENTS	4,279,830	2,323,904	(1,955,926)
2503.			
2598. Summary of remaining write-ins for Line 25 from overflow page			
2599. Totals (Lines 2501 through 2503 plus 2598) (Line 25 above)	13,832,366	10,463,528	(3,368,838)

**NONE**

## 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						
2. Provider Service Organizations						
3. Preferred Provider Organizations	231,343	219,522	216,495	215,566	213,821	2,604,314
4. Point of Service						
5. Indemnity Only	1,480	1,429	1,382	1,328	1,293	16,478
6. Aggregate write-ins for other lines of business	169,453	173,279	174,040	175,259	175,479	2,090,948
7. Total	402,276	394,230	391,917	392,153	390,593	4,711,740

DETAILS OF WRITE-IN LINES							
0601. DENTAL ONLY		80,255	82,285	82,215	82,243	81,673	984,837
0602. STOP LOSS		53,306	42,370	42,097	42,953	43,244	511,685
0603. MEDICARE SUPPLEMENT		24,818	24,875	24,900	25,105	25,191	300,013
0698. Summary of remaining write-ins for Line 06 from overflow page		11,074	23,749	24,828	24,958	25,371	294,413
0699. Totals (Lines 0601 through 0603 plus 0698) (Line 06 above)		169,453	173,279	174,040	175,259	175,479	2,090,948

## NOTES TO FINANCIAL STATEMENTS

### 1. Summary of Significant Accounting Policies

#### A. Accounting Practices

- (1) The annual statement has been completed in accordance with the NAIC Accounting Practices and Procedures manual and as prescribed by the State of Rhode Island Department of Business Regulation – Insurance Division.
- (2) The Plan's 2018 annual statement excludes Administrative Service Contract (ASC) business from revenue, and medical and hospital claims. The ASC reimbursement has been classified as a reduction to claims adjustment and general administrative expenses.
- (3) Effective for 2006, the Plan obtained a permitted practice to recognize a liability for premium assistance for direct pay subscribers in addressing healthcare affordability. The liability at December 31, 2018 and 2017 was \$0 and \$0, respectively. The Plan has committed \$0 and \$0 for 2018 and 2017 respectively to premium assistance for Direct Pay.

Effective for 2017 the Plan has obtained a permitted practice to fully non-admit its DTA balance related to AMT credits, and to record no impact to its statutory capital and surplus as a result of the accounting for AMT credits, until such time as any amount of the AMT credit is used to offset Federal Income tax obligations or is refunded to BCBSRI in cash by the IRS. If the AMT credits were admitted surplus would be increased by \$72,516,207 and \$43,690,852, in 2018 and 2017 respectively and net income would be increased by \$36,258,104 in 2018. There is no impact on net income in 2017.

<u>NET INCOME</u>	SSAP#	F/S State	F/S Line#	<u>Dec 31, 2018</u>	<u>Dec 31, 2017</u>
(1) The Plan's state basis (RI)	xxx	xxx	xxx	\$ 9,411,398	\$22,616,368
(2) State prescribed practice that increase/(decrease) NAIC SAP					
(3) State permitted practice that increase/(decrease) NAIC SAP				<u>36,258,104</u>	<u>- -</u>
(4) NAIC SAP	xxx	xxx	xxx	\$45,669,502	\$22,616,368
 <u>SURPLUS</u>					
(5) The Plan's state basis (RI)	xxx	xxx	xxx	<u>Dec 31, 2018</u> \$298,658,624	<u>Dec 31, 2017</u> \$292,996,877
(6) State prescribed practice that increase/(decrease) NAIC SAP					
(7) State permitted practice that increase/(decrease) NAIC SAP				<u>72,516,207</u>	<u>43,690,852</u>
(8) NAIC SAP	xxx	xxx	xxx	\$371,174,831	\$336,687,729

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

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

#### C. Accounting Policy

The Plan is subject to an annual fee under section 9010 of the Patient Protection Affordable Care Act (PPACA). The fee is payable based upon the Plan offering health insurance for a specific calendar year commencing January 1, 2014 or thereafter. Per statutory accounting guidance, the entire amount of the annual fee is recognized on January 1<sup>st</sup> of the fee year in taxes, licenses and fees exclusive of federal income taxes in the statutory financial statements. Under generally accepted accounting principles, the annual fee is reported as a deferred asset on January 1 and amortized to expense on a straight line basis. Finally, per statutory accounting, the estimated fee for the subsequent year is distributed from unassigned funds and reported as an aggregate write-in for special surplus funds. There is no similar requirement under generally accepted accounting principles.

#### Income Tax Accounting Implications of the Tax Cuts and Jobs Act

On December 22, 2017, the U.S. government enacted comprehensive tax legislation commonly referred to as the Tax Cuts and Jobs Act (the "Tax Act"). The Tax Act makes broad and complex changes to the U.S. tax code, including, but not limited to, (1) reducing the U.S. federal corporate tax rate from 35% to 21%; (2) eliminating the corporate alternative minimum tax (AMT) and (3)

## NOTES TO FINANCIAL STATEMENTS

changing how existing AMT credits will be realized. BCBSRI was required to recognize the effect of the tax law changes in the period of enactment. In February 2018, the National Association of Insurance Commissioners adopted INT 18-01: Updated Tax Estimates under the Tax Cuts and Jobs Act ("INT 18-01"), which allows reporting entities to record provisional amounts during a measurement period not to extend beyond one year from the enactment date (i.e. December 22, 2018). Since the Tax Reform Act was passed late in the fourth quarter of 2017 and ongoing guidance and accounting interpretation was expected over the next 12 months, we used provisional amounts in 2017 for certain items due to the forthcoming guidance and our ongoing analysis of final year-end data and tax positions. BCBSRI has completed its analysis within the measurement period in accordance with INT 18-01.

The Plan has obtained a permitted practice to fully non-admit its DTA balance related to AMT credits, and to record no impact to its statutory capital and surplus as a result of the accounting for AMT credits, until such time as any amount of the AMT credit is used to offset Federal Income tax obligations or is refunded to BCBSRI in cash by the IRS. If the AMT credits were admitted surplus would be increased by \$72,516,207 and \$43,690,852, in 2018 and 2017 respectively and net income would be higher by \$36,258,104 in 2018. There is no impact on net income in 2017.

- (1) Short-term investments are stated at amortized cost.
- (2) Bonds not backed by other loans are stated at amortized cost using the effective interest rate method.
- (3) Common stocks at fair market value except the investments in stocks of uncombined subsidiaries and affiliates in which the Plan has an interest of 20% or more are carried on the equity basis.
- (4) Preferred stock are stated in accordance with guidance provided in SSAP No. 32.
- (5) The Plan does not have mortgage loans on real estate.
- (6) Loan-backed securities are stated at either amortized cost or the lower of amortized cost or fair market value. The prospective adjustment method is used to value all securities except for interest only securities or securities where the yield had become negative.
- (7) The Plan has a minority interest in Blue International Solutions with a carrying value of \$1,121,512. The Plan also has a minority interest in Health Intelligence Co, LLC with a carrying value of \$1,210,173. The Plan also has a minority interest in Prime Therapeutics with a carrying value of \$10,990,418. The Plan also has a minority interest in OSH-RI, LLC of \$3,493,000.
- (8) The Plan has minor ownership interests in partnerships and limited liability companies. The value of these interests are based on the underlying audited GAAP equity of the investee.
- (9) The Plan does not own derivative investments.
- (10) The Plan considers anticipated investment income as a factor in premium deficiency calculation.
- (11) Unpaid losses and loss adjustment expenses include an amount determined from individual case estimates and loss reports and an amount, based on past experience, for losses incurred but not reported. Such liabilities are necessarily based on assumptions and estimates and while management believes the amount is adequate, the ultimate liability may be in excess of or less than the amount provided. The methods for making such estimates and for establishing the resulting liability are continually reviewed and any adjustments are reflected in the period determined.
- (12) The Plan has not modified its capitalization policy from the prior period.
- (13) The Plan's pharmacy benefit manager provides estimated pharmacy rebates on a quarterly basis.

#### D. Going Concern

Management continually evaluates the Plan's ability to continue as a going concern. After considering management's plans, potential events and principal conditions, there is no substantial doubt about the Plan's ability to continue as a going concern.

### 2. Accounting Changes and Correction of Errors

There were no Accounting Changes and Correction of Errors in 2018.

### 3. Business Combinations and Goodwill

There were no Business Combinations and resulting Goodwill in 2018.

## NOTES TO FINANCIAL STATEMENTS

### 4. Discontinued Operations

The Plan did not incur discontinued operations for 2018.

### 5. Investments

A. The Plan did not have any outstanding mortgage loans in 2018.

B. The Plan did not have any debt restructuring in 2018.

C. The Plan did not have any reverse mortgages in 2018.

D. Loan-Backed Securities

(1) The Plan utilizes the prospective method for loan backed securities. The Plan obtains the prepayment assumptions for mortgage-backed/asset-backed securities from the following hierarchy: Bloomberg median speed; if none, then 6 month historical CPR; if none, then YieldBook prepayment model that runs fixed rate MBS at 100% of the model and Hybrid Arms at 100% of MTB (Model to Balloon). CMBS are run at a 0% constant prepayment rate. If this information is not obtainable from one of these sources then analysts determine the cash flows to be used. The Plan utilizes the fair market value as published by the NAIC Valuation Securities Manual. If the rate is not published by the Securities Valuation Office (SVO), the security is carried at amortized value in accordance with NAIC guidelines.

(2) The Plan recognized other-than-temporary impairment (OTTI) for loan-backed securities:

	1	2	3
	Amortized Cost Basis Before other-than- Temporary- Impairment	Other-than- Temporary- Impairment Recognized in loss	Fair Value 1 - 2
OTTI recognized 4 <sup>th</sup> Qtr			
j. Intent to sell	20,063,290	233,205	19,830,085
l. Total 4 <sup>th</sup> Qtr	20,063,290	233,205	19,830,085
m. Annual Aggregate Total	20,063,290	233,205	19,830,085

(3) The Plan recognized OTTI for loan-backed securities see table below:

1	2	3	4	5	6	7
Cusip	Book Adjusted Carrying Value Before Current Period OTTI	Present Value of Projected Cash Flow	Recognized other-than Temporary Impairment	Amortized Cost after Other- Than-Temporary Impairment	Fair Value time of OTTI	Date of Financial where Reported
02007CAD4	55,640	55,557	83	55,557	55,557	12/31/18
03065VAD9	1,744	1,743	1	1,743	1,743	12/31/18
06742LAE3	1,419,317	1,407,892	11,425	1,407,892	1,407,892	12/31/18
12591RAX8	567,724	564,843	2,881	564,843	564,843	12/31/18
12593NAD9	189,992	189,286	706	189,286	189,286	12/31/18
12594DAD0	496,293	492,494	3,799	492,494	492,494	12/31/18
12637BAD3	534,943	527,959	6,984	527,959	527,959	12/31/18
254683CB9	449,927	443,286	6,641	443,286	443,286	12/31/18
29365YAA1	265,184	260,867	4,317	260,867	260,867	12/31/18
3128MESM4	344,114	334,099	10,015	334,099	334,099	12/31/18
3137AK6E6	513,466	501,451	12,015	501,451	501,451	12/31/18
3137B9U45	556,030	553,396	2,634	553,396	553,396	12/31/18
3138ETJ23	360,358	350,289	10,069	350,289	350,289	12/31/18
3138ETNT9	1,039,222	993,125	46,097	993,125	993,125	12/31/18
3138WCWA7	398,534	384,673	13,861	384,673	384,673	12/31/18
36159JCV1	1,075,159	1,074,602	557	1,074,602	1,074,602	12/31/18
36254UAD2	224,995	222,518	2,477	222,518	222,518	12/31/18
38376GA75	521,887	504,895	16,992	504,895	504,895	12/31/18
38378XFJ5	355,645	347,303	8,342	347,303	347,303	12/31/18
38379KFK9	461,519	453,347	8,172	453,347	453,347	12/31/18
38379KKZ0	458,232	446,624	11,608	446,624	446,624	12/31/18
41284BAE6	603,266	601,779	1,487	601,779	601,779	12/31/18
44932GAD7	344,973	340,826	4,147	340,826	340,826	12/31/18
47788BAD6	349,992	346,119	3,873	346,119	346,119	12/31/18
50117NAC8	534,966	526,156	8,810	526,156	526,156	12/31/18
6288VAA6	1,025,270	1,023,787	1,483	1,023,787	1,023,787	12/31/18
62888WAB2	1,470,546	1,467,728	2,818	1,467,728	1,467,728	12/31/18
62888WAC0	282,241	278,575	3,666	278,575	278,575	12/31/18
62889CAA7	487,665	487,501	164	487,501	487,501	12/31/18
65479AAB8	145,582	145,576	6	145,576	145,576	12/31/18
831641FA8	1,169,455	1,159,628	9,827	1,159,628	1,159,628	12/31/18
831641FE0	1,379,149	1,375,900	3,249	1,375,900	1,375,900	12/31/18
89237RAD0	569,980	562,003	7,977	562,003	562,003	12/31/18
92347XAA4	197,199	196,435	764	196,435	196,435	12/31/18

## NOTES TO FINANCIAL STATEMENTS

92348PAA0	209,988	207,893	2,095	207,893	207,893	12/31/18
981464CW8	1,003,093	999,930	3,163	999,930	999,930	12/31/18
Total	20,063,290	19,830,085	233,205	19,830,085	19,830,085	

## (4) Loan-backed securities with unrealized losses as of December 31, 2018:

## Loan-Backed Securities

## a. The aggregate amount of unrealized losses:

1. Less than 12 Months	\$178,889
2. 12 Months or Longer	\$967,055

## b. The aggregate related fair value of securities with unrealized losses:

1. Less than 12 Months	\$22,572,846
2. 12 Months or Longer	\$36,816,003

(5) The evaluation of impairments is a quantitative and qualitative process, which is subject to risks and uncertainties and is intended to determine whether declines in the fair value of investments should be recognized in the current period. The risks and uncertainties include changes in general economic conditions, the issuer's financial condition or near term recovery prospects, the effects of changes in interest rates or credit spreads and the recovery period. As of December 31, 2018, the Plan does not consider loan-backed securities in an unrealized loss position to be other-than-temporarily impaired as reported in the table above.

## E. Repurchase Agreements

- 1) For repurchase agreements, the Plan ensures that the fair market value of the collateralized security is equal to or exceeds the amount under agreement to repurchase.
- 2) The Plan has investments pledged as collateral. The securities are US Treasury Bonds and Corporate Bonds with a carrying value of \$117,581,366.
- 3) The Plan has not accepted any collateral.
- 4) The Plan does not have any securities lending transactions.
- 5) The Plan does not have any collateral reinvestment.
- 6) The Plan has not accepted any collateral.
- 7) The Plan does not have any securities lending transactions.

