

ANNUAL STATEMENT

OF THE

BLUE CROSS & BLUE SHIELD OF RHODE ISLAND

of PROVIDENCE COUNTY

in the state of RHODE ISLAND

TO THE

Insurance Department

OF THE

FOR THE YEAR ENDED

December 31, 2016

HEALTH

2016



53473201620100100

ANNUAL STATEMENT

For the Year Ended December 31, 2016
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** RHODE ISLAND
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 401-459-1000
(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	SENIOR 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	SVP - CHIEF CUSTOMER OFFICER
KATHERINE DALLOW M.D.	VP - CLINICAL AFFAIRS	TARA L. DEMOURA #	VP - OPERATIONS
JEREMY S. DUNCAN	VP - COMMUNICATIONS	JEFFREY J. KOLARIK	VP - STRATEGIC RELATIONSHIPS
AUGUSTINE A. MANOCCHIA M.D.	SVP - CHIEF MEDICAL OFFICER	MICHAEL J. MARRONE #	VP - FINANCE
COREY R. MCCARTY	VP - CONSUMER SEGMENT	MONICA A. NERONHA	VP - LEGAL SERVICES
KURT C. RINGO #	VP - CHIEF ANALYTICS OFFICER	VISAEL RODRIGUEZ	VP - CHIEF DIVERSITY OFFICER
SAMUEL B. SLADE #	VP - EMPLOYER SEGMENT	MARK D. WAGGONER	SVP - CARE INTEGRATION & MGMT

DIRECTORS OR TRUSTEES

DENISE A. BARGE	CHRISTOPHER CROSBY #	NICHOLAS DENICE #	MICHAEL DICHIRO
SCOTT DUHAMEL	SCOTT GUNN	JAMES A. HARRINGTON	DONNA HUNTLEY-NEWBY
MICHAEL A ISRAELITE #	ELIZABETH B. LANGE M.D.	JOHN C. LANGENUS	WARREN E. LICHT M.D.
JOHN P. MAGUIRE	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. PRESIDENT & CEO _____ (Title)	_____ (Signature) MICHELE B. LEDERBERG _____ (Printed Name) 2. EVP. & GEN. COUNSEL _____ (Title)	_____ (Signature) MARK C. STEWART _____ (Printed Name) 3. SENIOR VICE PRESIDENT & CFO _____ (Title)
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Subscribed and sworn to (or affirmed) before me this on this _____ day of _____, 2017, 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)	300,434,417		300,434,417	319,019,113
2. Stocks (Schedule D):				
2.1 Preferred stocks				
2.2 Common stocks	85,800,533		85,800,533	35,387,361
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 \$ 69,518,834 encumbrances)	35,353,861		35,353,861	34,991,884
4.2 Properties held for the production of income (less \$ 0 encumbrances)				
4.3 Properties held for sale (less \$ 0 encumbrances)				
5. Cash (\$ (5,264,118), Schedule E - Part 1), cash equivalents (\$ 17,303, Schedule E - Part 2), and short-term investments (\$ 6,169,540, Schedule DA)	922,725		922,725	4,634,263
6. Contract loans (including \$ 0 premium notes)				
7. Derivatives (Schedule DB)				
8. Other invested assets (Schedule BA)	16,964,722		16,964,722	41,579,161
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)	439,476,258		439,476,258	435,611,782
13. Title plants less \$ 0 charged off (for Title insurers only)				
14. Investment income due and accrued	1,517,675		1,517,675	1,529,790
15. Premiums and considerations:				
15.1 Uncollected premiums and agents' balances in the course of collection	53,460,323	2,175,995	51,284,328	49,820,033
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 (\$ 622,853) and contracts subject to redetermination (\$ 11,897,744)	12,848,322	327,725	12,520,597	13,273,904
16. Reinsurance:				
16.1 Amounts recoverable from reinsurers	5,834,321		5,834,321	12,666,138
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	29,809,338		29,809,338	40,097,248
18.1 Current federal and foreign income tax recoverable and interest thereon				
18.2 Net deferred tax asset	19,819,380	8,517,920	11,301,460	14,433,993
19. Guaranty funds receivable or on deposit				
20. Electronic data processing equipment and software	37,487,645	36,801,745	685,900	2,765,570
21. Furniture and equipment, including health care delivery assets (\$ 0)	3,992,817	3,992,817		
22. Net adjustment in assets and liabilities due to foreign exchange rates				
23. Receivables from parent, subsidiaries and affiliates				
24. Health care (\$ 27,109,128) and other amounts receivable	28,847,233	1,738,105	27,109,128	23,806,880
25. Aggregate write-ins for other-than-invested assets	48,710,187	9,859,646	38,850,541	29,703,808
26. Total assets excluding Separate Accounts, Segregated Accounts and Protected Cell Accounts (Lines 12 to 25)	681,803,499	63,413,953	618,389,546	623,709,146
27. From Separate Accounts, Segregated Accounts and Protected Cell Accounts				
28. Total (Lines 26 and 27)	681,803,499	63,413,953	618,389,546	623,709,146

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	28,931,262		28,931,262	23,209,523
2502. PREPAID EXPENSES	8,689,830	8,689,830		
2503. FEP UNPAID CLAIMS	7,437,000		7,437,000	6,256,768
2598. Summary of remaining write-ins for Line 25 from overflow page	3,652,095	1,169,816	2,482,279	237,517
2599. Totals (Lines 2501 through 2503 plus 2598) (Line 25 above)	48,710,187	9,859,646	38,850,541	29,703,808

NONE

LIABILITIES, CAPITAL AND SURPLUS

	Current Year			Prior Year
	1 Covered	2 Uncovered	3 Total	4 Total
1. Claims unpaid (less \$ 0 reinsurance ceded)	126,674,172		126,674,172	128,122,614
2. Accrued medical incentive pool and bonus amounts	32,206,382		32,206,382	14,839,049
3. Unpaid claims adjustment expenses	19,940,903		19,940,903	21,861,146
4. Aggregate health policy reserves, including the liability of \$ 918730 for medical loss ratio rebate per the Public Health Services Act	22,878,528		22,878,528	21,437,726
5. Aggregate life policy reserves				
6. Property/casualty unearned premium reserves				
7. Aggregate health claim reserves	3,354,000		3,354,000	3,603,000
8. Premiums received in advance	17,383,571		17,383,571	16,998,131
9. General expenses due or accrued	45,228,614		45,228,614	37,089,968
10.1. Current federal and foreign income tax payable and interest thereon (including \$ 0 on realized gains (losses))	181,987		181,987	380,526
10.2. Net deferred tax liability				
11. Ceded reinsurance premiums payable	365,539		365,539	194,729
12. Amounts withheld or retained for the account of others	937,777		937,777	507,014
13. Remittances and items not allocated	1,955,000		1,955,000	1,744,365
14. Borrowed money (including \$ 35,000,000 current) and interest thereon \$ 49,953 (including \$ 49,953 current)	35,049,953		35,049,953	40,095,650
15. Amounts due to parent, subsidiaries and affiliates				
16. Derivatives				
17. Payable for securities				89,477
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	28,102,159		28,102,159	33,072,432
23. Aggregate write-ins for other liabilities (including \$ 13,083,866 current)	17,660,380		17,660,380	9,938,420
24. Total liabilities (Lines 1 to 23)	351,918,965		351,918,965	329,974,247
25. Aggregate write-ins for special surplus funds	X X X	X X X		29,500,000
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	266,470,581	264,234,899
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	266,470,581	293,734,899
34. Total liabilities, capital and surplus (Lines 24 and 33)	X X X	X X X	618,389,546	623,709,146

DETAILS OF WRITE-IN LINES				
2301. OTHER ACCOUNTS PAYABLE	7,751,446		7,751,446	3,326,226
2302. ACCRUED CAPITAL EXPENSES	4,874,459		4,874,459	1,970,092
2303. UNFUNDED ACCUMULATED BENEFIT OBLIGATION	4,540,321		4,540,321	4,599,580
2398. Summary of remaining write-ins for Line 23 from overflow page	494,154		494,154	42,522
2399. Totals (Lines 2301 through 2303 plus 2398) (Line 23 above)	17,660,380		17,660,380	9,938,420
2501. PPACA HEALTH INSURER FEE 2016	X X X	X X X		29,500,000
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		29,500,000
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	4,090,732	4,036,343
2. Net premium income (including \$ 0 non-health premium income)	X X X	1,711,207,554	1,664,052,254
3. Change in unearned premium reserves and reserve for rate credits	X X X	2,928,028	(2,733,445)
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	1,714,135,582	1,661,318,809
Hospital and Medical:			
9. Hospital/medical benefits		992,534,799	950,509,999
10. Other professional services		22,098,063	23,015,825
11. Outside referrals			
12. Emergency room and out-of-area		160,671,362	137,913,199
13. Prescription drugs		239,238,896	238,123,175
14. Aggregate write-ins for other hospital and medical		48,912,954	44,823,600
15. Incentive pool, withhold adjustments and bonus amounts		19,657,410	10,630,179
16. Subtotal (Lines 9 to 15)		1,483,113,484	1,405,015,977
Less:			
17. Net reinsurance recoveries		3,201,246	16,585,067
18. Total hospital and medical (Lines 16 minus 17)		1,479,912,238	1,388,430,910
19. Non-health claims (net)			
20. Claims adjustment expenses, including \$ 25,766,098 cost containment expenses		63,576,377	75,948,457
21. General administrative expenses		192,402,050	175,298,154
22. Increase in reserves for life and accident and health contracts (including \$ 0 increase in reserves for life only)			
23. Total underwriting deductions (Lines 18 through 22)		1,735,890,665	1,639,677,521
24. Net underwriting gain or (loss) (Lines 8 minus 23)	X X X	(21,755,083)	21,641,288
25. Net investment income earned (Exhibit of Net Investment Income, Line 17)		2,793,670	2,316,909
26. Net realized capital gains (losses) less capital gains tax of \$ 0		1,050,298	8,243,719
27. Net investment gains (losses) (Lines 25 plus 26)		3,843,968	10,560,628
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		(16,579,341)	(157,234,781)
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	(34,490,456)	(125,032,865)
31. Federal and foreign income taxes incurred	X X X	42,306	914,457
32. Net income (loss) (Lines 30 minus 31)	X X X	(34,532,762)	(125,947,322)

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			48,912,954
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)			48,912,954
2901. GOOD HEALTH BENEFIT REVENUE			2,726,269
2902. INDIGO COMMISSIONS			11,784
2903. INTEREST INCOME (NET OF PENALTIES)			10,199
2998. Summary of remaining write-ins for Line 29 from overflow page			(19,327,593)
2999. Totals (Lines 2901 through 2903 plus 2998) (Line 29 above)			(16,579,341)

STATEMENT OF REVENUE AND EXPENSES (Continued)

	1	2
	Current Year	Prior Year
CAPITAL & SURPLUS ACCOUNT		
33. Capital and surplus prior reporting year	293,734,899	264,045,437
34. Net income or (loss) from Line 32	(34,532,762)	(125,947,322)
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	5,665,532	(11,787,921)
37. Change in net unrealized foreign exchange capital gain or (loss)		
38. Change in net deferred income tax	(1,532,272)	21,351,652
39. Change in nonadmitted assets	3,355,874	164,958,121
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	(220,690)	(18,885,068)
48. Net change in capital and surplus (Lines 34 to 47)	(27,264,318)	29,689,462
49. Capital and surplus end of reporting year (Line 33 plus 48)	266,470,581	293,734,899

DETAILS OF WRITE-IN LINES		
4701. OTHER POSTEMPLOYMENT BENEFITS	155,378	(981,102)
4702. QUALIFIED PENSION EXPENSE TERMINATION SETTLEMENT		2,650,500
4703. CHANGE IN UNRECOGNIZED PRIOR SERVICE COST		
4798. Summary of remaining write-ins for Line 47 from overflow page	(376,068)	(20,554,466)
4799. Totals (Lines 4701 through 4703 plus 4798) (Line 47 above)	(220,690)	(18,885,068)

CASH FLOW

	1	2
	Current Year	Prior Year
Cash from Operations		
1. Premiums collected net of reinsurance	1,723,365,182	1,646,289,659
2. Net investment income	4,811,143	3,623,858
3. Miscellaneous income	(16,496,106)	(3,265,193)
4. Total (Lines 1 through 3)	1,711,680,219	1,646,648,324
5. Benefit and loss related payments	1,457,046,321	1,390,027,018
6. Net transfers to Separate Accounts, Segregated Accounts and Protected Cell Accounts		
7. Commissions, expenses paid and aggregate write-ins for deductions	231,263,043	233,583,663
8. Dividends paid to policyholders		
9. Federal and foreign income taxes paid (recovered) net of \$ 0 tax on capital gains (losses)	324,081	725,819
10. Total (Lines 5 through 9)	1,688,633,445	1,624,336,500
11. Net cash from operations (Line 4 minus Line 10)	23,046,774	22,311,824
Cash from Investments		
12. Proceeds from investments sold, matured or repaid:		
12.1 Bonds	320,998,800	65,981,170
12.2 Stocks	23,945,424	44,449,419
12.3 Mortgage loans		
12.4 Real estate		
12.5 Other invested assets	30,356,119	48,957,275
12.6 Net gains or (losses) on cash, cash equivalents and short-term investments	2,719	
12.7 Miscellaneous proceeds		
12.8 Total investment proceeds (Lines 12.1 to 12.7)	375,303,062	159,387,864
13. Cost of investments acquired (long-term only):		
13.1 Bonds	303,471,208	129,002,482
13.2 Stocks	69,495,344	11,945,443
13.3 Mortgage loans		
13.4 Real estate	3,756,027	3,408,420
13.5 Other invested assets	4,840,081	6,860,221
13.6 Miscellaneous applications		
13.7 Total investments acquired (Lines 13.1 to 13.6)	381,562,660	151,216,566
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)	(6,259,598)	8,171,298
Cash from Financing and Miscellaneous Sources		
16. Cash provided (applied):		
16.1 Surplus notes, capital notes		
16.2 Capital and paid in surplus, less treasury stock		
16.3 Borrowed funds	(5,045,697)	(9,956,500)
16.4 Net deposits on deposit-type contracts and other insurance liabilities		
16.5 Dividends to stockholders		
16.6 Other cash provided (applied)	(15,453,017)	(23,130,473)
17. Net cash from financing and miscellaneous sources (Lines 16.1 to 16.4 minus Line 16.5 plus Line 16.6)	(20,498,714)	(33,086,973)
RECONCILIATION OF CASH, CASH EQUIVALENTS AND SHORT-TERM INVESTMENTS		
18. Net change in cash, cash equivalents and short-term investments (Line 11, plus Lines 15 and 17)	(3,711,538)	(2,603,851)
19. Cash, cash equivalents and short-term investments:		
19.1 Beginning of year	4,634,263	7,238,114
19.2 End of year (Line 18 plus Line 19.1)	922,725	4,634,263