F. Repurchase agreements accounted for as secured borrowing is non-applicable.

G. Reverse repurchase agreements accounted for as secured borrowing is non-applicable.

H. Repurchase agreements accounted for as a sale is non-applicable.

I. Reverse repurchase agreements accounted for as sale is non-applicable.

J. The Plan does not hold real estate for investment purposes.

K. The Plan does not have any low-income housing credits.

## L. 1) Restricted Assets

Nonadmitted) Restricted from Restricted Asset Category	Total Gross (Admitted & Nonadmitted) Restricted from Current Year	Total Gross (Admitted & Increase/ (Decrease) Prior Year	Year Nonadmitted (1 minus 2)	Total Current Year Admitted Restricted	Total Current Restricted to Total Assets (1 minus 4)	Gross (Admitted & Nonadmitted)	Admitted Restricted to Total
						Admitted (a)	Assets (b)
a. Subject to contractual obligation for which liability is not shown	\$117,412,173	\$115,488,569	\$1,923,604	\$ --	\$117,412,173	15.531%	18.396%
b. Collateral held under security lending agreements	--	--	--	--	--	--	--
c. Subject to repurchase agreements	169,193	77,238	91,955	--	169,193	0.022%	0.027%
d. Subject to reverse repurchase agreements	--	--	--	--	--	--	--
e. Subject to dollar repurchase agreements	--	--	--	--	--	--	--
f. Subject to dollar reverse repurchase agreements	--	--	--	--	--	--	--
g. Placed under option contracts	--	--	--	--	--	--	--
h. Letter stock or securities restricted as to sale	--	--	--	--	--	--	--
i.FHLB capital stock	--	--	--	--	--	--	--
j.On deposit with states	--	--	--	--	--	--	--
k. On deposit with regulatory bodies	--	--	--	--	--	--	--
l.Pledged as collateral FHLB	--	--	--	--	--	--	--
m. Pledged as collateral not captured in other categories	--	--	--	--	--	--	--
n. Other restricted assets	--	--	--	--	--	--	--
o. Total Restricted Assets	<u>\$117,581,366</u>	<u>\$115,565,807</u>	<u>\$2,015,559</u>	<u>\$ --</u>	<u>\$117,581,366</u>	<u>15.553%</u>	<u>18.423%</u>
(a)	Column 1 divided by Asset Page, Column 1, Line 28						
(b)	Column 5 divided by Asset Page, Column 3, Line 28						

## NOTES TO FINANCIAL STATEMENTS

- 2) Pledged Assets not captured in other categories is not applicable to the Plan.  
 3) Other Restricted Assets is not applicable to the Plan.  
 4) The Plan does not have any Collateral received in Assets  
 M. The Plan does not have any Working Capital Finance Investments.  
 N. The Plan does not offset Assets and Liabilities of Investments.  
 O. The Plan does not have any Structured Notes Investments.  
 P. The Plan does not own only 5GI\* Securities.  
 Q. The Plan does not have any short sales.  
 R. Prepayment Penalty and Acceleration fees

(1) Number of CUSIPs	7
(2) Aggregate Amount of Investment Income	\$83,870

### 6. Joint Ventures, Partnerships and Limited Liability Companies

The Plan does not have an investment interest in joint ventures, partnerships and limited liability companies that individually exceeds 10% of its admitted assets.

### 7. Investment Income

The Plan has not excluded from assigned funds (surplus) any investment income due and accrued.

### 8. Derivative Instruments

The Plan does not own any derivative instruments.

### 9. Income Taxes

SSAP 101 became effective from January 1, 2012.

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

(1)	12/31/2018			12/31/2017			Change		
	(000)								
	Ordinary	Capital	Total	Ordinary	Capital	Total	Ordinary	Capital	Total
(a) Gross deferred tax assets	\$125,138	\$ 315	\$125,454	\$127,308	\$ 0	\$127,308	\$ (2,169)	\$ 315	\$ (1,854)
(b) Statutory valuation allow	(52,938)	0	(52,938)	(59,576)	0	(59,576)	6,639	0	6,639
(c) Adjusted gross deferred tax	\$ 72,201	\$ 315	\$ 72,516	\$ 67,731	\$ 0	\$ 67,731	\$ 4,470	\$ 315	\$ 4,785
(d) Deferred tax nonadmitted	(72,516)	0	(72,516)	(62,910)	0	(62,910)	(9,606)	0	(9,606)
(e) subtotal (net deferred tax asset)	\$ (315)	\$ 315	\$ 0	\$ 4,821	\$ 0	\$ 4,821	\$ (5,137)	\$ 315	\$ (4,821)
(f) deferred tax liabilities	0	0	0	0	(4,821)	(4,821)	0	4,821	4,821
(g) Gross deferred tax asset/(liabil)	\$ (315)	\$ 315	\$ 0	\$ 4,821	\$ (4,821)	\$ 0	\$ (5,137)	\$ 5,137	\$ 0

(2) Admission calculation components:

	12/31/2018			12/31/2017			Change		
	(000)								
	Ordinary	Capital	Total	Ordinary	Capital	Total	Ordinary	Capital	Total
(a) Admitted pursuant to 11.a. loss carrybacks)	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
(b) Admitted pursuant to 11.b. Realization per 11.b.i	\$ (315)	\$ (315)	\$ 0	\$ 4,821	\$ (4,821)	\$ 0	\$ (5,137)	\$ 5,137	\$ 0
Limitation per 11.b.ii.	\$ N/A	\$ N/A	\$ 0	\$ N/A	\$ N/A	\$ 0	\$ N/A	\$ N/A	\$ 0
(c) SSAP No. 10R, Parag 10.eii.a	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
(d) SSAP No. 10R, Parag 10.eii.b	\$ (315)	\$ (315)	\$ 0	\$ 4,821	\$ (4,821)	\$ 0	\$ (5,137)	\$ 5,137	\$ 0

(3) Used in 11.b.

	2018	2017
(a) Ratio percentage used to determine recovery Period and threshold limitation amount	519.9%	500.1%
(b) Amount of adjusted capital and surplus used to determine recovery period and threshold limitation in 2(b)2 above	\$44,732,801	\$43,690,852

(4) Impact of tax planning strategies (TPS) on adjusted gross DTAs and net admitted DTAs

	12/31/2018			12/31/2017			Change		
	percentages								
	Ordinary	Capital	Total	Ordinary	Capital	Total	Ordinary	Capital	Total
(a) Adjusted gross DTAs - percentage	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
(b) Admitted gross DTAs -percentage	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
(c) Does the Plan's tax planning strategies include the use of reinsurance? Yes ___ No <u>X</u>									

B. Temporary differences for which a DTL has not been established:

## NOTES TO FINANCIAL STATEMENTS

N/A

## C. Significant components of income taxes incurred.

The change for the period ended 2017 in DTAs and DTLs caused from the tax rate change is as follows:

	Gross Deferred Tax Assets	Statutory Valuation Allowance	Adjusted Gross Deferred Tax Assets	Gross Deferred Tax Liability
Previous Tax Rate (35%)	\$163,834,741	\$(96,103,280)	\$67,731,461	\$8,035,779
Tax Rate under the Act (21%)	<u>127,307,894</u>	<u>(59,576,433)</u>	<u>67,731,461</u>	<u>4,821,467</u>
Difference	\$ 36,526,847	\$(36,526,847)	\$ --	\$3,214,312

## (1) Current income taxes incurred consist of the following major components:

	<u>12/31/2018</u>	<u>12/31/2017</u>	<u>Change</u>
(1) Current Income Tax			
(a) Federal	(1,416)	379,246	(380,662)
(b) Foreign	<u>0</u>	<u>0</u>	<u>0</u>
(c) Subtotal	(1,416)	379,246	(380,662)
(d) Federal Income Tax on net capital gains	0	0	0
(e) Utilization of capital loss carry-forwards	0	0	0
(f) Other	<u>0</u>	<u>0</u>	<u>0</u>
(g) Federal and foreign income taxes incurred	<u>\$ (1,416)</u>	<u>\$ 379,246</u>	<u>\$ (380,662)</u>

## (2) Deferred Tax Assets

a. Ordinary	<u>12/31/2018</u>	<u>12/31/2017</u>	<u>Change</u>
(1) Discount of unpaid losses	\$ 530,106	\$ 260,510	\$ 269,596
(2) Unearned premium reserve	0	0	0
(3) Policyholder reserves	0	0	0
(4) Investments	0	0	0
(5) Intangibles	5,197,139	5,212,999	(15,860)
(6) Policyholder dividends accrual	0	0	0
(7) Fixed assets	1,198,714	2,052,579	(853,865)
(8) Compensation and benefits accrual	4,724,319	4,580,182	144,137
(9) Pension accrual	964,751	1,632,613	(667,862)
(10) Receivables - nonadmitted	223,600	474,997	(251,397)
(11) Net operating loss carry-forward	36,561,261	36,561,261	0
(12) Tax credit carry-forward	72,516,207	72,517,624	(1,417)
(13) Other	<u>3,222,401</u>	<u>4,015,129</u>	<u>(792,728)</u>
(99) Subtotal – Gross ordinary DTAs	<u>\$ 125,138,498</u>	<u>\$ 127,307,894</u>	<u>\$ (2,169,396)</u>
b. Statutory valuation allowance Adjustment	\$ (52,937,512)	\$ (59,576,433)	\$ 6,638,921
c. Nonadmitted	<u>\$ (72,516,207)</u>	<u>\$ (62,909,993)</u>	<u>\$ (9,606,214)</u>
d. Admitted Ordinary Deferred Tax Assets	<u>\$ (315,221)</u>	<u>\$ 4,821,467</u>	<u>\$ (5,136,689)</u>
e. Capital			
(1) Investments	\$ 315,221	\$ 0	\$ 315,221
(2) Net capital loss carry-forward	0	0	0
(3) Real estate	0	0	0
(4) Other	<u>0</u>	<u>0</u>	<u>0</u>
(99) Subtotal - Capital DTAs	<u>\$ 315,221</u>	<u>\$ 0</u>	<u>\$ 315,221</u>
f. Statutory Valuation allowance Adjustment	0	0	0
g. Nonadmitted	<u>0</u>	<u>0</u>	<u>0</u>
h. Admitted Capital Deferred Tax Assets	<u>\$ 315,221</u>	<u>\$ 0</u>	<u>\$ 315,221</u>
i. Admitted Deferred Tax asset	<u>\$ 0</u>	<u>\$ 4,821,467</u>	<u>\$ (4,821,467)</u>

## (3) Deferred Taxes Liabilities

a. Ordinary	<u>12/31/2018</u>	<u>12/31/2017</u>	<u>Change</u>
(1) Investments	0	0	0
(2) Fixed Assets	0	0	0
(3) Deferred and Uncollected premiums	0	0	0
(4) Policyholder Reserves	0	0	0
(5) Other	<u>0</u>	<u>0</u>	<u>0</u>
(99) Subtotal - Ordinary DTLs	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
b. Capital			
(1) Investments	0	(4,821,467)	4,821,467
(2) Real estate	0	0	0
(3) Other	<u>0</u>	<u>0</u>	<u>0</u>
(99) Subtotal – Capital DTLs	<u>\$ 0</u>	<u>\$ (4,821,467)</u>	<u>\$ 4,821,467</u>
c. Deferred tax liabilities	<u>\$ 0</u>	<u>\$ (4,821,467)</u>	<u>\$ 4,821,467</u>
(4) Net deferred tax assets/liabilities	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>

## Income Tax Accounting Implications of the Tax Cuts and Jobs Act

On December 22, 2017, the U.S. government enacted comprehensive tax legislation commonly referred to as the Tax Cuts and Jobs Act (the "Tax Act"). The Tax Act makes broad and complex changes to the U.S. tax code, including, but not limited to, (1) reducing the U.S. federal corporate tax



## NOTES TO FINANCIAL STATEMENTS

rate from 35% to 21%; (2) eliminating the corporate alternative minimum tax (AMT) and (3) changing how existing AMT credits can be realized. As a result of enactment of this legislation, for the period ended December 31, 2017, BCBSRI incurred a net decrease of its gross deferred tax assets and gross deferred tax liabilities of approximately \$36,526,847 and \$3,214,312, respectively, related to the remeasurement of deferred tax assets and liabilities to reflect the new corporate tax rate of 21%. BCBSRI also recognized in 2017 a decrease in its valuation allowance against the gross deferred tax asset of approximately \$33,312,535 due to the impact of tax reform.

### Provisional Amounts

At December 31, 2017, BCBSRI has recorded provisional amounts for the Tax Act's impact, such as re-measurement of certain deferred tax assets and liabilities, refundable AMT credits and potential sequestration. Calculations have been made and refined as additional information became available and further analysis was completed.

Deferred tax assets and liabilities: In 2017, certain deferred tax assets and liabilities have been remeasured based on the rates at which they are expected to reverse in the future, which is generally 21%.

### D. Nature of significant reconciling items for income taxes incurred and change in DTAs and DTLs

The provision for federal income taxes incurred is different from that which would be obtained by applying the statutory federal income tax rate to income taxes including realized capital gains/losses. The significant items causing this difference are as follows:

	<u>Amount</u>	<u>Tax Effect</u>	<u>Effective Tax Rate</u>
Income before Taxes (including all realized capital gains/losses)	\$ 9,409,982	\$ 1,976,096	21.00%
Health Insurer fee	32,459,750	6,816,548	72.44%
Special 3 month reserve deduction	(61,060,703)	(12,822,748)	-136.27%
Change in Unrealized gains/losses	(9,638,677)	(2,024,122)	-21.51%
Revisions to estimates	(573,583)	(120,452)	-1.28%
Statutory Valuation Allowance Adjustment	14,129,961	2,967,292	31.53%
Permanent differences	8,987,278	1,887,328	20.06%
Change in non-admitted assets	5,889,023	1,236,695	13.14%
Other	<u>390,226</u>	<u>81,948</u>	<u>0.87%</u>
Total	<u>\$ (6,742)</u>	<u>\$ (1,416)</u>	<u>-0.02%</u>
Federal Income Taxes Incurred		\$ (1,416)	-0.02%
Change in net deferred income taxes		<u>0</u>	<u>0.00%</u>
Total statutory income taxes		<u>\$ (1,416)</u>	<u>-0.02%</u>

### E. Carryforwards, recoverable taxes, and IRC 6603 deposits

Plan has net operating loss carryforwards of \$174,101,241 expiring through calendar years 2030 to 2036.

Plan has charitable contribution carryforward of \$280,981 expiring through calendar year 2021.

Plan has an AMT credit carryforwards of \$72,516,207 which can be utilized to offset regular tax with any remaining amount eligible for a refund of 50% beginning in 2018 through 2020. Any remaining amount will be fully refundable beginning in the 2021 tax year.

Income taxes, ordinary capital, available for recoupment in the event of future losses include:

The Plan has no income taxes incurred in the current and prior years that will be available for recoupment in the event of future net losses.

Deposits admitted under IRC 6603

N/A

### F. Income Tax loss contingencies

The Plan has not recorded any contingencies related to taxes.

### G. The Plan's federal income tax return is consolidated with the following entities:

The Plan does not join in the filing of a consolidated federal income tax return.

## 10. Information Concerning Parent, Subsidiaries and Affiliates

A. See Schedule Y Part 1 for nature of relationship.

## NOTES TO FINANCIAL STATEMENTS

- B. BCBSRI made an investment in OSH-RI, LLC on November 20, 2018 of \$3,493,000.
- C. Non-Applicable
- D. Non-Applicable
- E. Non-Applicable
- F. Non-Applicable
- G. Non-Applicable
- H. Non-Applicable
- I. Non-Applicable
- J. Non-Applicable
- K. Non-Applicable
- L. Non-Applicable
- M. Non-Applicable
- N. Non-Applicable
- O. Non-Applicable

### 11. Debt

#### A.

##### Mortgage on Building

- (1) Date issued is January 14, 2008.
- (2) Bank loan for corporate office building.
- (3) The maximum loan amount is \$90,000,000.
- (4) Carrying value of loan is \$62,260,951.
- (5) The rate at which interest accrues is 30-day LIBOR plus an agreed upon spread (basis points).
- (6) The effective interest rate is equivalent to the 30-day LIBOR plus an agreed upon spread (basis points).
- (7) Office building structure.
- (8) Interest paid year to date is \$3,669,716.
- (9) Loan converted to fixed rate mortgage instrument in February 2010.
- (10) Non-Applicable
- (11) Non-Applicable
- (12) Non-Applicable

##### Line of Credit

- (1) Date issued is January 2011.
- (2) Revolving line of credit.
- (3) The maximum available amount is \$60,000,000.
- (4) Carrying value of line of credit as of Dec 2018 is \$25,000,000 plus accrued interest of \$196,659.
- (5) The rate at which interest accrues is 30-day LIBOR Advantage rate plus 150 basis points. In addition, interest accrues on the commitment amount less funds drawdown at twenty basis points.
- (6) The effective interest rate is equivalent to the 30-day LIBOR Advantage rate plus 150 basis points.
- (7) Marketable securities.
- (8) Interest paid year to date is \$193,943.
- (9) The repayment of accrued interest is payable monthly and the entire unpaid principal balance is due and payable along with unpaid interest upon maturity. The line of credit maturity date is less than one year.
- (10) Non-Applicable
- (11) Non-Applicable
- (12) Non-Applicable

- B. The Plan does not have any Federal Home Loan Bank agreements.