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	1,711,207,554	907,497,588	57,631,845	30,694,828		110,908,281	581,753,377		22,721,635	
2. Change in unearned premium reserves and reserve for rate credit	2,928,028					2,928,028				
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)	1,714,135,582	907,497,588	57,631,845	30,694,828		113,836,309	581,753,377		22,721,635	
8. Hospital/medical benefits	992,534,799	472,954,622	44,674,392			77,625,202	395,642,803		1,637,780	X X X
9. Other professional services	22,098,063			22,098,063						X X X
10. Outside referrals										X X X
11. Emergency room and out-of-area	160,671,362	104,179,777					56,491,585			X X X
12. Prescription drugs	239,238,896	152,969,580	1,007,014			23,453,229	50,767,856		11,041,217	X X X
13. Aggregate write-ins for other hospital and medical	48,912,954	38,519,169					10,393,785			X X X
14. Incentive pool, withhold adjustments and bonus amounts	19,657,410	11,495,042					8,162,368			X X X
15. Subtotal (Lines 8 to 14)	1,483,113,484	780,118,190	45,681,406	22,098,063		101,078,431	521,458,397		12,678,997	X X X
16. Net reinsurance recoveries	3,201,246	3,201,246								X X X
17. Total hospital and medical (Lines 15 minus 16)	1,479,912,238	776,916,944	45,681,406	22,098,063		101,078,431	521,458,397		12,678,997	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 \$ 25,766,098 cost containment expenses	63,576,377	35,109,215	2,469,382	1,932,879		3,403,201	20,064,871		596,829	
20. General administrative expenses	192,402,050	114,044,071	5,887,240	5,127,206		7,997,891	57,673,822		1,671,820	
21. Increase in reserves for accident and health 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	
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)	1,735,890,665	926,070,230	54,038,028	29,158,148		112,479,523	599,197,090		14,947,646	
24. Net underwriting gain or (loss) (Line 7 minus Line 23)	(21,755,083)	(18,572,642)	3,593,817	1,536,680		1,356,786	(17,443,713)		7,773,989	

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	48,912,954	38,519,169					10,393,785			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)	48,912,954	38,519,169					10,393,785			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)	908,080,678		583,089	907,497,589
2. Medicare Supplement	57,631,845			57,631,845
3. Dental only	30,694,827			30,694,827
4. Vision only				
5. Federal Employees Health Benefits Plan	113,836,309			113,836,309
6. Title XVIII – Medicare	581,753,377			581,753,377
7. Title XIX – Medicaid				
8. Other health	24,682,454		1,960,819	22,721,635
9. Health subtotal (Lines 1 through 8)	1,716,679,490		2,543,908	1,714,135,582
10. Life				
11. Property/casualty				
12. Totals (Lines 9 to 11)	1,716,679,490		2,543,908	1,714,135,582

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	1,460,788,857	767,694,827	45,135,053	22,617,123		101,021,909	511,063,478		13,256,467	
1.2 Reinsurance assumed										
1.3 Reinsurance ceded	10,122,355	10,122,355								
1.4 Net	1,450,666,502	757,572,472	45,135,053	22,617,123		101,021,909	511,063,478		13,256,467	
2. Paid medical incentive pools and bonuses	7,731,328	4,624,122					3,107,206			
3. Claim liability December 31, current year from Part 2A:										
3.1 Direct	126,674,172	64,308,360	6,024,000	1,325,000		7,475,823	46,813,022		727,967	
3.2 Reinsurance assumed										
3.3 Reinsurance ceded										
3.4 Net	126,674,172	64,308,360	6,024,000	1,325,000		7,475,823	46,813,022		727,967	
4. Claim reserve December 31, current year from Part 2D:										
4.1 Direct	3,354,000	3,354,000								
4.2 Reinsurance assumed										
4.3 Reinsurance ceded										
4.4 Net	3,354,000	3,354,000								
5. Accrued medical incentive pools and bonuses, current year	32,206,382	21,044,576					11,161,806			
6. Net healthcare receivables (a)	1,076,593	1,650,976	(70,354)	7,060			(511,089)			
7. Amounts recoverable from reinsurers December 31, current year	5,637,673	5,637,673								
8. Claim liability December 31, prior year from Part 2A:										
8.1 Direct	128,122,614	66,468,631	5,548,000	1,837,000		7,419,301	45,544,244		1,305,438	
8.2 Reinsurance assumed										
8.3 Reinsurance ceded										
8.4 Net	128,122,614	66,468,631	5,548,000	1,837,000		7,419,301	45,544,244		1,305,438	
9. Claim reserve December 31, prior year from Part 2D:										
9.1 Direct	3,603,000	3,603,000								
9.2 Reinsurance assumed										
9.3 Reinsurance ceded										
9.4 Net	3,603,000	3,603,000								
10. Accrued medical incentive pools and bonuses, prior year	14,839,049	9,185,089					5,653,960			
11. Amounts recoverable from reinsurers December 31, prior year	12,558,782	12,558,782								
12. Incurred benefits:										
12.1 Direct	1,458,014,822	763,634,580	45,681,407	22,098,063		101,078,431	512,843,345		12,678,996	
12.2 Reinsurance assumed										
12.3 Reinsurance ceded	3,201,246	3,201,246								
12.4 Net	1,454,813,576	760,433,334	45,681,407	22,098,063		101,078,431	512,843,345		12,678,996	
13. Incurred medical incentive pools and bonuses	25,098,661	16,483,609					8,615,052			

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

UNDERWRITING AND INVESTMENT EXHIBIT

PART 2A – CLAIMS LIABILITY END OF CURRENT YEAR

	1	2	3	4	5	6	7	8	9	10
	Total	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	46,386,182	27,303,746	441,730	446,856		1,593,527	15,872,356		727,967	
1.2 Reinsurance assumed										
1.3 Reinsurance ceded										
1.4 Net	46,386,182	27,303,746	441,730	446,856		1,593,527	15,872,356		727,967	
2. Incurred but Unreported:										
2.1 Direct	80,287,990	37,004,614	5,582,270	878,144		5,882,296	30,940,666			
2.2 Reinsurance assumed										
2.3 Reinsurance ceded										
2.4 Net	80,287,990	37,004,614	5,582,270	878,144		5,882,296	30,940,666			
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	126,674,172	64,308,360	6,024,000	1,325,000		7,475,823	46,813,022		727,967	
4.2 Reinsurance assumed										
4.3 Reinsurance ceded										
4.4 Net	126,674,172	64,308,360	6,024,000	1,325,000		7,475,823	46,813,022		727,967	

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)	52,992,973	711,500,608	461,128		
2. Medicare Supplement	5,377,948	39,757,105	97,115	5,926,885	5,475,063	5,548,000
3. Dental only	1,713,661	20,903,462	1,560	1,323,440	1,715,221	1,837,000
4. Vision only						
5. Federal Employees Health Benefits Plan	7,206,485	93,815,424	71,342	7,404,481	7,277,827	7,419,301
6. Title XVIII – Medicare	39,929,093	471,134,385	1,100,836	45,712,186	41,029,929	45,544,244
7. Title XIX – Medicaid						
8. Other health	1,242,670	12,013,797	(2,534)	730,502	1,240,136	1,305,438
9. Health subtotal (Lines 1 to 8)	108,462,830	1,349,124,781	1,729,447	128,298,726	110,192,277	131,725,614
10. Health care receivables (a)	9,628,500	15,807,768		3,410,964	9,628,500	27,770,640
11. Other non-health						
12. Medical incentive pools and bonus amounts	7,481,328	250,000	8,411,199	23,795,183	15,892,527	14,839,049
13. Totals (Lines 9 - 10 + 11 + 12)	106,315,658	1,333,567,013	10,140,646	148,682,945	116,456,304	118,794,023

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

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

Section A – Paid Health Claims

Year in Which Losses Were Incurred	Cumulative Net Amounts Paid				
	1 2012	2 2013	3 2014	4 2015	5 2016
1. Prior	829,118	829,121	828,955	828,863	828,788
2. 2012	768,610	835,757	836,917	837,286	837,189
3. 2013	X X X	749,299	804,217	804,285	804,409
4. 2014	X X X	X X X	711,201	757,293	756,526
5. 2015	X X X	X X X	X X X	710,792	758,401
6. 2016	X X X	X X X	X X X	X X X	712,867

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 2012	2 2013	3 2014	4 2015	5 2016
1. Prior	829,118	829,121	828,955	828,863	828,788
2. 2012	768,610	835,757	836,917	837,286	837,189
3. 2013	X X X	749,299	804,217	804,285	804,409
4. 2014	X X X	X X X	711,201	757,293	756,526
5. 2015	X X X	X X X	X X X	710,792	765,150
6. 2016	X X X	X X X	X X X	X X X	794,824

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. 2012	968,153	837,189			837,189	86.473			837,189	86.473
2. 2013	959,122	804,409			804,409	83.869			804,409	83.869
3. 2014	937,593	756,526			756,526	80.688			756,526	80.688
4. 2015	894,906	758,401	17,176	2.265	775,577	86.666	6,749	796	783,122	87.509
5. 2016	907,498	712,867	17,176	2.409	730,043	80.446	81,957	9,663	821,663	90.542

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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 2012	2 2013	3 2014	4 2015	5 2016
1. Prior	42,480	42,514	42,680	42,692	42,707
2. 2012	37,499	43,404	44,564	44,568	44,573
3. 2013	X X X	37,601	43,900	43,929	43,958
4. 2014	X X X	X X X	38,898	43,692	43,671
5. 2015	X X X	X X X	X X X	39,808	45,145
6. 2016	X X X	X X X	X X X	X X X	39,757

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 2012	2 2013	3 2014	4 2015	5 2016
1. Prior	42,480	42,514	42,680	42,692	42,707
2. 2012	37,499	43,404	44,564	44,568	44,573
3. 2013	X X X	37,601	43,900	43,929	43,958
4. 2014	X X X	X X X	38,898	43,692	43,671
5. 2015	X X X	X X X	X X X	39,808	45,242
6. 2016	X X X	X X X	X X X	X X X	45,684

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. 2012	53,964	44,573			44,573	82.598			44,573	82.598
2. 2013	54,736	43,958			43,958	80.309			43,958	80.309
3. 2014	55,334	43,671			43,671	78.923			43,671	78.923
4. 2015	56,055	45,145	1,014	2.246	46,159	82.346	97	10	46,266	82.537
5. 2016	57,632	39,757	1,014	2.550	40,771	70.744	5,927	608	47,306	82.083

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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 2012	2 2013	3 2014	4 2015	5 2016
1. Prior	22,751	22,753	22,753	22,753	22,753
2. 2012	21,354	23,401	23,401	23,402	23,402
3. 2013	X X X	21,214	22,515	22,517	22,516
4. 2014	X X X	X X X	22,820	24,408	24,411
5. 2015	X X X	X X X	X X X	21,079	22,904
6. 2016	X X X	X X X	X X X	X X X	20,903

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 2012	2 2013	3 2014	4 2015	5 2016
1. Prior	22,751	22,753	22,753	22,753	22,753
2. 2012	21,354	23,401	23,401	23,402	23,402
3. 2013	X X X	21,214	22,515	22,517	22,516
4. 2014	X X X	X X X	22,820	24,408	24,411
5. 2015	X X X	X X X	X X X	21,079	22,906
6. 2016	X X X	X X X	X X X	X X X	22,226

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. 2012	28,711	23,402			23,402	81.509			23,402	81.509
2. 2013	27,887	22,516			22,516	80.740			22,516	80.740
3. 2014	31,381	24,411			24,411	77.789			24,411	77.789
4. 2015	29,415	22,904	508	2.218	23,412	79.592	2		23,414	79.599
5. 2016	30,695	20,903	508	2.430	21,411	69.754	1,323	309	23,043	75.071

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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 2012	2 2013	3 2014	4 2015	5 2016
1. Prior					
2. 2012					
3. 2013	XXX				
4. 2014	XXX	XXX			
5. 2015	XXX	XXX	XXX		
6. 2016	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 2012	2 2013	3 2014	4 2015	5 2016
1. Prior					
2. 2012					
3. 2013	XXX				
4. 2014	XXX	XXX			
5. 2015	XXX	XXX	XXX		
6. 2016	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. 2012										
2. 2013										
3. 2014										
4. 2015										
5. 2016										

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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 2012	2 2013	3 2014	4 2015	5 2016
1. Prior	86,710	86,777	86,841	86,844	86,845
2. 2012	85,195	93,826	93,875	93,873	93,857
3. 2013	X X X	82,306	95,316	95,435	95,312
4. 2014	X X X	X X X	88,486	96,702	96,483
5. 2015	X X X	X X X	X X X	93,070	100,632
6. 2016	X X X	X X X	X X X	X X X	93,815

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 2012	2 2013	3 2014	4 2015	5 2016
1. Prior	86,710	86,777	86,841	86,844	86,845
2. 2012	85,195	93,826	93,875	93,873	93,857
3. 2013	X X X	82,306	95,316	95,435	95,312
4. 2014	X X X	X X X	88,486	96,702	96,483
5. 2015	X X X	X X X	X X X	93,070	100,703
6. 2016	X X X	X X X	X X X	X X X	101,219