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

#### A) Defined Benefit Plan

The Plan terminated its defined benefit plan in 2015.

Supplemental Executive Retirement Plans (SERP)

## NOTES TO FINANCIAL STATEMENTS

The Supplemental Executive Retirement Plans (“SERP”) are non-qualified defined benefit pension plans for certain executives as designated by the Board of Directors. There are annuities and installment payments made to retired participants.

Effective January 1, 2014 the SERP was frozen for active executives as designated by the Board of Directors. The designated executives will no longer accrue additional benefits based on pay and service subsequent to December 31, 2013.

### Postretirement Benefit Plans

Eligible employees hired prior to January 1, 1992, who retire on or after attaining normal retirement age and who have rendered specific years of service under the provisions of the Blue Cross & Blue Shield of Rhode Island Retirement Plan are entitled to certain postretirement health care, medical coverage and life insurance benefits. The Plan may amend or change the postretirement benefits periodically. Effective January 1, 1993, except for those employees who have an exemption based on circumstances previously existing, these benefits are now subject to copayment provisions and other limitations. Effective April 1, 2013, a plan amendment for retiree insurance benefits was adopted whereby eligible active and former employees that had not attained retirement age of 55 or older and had not been collecting these benefits would not be entitled to these benefits upon retirement. The discontinued retiree benefits were life insurance and a group health insurance subsidy.

- (1) The following tables set forth the funding status and amounts recognized in the Plan’s Statutory Statements of Admitted Assets, Liabilities and Reserves at December 31, 2018 and 2017 for the Defined Benefit Plan, for the SERP and the Postretirement Benefit Plan:

(In Thousands)				
SERP:	Overfunded		Underfunded	
	2018	2017	2018	2017
Change in Projected Benefit Obligation:				
(1) Benefit obligation at beginning of year	\$ --	\$ --	\$4,322	\$3,927
(1) Service cost	--	--	--	--
(2) Interest cost	--	--	139	157
(3) Contributions by plan participants	--	--	--	--
(4) Actuarial gain (loss)	--	--	(377)	324
(5) Foreign currency exchange rate	--	--	--	--
(6) Benefit and administrative expenses paid	--	--	(86)	(86)
(7) Plan amendments	--	--	--	--
(8) Curtailment, settlements, etc.	--	--	(477)	--
(9) Benefit obligation at end of year	\$ --	\$ --	\$3,521	\$4,322

(In Thousands)				
Postretirement Benefits:	Overfunded		Underfunded	
	2018	2017	2018	2017
Change in Projected Benefit Obligation:				
(1) Benefit obligation at beginning of year	\$ --	\$ --	\$16,315	\$17,030
(10) Service cost	--	--	--	--
(11) Interest cost	--	--	499	599
(12) Contributions by plan participants	--	--	--	--
(13) Actuarial gain (loss)	--	--	(1,968)	402
(14) Foreign currency exchange rate	--	--	--	--
(15) Benefit and administrative expenses paid	--	--	(1,005)	(1,716)
(16) Plan amendments	--	--	--	--
(17) Curtailment, settlements, etc.	--	--	--	--
(18) Benefit obligation at end of year	\$ --	\$ --	\$13,841	\$16,315

(In Thousands)				
Change in Plan Assets:	SERP		Postretirement	
	2018	2017	2018	2017
a. Fair value of assets at beginning of year	\$ --	\$ --	\$ --	\$ --
b. Actual return on plan assets	--	--	--	--

## NOTES TO FINANCIAL STATEMENTS

c. Foreign currency exchange rate	--	--	--	--
d. Contribution by reporting entity	563	86	1,005	1,716
e. Contribution by plan participants	--	--	--	--
f. Benefits paid	(86)	(86)	(1,005)	(1,716)
g. Business combinations & settlements	(477)	--	--	--
h. Fair value of assets at end of year	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>

## (3) Funded Status:

(In Thousands)

	<u>SERP</u>		<u>Postretirement</u>	
	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>
a. Components:				
1. Prepaid benefit costs	\$ --	\$ --	\$ --	\$ --
2. Overfunded plan assets	--	--	--	--
3. Accrued benefit costs	2,974	3,282	11,811	12,224
4. Liability for benefits	547	1,040	2,030	4,091
b. Assets and liabilities recognized				
1. Assets (nonadmitted)	--	--	--	--
2. Liabilities recognized	3,521	4,322	13,841	16,315
c. Unrecognized liabilities	--	--	--	--

## (4) Net periodic benefit cost for 2018 and 2017 included the following components:

(In Thousands)

	<u>SERP</u>		<u>Postretirement</u>	
	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>
a. Service cost	\$ --	\$ --	\$ --	\$ --
b. Interest cost	138	157	499	599
c. Expected return on plan assets	--	--	--	--
d. Transition asset or obligation	--	--	--	--
e. Gains and losses	12	9	305	338
f. Prior service cost or credit	--	--	(212)	(212)
g. G/L due to settlement or curtailment	--	--	--	--
h. Net periodic benefit cost	<u>\$ 150</u>	<u>\$ 166</u>	<u>\$ 592</u>	<u>\$ 725</u>

## (5) Amounts in unassigned funds (surplus) recognized as components of net periodic benefit cost

(In Thousands)

	<u>SERP</u>		<u>Postretirement</u>	
	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>
a. Items not yet recognized as a component of net periodic cost – prior year	\$ --	\$ --	\$ --	\$ --
b. Net transition asset or obligation recognized	--	--	--	--
c. Net prior service cost or credit arising during the period	--	--	--	--
d. Net prior service cost or credit recognized	--	--	--	--
e. Net gain and loss arising during the period	--	--	--	--
f. Net gain and loss recognized	--	--	--	--
g. Items not yet recognized as a component of net periodic cost - current year	--	--	--	--

## (6) Amounts in unassigned funds (surplus) expected to be recognized in the next fiscal year as components of net periodic benefit cost

(In Thousands)

	<u>SERP</u>		<u>Postretirement</u>	
	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>
a. Net transition asset or obligation	\$ --	\$ --	\$ --	\$ --
b. Net prior service cost or credit	--	--	--	--
c. Net recognized gains and losses	--	--	--	--

## (7) Amounts in unassigned funds (surplus) that have not yet been recognized as components of net periodic benefit cost

a. Net transition asset or obligation	\$ --	\$ --	\$ --	\$ --
b. Net prior service cost or credit	--	--	--	--
c. Net recognized gains and losses	--	--	--	--

## (8) Actuarial assumptions used in the accounting at the measurement date were:

## NOTES TO FINANCIAL STATEMENTS

	<u>SERP</u>		<u>Postretirement</u>	
	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>
Weighted-average assumptions used to determine net periodic benefit cost				
a. Discount Rate	3.53%	4.05%	3.30%	3.61%
b. Expected return on plan assets	-	-	-	-
c. Rate of compensation increase	N/A	N/A	-	-
Weighted-average assumptions used to determine projected benefit obligations				
d. Discount Rate	4.15%	3.53%	3.95%	3.30%
e. Rate of compensation increase	N/A	N/A	-	-

(9) The accumulated benefit obligation for the SERP was \$3,520,518 and \$4,322,458 as of year ended 2018 and 2017 respectively

(10) The assumed annual rate of increase in the per capita cost of medical benefits is 7% in 2018 and is assumed to decrease through years 2020 and remain level at 5.88% through 2024.

(11) Assumed health care cost trend rates have a significant effect on the amounts reported for the health care plans. A one-percentage-point change in assumed health care cost trend rates would have the following effects:

	1 Percentage Point Increase	1 Percentage Point Decrease
a. Effect on total of service and interest cost components	\$ 30,200	\$ 25,000
b. Effect on postretirement benefit obligation	\$ 691,400	\$ 577,800

(12) The following benefit payments, which reflect expected future service, as appropriate, are expected to be paid:

	<u>Year</u>	<u>SERP Pension Benefits</u>	<u>Postretirement Benefits*</u>
a.	2019	\$ 116,000	\$1,149,000
b.	2020	118,000	1,150,000
c.	2021	119,000	1,115,000
d.	2022	128,000	1,074,000
e.	2023	142,000	1,041,000
f.	2024 - 2028	851,000	4,539,000

\*excludes receivables for Medicare Part D subsidy

(13) The Plan expects to contribute \$116,000 to its SERP and \$1,149,000 to its postretirement benefits in 2019.

(14) Securities type

<u>Asset Category</u>	<u>Plan Assets</u>	
	<u>2018</u>	<u>2017</u>
Equity Securities	0.00%	0.00%
Debt Securities	0.00%	0.00%
Other	<u>0.00%</u>	<u>0.00%</u>
Total	0.00%	0.00%

The investment policy includes a periodic review of the pension plan's investment in the various asset classes.

(15) Not applicable

(16) Not applicable

(17) Not applicable

(18) Not applicable

(19) Not applicable

(20) Pension Plans with an accumulated benefit obligation in excess of plan asset  
(In Thousands)

	<u>SERP</u>		<u>Postretirement</u>	
	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>

## NOTES TO FINANCIAL STATEMENTS

Projected benefit obligation	\$ 3,521	\$ 4,322	\$ 13,841	\$ 16,315
Accumulated benefit obligation	3,521	4,322	13,841	16,315
Fair value of plan assets	--	--	--	--

Pension Plans with plan asset in excess of accumulated benefit obligation  
(In Thousands)

	<u>SERP</u>		<u>Postretirement</u>	
	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>
Projected benefit obligation	N/A	N/A	N/A	N/A
Accumulated benefit obligation	N/A	N/A	N/A	N/A
Fair value of plan assets	N/A	N/A	N/A	N/A

(21) Not applicable

B. Not applicable the Plan does not hold any plan assets.

C. The following table provides information as of December 31, 2018 and 2017 about the Plan's pension plan financial assets by asset category.

	<u>December 31, 2018</u>			
	Level 1	Level 2	Level 3	Total
Mutual Funds				
Equity Mutual Funds	\$ --	\$ --	--	\$ --
Fixed Income Mutual Funds	--	--	--	--
General Investment Account	--	--	--	--
Total Assets	<u>\$ --</u>	<u>\$ --</u>	<u>--</u>	<u>\$ --</u>

	<u>December 31, 2017</u>			
	Level 1	Level 2	Level 3	Total
Mutual Funds				
Equity Mutual Funds	\$ --	\$ --	--	\$ --
Fixed Income Mutual Funds	--	--	--	--
General Investment Account	--	--	--	--
Total Assets	<u>\$ --</u>	<u>\$ --</u>	<u>--</u>	<u>\$ --</u>

2. Level 1 - Unadjusted quoted prices in active markets that are accessible at the measurement date for identical, unrestricted assets or liabilities;

Level 2 - Quoted prices in markets that are not active, or inputs that are observable either directly or indirectly, for substantially the full term of the asset or liability;

Level 3 - Prices or valuation techniques that require inputs that are both significant to the fair value measurement and unobservable (i.e., supported by little or no market activity).

D. The Plan does not hold any plan assets.

### E. Employee Savings Plan

Participant contributions to the plan are derived from voluntary salary reduction agreements with the employer. The participant may, subject to the Internal Revenue Service (IRS) compensation deferral limits, contribute from 1% to 60% of his or her plan compensation, as defined, as a pre-tax basic contribution. The participant may then contribute a supplemental pre-tax contribution which, when combined with the participant's basic contribution, shall not exceed 60% of the participant's plan compensation, as defined. In addition, after-tax contributions up to 8% of the participant's plan compensation, as defined, may be made as long as total contributions do not exceed IRS guidelines. The employer contributes an amount equal to 100% of the participant's basic salary deferral contribution subject to a maximum of 6% of compensation.

Upon enrollment in the plan, a participant may direct participant and employer contributions in 1% increments with a minimum contribution of 1% in any of the investment options. Participants may change their contribution percentage and investment selections in accordance with stated plan requirements. Participants that contribute on a pre-tax basis up to 6% an equal amount will be

## NOTES TO FINANCIAL STATEMENTS

matched by the Plan. Total employer contributions to the 401(k) savings plan in 2018 and 2017 were approximately \$5,848,000 and \$4,873,000, respectively.

F. Multiemployer Plans is not applicable.

G. Holding company Plans is not applicable

H. Postemployment Benefits

The Plan provides for certain postemployment benefits including disability benefits for eligible employees. The Plan has not recorded a liability for these benefits at December 31, 2018 and 2017, respectively.

I. Impact of Medicare Modernization Act on Postretirement Benefits is no longer applicable as of 2010.

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

- 1) The Plan does not have any capital stock.
- 2) The Plan does not have any preferred stock.
- 3) The Plan does not have any dividend restrictions.
- 4) The Plan does not have any ordinary dividends.
- 5) The Plan does not have any paid dividends.
- 6) The Plan does not have any restrictions on unassigned funds.
- 7) The Plan does not have any advances to surplus unpaid.
- 8) The Plan does not have any conversion of preferred stock, employee stock options and stock purchase warrants.
- 9) The Plan has reported \$0 and \$35,300,000 as separate surplus fund Page 3, Line 25 relating to the PPACA Health Insurer fee that will be recognized in CY 2019 and CY 2018, respectively.
- 10) The portion of unassigned funds (surplus) represented was reduced by each of the following item:
  - a) Nonadmitted assets - \$117,754,130
- 11) The Plan does not have any surplus notes.
- 12) The Plan did not have any quasi-reorganization in 2018.
- 13) The Plan did not have any quasi-reorganization in 2018.

### 14. Contingencies

#### A) Contingent Commitments

The Plan is a defendant in a number of legal proceedings arising in the normal course of business. Additionally, the Plan is a co-defendant in a multi-district litigation in federal court relating to allegations that the Plan has acted in conspiracy with other Blue Cross and Blue Shield plans in violation of antitrust laws. While the Plan's ultimate liability in the disposition of this matter is presently difficult to estimate, it is management's belief that the outcome is not likely to have a material adverse effect on the Plan's financial position or results of operations, statutory reserves and risk based capital. It is possible that a court decision or settlement could have an unanticipated material adverse effect on the Plan's results of operations, and risk based capital.

B) The Plan does not have any assessments.

C) The Plan does not have any gain contingencies.

D) The Plan did not have any claims related extra contractual obligation and bad faith losses stemming from lawsuits.

E) The Plan did not have any Joint and Several liability arrangements.

F) All other contingencies see "A" above.

### 15. Leases

A) 1) The Plan leases office space and ground lease under operating leases. Rent expense for operating leases in 2018 and 2017 was approximately \$2,628,883 and \$2,402,406, respectively.

2) The Plan is committed, under long-term noncancelable operating leases and installment purchase agreements to minimum payments as follows:

Leases

## NOTES TO FINANCIAL STATEMENTS

	<u>Operating</u>
2019	\$ 1,372,444
2020	1,321,709
2021	1,224,839
2022	1,144,703
2023	1,154,896
Less interest	-
Total minimum future payments	<u>\$ 6,218,591</u>

Certain rental commitments e.g. ground lease is a 97 year agreement through the year 2108 with two successive 75 year renewal options. Some of these renewals are subject to adjustments in future periods.

In December of 2015, the Plan expanded the scope of services with their long-term partner, NTT Data, Inc. NTT will continue to provide claims processing, enrollment and application development support and maintenance services. In 2016, NTT began providing provider and member call center support (for the commercial lines of business), business analysis, project management and credentialing services. Transition of these services to NTT occurred at contracted milestone dates between January of 2016 and March of 2017.

As stipulated in the contract, the services shall be provided at Plan facilities, however, certain functions may be provided outside of Rhode Island as well as offshore under the direction of NTT staff. Services include operational services for technology and claims operations and business project services.

The agreement is in effect through March 31, 2023, unless terminated earlier or extended in accordance with contract terms. The agreement included decreasing annual minimum commitments of \$5,400,000 for calendar year 2017 and 2016, inclusive of transition and additional services, continuous improvement, innovation and cost management activities to drive average annual expense reductions of \$18,900,000 for years 2018-2023. The expected future payments of the contract, net of expense reductions, total approximately \$225,000,000.