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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. 2012	101,536	93,857			93,857	92.437			93,857	92.437
2. 2013	97,717	95,312			95,312	97.539			95,312	97.539
3. 2014	112,337	96,483			96,483	85.887			96,483	85.887
4. 2015	111,864	100,632	2,270	2.256	102,902	91.988	71	13	102,986	92.064
5. 2016	113,836	93,815	2,270	2.420	96,085	84.407	7,404	1,369	104,858	92.113

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 2012	2 2013	3 2014	4 2015	5 2016
1. Prior	346,962	346,932	346,984	347,003	347,040
2. 2012	327,525	352,590	352,741	352,682	352,679
3. 2013	X X X	307,683	329,385	328,592	328,601
4. 2014	X X X	X X X	423,483	457,158	456,573
5. 2015	X X X	X X X	X X X	453,479	490,419
6. 2016	X X X	X X X	X X X	X X X	471,134

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 2012	2 2013	3 2014	4 2015	5 2016
1. Prior	346,962	346,932	346,984	347,003	347,040
2. 2012	327,525	352,590	352,741	352,682	352,679
3. 2013	X X X	307,683	329,385	328,592	328,601
4. 2014	X X X	X X X	423,483	457,158	456,573
5. 2015	X X X	X X X	X X X	453,479	493,643
6. 2016	X X X	X X X	X X X	X X X	525,885

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. 2012	384,938	352,679			352,679	91.620			352,679	91.620
2. 2013	376,712	328,601			328,601	87.229			328,601	87.229
3. 2014	482,573	456,573			456,573	94.612			456,573	94.612
4. 2015	545,426	490,419	11,482	2.341	501,901	92.020	3,224	389	505,514	92.682
5. 2016	581,753	470,251	11,482	2.442	481,733	82.807	54,751	6,603	543,087	93.354

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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 2012	2 2013	3 2014	4 2015	5 2016
1. Prior	13,313	13,654	13,654	13,654	13,654
2. 2012	12,800	13,895	13,895	13,895	13,895
3. 2013	X X X	12,769	14,289	14,289	14,289
4. 2014	X X X	X X X	11,025	12,561	12,561
5. 2015	X X X	X X X	X X X	12,602	13,845
6. 2016	X X X	X X X	X X X	X X X	12,014

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 2012	2 2013	3 2014	4 2015	5 2016
1. Prior	13,313	13,654	13,654	13,654	13,654
2. 2012	12,800	13,895	13,895	13,895	13,895
3. 2013	X X X	12,769	14,289	14,289	14,289
4. 2014	X X X	X X X	11,025	12,561	12,561
5. 2015	X X X	X X X	X X X	12,602	13,842
6. 2016	X X X	X X X	X X X	X X X	12,745

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. 2012	20,810	13,895			13,895	66.771			13,895	66.771
2. 2013	21,542	14,289			14,289	66.331			14,289	66.331
3. 2014	21,321	12,561			12,561	58.914			12,561	58.914
4. 2015	23,653	13,845	298	2.152	14,143	59.794	(3)	(1)	14,139	59.777
5. 2016	24,682	12,014	298	2.480	12,312	49.883	731	182	13,225	53.582

12.01

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 2012	2 2013	3 2014	4 2015	5 2016	
1. Prior		1,378,911	1,379,320	1,379,437	1,379,381	1,379,359
2. 2012		1,252,983	1,362,873	1,365,393	1,365,706	1,365,595
3. 2013	X X X		1,210,872	1,309,622	1,309,047	1,309,085
4. 2014	X X X		X X X	1,295,913	1,391,814	1,390,225
5. 2015	X X X		X X X		1,330,830	1,431,346
6. 2016	X X X		X X X	X X X		1,350,490

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 2012	2 2013	3 2014	4 2015	5 2016	
1. Prior		1,378,891	1,379,320	1,379,437	1,379,381	1,379,359
2. 2012		1,252,983	1,362,873	1,365,393	1,365,706	1,365,595
3. 2013	X X X		1,210,872	1,309,622	1,309,047	1,309,085
4. 2014	X X X		X X X	1,295,913	1,391,814	1,390,225
5. 2015	X X X		X X X		1,330,830	1,441,486
6. 2016	X X X		X X X	X X X		1,502,583

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. 2012	1,558,115	1,365,595			1,365,595	87.644			1,365,595	87.644
2. 2013	1,537,716	1,309,085			1,309,085	85.132			1,309,085	85.132
3. 2014	1,640,539	1,390,225			1,390,225	84.742			1,390,225	84.742
4. 2015	1,661,319	1,431,346	32,748	2.288	1,464,094	88.128	10,140	1,207	1,475,441	88.811
5. 2016	1,716,096	1,349,607	32,748	2.426	1,382,355	80.552	152,093	18,734	1,553,182	90.507

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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	19,959,797					19,959,797			
2. Additional policy reserves (a)	2,000,000						2,000,000		
3. Reserve for future contingent benefits									
4. Reserve for rate credits or experience rating refunds (including \$ 0 for investment income)									
5. Aggregate write-ins for other policy reserves	918,731								918,731
6. Totals (gross)	22,878,528					19,959,797	2,000,000		918,731
7. Reinsurance ceded									
8. Totals (Net) (Page 3, Line 4)	22,878,528					19,959,797	2,000,000		918,731
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	2,864,000	2,864,000							
12. Totals (gross)	3,354,000	3,354,000							
13. Reinsurance ceded									
14. Totals (Net) (Page 3, Line 7)	3,354,000	3,354,000							

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DETAILS OF WRITE-IN LINES									
0501. REBATES DUE CMS	918,731								918,731
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)	918,731								918,731
1101. MATERNITY	2,864,000	2,864,000							
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)	2,864,000	2,864,000							

(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 (\$ 9,292,655 for occupancy of own building)		3,115,259	7,416,579		10,531,838
2. Salaries, wages and other benefits	21,062,917	12,539,671	62,163,248		95,765,836
3. Commissions (less \$ 0 ceded plus \$ 0 assumed)			13,637,387		13,637,387
4. Legal fees and expenses		619	1,909,554		1,910,173
5. Certifications and accreditation fees					
6. Auditing, actuarial and other consulting services	445,400	526,438	9,079,949		10,051,787
7. Traveling expenses	130,892	206,991	1,235,334		1,573,217
8. Marketing and advertising	2,903	15,368	2,840,768		2,859,039
9. Postage, express and telephone	115,654	979,834	3,521,080		4,616,568
10. Printing and office supplies	69,942	808,600	1,935,352		2,813,894
11. Occupancy, depreciation and amortization	99,435	251,479	1,100,833		1,451,747
12. Equipment					
13. Cost or depreciation of EDP equipment and software	5,576,334	8,498,422	22,079,684		36,154,440
14. Outsourced services including EDP, claims, and other services	5,341,054	17,514,697	45,144,980		68,000,731
15. Boards, bureaus and association fees	93,684	101,581	2,242,162		2,437,427
16. Insurance, except on real estate			1,407,877		1,407,877
17. Collection and bank service charges					
18. Group service and administration fees			2,038,810		2,038,810
19. Reimbursements by uninsured plans	(7,734,537)	(11,843,914)	(46,680,739)		(66,259,190)
20. Reimbursements from fiscal intermediaries					
21. Real estate expenses				5,723,714	5,723,714
22. Real estate taxes				1,111,565	1,111,565
23. Taxes, licenses and fees:					
23.1 State and local insurance taxes			(46,407)		(46,407)
23.2 State premium taxes			20,405,768		20,405,768
23.3 Regulatory authority licenses and fees			36,126,855		36,126,855
23.4 Payroll taxes	1,373,707	811,462	3,702,145		5,887,314
23.5 Other (excluding federal income and real estate taxes)					
24. Investment expenses not included elsewhere					
25. Aggregate write-ins for expenses	(811,287)	4,283,772	1,140,831	390,627	5,003,943
26. Total expenses incurred (Lines 1 to 25)	25,766,098	37,810,279	192,402,050	7,225,906 (a)	263,204,333
27. Less expenses unpaid December 31, current year	7,877,725	12,063,178	45,228,614		65,169,517
28. Add expenses unpaid December 31, prior year	6,963,643	14,897,503	37,089,968		58,951,114
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)	24,852,016	40,644,604	184,263,404	7,225,906	256,985,930

DETAILS OF WRITE-IN LINES					
2501. ADMINISTRATIVE ALLOWANCES	876,320	1,341,912	(757)		2,217,475
2502. MISCELLANEOUS	26,031	358,986	945,990		1,331,007
2503. HOME PLAN SERVICE CHARGE		5,299,572	816,751		6,116,323
2598. Summary of remaining write-ins for Line 25 from overflow page	(1,713,638)	(2,716,698)	(621,153)	390,627	(4,660,862)
2599. Totals (Lines 2501 through 2503 plus 2598) (Line 25 above)	(811,287)	4,283,772	1,140,831	390,627	5,003,943

(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) 1,954,536	2,077,349
1.1 Bonds exempt from U.S. tax	(a)	
1.2 Other bonds (unaffiliated)	(a) 3,199,448	3,056,183
1.3 Bonds of affiliates	(a)	
2.1 Preferred stocks (unaffiliated)	(b)	
2.11 Preferred stocks of affiliates	(b)	
2.2 Common stocks (unaffiliated)	1,465,520	1,465,520
2.21 Common stocks of affiliates		
3. Mortgage loans	(c)	
4. Real estate	(d) 7,829,278	7,829,278
5. Contract loans		
6. Cash, cash equivalents and short-term investments	(e) 248,652	256,946
7. Derivative instruments	(f)	
8. Other invested assets	92,041	92,041
9. Aggregate write-ins for investment income		(2,300,364)
10. Total gross investment income	14,789,475	12,476,953
11. Investment expenses		(g) 7,225,906
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) 2,457,377
15. Aggregate write-ins for deductions from investment income		
16. Total deductions (Lines 11 through 15)		9,683,283
17. Net investment income (Line 10 minus Line 16)		2,793,670

DETAILS OF WRITE-IN LINES		
0901. INVESTMENT EXPENSES INTERNAL COSTS INVESTING AND INCOME		(1,982,907)
0902. PROMPT PAY INTEREST		(317,457)
0903.		
0998. Summary of remaining write-ins for Line 09 from overflow page		
0999. Totals (Lines 0901 through 0903 plus 0998) (Line 09 above)		(2,300,364)
1501.	NONE	
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 \$ (125,644) accrual of discount less \$ 1,879,713 amortization of premium and less \$ 975,475 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 \$ 9,081,606 for company's occupancy of its own buildings; and excludes \$ 0 interest on encumbrances.
(e)	Includes \$ 10,007 accrual of discount less \$ 49,579 amortization of premium and less \$ 32,807 paid for accrued interest on purchases.
(f)	Includes \$ 0 accrual of discount less \$ 0 amortization of premium.
(g)	Includes \$ 7,014,856 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 \$ 2,457,377 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	458,875		458,875		
1.1 Bonds exempt from U.S. tax					
1.2 Other bonds (unaffiliated)	489,384		489,384		
1.3 Bonds of affiliates					
2.1 Preferred stocks (unaffiliated)					
2.11 Preferred stocks of affiliates					
2.2 Common stocks (unaffiliated)	1,742,542	(367,636)	1,374,906	4,429,097	
2.21 Common stocks of affiliates					
3. Mortgage loans					
4. Real estate					
5. Contract loans					
6. Cash, cash equivalents and short-term investments	2,719		2,719		
7. Derivative instruments					
8. Other invested assets	(424,738)	(850,847)	(1,275,585)	1,236,435	
9. Aggregate write-ins for capital gains (losses)					
10. Total capital gains (losses)	2,268,782	(1,218,483)	1,050,299	5,665,532	

DETAILS OF WRITE-IN LINES					
0901.	NONE				
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	2,175,995	2,452,655	276,660
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	327,725	327,725	
16. Reinsurance:			
16.1 Amounts recoverable from reinsurers			
16.2 Funds held by or deposited with reinsured companies			
16.3 Other amounts receivable under reinsurance contracts			
17. Amounts receivable relating to uninsured plans			
18.1 Current federal and foreign income tax recoverable and interest thereon			
18.2 Net deferred tax asset	8,517,920	6,917,659	(1,600,261)
19. Guaranty funds receivable or on deposit			
20. Electronic data processing equipment and software	36,801,745	37,127,752	326,007
21. Furniture and equipment, including health care delivery assets	3,992,817	4,957,242	964,425
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	1,738,105	3,963,760	2,225,655
25. Aggregate write-ins for other-than-invested assets	9,859,646	11,023,034	1,163,388
26. Total assets excluding Separate Accounts, Segregated Accounts and Protected Cell Accounts (Lines 12 to 25)	63,413,953	66,769,827	3,355,874
27. From Separate Accounts, Segregated Accounts and Protected Cell Accounts			
28. Total (Lines 26 and 27)	63,413,953	66,769,827	3,355,874

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	8,689,830	10,548,619	1,858,789
2502. LEASEHOLD IMPROVEMENTS	1,169,816	474,415	(695,401)
2503.			
2598. Summary of remaining write-ins for Line 25 from overflow page			
2599. Totals (Lines 2501 through 2503 plus 2598) (Line 25 above)	9,859,646	11,023,034	1,163,388

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	232,671	238,511	237,910	237,488	236,072	2,844,501
4. Point of Service						
5. Indemnity Only	1,944	1,897	1,846	1,749	1,696	21,822
6. Aggregate write-ins for other lines of business	99,419	101,233	101,222	102,787	102,385	1,224,409
7. Total	334,034	341,641	340,978	342,024	340,153	4,090,732

DETAILS OF WRITE-IN LINES						
0601. STOP LOSS	45,847	48,966	49,167	50,632	50,790	598,981
0602. MEDICARE SUPPLEMENT	23,661	23,579	23,583	23,704	23,725	283,920
0603. DENTAL ONLY	19,110	18,016	17,777	17,719	17,134	212,997
0698. Summary of remaining write-ins for Line 06 from overflow page	10,801	10,672	10,695	10,732	10,736	128,511
0699. Totals (Lines 0601 through 0603 plus 0698) (Line 06 above)	99,419	101,233	101,222	102,787	102,385	1,224,409

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 2016 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, 2016 and 2015 was \$0 and \$0, respectively. The Plan has committed \$0 and \$0 for 2016 and 2015 respectively to premium assistance for Direct Pay.