In January of 2016 the Plan furthered the partnership with NTT and agreed to a make a three year investment into Data and Analytics capabilities. In 2018 the Plan extended this partnership through 2021. The Data & Analytics investment will total \$17,000,000 over six years.

The contract provides for termination of the agreement between the parties based on events that may occur during the course of the contract. There are critical service levels that NTT must meet on an ongoing basis. The Plan is obligated to reimburse NTT for services performed in accordance with the contract. The Plan paid approximately \$45,102,400 and \$50,133,000 to NTT for calendar years 2018 and 2017 respectively. If the Plan terminates the agreement for convenience, the financial penalties are based on a sliding scale relating to the applicable month in which such termination was effective, ranging from approximately \$11,700,000 as of January 31, 2016 and decreasing to \$6,700,000 in December 2018. Termination fees are not applicable beginning in January January 2021.

### 3) Sale leaseback transactions:

The Plan entered into a sale-lease back agreement with IBM Credit LLC in September 2016. There were numerous hardware (data storage equipment, servers and other hardware) that was sold and subsequently leased back from IBM. The lease payments commenced in September 2016 and the term was for 36 months. Attached are the remaining lease payments due from the Plan over the term of the lease.

	<u>Leases</u>
2019	\$ 483,605
Total minimum future payments	<u>\$ 483,605</u>



## NOTES TO FINANCIAL STATEMENTS

### B)(1) Lessor Leases

a) The Plan entered into a lease agreement for the use of its Corporate Office building 10th floor. The rental square footage leased is 24,108 square feet. The lease is 69 month duration commencing September 1, 2018 and terminating May 31, 2024. The arrangement is a triple net lease. The lessee is responsible for electricity usage for the specific rented space.

The Plan entered into a lease agreement for the use of its Corporate Office building 11th floor. The rental square footage leased is 8,680 square feet. The lease is 88 month duration commencing July 8, 2018 and terminating October 31, 2025. The arrangement is a triple net lease. The lessee is responsible for electricity usage for the specific rented space.

The Plan has a lease agreement for the use of its Corporate Office building 12th floor. The rental square footage leased is 10,800 square feet. The lease is 120 month duration commencing April 1, 2015 and terminating March 31, 2025. The arrangement is a triple net lease. The lessee is responsible for electricity usage for the specific rented space.

The Plan has a lease agreement for the use of its Corporate Office building 11th floor. The rental square footage leased is 7,716 square feet. The lease is 127 month duration commencing June 1, 2016 and terminating December 31, 2026. The arrangement is a triple net lease. The lessee is responsible for electricity usage for the specific rented space.

The Plan entered into a lease agreement for the use of its Corporate Office building 12<sup>th</sup> floor. The rental square footage leased is 10,356 square feet. The lease is 36 month duration commencing January 1, 2018 and terminating December 31, 2020. The arrangement is a triple net lease. The lessee is responsible for electricity usage for the specific rented space.

b) non-applicable

c) Future minimum lease payment receivables under noncancelable leasing arrangements as of December 31, 2018 are as follows:

Years Ended December 31	<u>Operating Leases</u>
2019	\$ 1,983,012
2020	2,017,820
2021	1,701,825
2022	1,728,964
2023	<u>1,773,349</u>
Total	<u>\$ 9,204,970</u>

d) The Plan does not have contingent rentals.

(2) The Plan does not have leveraged leases

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

- 1) The Plan does not have any swaps or option instruments.
- 2) The Plan does not have any interest rate swaps to reduce market risk.
- 3) The Plan does not have any credit related losses.
- 4) A pool of securities with a combined par value of \$31,473,000 are pledged to satisfy Blue Cross Blue Shield Association membership standards for out-of-area provider claim settlements.

The Plan also has various Corporate/U.S. Treasury Bonds with a combined par value of \$85,633,334 that is pledged with Citizens Bank as collateral for the line of credit.

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

The Plan did not have a sale, transfer and servicing of financial assets and extinguishments of liabilities.

## NOTES TO FINANCIAL STATEMENTS

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

A) The Plan is not an ASO Administrator for uninsured A&H Plans and the uninsured portion of partially insured plans.

B) The Plan is an ASC Administrator for uninsured A&H Plans and the uninsured portion of partially insured plans.

The gain from operations from Administrative Services Contract (ASC) uninsured plans and the uninsured portion of partially insured plans was as follows during 2018:

	<u>ASC</u> <u>Uninsured</u> <u>Plans</u>	<u>Uninsured</u> <u>Portion of</u> <u>Partially</u> <u>Insured Plans</u>	<u>Total</u> <u>ASC</u>
a. Gross reimbursement for medical cost incurred	\$697,198,598	--	\$697,198,598
b. Gross administrative fees accrued	<u>64,359,807</u>	--	<u>64,359,807</u>
c. Total revenue	761,558,405	--	761,558,405
d. Claims incurred	697,198,598	--	697,198,598
e. Variable cost	<u>17,455,647</u>	--	<u>17,455,647</u>
f. Contribution to fixed overhead	46,904,160	--	46,904,160
g. Total fixed overhead	<u>49,681,455</u>	--	<u>49,681,455</u>
h. Total net gain or (loss) from operations	<u>(2,777,295)</u>	--	<u>(2,777,295)</u>

C) The Plan has a Medicare or similarly structured cost based reimbursement contract during 2018 and 2017.

The Medicare Part D program is a partially insured plan.

The Medicare Part D program is a partially insured plan. The Plan recorded a receivable in amounts receivable relating to uninsured plans for in the statutory basis statements of admitted assets, liabilities and capital and surplus of \$5,285,000 as of December 31, 2018 for cost reimbursement under the Medicare Part D program for the catastrophic reinsurance, low-income member cost-sharing subsidies and coverage gap discount programs.

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

The Plan does not have direct premium written/produced by managing general agents/third party administrators.

### 20. Fair Value Measurements

A1) The following table provides information as of December 31, 2018 about the Plan's financial assets and liabilities measured at fair value on a recurring basis.

	Level 1	Level 2	Level 3	Net Asset Value (NAV)	Total
Assets					
Bonds	\$ --	\$311,493,692	\$ --	\$ --	\$311,493,692
Preferred Stock-unaffiliated	--	45,225	--	--	45,225
Common Stock-affiliated	--	--	16,815,103	--	16,815,103
Common Stock-unaffiliated	<u>\$105,590,411</u>	<u>--</u>	<u>2,504,941</u>	<u>--</u>	<u>108,095,352</u>
Total Assets	<u>\$105,590,411</u>	<u>\$311,538,917</u>	<u>\$ 19,320,044</u>	<u>\$ --</u>	<u>\$436,449,372</u>

The fair value of the Plan's equity securities categorized as Level 1 is based on quoted market prices for identical securities traded in active markets that are readily and regularly available to the Plan.

## NOTES TO FINANCIAL STATEMENTS

The fair value of the Plan's equity securities classified as Level 3 consist of private placement stocks for three companies for which there are limited or no observable valuation inputs. The fair value of these Level 3 equities is based upon analytics derived by the respective companies for which a fair value per share is published in the Securities Valuation Office manual.

A2) The following table presents the changes in our equity securities classified as Level 3 for the year-ended December 31, 2018.

	Beginning Balance 1/1/2018	Total gains and (losses) included in Net Income	Total gains and losses included in Surplus	Purchases	Sales	Ending Balance at 12/31/2018
Assets						
Common Stock-affiliated	\$14,385,186	0	(1,063,083)	3,493,000	0	\$16,815,103
Common Stock-unaffiliated	<u>2,132,122</u>	<u>0</u>	<u>372,819</u>	<u>0</u>	<u>0</u>	<u>2,504,941</u>
Total Assets	<u>\$16,517,308</u>	<u>0</u>	<u>(690,264)</u>	<u>3,493,000</u>	<u>0</u>	<u>\$19,320,044</u>

There were unrealized losses of \$1,063,083 attributable to the change in net unrealized losses relating to assets still held.

A3) There were no transfers between levels as of December 31, 2018.

A4 & A5) Included in various investment related line items in the financial statements are certain financial instruments carried at fair value. Other financial instruments are periodically measured at fair value, such as when impaired, or, for certain bonds and preferred stock when carried at the lower of cost or market.

The fair value of an asset is the amount at which that asset could be bought or sold in a current transaction between willing parties, that is, other than in a forced or liquidation sale. The fair value of a liability is the amount at which that liability could be incurred or settled in a current transaction between willing parties, that is, other than in a forced or liquidation sale.

Fair values are based on quoted market prices when available. When market prices are not available, fair value is generally estimated using discounted cash flow analyses, incorporating current market inputs for similar financial instruments with comparable terms and credit quality (matrix pricing). In instances where there is little or no market activity for the same or similar instruments, the Plan estimates fair value using methods, models and assumptions that management believes market participants would use to determine a current transaction price. These valuation techniques involve some level of management estimation and judgment which becomes significant with increasingly complex instruments or pricing models. Where appropriate, adjustments are included to reflect the risk inherent in a particular methodology, model or input used.

The Plan's financial assets and liabilities carried at fair value have been classified, for disclosure purposes, based on a hierarchy defined by FASB ASC 820, *Fair Value Measurements and Disclosures*. The hierarchy gives the highest ranking to fair values determined using unadjusted quoted prices in active markets for identical assets and liabilities (Level 1) and the lowest ranking to fair values determined using methodologies and models with unobservable inputs (Level 3). An asset's or a liability's classification is based on the lowest level input that is significant to its measurement. For example, a Level 3 fair value measurement may include inputs that are both observable (Levels 1 and 2) and unobservable (Level 3). The levels of the fair value hierarchy are as follows:

- Level 1 - Values are unadjusted quoted prices for identical assets and liabilities in active markets accessible at the measurement date.
- Level 2 - Inputs include quoted prices for similar assets or liabilities in active markets, quoted prices from those willing to trade in markets that are not active, or other inputs that are observable or can be corroborated by market data for the term of the instrument. Such inputs include market interest rates and volatilities, spreads and yield curves.
- Level 3 - Certain inputs are unobservable (supported by little or no market activity) and significant to the fair value measurement. Unobservable inputs reflect the Plan's best estimate of what hypothetical market participants would use to determine a transaction price for the asset or liability at the reporting date.

B) Not applicable.

C)

Aggregate

Admitted

Net Asset

Not Practicable

## NOTES TO FINANCIAL STATEMENTS

	Fair Value	Assets	Level 1	Level 2	Level 3	Value (NAV)	(Carrying Value)
Assets							
Bonds	\$311,493,692	\$311,493,692	\$ --	\$311,493,692	\$ --	\$ --	\$ --
Preferred Stock-unaffiliated	45,225	45,225	--	45,225	--	--	--
Common Stock-affiliated	16,815,103	16,815,103	--	--	16,815,103	--	--
Common Stock-unaffiliated	<u>108,095,352</u>	<u>108,095,352</u>	<u>105,590,411</u>	<u>--</u>	<u>2,504,941</u>	<u>\$ --</u>	<u>--</u>
Total Assets	<u>\$436,449,372</u>	<u>\$436,449,372</u>	<u>\$105,590,411</u>	<u>\$311,538,917</u>	<u>\$19,320,044</u>	<u>\$ --</u>	<u>\$ --</u>

D) Not required for not practicable (carrying value assets)

E) Not applicable

### 21. Other Items

- A) The Plan does not have any extraordinary items.
- B) The Plan does not have any troubled debt restructuring.
- C) The Plan participates in the Federal Employee Health Benefits Program (FEHBP) with other Blue Cross Blue Shield Plans. This program includes a fully-insured experience-rated contract, commonly known as the Federal Employee Program (FEP), between the Office of Personnel Management (OPM) and BCBSA, which acts as an agent for the participating Blue Cross Blue Shield plans. In addition each participating plan, including the Plan, executes a contract with BCBSA which obligates each participating plan to underwrite FEP benefits in its service area. Premium rates are developed by BCBSA and negotiated with OPM annually. These rates determine the funds that will be available to the participating Blue Cross Blue Shield to provide insurance to Federal employees that enroll with the Blue Cross Blue Shield FEP. The excess of gross premiums for the life of the program over the charges for the life of the program on an accrual basis is accounted for as a rate stabilization reserve (commonly referred to as the special reserve), as required by the contract between OPM and BCBSA. Each year, OPM also allocates a portion of the premiums to a contingency reserve which may be utilized by the participating plans in the event that annual premiums paid to the insurance carrier are insufficient or the rate stabilization reserve falls below certain levels prescribed by OPM. Premiums paid to the carrier and available to each participating Blue Cross Blue Shield plan, including the special reserve and contingency reserve, are held at the U.S. Treasury, including amounts unused from prior periods. Any premiums that remain in the rate stabilization reserve upon termination of the BCBSA contract after the claims run-out and reimbursement of the allowable administrative expenses would be returned to OPM for the benefit of the FEHBP. The FEP contract renews automatically each year unless written notice of termination is given by either party.

In accordance with the FEP contract, premium funds that exceed daily operating needs are held on behalf of the Plan in letter of credit accounts at the U.S. Treasury to provide funding for claims, administrative expenses, and other charges to the contract. The Plan, along with other Blue Cross Blue Shield plans who participate in the FEHBP contract, has an unrestricted right to draw funds held in the U.S. Treasury.

The Plan has recorded its allocable share of a special reserve fund held in the U.S. Treasury as an asset, with an equivalent amount recorded as a rate stabilization reserve. This amount is \$18,848,782 as of December 31, 2018, and is included in other current assets and other current liabilities in the accompanying consolidated balance sheets.

FEP represented approximately 61.7% of accounts receivable as of December 31, 2018. FEP represented approximately 7.3% of net revenue for the year ended December 31, 2018.

Also the Center for Medicare & Medicaid Services (CMS) adjusts payments to Medicare Advantage plans and Medicare Part D plans according to the predicted health status of each beneficiary as supported by data from health care providers. The Plan collects claim and encounter data from providers who the Plan generally relies on to appropriately code their claim submissions and document their medical records. CMS then determines the risk score and payment amount for each enrolled member based on the health care data submitted and member demographic information.

CMS and the Office of Inspector General for Health and Human Services periodically perform RADV audits of selected Medicare health plans to validate the coding practices of and supporting documentation maintained by health care providers. Such audits have in the past resulted in, and in the future could result in, retrospective adjustments to payments made to the Plan, fines, corrective action plans or other adverse action by CMS.

## NOTES TO FINANCIAL STATEMENTS

- D) The Plan did not have any business interruption insurance recoveries in 2018.
- E) 1) Carrying value of transferable and non-transferable State Tax Credits gross of any related tax liabilities and total unused transferable and non-transferable state tax credits by state and in total

<u>Description of State transferable and non-transferable tax credits</u>	<u>State</u>	<u>Carrying Value</u>	<u>Unused Amount</u>
Historic Investment Tax Credit	RI	\$6,370,000	\$7,000,000

- 2) The Plan estimated the utilization of the remaining non-transferable state tax credits by projecting future premium taking into account policy growth and rate changes, projecting future tax liability based on projected premium, tax rates and tax credits, and comparing projected future tax liability to the availability of remaining non-transferable state tax credits.
- 3) The Plan did not have any impairment losses for state transferable tax credits in 2018.
- 4) State Tax Credits Admitted and Nonadmitted

	Total Admitted	Total Nonadmitted
a. Transferable	--	--
b. Non-transferable	\$6,370,000	--

- F) Subprime Mortgage Related Risk Exposure

(1) The following is the Plan's narrative description of a subprime investment. A mortgage loan which has one or more of the following attributes: weak credit score high debt-to-income-ratio, high loan-to-value ratio or undocumented income.

- (2) Non-applicable  
(3) Non-applicable  
(4) Non-applicable

- G) Retained Assets is not applicable.

- H) The Plan did not receive proceeds from insurance-linked securities.

### 22. Events Subsequent

Nonrecognized Subsequent Event:

January 1, 2019, the Plan will not be subject to an annual fee under section 9010 of the Affordable Care Act (ACA) the fee was suspended for calendar year 2019. Therefore the Plan is not subject to the fee for 2019.

	Dec 31, 2018	Dec 31, 2017
A. Did the reporting entity write accident and health insurance premium that is subject to Section 9010 of the federal Affordable Care act (YES/NO)	Yes	
B. ACA fee assessment payable for the upcoming year	\$ --	\$35,300,000
C. ACA fee assessment paid	32,459,750	--
D. Premium written subject to ACA 9010 assessment	1,618,365,297	--
E. Total Adjusted Capital before surplus adjustment	298,658,624	
F. Total Adjusted Capital after surplus adjustment	298,658,624	
G. Authorized Control Level	57,430,307	
H. Would reporting the ACA assessment as of December 31, 2018 have triggered an RBC action level (Yes/No)?	No	

### 23. Reinsurance

#### A. Ceded Insurance Report

##### Section 1 – General Interrogatories

- (1) The Plan does not own or control any of the reinsurers listed on Schedule S.
- (2) There are no policies issued by the Plan that are reinsured with a company chartered in a country other than the United States that is owned in excess of 10% or controlled directly or indirectly by an insured, a beneficiary, a creditor or an insured or any other person not primarily engaged in the insurance business.

##### Section 2 – Ceded Reinsurance Report – Part A

## NOTES TO FINANCIAL STATEMENTS

- (1) The Plan does not have any reinsurance agreements in effect under which the reinsurer may unilaterally cancel any reinsurance for reasons other than for nonpayment of premium or other similar credit.
- (2) The Plan does not have any reinsurance agreements in effect such that the amount of losses paid or accrued through the statement date may result in a payment to the reinsurer of amounts that, in aggregate and allowing for offset of mutual credits from other reinsurance agreements with the same reinsurer, exceed the total direct premium collected under the reinsured policies.

### Section 3 – Ceded Reinsurance Report – Part B

- (1) The estimated amount of the aggregate reduction in surplus, (for agreements other than those under which the reinsurer may unilaterally cancel for reasons other than for nonpayment or other similar credits that are reflected in Section 2 above) of termination of all reinsurance agreements, by either party, is not applicable to the Plan since it does not cede its reinsurance.
- (2) The Plan has not executed or amended any existing agreements, since January 1 of the year of this statement, to include policies or contracts that were in force or which had existing reserves established by the company as of the effective date of the agreement.

- B) The Plan did not experience a write-off for uncollectible reinsurance.  
 C) The Plan did not experience a commutation of ceded reinsurance.  
 D) Certified Reinsurer Rating downgraded is not applicable.

### 24. Retrospectively Rated Contracts & Contracts Subject to Redetermination

- A) The Plan estimates accrued retrospective premium adjustments for its group health insurance business based on the Plan's underwriting polices, experience rating practices and claims reserve calculation.
- B) The Plan records accrued retrospective premium as an adjustment to earned premium.
- C) The amount of net premiums written by the Plan at December 31, 2018 that are subject to retrospective rating features was \$15,312,000, that represented 0.90% of the total net premiums written. No other net premiums written by the Plan are subject to retrospective rating features.
- D) Medical loss ratio rebates required pursuant to the Public Health Service Act.

	Individual	Small Group Employer	Large Group Employer	Other Categories with Rebates	Total
Prior Reporting Year					
(1) Medical loss ratio rebates incurred	--	--	--	(679,274)	(679,274)
(2) Medical loss ratio rebates paid	--	--	--	--	--
(3) Medical loss ratio rebates unpaid	--	--	--	239,456	239,456
(4) Plus reinsurance assumed amounts	XXX	XXX	XXX	XXX	
(5) Less reinsurance ceded amounts	XXX	XXX	XXX	XXX	
(6) Rebates unpaid net of reinsurance	XXX	XXX	XXX	XXX	239,456
Current Reporting Year-to-Date					
(7) Medical loss ratio rebates incurred	--	--	--	--	--
(8) Medical loss ratio rebates paid	--	--	--	--	--
(9) Medical loss ratio rebates unpaid	--	--	--	239,456	239,456
(10) Plus reinsurance assumed amounts	XXX	XXX	XXX	XXX	
(11) Less reinsurance ceded amounts	XXX	XXX	XXX	XXX	
(12) Rebates unpaid net of reinsurance	XXX	XXX	XXX	XXX	239,456

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

Effective January 1, 2014, the ACA imposed fees and premium stabilization provisions on health insurance issuers offering commercial health insurance. The three premium stabilization programs are commonly referred to as the 3R's – risk adjustment, risk corridor and reinsurance.

**Risk Adjustment-** This permanent program is designed to mitigate the potential impact of adverse selection and provide stability for health insurance issuers and applies to all non-grandfathered plans in the individual and small group markets both on and off the insurance exchanges. Premium adjustments pursuant to the risk adjustment program are accounted for as premium subject to redetermination and user fees are accounted for as assessments.

## NOTES TO FINANCIAL STATEMENTS

**Risk Corridor** – This temporary program was designed to provide aggregate protection for variability for issuers in the individual and small group markets during the 2014 to 2016 time period and applies to qualified health plans (QHPs) in the individual and small group markets both on and off the insurance exchanges. Premium adjustments pursuant to the risk corridor program are accounted for as premium adjustments for retrospectively rated contracts.

**Reinsurance** – This temporary program from 2014 – 2016 was designed to protect issuers in the individual market both on and off exchange from anticipated increases in high cost claimants due to the elimination of the pre-existing condition limitation. The traditional reinsurance program applies to all issuers of major medical commercial products and third party administrators. Contributions attributable to enrollees in individual plans, including program administrative costs are accounted for as ceded premium and payments received are accounted for as ceded benefit recoveries. The amount of the individual contributions assigned for the U. S Treasury is accounted for as an assessment. Contributions initiated for enrollees in fully insured plans other than individual plans, including administrative costs and payments to the U. S. Treasury, are recorded as assessments.

The plan has accident and health insurance premiums for CY 2017 subject to the risk sharing provisions of ACA.

- (1) Did the reporting entity write accident and health insurance premium that is subject to the Affordable Care Act risk sharing provisions (YES/NO)? YES

The Plan's risk corridor program calculation for plan year 2016 resulted in a risk corridor receivable for the Individual market of \$6,723,929. The Plan did not accrue this calculated receivable due to uncertainty regarding the funding of the risk corridor program for the 2016 benefit year. The Department of Health and Human Services notified issuers that all 2015 benefit year risk corridor collections would be used to pay a portion of balances on 2014 benefit year risk corridor payments. As any 2016 benefit year risk corridor collections would be used first to pay any remaining 2014 benefit year risk corridor payments and then any 2015 benefit year risk corridor payments before being available to satisfy 2016 benefit year risk corridor payments, the Plan chose not to accrue the \$6,723,929 risk corridor receivable for the 2016 benefit year as the payment is unlikely to be received under the program as currently funded.

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

a. Permanent ACA Risk Adjustment Program

Assets

- |  |             |
|--|-------------|
| 1) Premium adjustments receivable due to ACA Risk Adjustment (including high-risk pool payments) | \$7,981,953 |
|--|-------------|

Liabilities

- |  |           |
|--|-----------|
| 2) Risk adjustment user fees payable for ACA Risk Adjustment                                 | \$108,570 |
| 3) Premium adjustments payable due to ACA Risk Adjustment (including High-risk pool premium) | \$0       |

Operations (Revenue & Expense)

- |  |             |
|--|-------------|
| 4) Reported as revenue in premium for accident and health contracts (written/collected) due to ACA Risk Adjustment | \$9,800,418 |
| 5) Reported in expenses as ACA risk adjustment user fees (incurred/paid)   | \$109,141   |

b. Transitional ACA Reinsurance Program

Assets

- |   |          |
|---|----------|
| 1) Amounts recoverable for claims paid due to ACA Reinsurance                           | \$21,907 |
| 2) Amounts recoverable for claims unpaid due to ACA Reinsurance                         | \$0      |
| 3) Amounts receivable relating to uninsured plans for contributions for ACA Reinsurance | \$0      |

Liabilities

- |   |     |
|---|-----|
| 4) Liabilities for contributions payable due to ACA Reinsurance – not reported as ceded premium | \$0 |
| 5) Ceded reinsurance premiums payable due to ACA Reinsurance                                    | \$0 |
| 6) Liabilities for amounts held under uninsured plans contributions for ACA Reinsurance         | \$0 |

Operations (Revenue & Expense)

- |   |     |
|---|-----|
| 7) Ceded reinsurance premiums due to ACA Reinsurance  | \$0 |
| 8) Reinsurance recoveries (income statement) due to ACA Reinsurance payments or expected payments | \$0 |
| 9) ACA Reinsurance contributions – not reported as ceded premium                                  | \$0 |

c. Temporary ACA Risk Corridors Program

## NOTES TO FINANCIAL STATEMENTS

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

(3) Roll-forward of prior year ACA risk-sharing provisions for the following asset (gross of any nonadmission) and liability balances, along with the reasons for adjustments to prior year balance. Table in (\$000)

	Accrued During the Prior Year on Business Written Before December 31 of the Prior Year		Received or Paid as of the Current Year on Business Written Before December 31 of the Prior Year		Differences		Adjustments		Unsettled Balances as of the Reporting Date		
	1 Receivable	2 (Payable)	3 Receivable	4 (Payable)	Prior Year Accrued Less Payments (Col 1 - 3) 5 Receivable	Prior Year Accrued Less Payments (Col 2 - 4) 6 (Payable)	To Prior Year Balances 7 Receivable	To Prior Year Balances 8 (Payable)	Ref	Cumulative Balance from Prior Years (Col 1-3+7) 9 Receivable	Cumulative Balance from Prior Years (Col 2-+8) 10 (Payable)
a. Permanent ACA Risk Adjustment Program											
1. Premium adjustments receivable (including high-risk pool payments)	\$ 9,496	\$ --	\$11,314	\$ --	\$(1,818)	\$ --	\$2,051	\$ --	A	\$233	\$ --
2. Premium adjustments (payable) (including high-risk pool premiums)	--	(114)	--	(114)	--	--	--	--	B	--	--
3. Subtotal ACA Permanent Risk Adjustment Program	9,496	(114)	11,314	(114)	(1,818)	--	2,051	--		233	--
b. Transitional ACA Reinsurance Program											
1. Amounts recoverable for claims paid	983	--	961	--	22	--	--	--	C	22	--
2. Amounts recoverable for claims unpaid (contra liability)	--	--	--	--	--	--	--	--	D	--	--
3. Amounts receivable relating to uninsured plans	--	--	--	--	--	--	--	--	E	--	--
4. Liabilities for contributions payable due to ACA Reinsurance-not reported as ceded premiums	--	--	--	--	--	--	--	--	F	--	--
5. Ceded reinsurance premiums <sup>31</sup> payable	--	--	--	--	--	--	--	--	G	--	--
6. Liability for amounts held under uninsured plans	--	--	--	--	--	--	--	--	H	--	--
7. Subtotal ACA Transitional Reinsurance Program	983	--	961	--	22	--	--	--		22	--
c. Temporary ACA Risk Corridors Program											
1. Accrued retrospective premium	--	--	--	--	--	--	--	--	I	--	--
2. Reserve for rate credits of policy experience rating refunds	--	--	--	--	--	--	--	--	J	--	--
3. Subtotal ACA Risk Corridors Program	--	--	--	--	--	--	--	--		--	--
d. Total for ACA Risk Sharing Provisions	10,479	(114)	12,275	(114)	(1,796)	--	2,051	--		255	--

## Explanations of Adjustments

- A Risk Adjuster updated based on 2018 HHS Notification  
 B Non Applicable  
 C Non Applicable  
 D Non Applicable  
 E Non Applicable  
 F Non Applicable  
 G Non Applicable  
 H Non Applicable  
 I Non Applicable  
 J Non Applicable

(4) Roll-forward of Risk Corridors Receivable as of Reporting Date

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

## Explanations of Adjustments

- A Non Applicable  
 B Non Applicable  
 C Non Applicable  
 D Non Applicable  
 E Non Applicable  
 F Non Applicable

(5) ACA Risk Corridors Receivable as of Reporting Date



## NOTES TO FINANCIAL STATEMENTS

	1	2	3	4	5	6
Risk Corridors Program Year	Estimated Amount to be filed or Final Amount Filed with CMS	Non-Accrued Amounts for Impairment or Other Reasons	Asset Balance (Gross Amounts Received from CMS)	of Non-admission (1-2-3)	Non-admitted Amount	NetAdmitted Asset (4-5)
a. 2014	--	--	--	--	--	--
b. 2015	--	--	--	--	--	--
c. 2016	6,724	6,724	--	--	--	--
d. Total (a+b+c)	6,724	6,724	--	--	--	--

The Plan has Medicare Part D program business that is subject to a retrospective rating feature related to Part D premiums. The Plan has estimated aggregate health policy reserves related to certain Part D premiums based on CMS promulgated guidance of \$850,000. The amount of Part D direct premiums written approximated \$600,597,704 representing 35.1% of total direct premiums written for accident and health contracts net as of December 31, 2018.

### 25. Change in Incurred Claims and Claim Adjustment Expenses

Reserves as of December 31, 2017 were \$153,069,000. As of December 31, 2018, \$93,042,000 has been paid for incurred claims and claim adjustment expenses attributable to insured events of prior years. Reserves remaining for prior years are now \$555,000 as a result of re-estimation of unpaid claims and claim adjustment expenses principally on Comprehensive and Medicare lines of insurance. Therefore, there has been a \$31,427,000 favorable prior-year development since December 31, 2017 to December 31, 2018. The decrease is generally the result of ongoing analysis of recent loss development trends. Original estimates are increased or decreased, as additional information becomes known regarding individual claims. The Plan did not experience prior year claim development on retrospectively rated policies.

### 26. Intercompany Pooling Arrangements

The Plan is not part of any intercompany pooling arrangement.

### 27. Structured Settlements

Not Applicable for Health Insurance entities.

### 28. Health Care Receivables

#### A) Pharmaceutical Rebate Receivables

Quarter	<u>Estimated Pharmacy Rebates as Reported on Financial Statements</u>	<u>Pharmacy Rebates as Invoiced/Confirmed</u>	<u>Actual Rebates Collected Within 90 Days of Invoicing/Confirmation</u>	<u>Actual Rebates Collected Within 91 to 180 Days of Invoicing/Confirmation</u>	<u>Actual Rebates Collected More Than 180 Days After Invoicing/Confirmation</u>
12/31/18	\$14,643,111	\$ --	\$ --	\$ --	\$ --
09/30/18	14,164,472	14,888,454	13,175,761	--	--
06/30/18	15,671,040	16,760,925	14,825,464	1,835,409	--
03/31/18	15,192,446	15,974,178	14,096,361	1,757,413	--
12/31/17	\$15,233,340	\$15,999,998	\$14,302,829	\$1,637,243	\$ 59,926
09/30/17	14,477,554	15,399,871	13,611,237	1,720,248	68,386
06/30/17	12,328,267	14,730,492	13,136,656	1,429,078	164,758
03/31/17	13,689,913	11,949,746	11,088,836	712,741	148,169
12/31/16	\$12,554,814	\$12,416,796	\$11,274,519	\$1,122,928	\$ 19,349
09/30/16	12,246,691	12,645,441	11,299,333	1,187,764	158,344
06/30/16	9,956,854	12,403,709	11,022,022	929,452	452,235
03/31/16	9,627,081	9,736,641	8,961,335	582,181	193,125

#### B) Risk Share Receivables

Calendar Year	Per Year-End	Risk Sharing Receivable as Estimated in the Prior Year	Risk Sharing Receivable as Estimated in the Current Year	Risk Sharing Receivable Billed	Risk Sharing Receivable Not Yet Billed	Actual Risk Sharing Amounts Received in Year Billed	Actual Risk Sharing Amounts Received First Year	Actual Risk Sharing Amounts Received Second Year	Actual Risk Sharing Amounts Received All Others
---------------	--------------	--	--	--------------------------------	--	---	---	--	---

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**NOTES TO FINANCIAL STATEMENTS**


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2018	2018	N/A	\$	-	\$	-	\$	-	\$	-	N/A	N/A
	2019	N/A	\$	-	N/A	-	N/A	-	N/A	-	N/A	N/A
2017	2017	N/A	\$	-	\$	-	\$	-	\$	-	N/A	N/A
	2018	N/A	\$	-	N/A	-	N/A	-	N/A	-	N/A	N/A
2016	2016	N/A	\$	-	\$	-	\$	-	\$	-	N/A	N/A
	2017	N/A	\$	-	N/A	-	N/A	-	N/A	-	N/A	N/A

**29. Participating Policies**

Participating policies do not apply to the Plan.