Also, effective for 2009, the Plan obtained a permitted practice to depreciate blue-transit software over 15 years instead of the prescribed 5 years. The Plan has revised the useful life of its BlueTransIT computer system effective January 1, 2015. This was based upon the State of Rhode Island Office of Health Insurance Commissioner modifying the cost recovery duration of BlueTransIT. The useful life has been revised from fifteen years to three years.

The Plan implemented the BlueTransIT computer system for membership and claims processing in September 2009. The BlueTransIT system has replaced the current legacy system in 2015.

As a result of the substantial migration of the Plan’s product lines and the future expected economic benefit to the organization, the BlueTransIT useful life has been revised to a shorter duration to three years.

The impact on financial results in revising the useful life to three years resulted in an \$89.8 million charge to earnings in 2015. This is included on the Statement of Revenue page 4 Line 2907. However, there is no impact to reserves due to a corresponding decrease in software non-admitted assets. Also, this financial transaction does not trigger a company action level per the risk based capital calculation in the derivation of the authorized control level 2015.

<u>NET INCOME</u>	SSAP#	F/S State	F/S Line#	<u>Dec 31, 2016</u>	<u>Dec 31, 2015</u>
(1) The Plan’s state basis (RI)	xxx	xxx	xxx	\$(34,532,762)	\$(125,947,322)
(2) State prescribed practice that increase/(decrease) NAIC SAP					
(3) State permitted practice that increase/(decrease) NAIC SAP				--	--
(4) NAIC SAP	xxx	xxx	xxx	\$(34,532,762)	\$(125,947,322)
<u>SURPLUS</u>				<u>Dec 31, 2016</u>	<u>Dec 31, 2015</u>
(5) The Plan’s state basis (RI)	xxx	xxx	xxx	\$266,470,581	\$293,734,899
(6) State prescribed practice that increase/(decrease) NAIC SAP					
(7) State permitted practice that increase/(decrease) NAIC SAP				--	--
(8) NAIC SAP	xxx	xxx	xxx	\$266,470,581	\$293,734,899

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 1st 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

NOTES TO FINANCIAL STATEMENTS

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.

- (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 that 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 is stated at cost.
- (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 \$966,272. The Plan also has a minority interest in Health Intelligence Co, LLC with a carrying value of \$980,002. The Plan also has a minority interest in Prime Therapeutics with a carrying value of \$5,222,384.
- (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 2016.

3. Business Combinations and Goodwill

There were no Business Combinations and resulting Goodwill in 2016.

4. Discontinued Operations

The Plan did not incur discontinued operations for 2016.

5. Investments

- A. The Plan did not have any outstanding mortgage loans in 2016.
- B. The Plan did not have any debt restructuring in 2016.
- C. The Plan did not have any reverse mortgages in 2016.
- 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

NOTES TO FINANCIAL STATEMENTS

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 did not recognize 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 th Qtr			
j. Intent to sell	--	--	--
l. Total 4 th Qtr	--	--	--
m. Annual Aggregate Total	--	--	--

- (3) The Plan did not recognize OTTI for loan-backed securities see table below:

1	2	3	4	5	6	7
	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 N/A
Cusip						
N/A	--	--	--	--	--	N/A
Total	--	--	--	--	--	

- (4) Loan-backed securities with unrealized losses as of December 31, 2016:

Loan-Backed Securities

- a. The aggregate amount of unrealized losses:

1. Less than 12 Months	\$163,720
2. 12 Months or Longer	\$0

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

1. Less than 12 Months	\$30,814,643
2. 12 Months or Longer	\$0

- (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, 2016, 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 \$109,090,918.
- 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. The Plan does not hold real estate for investment purposes.

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

H. 1) Restricted Assets

	Total Gross (Admitted & Nonadmitted) Restricted from	Total Gross (Admitted & Increase/ (Decrease) Year Nonadmitted	Year Admitted	Total Current Year Admitted Restricted	Total Current Restricted to Total Assets	Gross (Admitted & Nonadmitted) Admitted	Admitted Restricted to Total
Nonadmitted) Restricted from							

NOTES TO FINANCIAL STATEMENTS

Restricted Asset Category	Current Year	Prior Year	(1 minus 2)	Restricted	(1 minus 4)	(a)	Assets (b)
a. Subject to contractual obligation for which liability is not shown	\$109,073,615	\$106,377,895	\$2,695,720	\$ --	\$109,073,615	16.020%	17.641%
b. Collateral held under security lending agreements	--	--	--	--	--	--	--
c. Subject to repurchase agreements	17,303	39,017	(21,714)	--	17,303	0.003%	0.003%
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>\$109,090,918</u>	<u>\$106,416,912</u>	<u>\$2,674,006</u>	<u>\$ --</u>	<u>\$109,090,918</u>	<u>16.023%</u>	<u>17.644%</u>
(a)	Column 1 divided by Asset Page, Column 1, Line 28						
(b)	Column 5 divided by Asset Page, Column 3, Line 28						

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

I. The Plan does not have any Working Capital Finance Investments.

J. The Plan does not offset Assets and Liabilities of Investments.

K. The Plan does not have any Structured Notes Investments.

L. The Plan does not own only 5* Securities.

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)	12/31/2016			12/31/2015			Change		
	(000)								
	Ordinary	Capital	Total	Ordinary	Capital	Total	Ordinary	Capital	Total
(a) Gross deferred tax assets	\$165,758	\$ 1,507	\$167,264	\$166,811	\$ 1,435	\$168,246	\$ (1,053)	\$ 71	\$ (981)
(b) Statutory valuation allow	(146,799)	(646)	(147,445)	(148,637)	(215)	(148,852)	1,837	(430)	1,407
(c) Adjusted gross deferred tax	\$ 18,958	\$ 861	\$ 19,819	\$ 18,174	\$ 1,220	\$ 19,394	\$ 785	\$ (359)	\$ 426
(d) Deferred tax nonadmitted	(5,156)	0	(5,156)	(4,960)	0	(4,960)	(196)	0	(196)
(e) subtotal (net deferred tax asset)	\$ 13,803	\$ 861	\$ 14,664	\$ 13,214	\$ 1,220	\$ 14,434	\$ 589	\$ (359)	\$ 230
(f) deferred tax liabilities	0	(3,362)	(3,362)	0	0	0	0	(3,362)	(3,362)
(g) Gross deferred tax asset/(liabil)	\$ 13,803	\$(2,501)	\$ 11,301	\$ 13,214	\$ 1,220	\$ 14,434	\$ 589	\$(3,721)	\$(3,133)

(2) Admission calculation components:

	12/31/2016			12/31/2015			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.	\$ 13,803	\$(2,501)	\$ 11,301	\$ 13,214	\$ 1,220	\$14,434	\$ 589	\$(3,721)	\$(3,133)
Realization per 11.b.i	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 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

NOTES TO FINANCIAL STATEMENTS

(d) SSAP No. 10R, Parag 10.eii.b \$ 13,803 \$(2,501) \$ 11,301 \$ 13,214 \$ 1,220 \$14,434 \$ 589 \$(3,721) \$ (3,133)

(3) Used in 11.b.	<u>2016</u>	<u>2015</u>
(a) Ratio percentage used to determine recovery		
Period and threshold limitation amount	459.0%	539.7%
(b) Amount of adjusted capital and surplus used		
to determine recovery period and		
threshold limitation in 2(b)2 above	\$34,565,091	\$38,496,983

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

	12/31/2016			12/31/2015			Change		
	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:

N/A

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

	<u>12/31/2016</u>	<u>12/31/2015</u>	<u>Change</u>
(1) Current Income Tax			
(a) Federal	42,306	914,457	(872,151)
(b) Foreign	<u>0</u>	<u>0</u>	<u>0</u>
(c) Subtotal	42,306	914,457	(872,151)
(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>\$ 42,306</u>	<u>\$ 914,457</u>	<u>\$ (872,151)</u>

(2) Deferred Tax Assets

a. Ordinary	<u>12/31/2016</u>	<u>12/31/2015</u>	<u>Change</u>
(1) Discount of unpaid losses	\$ 464,460	\$ 458,835	\$ 5,625
(2) Unearned premium reserve	0	0	0
(3) Policyholder reserves	0	0	0
(4) Investments	0	0	0
(5) Intangibles	8,724,032	8,728,808	(4,776)
(6) Policyholder dividends accrual	0	0	0
(7) Fixed assets	5,406,736	6,914,452	(1,507,716)
(8) Nonadmitted assets	0	0	0
(9) Compensation and benefits accrual	6,987,983	8,922,993	(1,935,010)
(10) Pension accrual	2,160,911	2,204,588	(43,677)
(11) Receivables - nonadmitted	608,337	1,387,316	(778,979)
(12) Net operating loss carry-forward	60,514,607	55,296,194	5,218,413
(13) Tax credit carry-forward	72,138,378	72,096,072	42,306
(14) Other	<u>8,752,380</u>	<u>10,801,294</u>	<u>(2,048,914)</u>
(99) Subtotal – Gross ordinary DTAs	\$ 165,757,823	\$ 166,810,552	\$ (1,052,729)
b. Statutory valuation allowance Adjustment	\$(146,799,366)	\$(148,636,751)	\$ 1,837,385
c. Nonadmitted	<u>\$ (5,155,501)</u>	<u>\$ (4,959,766)</u>	<u>\$ (195,735)</u>
d. Admitted Ordinary Deferred Tax Assets	<u>\$ 13,802,956</u>	<u>\$ 13,214,035</u>	<u>\$ 588,921</u>
e. Capital			
(1) Investments	\$ 0	\$ 1,435,245	\$ (1,435,245)
(2) Net capital loss carry-forward	1,506,616	0	1,506,616
(3) Real estate	0	0	0
(4) Other	<u>0</u>	<u>0</u>	<u>0</u>
(99) Subtotal - Capital DTAs	\$ 1,506,616	\$ 1,435,245	\$ 71,371
f. Statutory Valuation allowance Adjustment	(645,693)	(215,287)	(430,406)
g. Nonadmitted	<u>0</u>	<u>0</u>	<u>0</u>
h. Admitted Capital Deferred Tax Assets	<u>\$ 860,923</u>	<u>\$ 1,219,958</u>	<u>\$ (359,035)</u>
i. Admitted Deferred Tax asset	<u>\$ 14,663,881</u>	<u>\$ 14,433,994</u>	<u>\$ 229,887</u>

(3) Deferred Taxes Liabilities

a. Ordinary	<u>12/31/2016</u>	<u>12/31/2015</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	\$ 0	\$ 0	\$ 0
b. Capital			
(1) Investments	(3,362,420)	0	3,362,420
(2) Real estate	0	0	0
(3) Other	<u>0</u>	<u>0</u>	<u>0</u>
(99) Subtotal – Capital DTLs	<u>\$ (3,362,420)</u>	<u>\$ 0</u>	<u>\$ (3,362,420)</u>
c. Deferred tax liabilities	<u>\$ (3,362,420)</u>	<u>\$ 0</u>	<u>\$ (3,362,420)</u>

NOTES TO FINANCIAL STATEMENTS

(4) Net deferred tax assets/liabilities \$ 11,301,461 \$14,433,994 \$ (3,132,533)

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)	\$(34,490,456)	\$ (12,071,660)	-35.00%
Health Insurer fee	27,875,665	9,756,483	28.29%
Special 3 month reserve deduction	(1,566,491)	(548,272)	-1.59%
Change in Unrealized gains/losses	5,444,842	1,905,695	5.53%
Revisions to estimates	7,835,035	2,742,262	7.95%
Statutory Valuation Allowance Adjustment	(3,460,697)	(1,211,244)	-3.51%
Change in non-admitted assets	4,956,134	1,734,647	5.03%
Other	<u>2,476,937</u>	<u>866,928</u>	<u>2.51%</u>
 Total	 <u>\$ 9,070,968</u>	 <u>\$ 3,174,839</u>	 <u>9.20%</u>
Federal Income Taxes Incurred		\$ 42,307	0.12%
Change in net deferred income taxes		<u>3,132,533</u>	<u>9.08%</u>
Total statutory income taxes		<u>\$ 3,174,839</u>	<u>9.20%</u>

E. Carryforwards, recoverable taxes, and IRC 6603 deposits

Plan has regular net operating loss carryforwards of \$172,898,878 expiring through calendar years 2030 to 2036.

Plan has alternative minimum tax loss carryforwards of \$87,538,640 expiring through calendar years 2031 to 2036.

Plan has charitable contribution carryforward of \$5,802,144 expiring through calendar years 2017 to 2021.

Plan has capital loss carryforwards of \$4,304,617 expiring through calendar year 2021.

Plan has an AMT credit carryforwards of \$72,138,378 which does not expire.

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. Non-Applicable
- 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
- K. Non-Applicable
- L. Non-Applicable
- M. Non-Applicable
- N. 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.

NOTES TO FINANCIAL STATEMENTS

- (4) Carrying value of loan is \$69,518,834.
- (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 \$4,066,534.
- (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 is \$35,000,000 plus accrued interest of \$49,953.
- (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 \$825,685.
- (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 had a qualified defined benefit pension plan covering substantially most employees. Effective January 1, 2011 the plan was closed to new hires from participation. Pension plan benefits were based on years of service and the employee's pretax compensation during the highest three consecutive years of service.

Effective January 1, 2014 the qualified benefit plan was frozen for all active employees. Impacted associates continued to maintain a pension benefit however additional benefits did not accrue for pay and service after December 31, 2013.

Commencing 2014, the employee savings plan (401k) was increased from a 50 percent match to a dollar for dollar match of associate contributions up to 6 percent of eligible compensation. Additionally, for transition contributions for three years through 2016, the Plan will contribute an additional 3 percent of eligible compensation in 2014, 2 percent in 2015 and 1 percent in 2016. If an eligible associate is at least 55 years of age and combined with years of service is equal to or greater than 80, a 3 percent transition contribution for years 2014 to 2016 is in effect.