**30. Premium Deficiency Reserves**

The Plan has a statutory premium deficiency reserve (PDR) of \$0 and \$2,100,000 for the periods ended December 31, 2018 and December 31, 2017, respectively. The PDR related to the individual lines of business.

- |  |   |
|--|---|
| 1. Liability carried for premium deficiency reserves             | \$0   |
| 2. Date of the most recent evaluation of this liability          | 12/31/2018  |
| 3. Was anticipated investment income utilized in the calculation | Yes <input checked="" type="checkbox"/> No <input type="checkbox"/> |

**31. Anticipated Salvage and Subrogation**

The amount of undiscounted estimated salvage and subrogation recoverable, taken into account in determining the undiscounted unpaid losses as reported in the Underwriting and Investment Exhibit and Page 3 – Liabilities, Reserves and Special Funds, Line I for December 31, 2018 and 2017, was \$12,080,000 and \$13,733,000, respectively.



## GENERAL INTERROGATORIES

5.2 If yes, provide the name of the entity, NAIC Company Code, and state of domicile (use two letter state abbreviation) for any entity that has ceased to exist as a result of the merger or consolidation.

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

6.1 Has the reporting entity had any Certificates of Authority, licenses or registrations (including corporate registration, if applicable) suspended or revoked by any governmental entity during the reporting period? Yes [ ] No [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,  
 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 locations (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
.....	.....	.....	.....	.....	.....
.....	.....	.....	.....	.....	.....

9. What is the name and address of the independent certified public accountant or accounting firm retained to conduct the annual audit?  
 Deloitte & Touche LLP, 185 Asylum Street, City Place I, 33rd Floor, Hartford, CT 06103  
 .....  
 .....

10.1 Has the insurer been granted any exemptions to the prohibited non-audit services provided by the certified independent public accountant requirements as allowed in Section 7H of the Annual Financial Reporting Model Regulation (Model Audit Rule), or substantially similar state law or regulation? Yes [ ] No [X]

10.2 If response to 10.1 is yes, provide information related to this exemption:  
 .....  
 .....  
 .....

### GENERAL INTERROGATORIES

10.3 Has the insurer been granted any exemptions related to the other requirements of the Annual Financial Reporting Model Regulation as allowed for in Section 18A of the Model Regulation, or substantially similar state law or regulation? Yes [ ] No [X]

10.4 If response to 10.3 is yes, provide information related to this exemption:
.....
.....
.....

10.5 Has the reporting entity established an Audit Committee in compliance with the domiciliary state insurance laws? Yes [X] No [ ] N/A [ ]

10.6 If the response to 10.5 is no or n/a, please explain.
.....
.....
.....

11. What is the name, address and affiliation (officer/employee of the reporting entity or actuary/consultant associated with an actuarial consulting firm) of the individual providing the statement of actuarial opinion/certification?
CHRISTOPHER KUNKEL IS THE CONSULTING ACTUARY. HE IS ASSOCIATED WITH MILLIMAN. THEIR ADDRESS IS 1301 FIFTH AVE., SUITE 3800, SEATTLE WASHINGTON 98101-2605.

12.1 Does the reporting entity own any securities of a real estate holding company or otherwise hold real estate indirectly? Yes [ ] No [X]

12.11 Name of real estate holding company \_\_\_\_\_
12.12 Number of parcels involved \_\_\_\_\_
12.13 Total book/adjusted carrying value \$ \_\_\_\_\_

12.2 If yes, provide explanation:
.....
.....
.....

13. FOR UNITED STATES BRANCHES OF ALIEN REPORTING ENTITIES ONLY:

13.1 What changes have been made during the year in the United States manager or the United States trustees of the reporting entity?
.....
.....
.....

13.2 Does this statement contain all business transacted for the reporting entity through its United States Branch on risks wherever located? Yes [ ] No [X]

13.3 Have there been any changes made to any of the trust indentures during the year? Yes [ ] No [X]

13.4 If answer to (13.3) is yes, has the domiciliary or entry state approved the changes? Yes [ ] No [ ] N/A [X]

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?
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. Yes [X] No [ ]

14.11 If the response to 14.1 is no, please explain:
.....
.....
.....

## GENERAL INTERROGATORIES

14.2 Has the code of ethics for senior managers been amended? Yes [ ] No [X]

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 [X]

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 [X]

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
.....	.....	.....	.....
.....	.....	.....	.....

## 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 [X] 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 [X] 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 [X] No [ ]

## FINANCIAL

19. Has this statement been prepared using a basis of accounting other than Statutory Accounting Principles (e.g., Generally Accepted Accounting Principles)? Yes [ ] No [X]

20.1 Total amount loaned during the year (inclusive of Separate Accounts, exclusive of policy loans):

20.11 To directors or other officers	\$ _____
20.12 To stockholders not officers	\$ _____
20.13 Trustees, supreme or grand (Fraternal only)	\$ _____

20.2 Total amount of loans outstanding at the end of year (inclusive of Separate Accounts, exclusive of policy loans):

20.21 To directors or other officers	\$ _____
20.22 To stockholders not officers	\$ _____
20.23 Trustees, supreme or grand (Fraternal only)	\$ _____

21.1 Were any assets reported in this statement subject to a contractual obligation to transfer to another party without the liability for such obligation being reported in the statement? Yes [ ] No [X]

21.2 If yes, state the amount thereof at December 31 of the current year:

21.21 Rented from others	\$ _____
21.22 Borrowed from others	\$ _____
21.23 Leased from others	\$ _____
21.24 Other	\$ _____

## GENERAL INTERROGATORIES

- 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 [X]
- 22.2 If answer is yes:
- |  |    |  |
|--|----|--|
| 22.21 Amount paid as losses or risk adjustment | \$ |  |
| 22.22 Amount paid as expenses                  | \$ |  |
| 22.23 Other amounts paid                       | \$ |  |
- 23.1 Does the reporting entity report any amounts due from parent, subsidiaries or affiliates on Page 2 of this statement? Yes [ ] No [X]
- 23.2 If yes, indicate any amounts receivable from parent included in the Page 2 amount: \$ \_\_\_\_\_

## 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 [X]
- 24.02 If no, give full and complete information, relating thereto:  
 THE SECURITIES ARE HELD BY THE REPORTING ENTITY'S CUSTODIAN BANK, MORGAN STANLEY  
 .....  
 .....
- 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)  
 NOT APPLICABLE  
 .....  
 .....
- 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 [X]
- 24.05 If answer to 24.04 is yes, report amount of collateral for conforming programs. \$ \_\_\_\_\_
- 24.06 If answer to 24.04 is no, report amount of collateral for other programs. \$ \_\_\_\_\_
- 24.07 Does your securities lending program require 102% (domestic securities) and 105% (foreign securities) from the counterparty at the outset of the contract? 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                   | \$ |  |
| 24.102 Total book adjusted/carrying value of reinvested collateral assets reported on Schedule DL, Parts 1 and 2 | \$ |  |
| 24.103 Total payable for securities lending reported on the liability page                                       | \$ |  |
- 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 [ ]

## GENERAL INTERROGATORIES

25.2 If yes, state the amount thereof at December 31 of the current year:

25.21	Subject to repurchase agreements	\$ 169,193
25.22	Subject to reverse repurchase agreements	\$ _____
25.23	Subject to dollar repurchase agreements	\$ _____
25.24	Subject to reverse dollar repurchase agreements	\$ _____
25.25	Placed under option agreements	\$ _____
25.26	Letter stock or securities restricted as to sale - excluding FHLB Capital Stock	\$ _____
25.27	FHLB Capital Stock	\$ _____
25.28	On deposit with states	\$ _____
25.29	On deposit with other regulatory bodies	\$ _____
25.30	Pledged as collateral - excluding collateral pledged to an FHLB	\$ 117,412,173
25.31	Pledged as collateral to FHLB - including assets backing funding agreements	\$ _____
25.32	Other	\$ _____

25.3 For category (25.26) provide the following:

1 Nature of Restriction	2 Description	3 Amount
.....	.....	.....
.....	.....	.....

26.1 Does the reporting entity have any hedging transactions reported on Schedule DB? Yes [ ] No [X]

26.2 If yes, has a comprehensive description of the hedging program been made available to the domiciliary state? Yes [ ] No [ ] N/A [X]  
If no, attach a description with this statement.

27.1 Were any preferred stocks or bonds owned as of December 31 of the current year mandatorily convertible into equity, or, at the option of the issuer, convertible into equity? Yes [ ] No [X]

27.2 If yes, state the amount thereof at December 31 of the current year. \$ \_\_\_\_\_

28. Excluding items in Schedule E - Part 3 - Special Deposits, real estate, mortgage loans and investments held physically in the reporting entity's offices, vaults or safety deposit boxes, were all stocks, bonds and other securities, owned throughout the current year held pursuant to a custodial agreement with a qualified bank or trust company in accordance with Section 1, III - General Examination Considerations, F. Outsourcing of Critical Functions, Custodial or Safekeeping Agreements of the NAIC Financial Condition Examiners Handbook? Yes [X] No [ ]

28.01 For agreements that comply with the requirements of the NAIC Financial Condition Examiners Handbook, complete the following:

1 Name of Custodian(s)	2 Custodian's Address
MORGAN STANLEY	125 HIGH STREET, 24TH FLOOR BOSTON, MA 02110
.....	.....

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]



## GENERAL INTERROGATORIES

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 Investment management - Identify all investment advisors, investment managers, broker/dealers, including individuals that have the authority to make investment decisions on behalf of the reporting entity. For assets that are managed internally by employees of the reporting entity, note as such. ["... that have access to the investment accounts"; "...handle securities"]

1 Name Firm or Individual	2 Affiliation
CONNING ASSET MANAGEMENT	U
LONGFELLOW INVESTMENT MANAGEMENT	U
GALLIARD CAPITAL MANAGEMENT	U

28.059 For those firms/individuals listed in the table for Question 28.05, do any firms/individuals unaffiliated with the reporting entity (i.e., designated with a "U") manage more than 10% of the reporting entity's assets?

Yes  No 

28.059 For firms/individuals unaffiliated with the reporting entity (i.e., designated with a "U") listed in the table for Question 28.05, does the total assets under management aggregate to more than 50% of the reporting entity's assets?

Yes  No 

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

1 Name Firm or Individual	2 Central Registration Depository Number	3 Legal Entity Identifier (LEI)	4 Registered With	5 Investment Management Agreement (IMA) Filed
CONNING ASSET MANAGEMENT	107423	549300ZOGI4KK37BDV40	SECURITIES AND EXCHANGE COM	NO
LONGFELLOW ASSET MANAGEMENT	104945		SECURITIES AND EXCHANGE COM	NO
GALLIARD CAPITAL MANAGEMENT	106487	549300MDXLC2ZW8Z4626	SECURITIES AND EXCHANGE COM	NO

29.1 Does the reporting entity have any diversified mutual funds reported in Schedule D – Part 2 (diversified according to the Securities and Exchange Commission (SEC) in the Investment Company Act of 1940 [Section 5 (b) (1)])?

Yes  No 

29.2 If yes, complete the following schedule:

1 CUSIP #	2 Name of Mutual Fund	3 Book/Adjusted Carrying Value
02630D-50-1	AMERICAN FUNDS ILB F2	11,006,901
277923-63-7	EATON VANCE FR AV I	9,801,528
464287-20-0	ISHARES: CORE S&P 500	14,412,976
464287-61-4	ISHARES: RUSS 1000 GR ETF	3,754,368
46432F-84-2	ISHARES: CORE MSCI EAFE	2,783,385
57629E-15-9	MASSMUTUAL PREM: CR B R5	300,849
57629E-30-8	MASSMUTUAL PREM: INTL R5	12,479
57629S-68-7	MASSMUTUAL SEL: S&P500 R5	108,008
57629S-73-7	MASSMUTUAL SEL: BL CH R5	21,935
577130-80-0	MATTHEWS ASIA: JPN INV	4,467,398
649280-83-1	AMERICAN FUNDS NWLD R5	4,915
665130-10-0	NORTHERN FDS: MID CAP IDX	12,531
665162-72-3	NORTHERN FDS: SM CAP IDX	4,765
68380U-50-6	OPPENHEIMER INTL SMC Y	5,751,861
74149P-30-9	T ROWE PRICE RET: 2030	110,434
74149P-40-8	T ROWE PRICE RET: 2040	49,551
74149P-76-2	T ROWE PRICE RET: 2045	6,500
74149P-77-0	T ROWE PRICE RET: 2035	22,348
74149P-78-8	T ROWE PRICE RET: 2025	98,063
779546-10-0	T ROWE PRICE DIV GR	2,310
779562-10-7	T ROWE PRICE NEW HZNS	32,602
78462F-10-3	SPDR S&P 500 ETF	4,402,091
921908-87-7	VANGUARD RE IDX ADM	6,007
922042-85-8	VANGUARD EM ST IDX ETF	3,433,648
29.2999 TOTAL		60,607,453