The Plan terminated its defined benefit plan in 2015. As a result, the Plan recorded a \$64,054,346 settlement charge in 2015 in the Statement of Revenue and Expenses.

The Plan contributed \$2.6 million in calendar year 2015 to satisfy obligations arising as a result of the settlement. Remaining plan assets at December 31, 2015 amounted to approximately \$15 thousand.

As per the termination covenants, plan participants had two distribution options for their accrued benefit. The two options included selecting either a lump sum distribution or annuity. The lump

NOTES TO FINANCIAL STATEMENTS

sum distribution could be in the form of a rollover, receipt of a check in the participant's trustee name or in the participant's name. Participants that selected an annuity could elect to receive benefits while still active employees or defer annuity payments until separation from the Plan.

Supplemental Executive Retirement Plans (SERP)

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, 2015 and 2014 for the Defined Benefit Plan, for the SERP and the Postretirement Benefit Plan:

	(In Thousands)					
	Defined Benefit Plan		SERP		Postretirement	
	2016	2015	2016	2015	2016	2015
Change in Projected Benefit Obligation:						
(1) Projected benefit obligation at beginning of year	\$ --	\$255,188	\$3,853	\$4,343	\$18,041	\$17,637
(2) Service cost	--	187	--	--	--	--
(3) Interest cost	--	7,731	146	149	665	674
(4) Contributions by plan participants	--	--	--	--	--	--
(5) Actuarial loss/(gain) due to assumptions	--	(3,901)	(72)	(56)	(7)	1,087
(6) Foreign currency exchange rate	--	--	--	--	--	--
(7) Benefit and administrative expenses paid	--	(13,498)	417	25	(1,669)	(1,357)
(8) Plan amendments	--	--	--	--	--	--
(9) Curtailment, settlements, etc.	--	(245,707)	(417)	(608)	--	--
(10) Projected benefit obligation at end of year	<u>\$ --</u>	<u>\$ --</u>	<u>\$3,927</u>	<u>\$3,853</u>	<u>\$17,030</u>	<u>\$18,041</u>

	(In Thousands)					
	Defined Benefit Plan		SERP		Postretirement	
	2016	2015	2016	2015	2016	2015
Change in Plan Assets:						
a. Fair value of assets at beginning of year	\$ 15	\$258,956	\$ --	\$ --	\$ --	\$ --
b. Actual return on plan assets	--	(2,330)	--	--	--	--
c. Foreign currency exchange rate	--	--	--	--	--	--
d. Contribution by reporting entity	--	2,594	489	664	1,669	1,357
e. Contribution by plan participants	--	--	--	--	--	--
f. Benefits paid	--	(13,498)	(72)	(56)	(1,669)	(1,357)
g. Business combinations & settlements	(15)	(245,707)	(417)	(608)	--	--
h. Fair value of assets at end of year	<u>\$ --</u>	<u>\$ 15</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>

- (3) Funded Status:

	(In Thousands)					
	Defined Benefit Plan		SERP		Postretirement	
	2016	2015	2016	2015	2016	2015
Overfunded:						

NOTES TO FINANCIAL STATEMENTS

a. Assets (nonadmitted)						
1. Prepaid benefit costs	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --
2. Overfunded plan assets	--	--	--	--	--	--
3. Total assets (nonadmitted)	--	--	--	--	--	--
Underfunded:						
b. Liabilities recognized						
1. Accrued benefit costs	--	--	3,202	3,504	13,215	14,070
2. Liability for pension benefits	--	--	725	349	3,815	3,970
3. Total liabilities recognized	--	--	3,927	3,853	17,030	18,041
c. Unrecognized liabilities	--	--	--	--	--	--

(4) Net periodic pension cost for 2016 and 2015 included the following components:

	(In Thousands)					
	Defined Benefit Plan		SERP		Postretirement	
	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
a. Service cost	\$ --	\$ 187	\$ --	\$ --	\$ --	\$ --
b. Interest cost	--	7,731	146	150	665	674
c. Expected return on plan assets	--	(10,632)	--	--	--	--
d. Transition asset or obligation	--	--	--	--	--	--
e. Gains and losses	--	813	--	3	360	318
f. Prior service cost or credit	--	--	--	--	(212)	(212)
g. G/L due to settlement or curtailment	--	64,054	41	83	--	--
h. Net periodic pension cost	<u>\$ --</u>	<u>\$62,153</u>	<u>\$ 187</u>	<u>\$ 236</u>	<u>\$ 813</u>	<u>\$ 780</u>

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

	(In Thousands)					
	Defined Benefit Plan		SERP		Postretirement	
	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</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)					
	Defined Benefit Plan		SERP		Postretirement	
	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</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:

	Defined Benefit Plan		SERP		Postretirement	
	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
Weighted-average assumptions used to determine net periodic benefit cost						
a. Discount Rate	N/A	4.00%	4.24%	4.00%	3.75%	3.75%
b. Expected return on plan assets	N/A	7.25%	-	-	-	-
c. Rate of compensation increase	N/A	N/A	N/A	N/A	-	-

Weighted-average assumptions used to determine projected benefit obligations

NOTES TO FINANCIAL STATEMENTS

d. Discount Rate	N/A	3.69%	4.05%	4.24%	3.61%	3.75%
e. Rate of compensation increase	N/A	N/A	N/A	N/A	-	-

(9) The accumulated benefit obligation for the defined benefit plan was \$0 and \$0 as of year ended 2016 and 2015 respectively. The accumulated benefit obligation for the SERP was \$3,927,009 and \$3,853,301 as of year ended 2016 and 2015 respectively

(10) The assumed annual rate of increase in the per capita cost of medical benefits is 9% in 2016 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	\$ 30,100	\$ 26,000
b. Effect on postretirement benefit obligation	\$ 697,200	\$ 608,900

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

	<u>Year</u>	<u>Pension Benefits</u>	<u>Postretirement Benefits*</u>
a.	2017	\$ 85,000	\$1,447,000
b.	2018	562,000	1,433,000
c.	2019	117,000	1,379,000
d.	2020	118,000	1,321,000
e.	2021	119,000	1,264,000
f.	2022 - 2026	741,000	5,469,000

*excludes receivables for Medicare Part D subsidy

(13) The Plan expects to contribute \$0 to its regular pension plan, \$85,000 to its SERP and \$1,447,000 to its postretirement benefits in 2017.

(14) Securities type

<u>Asset Category</u>	<u>Plan Assets</u>	
	<u>2016</u>	<u>2015</u>
Equity Securities	0.00%	0.00%
Debt Securities	0.00%	0.00%
Other	<u>0.00%</u>	<u>100.00%</u>
Total	0.00%	100.00%

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)					
	Defined Benefit Plan		SERP		Postretirement	
	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
Projected benefit obligation	N/A	N/A	\$ 3,927	\$ 3,853	\$ 17,030	\$ 18,041
Accumulated benefit obligation	N/A	N/A	3,927	3,853	17,030	18,041
Fair value of plan assets	N/A	N/A	--	--	--	--

Pension Plans with plan asset in excess of accumulated benefit obligation

	(In Thousands)		
	Defined Benefit Plan	SERP	Postretirement
	<u>2016</u>	<u>2015</u>	<u>2016</u>
Projected benefit obligation	N/A	N/A	\$ 17,030
Accumulated benefit obligation	N/A	N/A	17,030
Fair value of plan assets	N/A	N/A	--

NOTES TO FINANCIAL STATEMENTS

	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
Projected benefit obligation	N/A	N/A	N/A	N/A	N/A	N/A
Accumulated benefit obligation	N/A	N/A	N/A	N/A	N/A	N/A
Fair value of plan assets	N/A	N/A	N/A	N/A	N/A	N/A

(21) Not applicable

B. Plan assets are to be managed to provide the greatest probability that the following long-term objectives for the qualified pension plan are met in a prudent manner.

- Ensure that there is adequate level of assets to support benefit obligations to participants and retirees over the life of the Plan, taking into consideration the nature and duration of Plan liabilities.
- Maintain liquidity in Plan assets sufficient to cover ongoing benefit payments.
- Manage volatility of investments results in order to achieve long-term Plan objectives and to minimize level and volatility of pension expenses.

It is recognized that the attainment of these objectives is, for any given time period, largely dictated by the returns available from the capital markets in which Plan assets are invested.

The asset allocation of Plan assets reflects the Plan's long-term return expectations and risk tolerance in meeting the financial objectives of the Plan. Plan assets should be adequately diversified by asset class, sector and industry to reduce the downside risk to total Plan results over short-term time periods, while providing opportunities for long-term appreciation.

C. The following table provides information as of December 31, 2016 and 2015 about the Plan's pension plan financial assets by asset category.

	<u>December 31, 2015</u>			
	Level 1	Level 2	Level 3	Total
Mutual Funds				
Equity Mutual Funds	\$ --	\$ --	--	\$ --
Fixed Income Mutual Funds	--	--	--	--
Cash Holding Account	--	--	--	--
General Investment Account	--	--	--	--
Total Assets	<u>\$ --</u>	<u>\$ --</u>	<u>--</u>	<u>\$ --</u>

	<u>December 31, 2014</u>			
	Level 1	Level 2	Level 3	Total
Mutual Funds				
Equity Mutual Funds	\$ --	\$ --	--	\$ --
Fixed Income Mutual Funds	--	--	--	--
Alternatives	--	--	--	--
General Investment Account	--	--	14,836	14,836
Total Assets	<u>\$ --</u>	<u>\$ --</u>	<u>\$ 14,836</u>	<u>\$ 14,836</u>

2. Fair Value Measurements in Level 3 of the Fair Value Hierarchy

Description Asset	Beginning Balance 1/1/16	Transfers into Level 3	Transfers out of Level 3	Return on Assets Still Held	Return on Assets Sold	Purchases	Issuances	Sales	Settlements	Ending Balance at 12/31/16
Alternatives	0	0	0	0	0	0	0	0	0	0
Cash Holding	0	0	0	0	0	0	0	0	0	0
GIA	14,836	0	0	0	0	0	0	14,836	0	0
Plan Assets	<u>14,836</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>14,836</u>	<u>0</u>	<u>0</u>

3. 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).

NOTES TO FINANCIAL STATEMENTS

- D. The selection of an expected long-term rate of return for the plan assets represents a rate at which plan liabilities will be settled. This includes an approach that is applied consistently in accordance with standards of practice that is based on the distribution of plan assets. There are inherent risks in establishing assumptions in the development of an expected long term rate of return and based on historical performance the methodology adopted has been representative of actual results.

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 50% 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 matched by the Plan. Total employer contributions to the 401(k) savings plan in 2016 and 2015 were approximately \$4,873,000 and \$5,392,000, respectively.

In 2014, the employee savings plan was increased from a 50 percent match to a dollar for dollar match on associate contributions up to 6 percent of eligible compensation. Additionally, transition contributions for three years 2014 through 2016, the Plan will contribute an additional 3 percent of eligible compensation in 2014, 2 percent in 2015 and 1 percent in 2016. If an eligible associate is at least 55 years of age and combined with years of service is equal to or greater than 80, a 3 percent transition contribution for years 2014 to 2016 is in effect.

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, 2016 and 2015, 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 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 \$29,500,000 as separate surplus fund Page 3, Line 25 relating to the PPACA Health Insurer fee that will be recognized in CY 2016 and CY 2015, respectively.
- 10) The portion of unassigned funds (surplus) represented was reduced by each of the following item:
 - a) Nonadmitted assets - \$63,413,953
- 11) The Plan does not have any surplus notes.
- 12) The Plan did not have any quasi-reorganization in 2016.
- 13) The Plan did not have any quasi-reorganization in 2016.

NOTES TO FINANCIAL STATEMENTS

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 & Blue Shield plans in violation of antitrust laws. The Plan is also a defendant in a lawsuit from an out of state hospital system alleging antitrust violations during that system's attempt to purchase a hospital in Rhode Island. While the Plan's ultimate liability in the disposition of these matters 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 in either of the antitrust cases 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 2016 and 2015 was approximately \$1,465,801 and \$1,310,084, respectively.

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

	<u>Leases</u>
	<u>Operating</u>
2017	\$ 1,246,507
2018	1,074,081
2019	531,009
2020	493,938
2021	378,864
Less interest	--
Total minimum future payments	\$ 3,724,399

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, Dell. Dell will continue to provide claims processing, enrollment and application development support and maintenance services. Beginning in 2016 Dell will provide provider and member call center support (for the commercial lines of business), business analysis, project management and credentialing services. Transition of these services to Dell will occur at contracted milestone dates between January of 2016 and August 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 Dell 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 calls for decreasing annual minimum commitments of \$8,800,000 for calendar year 2016, and is subject to adjustments for transition of additional services, continuous improvement, innovation and cost management activities to drive average annual expense reductions of \$16,000,000 for years 2017-2023. The aggregate value of the contract is approximately \$234,000,000.

In January of 2016 the Plan furthered partnership with Dell and agreed to a make an investment into Data and Analytics capabilities valued at \$6,000,000 over a three year period.

NOTES TO FINANCIAL STATEMENTS

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 Dell must meet on an ongoing basis. The Plan is obligated to reimburse Dell for services performed in accordance with the contract. 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 \$7,600,000 as of January 31, 2016 and increasing to \$13,900,000 in January 2017 based on additional services transitioned to Dell. Termination Fees are not applicable beginning in January 2021.

The Plan awarded a five year \$22 million contract to HCL Technologies LTD headquartered in India effective November 1, 2014. HCL has assumed responsibility maintaining Information Technology infrastructure, production control and the help desk support center that was previously contracted to Dell. There are minimum operational service levels that HCL must attain on an ongoing basis that in turn the Plan will reimburse HCL as stipulated per the terms of the contract.

3) The Plan was involved leaseback transactions for 2016.

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 on September 2016 and the term is for 36 months. Attached are the lease payments due from the Plan over the term of the lease.