## GENERAL INTERROGATORIES

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

1	2	3	4
Name of Mutual Fund (from above table)	Name of Significant Holding of the Mutual Fund	Amount of Mutual Fund's Book/Adjusted Carrying Value Attributable to the Holding	Date of Valuation
AMERICAN FUNDS ILB F2	Microsoft Corp	418,262	12/31/2018
AMERICAN FUNDS ILB F2	UnitedHealth Group Inc	279,575	12/31/2018
AMERICAN FUNDS ILB F2	Berkshire Hathaway Inc A	247,655	12/31/2018
AMERICAN FUNDS ILB F2	The Home Depot Inc	225,641	12/31/2018
AMERICAN FUNDS ILB F2	Broadcom Inc	190,419	12/31/2018
EATON VANCE FR AV I	Microsoft Corp	405,783	12/31/2018
EATON VANCE FR AV I	Apple Inc	382,260	12/31/2018
EATON VANCE FR AV I	Amazon.com Inc	355,795	12/31/2018
EATON VANCE FR AV I	Alphabet Inc A	194,070	12/31/2018
EATON VANCE FR AV I	Facebook Inc A	186,229	12/31/2018
ISHARES:CORE S&P 500	Microsoft Corp	514,543	12/31/2018
ISHARES:CORE S&P 500	Apple Inc	479,952	12/31/2018
ISHARES:CORE S&P 500	Amazon.com Inc	415,094	12/31/2018
ISHARES:CORE S&P 500	Berkshire Hathaway Inc B	246,462	12/31/2018
ISHARES:CORE S&P 500	Facebook Inc A	245,021	12/31/2018
ISHARES:RUSS 1000 GR ETF	Microsoft Corp	122,768	12/31/2018
ISHARES:RUSS 1000 GR ETF	Apple Inc	119,389	12/31/2018
ISHARES:RUSS 1000 GR ETF	Amazon.com Inc	97,614	12/31/2018
ISHARES:RUSS 1000 GR ETF	Berkshire Hathaway Inc B	63,073	12/31/2018
ISHARES:RUSS 1000 GR ETF	Johnson & Johnson	55,189	12/31/2018
ISHARES:CORE MSCI EAFE	Nestle SA	47,874	12/31/2018
ISHARES:CORE MSCI EAFE	Novartis AG	33,957	12/31/2018
ISHARES:CORE MSCI EAFE	Roche Holding AG Dividend Rig	33,401	12/31/2018
ISHARES:CORE MSCI EAFE	HSBC Holdings PLC	29,782	12/31/2018
ISHARES:CORE MSCI EAFE	Royal Dutch Shell PLC Class A	25,050	12/31/2018
MASSMUTUAL PREM:CR B R	US 2 Year Note (CBT) Mar19	19,014	12/31/2018
MASSMUTUAL PREM:CR B R	US 2 Year Note (CBT) Mar19	14,742	12/31/2018
MASSMUTUAL PREM:CR B R	US Ultra Bond (CBT) Mar19	14,441	12/31/2018
MASSMUTUAL PREM:CR B R	Federal National Mortgage Ass	10,861	12/31/2018
MASSMUTUAL PREM:CR B R	Government National Mortgage	9,326	12/31/2018
MASSMUTUAL PREM:INTL R5	SAP SE	287	12/31/2018
MASSMUTUAL PREM:INTL R5	Infineon Technologies AG	287	12/31/2018
MASSMUTUAL PREM:INTL R5	ICICI Bank Ltd ADR	276	12/31/2018
MASSMUTUAL PREM:INTL R5	Nokia Oyj	238	12/31/2018
MASSMUTUAL PREM:INTL R5	Bunzl PLC	237	12/31/2018
MASSMUTUAL SEL:S&P500 R	Chubb Ltd	4,147	12/31/2018
MASSMUTUAL SEL:S&P500 R	Medtronic PLC	3,424	12/31/2018
MASSMUTUAL SEL:S&P500 R	Coca-Cola Co	3,424	12/31/2018
MASSMUTUAL SEL:S&P500 R	McDonald's Corp	3,402	12/31/2018
MASSMUTUAL SEL:S&P500 R	Microsoft Corp	3,262	12/31/2018
MASSMUTUAL SEL:BL CH R5	Amazon.com Inc	1,847	12/31/2018
MASSMUTUAL SEL:BL CH R5	Visa Inc Class A	1,049	12/31/2018
MASSMUTUAL SEL:BL CH R5	Microsoft Corp	1,035	12/31/2018
MASSMUTUAL SEL:BL CH R5	Facebook Inc A	917	12/31/2018
MASSMUTUAL SEL:BL CH R5	Alibaba Group Holding Ltd ADR	853	12/31/2018
MATTHEWS ASIA:JPN INV	Shenzhen International Group	172,888	12/31/2018
MATTHEWS ASIA:JPN INV	Minth Group Ltd	162,167	12/31/2018
MATTHEWS ASIA:JPN INV	Hyundai Mobis Co Ltd	134,469	12/31/2018
MATTHEWS ASIA:JPN INV	NTT DOCOMO Inc	133,575	12/31/2018
MATTHEWS ASIA:JPN INV	Kao Corp	131,341	12/31/2018
AMERICAN FUNDS NWLD R5	Reliance Industries Ltd	96	12/31/2018
AMERICAN FUNDS NWLD R5	Taiwan Semiconductor Manufac	80	12/31/2018
AMERICAN FUNDS NWLD R5	Tencent Holdings Ltd	79	12/31/2018
AMERICAN FUNDS NWLD R5	HDFC Bank Ltd	77	12/31/2018
AMERICAN FUNDS NWLD R5	AIA Group Ltd	77	12/31/2018
NORTHERN FDS:MID CAP ID	Teleflex Inc	100	12/31/2018
NORTHERN FDS:MID CAP ID	Atmos Energy Corp	91	12/31/2018
NORTHERN FDS:MID CAP ID	Domino's Pizza Inc	88	12/31/2018
NORTHERN FDS:MID CAP ID	IDEX Corp	81	12/31/2018
NORTHERN FDS:MID CAP ID	UGI Corp	79	12/31/2018
NORTHERN FDS:SM CAP IDX	Pebblebrook Hotel Trust	48	12/31/2018
NORTHERN FDS:SM CAP IDX	CACI International Inc Class A	46	12/31/2018

## GENERAL INTERROGATORIES

1	2	3	4
Name of Mutual Fund (from above table)	Name of Significant Holding of the Mutual Fund	Amount of Mutual Fund's Book/Adjusted Carrying Value Attributable to the Holding	Date of Valuation
NORTHERN FDS:SM CAP IDX	Southwest Gas Holdings Inc	42	12/31/2018
NORTHERN FDS:SM CAP IDX	FTI Consulting Inc	38	12/31/2018
NORTHERN FDS:SM CAP IDX	Esterline Technologies Corp	37	12/31/2018
OPPENHEIMER INTL SMC Y	Portugal (Republic Of) 2.88%	201,890	12/31/2018
OPPENHEIMER INTL SMC Y	United Kingdom of Great Britain	182,909	12/31/2018
OPPENHEIMER INTL SMC Y	Greece (Republic Of) 3.9%	139,195	12/31/2018
OPPENHEIMER INTL SMC Y	Mexico (United Mexican States)	128,267	12/31/2018
OPPENHEIMER INTL SMC Y	Brazil (Federative Republic) 10	115,612	12/31/2018
T ROWE PRICE RET:2030	T. Rowe Price Growth Stock	13,407	12/31/2018
T ROWE PRICE RET:2030	T. Rowe Price Value	13,097	12/31/2018
T ROWE PRICE RET:2030	T. Rowe Price New Income	13,053	12/31/2018
T ROWE PRICE RET:2030	T. Rowe Price Equity Index 500	12,567	12/31/2018
T ROWE PRICE RET:2030	T. Rowe Price Overseas Stock	7,498	12/31/2018
T ROWE PRICE RET:2040	T. Rowe Price Growth Stock	8,582	12/31/2018
T ROWE PRICE RET:2040	T. Rowe Price Value	8,330	12/31/2018
T ROWE PRICE RET:2040	T. Rowe Price Overseas Stock	3,880	12/31/2018
T ROWE PRICE RET:2040	T. Rowe Price International Val	3,736	12/31/2018
T ROWE PRICE RET:2040	T. Rowe Price Equity Index 500	3,642	12/31/2018
T ROWE PRICE RET:2045	T. Rowe Price Growth Stock	1,221	12/31/2018
T ROWE PRICE RET:2045	T. Rowe Price Value	1,187	12/31/2018
T ROWE PRICE RET:2045	T. Rowe Price Overseas Stock	529	12/31/2018
T ROWE PRICE RET:2045	T. Rowe Price International Val	512	12/31/2018
T ROWE PRICE RET:2045	T. Rowe Price International Sto	478	12/31/2018
T ROWE PRICE RET:2035	T. Rowe Price Growth Stock	3,305	12/31/2018
T ROWE PRICE RET:2035	T. Rowe Price Value	3,256	12/31/2018
T ROWE PRICE RET:2035	T. Rowe Price New Income	2,137	12/31/2018
T ROWE PRICE RET:2035	T. Rowe Price Equity Index 500	2,116	12/31/2018
T ROWE PRICE RET:2035	T. Rowe Price Overseas Stock	1,640	12/31/2018
T ROWE PRICE RET:2025	T. Rowe Price New Income	14,023	12/31/2018
T ROWE PRICE RET:2025	T. Rowe Price Equity Index 500	13,631	12/31/2018
T ROWE PRICE RET:2025	T. Rowe Price Value	8,571	12/31/2018
T ROWE PRICE RET:2025	T. Rowe Price Growth Stock	8,561	12/31/2018
T ROWE PRICE RET:2025	T. Rowe Price International Val	5,894	12/31/2018
T ROWE PRICE DIV GR	Burlington Stores Inc	26	12/31/2018
T ROWE PRICE DIV GR	Teledyne Technologies Inc	24	12/31/2018
T ROWE PRICE DIV GR	Heico Corp Class A	23	12/31/2018
T ROWE PRICE DIV GR	Bright Horizons Family Solution	22	12/31/2018
T ROWE PRICE DIV GR	Molina Healthcare Inc	22	12/31/2018
T ROWE PRICE NEW HZNS	Vail Resorts Inc	1,007	12/31/2018
T ROWE PRICE NEW HZNS	Bright Horizons Family Solution	857	12/31/2018
T ROWE PRICE NEW HZNS	Burlington Stores Inc	838	12/31/2018
T ROWE PRICE NEW HZNS	Tableau Software Inc A	737	12/31/2018
T ROWE PRICE NEW HZNS	TransUnion	672	12/31/2018
SPDR S&P 500 ETF	Microsoft Corp	157,595	12/31/2018
SPDR S&P 500 ETF	Apple Inc	144,829	12/31/2018
SPDR S&P 500 ETF	Amazon.com Inc	124,579	12/31/2018
SPDR S&P 500 ETF	Berkshire Hathaway Inc B	75,276	12/31/2018
SPDR S&P 500 ETF	Facebook Inc A	73,515	12/31/2018
VANGUARD RE IDX ADM	Microsoft Corp	177	12/31/2018
VANGUARD RE IDX ADM	Amazon.com Inc	157	12/31/2018
VANGUARD RE IDX ADM	Apple Inc	156	12/31/2018
VANGUARD RE IDX ADM	Facebook Inc A	88	12/31/2018
VANGUARD RE IDX ADM	Berkshire Hathaway Inc B	85	12/31/2018
VANGUARD EM ST IDX ETF	Tencent Holdings Ltd	162,412	12/31/2018
VANGUARD EM ST IDX ETF	Alibaba Group Holding Ltd ADR	126,015	12/31/2018
VANGUARD EM ST IDX ETF	Taiwan Semiconductor Manufac	70,046	12/31/2018
VANGUARD EM ST IDX ETF	Naspers Ltd Class N	63,179	12/31/2018
VANGUARD EM ST IDX ETF	China Construction Bank Corp	51,848	12/31/2018

## GENERAL INTERROGATORIES

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	317,463,000	311,493,725	(5,969,275)
30.2 Preferred stocks	45,225	45,225	
30.3 Totals	317,508,225	311,538,950	(5,969,275)

30.4 Describe the sources or methods utilized in determining the fair values:  
 PROVIDED BY RATING SOURCES UTILIZED BY THE CUSTODIANS, STATE STREET BANK AND MORGAN  
 STANLEY. PRICING SOURCES INCLUDE IDC AND BLOOMBERG  
 .....  
 .....

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  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  No

31.3 If the answer to 31.2 is no, describe the reporting entity's process for determining a reliable pricing source for purposes of disclosure of fair value for Schedule D:  
 .....  
 .....  
 .....

32.1 Have all the filing requirements of the Purposes and Procedures Manual of the NAIC Investment Analysis Office been followed? Yes  No

32.2 If no, list exceptions:  
 .....  
 .....

33 By self-designating 5GI securities, the reporting entity is certifying the following elements of each self-designated 5GI security:  
 a. Documentation necessary to permit a full credit analysis of the security does not exist or an NAIC CRP credit rating for an FE or PL security is not available.  
 b. Issuer or obligor is current on all contracted interest and principal payments.  
 c. The insurer has an actual expectation of ultimate payment of all contracted interest and principal.  
 Has the reporting entity self-designated 5GI securities? Yes  No

34 By self-designating PLGI securities, the reporting entity is certifying the following elements of each self-designated PLGI security:  
 a. The security was purchased prior to January 1, 2018.  
 b. The reporting entity is holding capital commensurate with the NAIC Designation reported for the security.  
 c. The NAIC Designation was derived from the credit rating assigned by an NAIC CRP in its legal capacity as an NRSRO which is shown on a current private letter rating held by the insurer and available for examination by state insurance regulators.  
 d. The reporting entity is not permitted to share this credit rating of the PL security with the SVO.  
 Has the reporting entity self-designated PLGI securities? Yes  No

### OTHER

35.1 Amount of payments to trade associations, service organizations and statistical or Rating Bureaus, if any? \$ 1,544,803

35.2 List the name of the organization and the amount paid if any such payment represented 25% or more of the total payments to trade associations, service organizations and statistical or rating bureaus during the period covered by this statement.

1 Name	2 Amount Paid
BLUE CROSS AND BLUE SHIELD ASSOCIATION	\$ 1,069,818
.....	\$ .....
.....	\$ .....

## GENERAL INTERROGATORIES

36.1 Amount of payments for legal expenses, if any? \$ 2,651,096

36.2 List the name of the firm and the amount paid if any such payment represented 25% or more of the total payments for legal expenses during the period covered by this statement.

1 Name	2 Amount Paid
HOGAN LOVELLS US LLP .....	\$ ..... 925,460
.....	\$ .....
.....	\$ .....

37.1 Amount of payments for expenditures in connection with matters before legislative bodies, officers or departments of government, if any? \$ 1,612,875

37.2 List the name of the firm and the amount paid if any such payment represented 25% or more of the total payment expenditures in connection with matters before legislative bodies, officers or departments of government during the period covered by this statement.

1 Name	2 Amount Paid
GENERAL TREASURER .....	\$ ..... 573,433
.....	\$ .....
.....	\$ .....

## GENERAL INTERROGATORIES PART 2 - HEALTH INTERROGATORIES

1.1 Does the reporting entity have any direct Medicare Supplement Insurance in force?		Yes <input checked="" type="checkbox"/> No <input type="checkbox"/>
1.2 If yes, indicate premium earned on U.S. business only.	\$	59,570,648
1.3 What portion of Item (1.2) is not reported on the Medicare Supplement Insurance Experience Exhibit?	\$	
1.31 Reason for excluding		
1.4 Indicate amount of earned premium attributable to Canadian and/or Other Alien not included in Item (1.2) above.	\$	
1.5 Indicate total incurred claims on all Medicare Supplement insurance.	\$	49,497,231
1.6 Individual policies:		
Most current three years:		
1.61 Total premium earned	\$	2,751,673
1.62 Total incurred claims	\$	2,334,632
1.63 Number of covered lives		1,153
All years prior to most current three years:		
1.64 Total premium earned	\$	39,530,884
1.65 Total incurred claims	\$	33,539,611
1.66 Number of covered lives		16,565
1.7 Group policies:		
Most current three years:		
1.71 Total premium earned	\$	185,390
1.72 Total incurred claims	\$	146,087
1.73 Number of covered lives		81
All years prior to most current three years:		
1.74 Total premium earned	\$	17,102,701
1.75 Total incurred claims	\$	13,476,901
1.76 Number of covered lives		7,392

2. Health Test:

	1		2	
	Current Year		Prior Year	
2.1 Premium Numerator	\$ 1,712,956,037		\$ 1,716,371,132	
2.2 Premium Denominator	\$ 1,712,956,037		\$ 1,716,371,132	
2.3 Premium Ratio (2.1 / 2.2)	1.000		1.000	
2.4 Reserve Numerator	\$ 174,842,133		\$ 193,051,893	
2.5 Reserve Denominator	\$ 175,081,589		\$ 194,295,729	
2.6 Reserve Ratio (2.4 / 2.5)	0.999		0.994	

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 <input type="checkbox"/> No <input checked="" type="checkbox"/>
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 <input checked="" type="checkbox"/> No <input type="checkbox"/>
4.2 If not previously filed, furnish herewith a copy(ies) of such agreement(s). Do these agreements include additional benefits offered?		Yes <input type="checkbox"/> No <input checked="" type="checkbox"/>
5.1 Does the reporting entity have stop-loss reinsurance?		Yes <input type="checkbox"/> No <input checked="" type="checkbox"/>
5.2 If no, explain:		
THE COMPANY EVALUATES THE NEED FOR REINSURANCE BY REVIEWING AT RISK LINES OF BUSINESS AND POLICY HOLDER CONTRACTS IN FORCE. FOR CALENDAR YEAR 2018, THERE WAS NOT A NEED TO ENTER INTO A STOP-LOSS REINSURANCE AGREEMENT.		
5.3 Maximum retained risk (see instructions)		
5.31 Comprehensive Medical	\$	
5.32 Medical Only	\$	
5.33 Medicare Supplement	\$	
5.34 Dental and vision	\$	
5.35 Other Limited Benefit Plan	\$	
5.36 Other	\$	

6. Describe arrangement which the reporting entity may have to protect subscribers and their dependents against the risk of insolvency including hold harmless provisions, conversion privileges with other carriers, agreements with providers to continue rendering services, and any other agreements:

STATE INSURANCE LAW MANDATES THE PLAN HAVE TOTAL RESERVES SUFFICIENT TO PAY CLAIMS AND ADMINISTRATIVE EXPENSES FOR NOT LESS THAN ONE MONTH. ALSO, THE PLAN HAS HOLD HARMLESS PROVISIONS IN ITS CONTRACTS WITH PARTICIPATING HOSPITALS AND PROVIDERS.