	<u>Leases</u>
2017	\$ 602,202
2018	602,202
2019	<u>483,605</u>
Total minimum future payments	<u>\$ 1,688,009</u>

B)(1) Lessor Leases

a) The Plan entered into a lease agreement for the use of its Corporate Office building penthouse floor. The rental square footage leased is 10,356 square feet. The lease is 78 month duration commencing July 1, 2011 and terminating December 31, 2017. The arrangement is a triple net lease. A tenant allowance was provided to the lessee amounting to \$590,000. In addition, the lease calls for providing 22 parking spots at \$180.00 per month per space. Finally, 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 10th floor. The rental square footage leased is 24,108 square feet. The lease is 120 month duration commencing August 1, 2014 and terminating July 31, 2024. The arrangement is a triple net lease. A tenant allowance was provided to the lessee amounting to \$877,500. In addition, the lease calls for providing 12 parking spots at \$200.00 per month per space. Finally, 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 8,837 square feet. The lease is 60 month duration commencing November 15, 2014 and terminating November 14, 2019. The arrangement is a triple net lease. A tenant allowance was provided to the lessee amounting to \$154,648. In addition, the lease calls for providing 4 parking spots at \$200.00 per month per space. Finally, 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 12th floor. The rental square footage leased is 10,800 square feet. The lease is 120 month duration commencing January 1, 2015 and terminating December 31, 2024. The arrangement is a triple net lease. In addition, the lease calls for providing 4 parking spots at \$200.00 per month per space. Finally, 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 7,176 square feet. The lease is 120 month duration commencing January 1, 2017 and terminating December 31, 2026. The arrangement is a triple net lease. In addition, the lease calls for providing 6 parking spots at \$200.00 per month per space. Finally, the lessee is responsible for electricity usage for the specific rented space.

NOTES TO FINANCIAL STATEMENTS

b) non-applicable

c) Future minimum lease payment receivables under noncancelable leasing arrangements as of December 31, 2016 are as follows:

<u>Years Ended</u> <u>December 31</u>	<u>Operating Leases</u>
2017	\$ 1,918,471
2018	1,623,813
2019	1,590,673
2020	1,362,506
2021	<u>1,392,249</u>
Total	<u>\$ 7,887,712</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) Seven U.S. Treasury Notes with a combined par value of \$27,450,000 are pledged to satisfy Blue Cross Blue Shield Association membership standards for out-of-area provider claim settlements.

The Plan also has seventy-six Corporate/U.S. Treasury Bonds with a combined par value of \$79,522,036 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.

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 2016:

	<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	\$737,013,371	--	\$737,013,371
b. Gross administrative fees accrued	<u>66,259,191</u>	--	<u>66,259,191</u>
c. Total revenue	803,272,562	--	803,272,562
d. Claims incurred	737,013,371	--	737,013,371
e. Variable cost	<u>18,850,628</u>	--	<u>18,850,628</u>
f. Contribution to fixed overhead	47,408,563	--	47,408,563

NOTES TO FINANCIAL STATEMENTS

g. Total fixed overhead	53,651,786	- -	53,651,786
h. Total net gain or (loss) from operations	(6,243,223)	- -	(6,243,223)

C) The Plan has a Medicare or similarly structured cost based reimbursement contract during 2016 and 2015.

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 \$13,596,000 as of December 31, 2016 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, 2016 about the Plan's financial assets and liabilities measured at fair value on a recurring basis.

	Level 1	Level 2	Level 3	Total
Assets				
Bonds	\$ - -	\$192,875,927	\$ - -	\$192,875,927
Equity securities	<u>\$ 73,401,129</u>	<u>\$ 10,239,699</u>	<u>\$ 2,159,705</u>	<u>\$ 85,800,533</u>
Total Assets	<u>\$ 73,401,129</u>	<u>\$ 203,115,626</u>	<u>\$ 2,159,705</u>	<u>\$ 278,676,460</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.

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, 2016.

	Beginning Balance 1/1/2016	Total gains and (losses) included in Net Income	Total gains and losses included in Surplus	Purchases	Sales	Ending Balance at 12/31/2016
Assets						
Private Equity	\$2,266,687	_____0	(106,982)	_____0	_____0	\$2,159,705
Total Assets	<u>\$2,266,687</u>	<u>_____0</u>	<u>(106,982)</u>	<u>_____0</u>	<u>_____0</u>	<u>\$2,159,705</u>

There were unrealized losses of \$106,982 attributable to the change in net unrealized losses relating to assets still held.

A3) There were no transfers between levels as of December 31, 2016.

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

NOTES TO FINANCIAL STATEMENTS

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 Fair Value	Admitted Assets	Level 1	Level 2	Level 3	Not Practicable (Carrying Value)
Assets						
Bonds	\$192,875,927	\$192,875,927	\$ --	\$192,875,927	\$ --	\$ --
Equity securities	\$ 85,800,533	\$ 85,800,533	\$ 73,401,129	\$ 10,239,699	\$ 2,159,705	\$ --
Total Assets	<u>\$278,676,460</u>	<u>\$278,676,460</u>	<u>\$ 73,401,129</u>	<u>\$203,115,626</u>	<u>\$ 2,159,705</u>	<u>\$ --</u>

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

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

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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 \$19,959,797 as of December 31, 2016, and is included in other current assets and other current liabilities in the accompanying consolidated balance sheets.

FEP represented approximately 38.9% of accounts receivable as of December 31, 2016. FEP represented approximately 6.6% of net revenue for the year ended December 31, 2016.

Also Center for Medicare & Medicaid Services (CMS) announced a final risk adjustment data valuation (RADV) audit and payment adjustment methodology that it will conduct a RADV audit for the Plan. These audits involve a review of the medical records maintained by care providers and may result in retrospective adjustments to payments made to health plans. CMS has not communicated how the final payment adjustment under its methodology will be implemented.

- D) The Plan did not have any business interruption insurance recoveries in 2016.
- E) 1) The Plan did not have a state transferable tax credit in 2016.
 2) The Plan did not have a state transferable tax credit in 2016.
 3) The Plan did not any impairment losses for state transferable tax credits in 2016.
 4) The Plan did not have a state transferable tax credit in 2016.
- 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:

For calendar year 2017, the annual fee under section 9010 of the Affordable Care Act (ACA) was suspended. Therefore the Plan is not subject to the fee for 2017.

	Dec 31, 2016	Dec 31, 2015
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	\$ - -	\$29,500,000
C. ACA fee assessment paid	27,875,665	29,473,915
D. Premium written subject to ACA 9010 assessment	1,560,121,979	1,539,709,128
E. Total Adjusted Capital before surplus adjustment	266,470,581	
F. Total Adjusted Capital after surplus adjustment	266,470,581	
G. Authorized Control Level	58,058,830	
H. Would reporting the ACA assessment as of December 31, 2016 have triggered an RBC action level (Yes/No)?	No	

NOTES TO FINANCIAL STATEMENTS

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

- (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, 2016 that are subject to retrospective rating features was \$46,280,000, that represented 2.70% 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	--	--	--	--	--
(2) Medical loss ratio rebates paid	--	--	--	--	--
(3) Medical loss ratio rebates unpaid	--	--	--	--	--
(4) Plus reinsurance assumed amounts	XXX	XXX	XXX	XXX	
(5) Less reinsurance ceded amounts	XXX	XXX	XXX	XXX	
(6) Rebates unpaid net of reinsurance	XXX	XXX	XXX	XXX	
Current Reporting Year-to-Date					
(7) Medical loss ratio rebates incurred	--	--	--	918,730	918,730
(8) Medical loss ratio rebates paid	--	--	--	--	--
(9) Medical loss ratio rebates unpaid	--	--	--	918,730	918,730
(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	

NOTES TO FINANCIAL STATEMENTS

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.

Risk Corridor – This temporary program is 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 is 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 2016 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 Plans risk corridor program calculation resulted in recording neither a receivable or a payable.

- (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 \$10,745,744

Liabilities

2) Risk adjustment user fees payable for ACA Risk Adjustment \$131,179

3) Premium adjustments payable due to ACA Risk Adjustment \$0

Operations (Revenue & Expense)

4) Reported as revenue in premium for accident and health contracts (written/collected) due to ACA Risk Adjustment \$13,331,091

5) Reported in expenses as ACA risk adjustment user fees (incurred/paid) \$130,452

b. Transitional ACA Reinsurance Program

Assets

1) Amounts recoverable for claims paid due to ACA Reinsurance \$5,272,752

2) Amounts recoverable for claims unpaid due to ACA Reinsurance \$364,921

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 \$4,331,996

5) Ceded reinsurance premiums payable due to ACA Reinsurance \$585,541

6) Liabilities for amounts held under uninsured plans contributions for ACA Reinsurance \$272,565

Operations (Revenue & Expense)

7) Ceded reinsurance premiums due to ACA Reinsurance \$583,089

8) Reinsurance recoveries (income statement) due to ACA Reinsurance payments or expected payments \$3,201,246

9) ACA Reinsurance contributions – not reported as ceded premium \$4,334,448

NOTES TO FINANCIAL STATEMENTS

c. Temporary ACA Risk Corridors Program

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		Ref	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)		9 Cumulative Balance from Prior Years (Col 1-3+7) Receivable	10 Cumulative Balance from Prior Years (Col 2-+8) (Payable)
a. Permanent ACA Risk Adjustment Program											
1. Premium adjustments receivable	\$12,764	\$ --	\$15,349	\$ --	\$(2,585)	\$ --	\$2,831	\$ --	A	\$246	\$ --
2. Premium adjustments (payable)	--	(72)	--	(72)	--	--	--	--	B	--	--
3. Subtotal ACA Permanent Risk Adjustment Program	12,764	(72)	15,349	(72)	(2,585)	--	2,831	--		246	--
b. Transitional ACA Reinsurance Program											
1. Amounts recoverable for claims paid	11,297	--	8,860	--	2,437	--	(1,199)	--	C	1,238	--
2. Amounts recoverable for claims unpaid (contra liability)	1,262	--	1,262	--	--	--	--	--	D	--	--
3. Amounts receivable relating to uninsured plans	--	--	--	--	--	--	--	--	E	--	--
4. Liabilities for contributions payable due to ACA Reinsurance-not reported as ceded premiums	--	(7,210)	--	(7,210)	--	--	--	--	F	--	--
5. Ceded reinsurance premiums ³¹ payable	--	(831)	--	(831)	--	--	--	--	G	--	--
6. Liability for amounts held under uninsured plans	--	(452)	--	(452)	--	--	--	--	H	--	--
7. Subtotal ACA Transitional Reinsurance Program	12,559	(8,493)	10,122	(8,493)	2,437	--	(1,199)	--		1,238	--
c. Temporary ACA Risk Corridors Program											
1. Accrued retrospective premium	--	--	--	--	--	--	--	--	I	--	--
2. Reserve for rate credits or policy experience rating refunds	--	--	--	--	--	--	--	--	J	--	--
3. Subtotal ACA Risk Corridors Program	--	--	--	--	--	--	--	--		--	--
d. Total for ACA Risk Sharing Provisions	25,323	(8,565)	25,471	(8,565)	(148)	--	1,632	--		1,484	--

Explanations of Adjustments

- A Risk Adjuster updated based on 12/31/2016 HHS Notification
 B Non Applicable
 C Risk Adjuster updated based on 12/31/2016 HHS Notification
 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		Ref	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)		9 Cumulative Balance from Prior Years (Col 1-3+7) Receivable	10 Cumulative Balance from Prior Years (Col 2-+8) (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

NOTES TO FINANCIAL STATEMENTS

(5) ACA Risk Corridors Receivable as of Reporting Date

	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	--	--	--	--	--	--
d. Total (a+b+c)	--	--	--	--	--	--

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 \$581,753,377 representing 33.9% of total direct premiums written for accident and health contracts net as of December 31, 2016.

25. Change in Incurred Claims and Claim Adjustment Expenses

Reserves as of December 31, 2015 were \$153,587,000. As of December 31, 2016, \$106,750,000 has been paid for incurred claims and claim adjustment expenses attributable to insured events of prior years. Reserves remaining for prior years are now \$2,003,000 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 \$3,391,000 favorable prior-year development since December 31, 2015 to December 31, 2016. 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>
12/31/16	\$12,554,814	\$ --	\$ --	\$ --	\$ --
09/30/16	12,246,691	12,554,814	11,299,333	--	--
06/30/16	9,956,854	12,246,691	11,022,022	929,452	--
03/31/16	9,627,081	9,957,039	8,961,335	582,181	--
12/31/15	\$9,063,658	\$8,130,849	\$3,557,401	\$4,368,887	\$ 204,561
09/30/15	8,014,633	8,555,858	3,207,557	4,965,123	383,178
06/30/15	7,323,336	9,864,635	3,250,892	5,933,356	680,387
03/31/15	5,960,147	9,003,028	3,343,426	3,886,589	1,773,013
12/31/14	\$5,960,147	\$6,310,880	\$3,922,234	\$2,231,587	\$ 157,059
09/30/14	5,659,446	5,946,337	3,659,813	2,215,660	70,864
06/30/14	5,290,693	5,923,179	3,640,627	2,227,503	55,049
03/31/14	4,614,367	5,766,769	3,707,519	2,060,438	(1,188)

B) Risk Share Receivables

Calendar Year	<u>Risk Sharing Evaluation Per Year-</u>	<u>Risk Sharing Receivable as Estimated in the</u>	<u>Risk Sharing Receivable as Estimated in the</u>	<u>Risk Sharing Receivable</u>	<u>Actual Risk Sharing Receivable Not Yet Received in</u>	<u>Actual Risk Sharing Amounts Received</u>	<u>Actual Risk Sharing Amounts Received</u>	<u>Actual Risk Sharing Amounts Received</u>	<u>Actual Risk Sharing Amounts Received</u>
---------------	--	--	--	--------------------------------	---	---	---	---	---

NOTES TO FINANCIAL STATEMENTS

Year	End	Prior Year	Current Year	Billed	Billed	Year Billed	First Year	Second Year	All Others
2016	2016	N/A	\$ -	\$ -	-	\$ -	\$ -	-	
	2017	N/A	\$ -	N/A	-	N/A	N/A	N/A	N/A
2015	2015	N/A	\$ -	\$ -	-	\$ -	\$ -	-	
	2016	N/A	\$ -	N/A	-	N/A	N/A	N/A	N/A
2014	2014	N/A	\$ -	\$ -	-	\$ -	\$ -	-	
	2015	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 did not record a statutory premium deficiency reserve (PDR) for the period ended December 31, 2016 and December 31, 2015.

1. Liability carried for premium deficiency reserves \$0
2. Date of the most recent evaluation of this liability 12/31/2016
3. Was anticipated investment income utilized in the calculation Yes No

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, 2016 and 2015, was \$10,272,000 and \$10,094,000, respectively.

GENERAL INTERROGATORIES

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:

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:

GENERAL INTERROGATORIES

10.5 Has the reporting entity established an Audit Committee in compliance with the domiciliary state insurance laws? Yes 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?
 JEFFREY MCLANE, 500 EXCHANGE STREET, PROVIDENCE, RI 02903. ACTUARY IS EMPLOYED BY BLUE CROSS & BLUE SHIELD OF RHODE ISLAND

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

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

12.2 If yes, provide explanation:

.....

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

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

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

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

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

14.1 Are the senior officers (principal executive officer, principal financial officer, principal accounting officer or controller, or persons performing similar functions) of the reporting entity subject to a code of ethics, which includes the following standards?

- 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 No

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

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

14.21 If the response to 14.2 is yes, provide information related to amendment(s).

GENERAL INTERROGATORIES

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	\$ _____

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]

GENERAL INTERROGATORIES

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

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

24.02 If no, give full and complete information, relating thereto:
 THE SECURITIES ARE HELD BY THE REPORTING ENTITY'S CUSTODIAN BANK, STATE STREET BANK

24.03 For security lending programs, provide a description of the program including value for collateral and amount of loaned securities, and whether collateral is carried on or off-balance sheet. (an alternative is to reference Note 17 where this information is also provided)

24.04 Does the company's security lending program meet the requirements for a conforming program as outlined in the Risk-Based Capital Instructions? Yes No N/A

24.05 If answer to 24.04 is yes, report amount of collateral for conforming programs. \$ _____

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

24.08 Does the reporting entity non-admit when the collateral received from the counterparty falls below 100%? Yes No N/A

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

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 No

GENERAL INTERROGATORIES

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

25.21	Subject to repurchase agreements	\$ <u>17,303</u>
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	\$ <u>109,073,615</u>
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
STATE STREET BANK & TRUST	200 CLAREDON STREET BOSTON, MA 02111
.....

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
CAMBIAR INVESTORS	U
LONGFELLOW INVESTMENT 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 COMMIS	NO
CAMBIAR INVESTORS	115093	XKNT3JD087061NBPGS20	SECURITIES AND EXCHANGE COMMIS	NO
LONGFELLOW INVESTMENT MANAG	104945		SECURITIES AND EXCHANGE COMMIS	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
024071-84-7	AMERICAN BALANCED FUND-R4	2,964
024524-12-6	AMERICAN BEACON BR L/C VA-N	3,367
90386H-10-7	APEXCM SMALL/MID CAP GROWTH	4,688,176
14949P-20-8	CAUSEWAY INTERNATIONAL VALUE	9,211,840
24610C-85-7	DELAWARE VALUE FUND-I	13,775,596
464287-46-5	ISHARES MSCI EAFE INDEX FUND	3,147,959
464286-53-3	ISHARES MSCI EMERG MKT VOLATIL	2,267,810
57629E-15-9	MASSMUTUAL PREMIER CORE BON	2,283
57629E-30-8	MASSMUTUAL PREMIER INTL EQUIT	11,697
57629S-73-7	MASSMUTUAL SEL BLUE CHIP GRO	24,515
57629S-68-7	MASSMUTUAL SELECT INDEXED EQ	62,251
649280-83-1	NEW WORLD FD INC R5	1,407
665130-10-0	NORTHERN MID CAP INDEX	1,541
665162-72-3	NORTHERN SMALL CAP INDEX	5,026
72701U-40-1	PLAN ULTRASHORT DURATION BON	1,562,342
72701U-30-2	PLAN ULTRASHORT DURATION GOV'	1,211,423
595636-9F-0	SSGA S&P 500 INDX NL FUND CTF	10,239,699
87279B-10-6	T ROWE PRICE FLOATING RATE FUN	10,343,821
779562-10-7	T ROWE PRICE NEW HORIZONS FUN	21,798
74149P-30-9	T ROWE PRICE RETIREMENT 2030 F	104,264
74149P-77-0	T ROWE PRICE RETIREMENT 2035 F	5,605
74149P-40-8	T ROWE PRICE RETIREMENT 2040 F	14,415
921908-87-7	VANGUARD REIT INDEX FUND-ADM	2,489
92828W-36-1	VIRTUS EMERG MARKET OPPORT- I	6,081,147
92913L-78-3	VOYA HIGH YIELD BOND FUND	17,073,159

GENERAL INTERROGATORIES

1 CUSIP #	2 Name of Mutual Fund	3 Book/Adjusted Carrying Value
29.2999 TOTAL		79,866,594

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

1 Name of Mutual Fund (from above table)	2 Name of Significant Holding of the Mutual Fund	3 Amount of Mutual Fund's Book/Adjusted Carrying Value Attributable to the Holding	4 Date of Valuation
AMERICAN BALANCED FUND	Microsoft Corp	110	12/31/2016
AMERICAN BALANCED FUND	The Home Depot Inc	66	12/31/2016
AMERICAN BALANCED FUND	Comcast Corp Class A	64	12/31/2016
AMERICAN BALANCED FUND	Berkshire Hathaway Inc A	60	12/31/2016
AMERICAN BALANCED FUND	JPMorgan Chase & Co	52	12/31/2016
AMERICAN BEACON BR L/C V	Tyson Foods Inc Class A	65	12/31/2016
AMERICAN BEACON BR L/C V	AT&T Inc	52	12/31/2016
AMERICAN BEACON BR L/C V	Citigroup Inc	50	12/31/2016
AMERICAN BEACON BR L/C V	Johnson & Johnson	48	12/31/2016
AMERICAN BEACON BR L/C V	Corning Inc	47	12/31/2016
APEXCM SMALL/MID CAP GR	First Republic Bank	124,705	12/31/2016
APEXCM SMALL/MID CAP GR	Foot Locker Inc	118,611	12/31/2016
APEXCM SMALL/MID CAP GR	MercadoLibre Inc	114,860	12/31/2016
APEXCM SMALL/MID CAP GR	Align Technology Inc	102,671	12/31/2016
APEXCM SMALL/MID CAP GR	United Rentals Inc	93,295	12/31/2016
CAUSEWAY INTERNATIONAL	Volkswagen AG	385,055	12/31/2016
CAUSEWAY INTERNATIONAL	Royal Dutch Shell PLC B	348,208	12/31/2016
CAUSEWAY INTERNATIONAL	Total SA	301,227	12/31/2016
CAUSEWAY INTERNATIONAL	British American Tobacco PLC	283,725	12/31/2016
CAUSEWAY INTERNATIONAL	Akxo Nobel NV	278,198	12/31/2016
DELAWARE VALUE FUND-I	Chevron Corp	442,197	12/31/2016
DELAWARE VALUE FUND-I	BB&T Corp	440,819	12/31/2016
DELAWARE VALUE FUND-I	Halliburton Co	438,064	12/31/2016
DELAWARE VALUE FUND-I	Verizon Communications	433,931	12/31/2016
DELAWARE VALUE FUND-I	AT&T Inc	433,931	12/31/2016
ISHARES MSCI EAFE INDEX F	Nestle SA	56,978	12/31/2016
ISHARES MSCI EAFE INDEX F	HSBC Holdings PLC	42,183	12/31/2016
ISHARES MSCI EAFE INDEX F	Roche Holding AG Dividend Rig	41,553	12/31/2016
ISHARES MSCI EAFE INDEX F	Novartis AG	40,923	12/31/2016
ISHARES MSCI EAFE INDEX F	Toyota Motor Corp	38,720	12/31/2016
ISHARES MSCI EMERG MKT	Samsung Electronic Co LTD	91,620	12/31/2016
ISHARES MSCI EMERG MKT	Tencent Holdings LTD	81,414	12/31/2016
ISHARES MSCI EMERG MKT	Taiwan Semiconductor Manufac	79,373	12/31/2016
ISHARES MSCI EMERG MKT	Alibaba Group Holding Ltd ADR	61,911	12/31/2016
ISHARES MSCI EMERG MKT	China Mobile Ltd	37,872	12/31/2016
MASSMUTUAL PREMIER COR	US 5yr Note (Cbt) Mar17 Xcvt 2	164	12/31/2016
MASSMUTUAL PREMIER COR	Fannie Mae Single Family TBA	92	12/31/2016
MASSMUTUAL PREMIER COR	US Ultra Bond Cbt Mar17 Xcvt	73	12/31/2016
MASSMUTUAL PREMIER COR	US 2yr Note (Cbt) Mar 17 Xcvt	64	12/31/2016
MASSMUTUAL PREMIER COR	Bm1066513 Cds Usd P F 1.000	29	12/31/2016
MASSMUTUAL PREMIER INTL	Infineon Technologies AG	249	12/31/2016
MASSMUTUAL PREMIER INTL	Dollarama Inc	230	12/31/2016
MASSMUTUAL PREMIER INTL	Nippon Telegraph & Telephone	202	12/31/2016
MASSMUTUAL PREMIER INTL	Valeo SA	201	12/31/2016
MASSMUTUAL PREMIER INTL	Continental AG	178	12/31/2016
MASSMUTUAL SEL BLUE CHI	Amazon.com Inc	1,905	12/31/2016
MASSMUTUAL SEL BLUE CHI	Facebook Inc A	1,248	12/31/2016
MASSMUTUAL SEL BLUE CHI	Alphabet Inc C	941	12/31/2016
MASSMUTUAL SEL BLUE CHI	Visa Inc Class A	865	12/31/2016
MASSMUTUAL SEL BLUE CHI	Microsoft Corp	804	12/31/2016
MASSMUTUAL SELECT INDE	Apple Inc	1,936	12/31/2016
MASSMUTUAL SELECT INDE	Microsoft Corp	1,513	12/31/2016
MASSMUTUAL SELECT INDE	Exxon Mobil Corp	1,170	12/31/2016
MASSMUTUAL SELECT INDE	Johnson & Johnson	984	12/31/2016
MASSMUTUAL SELECT INDE	S&P500 Emini Fut Mar 17 Xcm	971	12/31/2016
NEW WORLD FD INC R5	Naspers Ltd Class N	23	12/31/2016
NEW WORLD FD INC R5	HDFC Bank Ltd	22	12/31/2016
NEW WORLD FD INC R5	AIA Group Ltd	21	12/31/2016

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
NEW WORLD FD INC R5	Taiwan Semiconductor Manufac	21	12/31/2016
NEW WORLD FD INC R5	Tencent Holdings LTD	20	12/31/2016
NORTHERN MID CAP INDEX	IDEXX Laboratories Inc	10	12/31/2016
NORTHERN MID CAP INDEX	The WhiteWave Foods Co	9	12/31/2016
NORTHERN MID CAP INDEX	Duke Realty Corp	9	12/31/2016
NORTHERN MID CAP INDEX	Alleghany Corp	9	12/31/2016
NORTHERN MID CAP INDEX	Ingredion Inc	9	12/31/2016
NORTHERN SMALL CAP INDE	Advanced Mirco Devices Inc	23	12/31/2016
NORTHERN SMALL CAP INDE	Microsemi Corp	17	12/31/2016
NORTHERN SMALL CAP INDE	Webster Financial Corp	13	12/31/2016
NORTHERN SMALL CAP INDE	Bank of Ozarks Inc	13	12/31/2016
NORTHERN SMALL CAP INDE	Prosperity Bancshares Inc	13	12/31/2016
PLAN ULTRASHORT DURATI	US Treasury Note 1%	115,145	12/31/2016
PLAN ULTRASHORT DURATI	FHLMC CMO	60,306	12/31/2016
PLAN ULTRASHORT DURATI	GNMA 4.698%	45,933	12/31/2016
PLAN ULTRASHORT DURATI	Cabelas Cc Mstr Tr 2012-li 1.45	33,903	12/31/2016
PLAN ULTRASHORT DURATI	GREENWICH CAP CMBS 2007	29,997	12/31/2016
PLAN ULTRASHORT DURATI	US Treasury Bill	157,970	12/31/2016
PLAN ULTRASHORT DURATI	US Treasury Note 0.5%	125,988	12/31/2016
PLAN ULTRASHORT DURATI	GNMA 4.721%	29,922	12/31/2016
PLAN ULTRASHORT DURATI	GNMA CMO 1.704%	25,319	12/31/2016
PLAN ULTRASHORT DURATI	FHLBA 1.2%	25,198	12/31/2016
SSGA S&P 500 INDX NL FUND	Apple Inc	318,455	12/31/2016
SSGA S&P 500 INDX NL FUND	Microsoft Corp	248,825	12/31/2016
SSGA S&P 500 INDX NL FUND	Exxon Mobil Corp	192,506	12/31/2016
SSGA S&P 500 INDX NL FUND	Johnson & Johnson	161,787	12/31/2016
SSGA S&P 500 INDX NL FUND	Berkshire Hathaway Inc B	159,739	12/31/2016
T ROWE PRICE FLOATING RA	Uber Technologies Inc TI B 1I B	98,266	12/31/2016
T ROWE PRICE FLOATING RA	Valeant Pharma TI F1/F2 1I Ba	89,991	12/31/2016
T ROWE PRICE FLOATING RA	Asurion LLC TI 2I Bankdebt	88,957	12/31/2016
T ROWE PRICE FLOATING RA	First Data Corporation TI 1I Ban	81,716	12/31/2016
T ROWE PRICE FLOATING RA	Ancestry.com Inc TI B 1I Bankd	80,682	12/31/2016
T ROWE PRICE NEW HORIZO	O'Reilly Automotive Inc	528	12/31/2016
T ROWE PRICE NEW HORIZO	Vail Resorts Inc	521	12/31/2016
T ROWE PRICE NEW HORIZO	SS&C Technologies Holdings In	469	12/31/2016
T ROWE PRICE NEW HORIZO	Liberty Ventures Group A	453	12/31/2016
T ROWE PRICE NEW HORIZO	Burlington Stores Inc	436	12/31/2016
T ROWE PRICE RETIREMENT	T. Rowe Price Growth Stock	15,212	12/31/2016
T ROWE PRICE RETIREMENT	T. Rowe Price New Income	15,024	12/31/2016
T ROWE PRICE RETIREMENT	T. Rowe Price Value	13,961	12/31/2016
T ROWE PRICE RETIREMENT	T. Rowe Price Equity Index 500	13,617	12/31/2016
T ROWE PRICE RETIREMENT	T. Rowe Price Overseas Stock	7,205	12/31/2016
T ROWE PRICE RETIREMENT	T. Rowe Price Growth Stock	997	12/31/2016
T ROWE PRICE RETIREMENT	T. Rowe Price Value	930	12/31/2016
T ROWE PRICE RETIREMENT	T. Rowe Price New Income	627	12/31/2016
T ROWE PRICE RETIREMENT	T. Rowe Price Equity Index 500	560	12/31/2016
T ROWE PRICE RETIREMENT	T. Rowe Price Overseas Stock	417	12/31/2016
T ROWE PRICE RETIREMENT	T. Rowe Price Growth Stock	2,909	12/31/2016
T ROWE PRICE RETIREMENT	T. Rowe Price Value	2,719	12/31/2016
T ROWE PRICE RETIREMENT	T. Rowe Price Equity Index 500	1,149	12/31/2016
T ROWE PRICE RETIREMENT	T. Rowe Price Overseas Stock	1,127	12/31/2016
T ROWE PRICE RETIREMENT	T. Rowe Price New Income	1,124	12/31/2016
VANGUARD REIT INDEX FUN	Simon Property Group Inc	172	12/31/2016
VANGUARD REIT INDEX FUN	Public Storage	102	12/31/2016
VANGUARD REIT INDEX FUN	Prologis Inc	86	12/31/2016
VANGUARD REIT INDEX FUN	Equinix Inc	78	12/31/2016
VANGUARD REIT INDEX FUN	AvalonBay Communities Inc	75	12/31/2016
VIRTUS EMERG MARKET OP	British American Tobacco PLC	363,044	12/31/2016
VIRTUS EMERG MARKET OP	Alibaba Group Holding Ltd ADR	297,368	12/31/2016
VIRTUS EMERG MARKET OP	HDFC Bank Ltd	287,638	12/31/2016
VIRTUS EMERG MARKET OP	Tencent Holdings LTD	259,057	12/31/2016
VIRTUS EMERG MARKET OP	Housing Development Finance	252,368	12/31/2016
VOYA HIGH YIELD BOND FUN	Sprint 7.125%	129,756	12/31/2016
VOYA HIGH YIELD BOND FUN	Hca 5.375%	107,561	12/31/2016