## GENERAL INTERROGATORIES PART 2 - HEALTH INTERROGATORIES

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	4,374
8.2 Number of providers at end of reporting year	4,346

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	
9.22 Business with rate guarantees over 36 months	

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	\$ _____
10.22 Amount actually paid for year bonuses	\$ _____
10.23 Maximum amount payable withholds	\$ _____
10.24 Amount actually paid for year withholds	\$ _____

11.1 Is the reporting entity organized as:

11.12 A Medical Group/Staff Model,	Yes <input type="checkbox"/> No <input checked="" type="checkbox"/>
11.13 An Individual Practice Association (IPA), or,	Yes <input type="checkbox"/> No <input checked="" type="checkbox"/>
11.14 A Mixed Model (combination of above)?	Yes <input type="checkbox"/> No <input checked="" type="checkbox"/>

11.2 Is the reporting entity subject to Statutory Minimum Capital and Surplus Requirements? Yes  No

11.3 If yes, show the name of the state requiring such minimum capital and surplus:

RHODE ISLAND

.....

.....

.....

11.4 If yes, show the amount required. \$ 139,333,861

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:

TOTAL UNDERWRITING DEDUCTIONS PAGE 4 LINE 23 \$1,672,006,334 DIVIDED BY TWELVE (12) MONTHS TO DERIVE THE MINIMUM NET WORTH OF \$139,333,861

.....

.....

.....

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

	1 Name of Service Area	
	RHODE ISLAND	
	.....	
	.....	

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. \$ \_\_\_\_\_

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. \$ \_\_\_\_\_

14.1 Are any of the captive affiliates reported on Schedule S, Part 3, authorized reinsurers? Yes  No  N/A

14.2 If the answer to 14.1 is yes, please provide the following:

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

15. Provide the following for individual ordinary life insurance\* policies (U.S. business only) for the current year (prior to reinsurance assumed or ceded).

15.1 Direct Premium Written	\$ _____
15.2 Total Incurred Claims	\$ _____
15.3 Number of Covered Lives	_____

*Ordinary Life Insurance Includes
Term (whether full underwriting, limited underwriting, jet issue, "short form app")
Whole Life (whether full underwriting, limited underwriting, jet issue, "short form app")
Variable Life (with or without secondary guarantee)
Universal Life (with or without secondary guarantee)
Variable Universal Life (with or without secondary guarantee)

**GENERAL INTERROGATORIES**  
**PART 2 - HEALTH INTERROGATORIES**

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



## FIVE – YEAR HISTORICAL DATA

	1	2	3	4	5
	2018	2017	2016	2015	2014
<b>Balance Sheet (Pages 2 and 3)</b>					
1. Total admitted assets (Page 2, Line 28)	638,242,440	627,155,028	618,389,546	623,709,146	614,611,830
2. Total liabilities (Page 3, Line 24)	339,583,816	334,158,151	351,918,965	329,974,247	350,566,393
3. Statutory minimum capital and surplus requirement	139,333,861	142,597,822	144,657,555	136,639,793	137,585,630
4. Total capital and surplus (Page 3, Line 33)	298,658,624	292,996,877	266,470,581	293,734,899	264,045,437
<b>Income Statement (Page 4)</b>					
5. Total revenues (Line 8)	1,708,865,057	1,719,351,097	1,714,135,582	1,661,318,809	1,640,538,775
6. Total medical and hospital expenses (Line 18)	1,417,367,219	1,477,136,192	1,479,912,238	1,388,430,910	1,404,023,945
7. Claims adjustment expenses (Line 20)	60,188,631	63,259,817	63,576,377	75,948,457	69,757,462
8. Total administrative expenses (Line 21)	196,550,484	168,677,852	192,402,050	175,298,154	177,260,045
9. Net underwriting gain (loss) (Line 24)	36,858,723	8,177,236	(21,755,083)	21,641,288	(10,502,677)
10. Net investment gain (loss) (Line 27)	(1,111,740)	17,090,061	3,843,968	10,560,628	14,518,426
11. Total other income (Lines 28 plus 29)	(26,337,001)	(2,271,683)	(16,579,341)	(157,234,781)	(3,789,752)
12. Net income or (loss) (Line 32)	9,411,398	22,616,368	(34,532,762)	(125,947,322)	113,234
<b>Cash Flow (Page 6)</b>					
13. Net cash from operations (Line 11)	20,013,488	72,648,812	23,046,774	22,311,824	(14,075,724)
<b>Risk-Based Capital Analysis</b>					
14. Total adjusted capital	298,658,624	292,996,877	266,470,581	293,734,899	264,045,437
15. Authorized control level risk-based capital	57,430,307	58,588,774	58,058,830	54,429,330	56,657,048
<b>Enrollment (Exhibit 1)</b>					
16. Total members at end of period (Column 5, Line 7)	390,593	402,276	340,153	334,034	388,106
17. Total members months (Column 6, Line 7)	4,711,740	4,816,302	4,090,732	4,036,343	4,663,066
<b>Operating Percentage (Page 4)</b>					
(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 (Line 18 plus Line 19)	82.9	85.9	86.3	83.6	85.6
20. Cost containment expenses	1.5	1.5	1.5	1.5	1.4
21. Other claims adjustment expenses	2.0	2.2	2.2	3.1	2.9
22. Total underwriting deductions (Line 23)	97.8	99.5	101.3	98.7	100.6
23. Total underwriting gain (loss) (Line 24)	2.2	0.5	(1.3)	1.3	(0.6)
<b>Unpaid Claims Analysis</b>					
(U&I Exhibit, Part 2B)					
24. Total claims incurred for prior years (Line 13, Col. 5)	106,442,653	112,580,824	116,456,304	111,453,500	121,706,652
25. Estimated liability of unpaid claims-[prior year (Line 13, Col. 6)]	145,191,887	133,387,323	118,794,023	127,953,807	139,807,152
<b>Investments In Parent, Subsidiaries and Affiliates</b>					
26. Affiliated bonds (Sch. D Summary, Line 12, Col. 1)					
27. Affiliated preferred stocks (Sch. D Summary, Line 18, Col. 1)					
28. Affiliated common stocks (Sch. D Summary, Line 24, Col. 1)					
29. Affiliated short-term investments (subtotal included in Sch. DA Verification, Col. 5, Line 10)					
30. Affiliated mortgage loans on real estate					
31. All other affiliated	19,320,044	16,517,308	9,328,363	3,746,557	3,489,044
32. Total of above Lines 26 to 31	19,320,044	16,517,308	9,328,363	3,746,557	3,489,044
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 [X]

If no, please explain:

.....  
.....  
.....  
.....

## SCHEDULE T - PREMIUMS AND OTHER CONSIDERATIONS

### Allocated by States and Territories

States, Etc.	1	Direct Business Only							
		2	3	4	5	6	7	8	9
	Active Status (a)	Accident & Health Premiums	Medicare Title XVIII	Medicaid Title XIX	Federal Employees Health Benefits Plan 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	N							
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	L	985,482,351	600,158,162		124,335,761		1,709,976,274	
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 Mariana Islands	MP	N							
57. Canada	CAN	N							
58. Aggregate other alien	OT	X X X							
59. Subtotal		X X X	985,482,351	600,158,162		124,335,761		1,709,976,274	
60. Reporting entity contributions for Employee Benefit Plans		X X X	537,862	439,542				977,404	
61. Totals (Direct Business)		X X X	986,020,213	600,597,704		124,335,761		1,710,953,678	

DETAILS OF WRITE-INS									
58001.		X X X							
58002.		X X X							
58003.		X X X							
58998.	Summary of remaining write-ins for Line 58 from overflow page								
58999.	Totals (Lines 58001 through 58003 plus 58998) (Line 58 above)	X X X							

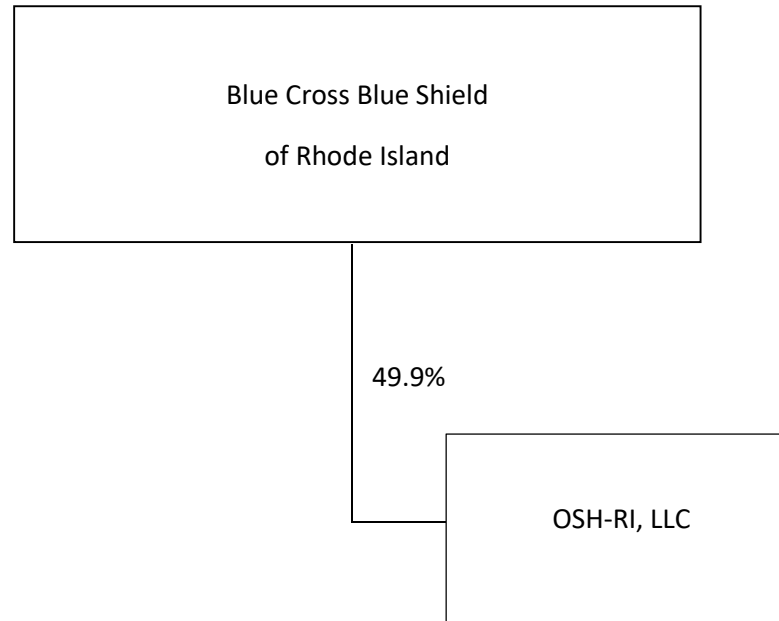
NONE

- (a) Active Status Counts
- L - Licensed or Chartered - Licensed i 1
  - E - Eligible - Reporting entities eligible \_\_\_\_\_
  - R - Registered - Non-domiciled RRGs \_\_\_\_\_
  - Q - Qualified - Qualified or accredited r \_\_\_\_\_
  - N - None of the above - Not allowed t 56

(b) **Explanation of basis of allocation of premiums by states, etc.**  
 ALL PREMIUMS ARE ALLOCATED TO RHODE ISLAND

## SCHEDULE Y - INFORMATION CONCERNING ACTIVITIES OF INSURER MEMBERS OF A HOLDING COMPANY GROUP

### PART 1 - ORGANIZATIONAL CHART



**OVERFLOW PAGE FOR WRITE-INS**

**Page 2 - Continuation**

**ASSETS**

	Current Year			Prior Year
	1	2	3	4
<b>REMAINING WRITE-INS AGGREGATED AT LINE 25 FOR OTHER THAN INVESTED ASSETS</b>	Assets	Nonadmitted Assets	Net Admitted Assets (Cols. 1 - 2)	Net Admitted Assets
2504. HISTORICAL TAX CREDITS	6,370,000		6,370,000	
2505. LEASEHOLD IMPROVEMENTS	4,279,830	4,279,830		
2506. COLLATERAL FUND HOME & HOST	214,604		214,604	210,791
2597. Totals (Lines 2504 through 2596) (Page 2, Line 2598)	10,864,434	4,279,830	6,584,604	210,791

**OVERFLOW PAGE FOR WRITE-INS**

**Page 3 - Continuation**

**LIABILITIES, CAPITAL AND SURPLUS**

	Current Year			Prior Year
	1 Covered	2 Uncovered	3 Total	4 Total
<b>WRITE-INS AGGREGATED AT LINE 23 FOR OTHER LIABILITIES</b>				
2304. FEP & MISCELLANEOUS CLAIMS PAYABLES .....	123,109		123,109	(39,689)
2397. Totals (Lines 2304 through 2396) (Page 3, Line 23)	123,109		123,109	(39,689)

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**OVERFLOW PAGE FOR WRITE-INS**


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**Page 4 - Continuation****STATEMENT OF REVENUE AND EXPENSES**

WRITE-INS AGGREGATED AT LINE 29 FOR STATEMENT OF REVENUE AND EXPENSES	Current Year		Prior Year
	1 Uncovered	2 Total	3 Total
2904. INTEREST EXPENSE IRS .....		(91,030)	(79,393)
2905. INTEREST EXPENSE LINE OF CREDIT .....		(193,943)	(439,262)
2906. BANK SERVICE CHARGES .....		(286,390)	(296,615)
2907. HEALTH INFORMATION EXCHANGE .....		(1,248,756)	(1,509,973)
2908. WELLNESS WORKS EXPENSE .....		(2,391,899)	(2,968,562)
2909. OTHER INCOME (NET OF PENALTIES) .....		(24,791,047)	384,014
2997. Totals (Lines 2901 through 2996) (Page 4, Line 2998)		(29,003,065)	(4,909,791)

**OVERFLOW PAGE FOR WRITE-INS**

**Page 13 - Continuation**

**UNDERWRITING AND INVESTMENT EXHIBIT**

**PART 2D – AGGREGATE RESERVE FOR ACCIDENT AND HEALTH CONTRACTS ONLY**

	1	2	3	4	5	6	7	8	9
<b>WRITE-INS AGGREGATED AT LINE 05 FOR UNDERWRITING AND INVESTMENT EXHIBIT</b>	Total	Comprehensive (Hospital & Medical)	Medicare Supplement	Dental Only	Vision Only	Federal Employees Health Benefits Plan	Title XVIII Medicare	Title XIX Medicaid	Other
0597. Totals (Lines 0501 through 0596) (Page 13, Line 0598)									
<b>WRITE-INS AGGREGATED AT LINE 11 FOR UNDERWRITING AND INVESTMENT EXHIBIT</b>	Total	Comprehensive (Hospital & Medical)	Medicare Supplement	Dental Only	Vision Only	Federal Employees Health Benefits Plan	Title XVIII Medicare	Title XIX Medicaid	Other
1197. Totals (Lines 1101 through 1196) (Page 13, Line 1198)									

**OVERFLOW PAGE FOR WRITE-INS**

**Page 14 - Continuation**

**UNDERWRITING AND INVESTMENT EXHIBIT**

**PART 3 – ANALYSIS OF EXPENSES**

	Claim Adjustment Expenses		3	4	5
	1	2			
<b>WRITE-INS AGGREGATED AT LINE 25 FOR UNDERWRITING AND INVESTMENT EXHIBIT</b>	Cost Containment Expenses	Other Claim Adjustment Expenses	General Administrative Expenses	Investment Expenses	Total
2504. AGENCY & PORTFOLIO MANAGEMENT FEES				1,348,391	1,348,391
2505. CLAIMS HANDLING EXPENSE		(215,800)			(215,800)
2506. BLUECARD ADMIN FEE INCOME	(1,846,921)	(2,554,597)			(4,401,518)
2597. Totals (Lines 2501 through 2596) (Page 14, Line 2598)	(1,846,921)	(2,770,397)		1,348,391	(3,268,927)



**OVERFLOW PAGE FOR WRITE-INS**

**Page 17 - Continuation**

**EXHIBIT 1 – ENROLLMENT BY PRODUCT TYPE FOR HEALTH BUSINESS ONLY**

	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	
<b>WRITE-INS AGGREGATED AT LINE 06 FOR EXHIBIT 1</b>						
0604. VISION ONLY		12,505	13,460	13,361	13,708	157,269
0605. MEDICARE PRESCRIPTION DRUG PLAN	11,074	11,244	11,368	11,597	11,663	137,144
0697. Totals (Lines 0601 through 0697) (Page 17, Line 06)	11,074	23,749	24,828	24,958	25,371	294,413

## ALPHABETICAL INDEX TO HEALTH ANNUAL STATEMENT

Analysis of Operations By Lines of Business	7	Schedule D – Part 6 – Section 2	E16
Assets	2	Schedule D – Summary By Country	SI04
Cash Flow	6	Schedule D – Verification Between Years	SI03
Exhibit 1 – Enrollment By Product Type for Health Business Only	17	Schedule DA – Part 1	E17
Exhibit 2 – Accident and Health Premiums Due and Unpaid	18	Schedule DA – Verification Between Years	SI10
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