GENERAL INTERROGATORIES

1 Name of Mutual Fund (from above table)	2 Name of Significant Holding of the Mutual Fund	3 Amount of Mutual Fund's Book/Adjusted Carrying Value Attributable to the Holding	4 Date of Valuation
VOYA HIGH YIELD BOND FUN	First Data 144A 7%	105,854	12/31/2016
VOYA HIGH YIELD BOND FUN	Crown Pt Cap Co LLC Ser 0.0 1	99,024	12/31/2016
VOYA HIGH YIELD BOND FUN	Hca Hldgs 6.25%	97,317	12/31/2016

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	306,603,956	304,517,915	(2,086,041)
30.2 Preferred stocks			
30.3 Totals	306,603,956	304,517,915	(2,086,041)

30.4 Describe the sources or methods utilized in determining the fair values:
 PROVIDED BY RATING SOURCES UTILIZED BY THE CUSTODIAN, STATE STREET BANK. 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 [X] No []

31.2 If the answer to 31.1 is yes, does the reporting entity have a copy of the broker's or custodian's pricing policy (hard copy or electronic copy) for all brokers or custodians used as a pricing source? Yes [X] No []

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

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

32.2 If no, list exceptions:

OTHER

33.1 Amount of payments to trade associations, service organizations and statistical or Rating Bureaus, if any? \$ 2,898,816

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

1 Name	2 Amount Paid
BLUE CROSS AND BLUE SHIELD ASSOCIATION	\$ 1,171,912
	\$
	\$

34.1 Amount of payments for legal expenses, if any? \$ 8,740,420

GENERAL INTERROGATORIES

34.2 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
NELSON MULLINS RILEY & SCARBOROUGH LLP	\$ 2,261,956
.....	\$
.....	\$

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

\$ 1,362,645

35.2 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
DELOITTE & TOUCHE LLP	\$ 489,234
.....	\$
.....	\$

GENERAL INTERROGATORIES PART 2 - HEALTH INTERROGATORIES

- 1.1 Does the reporting entity have any direct Medicare Supplement Insurance in force? Yes No
- 1.2 If yes, indicate premium earned on U.S. business only. \$ 57,631,845
- 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. \$ 45,681,407
- 1.6 Individual policies:
- Most current three years:
- | | |
|------------------------------|---------------------|
| 1.61 Total premium earned | \$ <u>1,652,889</u> |
| 1.62 Total incurred claims | \$ <u>1,334,296</u> |
| 1.63 Number of covered lives | <u>708</u> |
- All years prior to most current three years:
- | | |
|------------------------------|----------------------|
| 1.64 Total premium earned | \$ <u>39,473,123</u> |
| 1.65 Total incurred claims | \$ <u>31,864,727</u> |
| 1.66 Number of covered lives | <u>16,910</u> |
- 1.7 Group policies:
- Most current three years:
- | | |
|------------------------------|-------------------|
| 1.71 Total premium earned | \$ <u>182,890</u> |
| 1.72 Total incurred claims | \$ <u>138,309</u> |
| 1.73 Number of covered lives | <u>80</u> |
- All years prior to most current three years:
- | | |
|------------------------------|----------------------|
| 1.74 Total premium earned | \$ <u>16,322,944</u> |
| 1.75 Total incurred claims | \$ <u>12,344,074</u> |
| 1.76 Number of covered lives | <u>7,117</u> |

2. Health Test:

	1 Current Year	2 Prior Year
2.1 Premium Numerator	\$ <u>1,711,207,554</u>	\$ <u>1,664,052,254</u>
2.2 Premium Denominator	\$ <u>1,711,207,554</u>	\$ <u>1,664,052,254</u>
2.3 Premium Ratio (2.1 / 2.2)	<u>1.000</u>	<u>1.000</u>
2.4 Reserve Numerator	\$ <u>184,194,352</u>	\$ <u>163,678,645</u>
2.5 Reserve Denominator	\$ <u>185,113,082</u>	\$ <u>168,002,389</u>
2.6 Reserve Ratio (2.4 / 2.5)	<u>0.995</u>	<u>0.974</u>

- 3.1 Has the reporting entity received any endowment or gift from contracting hospitals, physicians, dentists, or others that is agreed will be returned when, as and if the earnings of the reporting entity permits? Yes No
- 3.2 If yes, give particulars:
.....
.....
.....
- 4.1 Have copies of all agreements stating the period and nature of hospitals', physicians', and dentists' care offered to subscribers and dependents been filed with the appropriate regulatory agency? Yes No
- 4.2 If not previously filed, furnish herewith a copy(ies) of such agreement(s). Do these agreements include additional benefits offered? Yes No
- 5.1 Does the reporting entity have stop-loss reinsurance? Yes No
- 5.2 If no, explain:
.....
.....
.....
- 5.3 Maximum retained risk (see instructions)
- | | |
|---------------------------------|----------|
| 5.31 Comprehensive Medical | \$ _____ |
| 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. IN ADDITION, THE PLAN HAS A CONTINUATION OF COVERAGE POLICY IN
.....
.....

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	4,755
8.2 Number of providers at end of reporting year	5,282

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. \$ 144,657,555

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 \$1,735,890,665 DIVIDED BY TWELVE (12) MONTHS TO DERIVE THE MINIMUM NET WORTH OF \$144,657,555

.....

.....

.....

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)

FIVE – YEAR HISTORICAL DATA

	1	2	3	4	5
	2016	2015	2014	2013	2012
Balance Sheet (Pages 2 and 3)					
1. Total admitted assets (Page 2, Line 28)	618,389,546	623,709,146	614,611,830	601,465,897	583,688,989
2. Total liabilities (Page 3, Line 24)	351,918,965	329,974,247	350,566,393	313,864,697	323,505,534
3. Statutory minimum capital and surplus requirement	144,657,555	136,639,793	137,585,630	128,122,394	134,068,737
4. Total capital and surplus (Page 3, Line 33)	266,470,581	293,734,899	264,045,437	287,601,200	260,183,455
Income Statement (Page 4)					
5. Total revenues (Line 8)	1,714,135,582	1,661,318,809	1,640,538,775	1,537,716,047	1,558,114,822
6. Total medical and hospital expenses (Line 18)	1,479,912,238	1,388,430,910	1,404,023,945	1,322,518,992	1,374,804,008
7. Claims adjustment expenses (Line 20)	63,576,377	75,948,457	69,757,462	69,234,306	84,909,363
8. Total administrative expenses (Line 21)	192,402,050	175,298,154	177,260,045	145,715,432	149,111,473
9. Net underwriting gain (loss) (Line 24)	(21,755,083)	21,641,288	(10,502,677)	247,317	(50,710,022)
10. Net investment gain (loss) (Line 27)	3,843,968	10,560,628	14,518,426	22,038,924	16,664,500
11. Total other income (Lines 28 plus 29)	(16,579,341)	(157,234,781)	(3,789,752)	(416,416)	(7,448,147)
12. Net income or (loss) (Line 32)	(34,532,762)	(125,947,322)	113,234	21,748,694	(41,536,449)
Cash Flow (Page 6)					
13. Net cash from operations (Line 11)	23,046,774	22,311,824	(14,075,724)	22,790,025	(15,783,232)
Risk-Based Capital Analysis					
14. Total adjusted capital	266,470,581	293,734,899	264,045,437	287,601,200	260,183,455
15. Authorized control level risk-based capital	58,058,830	54,429,330	56,657,048	56,628,006	55,145,307
Enrollment (Exhibit 1)					
16. Total members at end of period (Column 5, Line 7)	340,153	334,034	388,106	344,178	355,338
17. Total members months (Column 6, Line 7)	4,090,732	4,036,343	4,663,066	4,144,418	4,280,870
Operating Percentage (Page 4)					
(Item divided by Page 4, sum of Lines 2, 3, and 5) x 100.0					
18. Premiums earned plus risk revenue (Line 2 plus Lines 3 and 5)	100.0	100.0	100.0	100.0	100.0
19. Total hospital and medical plus other non-health (Line 18 plus Line 19)	86.3	83.6	85.6	86.0	88.2
20. Cost containment expenses	1.5	1.5	1.4	1.7	1.9
21. Other claims adjustment expenses	2.2	3.1	2.9	3.9	3.5
22. Total underwriting deductions (Line 23)	101.3	98.7	100.6	100.0	103.3
23. Total underwriting gain (loss) (Line 24)	(1.3)	1.3	(0.6)	0.0	(3.3)
Unpaid Claims Analysis					
(U&I Exhibit, Part 2B)					
24. Total claims incurred for prior years (Line 13, Col. 5)	116,456,304	111,453,500	121,706,652	129,607,041	111,554,999
25. Estimated liability of unpaid claims-[prior year (Line 13, Col. 6)]	118,794,023	127,953,807	139,807,152	137,035,267	113,042,551
Investments In Parent, Subsidiaries and Affiliates					
26. Affiliated bonds (Sch. D Summary, Line 12, Col. 1)					
27. Affiliated preferred stocks (Sch. D Summary, Line 18, Col. 1)					
28. Affiliated common stocks (Sch. D Summary, Line 24, Col. 1)					
29. Affiliated short-term investments (subtotal included in Sch. DA Verification, Col. 5, Line 10)					
30. Affiliated mortgage loans on real estate					
31. All other affiliated	9,328,363	3,746,557	3,489,044	3,764,792	4,393,561
32. Total of above Lines 26 to 31	9,328,363	3,746,557	3,489,044	3,764,792	4,393,561
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.	Active Status	Direct Business Only							
		2 Accident & Health Premiums	3 Medicare Title XVIII	4 Medicaid Title XIX	5 Federal Employees Health Benefits Plan Premiums	6 Life & Annuity Premiums & Other Considerations	7 Property/Casualty Premiums	8 Total Columns 2 Through 7	9 Deposit-Type Contracts
1. Alabama	AL	N							
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	1,020,497,348	581,485,839		113,836,309		1,715,819,496	
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	1,020,497,348	581,485,839		113,836,309		1,715,819,496	
60. Reporting entity contributions for Employee Benefit Plans		X X X	592,456	267,538				859,994	
61. Totals (Direct Business)		(a) 1	1,021,089,804	581,753,377		113,836,309		1,716,679,490	

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	X X X								
58999. Totals (Lines 58001 through 58003 plus 58998) (Line 58 above)	X X X								

NONE

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

Explanation of basis of allocation by states, premiums by state, etc.

ALL PREMIUMS ARE ALLOCATED TO RHODE ISLAND

(a) Insert the number of L responses except for Canada and Other Alien.

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

PART 1 - ORGANIZATIONAL CHART

NONE

OVERFLOW PAGE FOR WRITE-INS

Page 2 - Continuation

ASSETS

	Current Year			Prior Year
	1	2	3	4
REMAINING WRITE-INS AGGREGATED AT LINE 25 FOR OTHER THAN INVESTED ASSETS	Assets	Nonadmitted Assets	Net Admitted Assets (Cols. 1 - 2)	Net Admitted Assets
2504. PBM IMPLEMENTATION COST RECOVERY	2,262,104		2,262,104	
2505. LEASEHOLD IMPROVEMENTS	1,169,816	1,169,816		
2506. COLLATERAL FUND HOME & HOST	220,175		220,175	237,517
2597. Totals (Lines 2504 through 2596) (Page 2, Line 2598)	3,652,095	1,169,816	2,482,279	237,517

OVERFLOW PAGE FOR WRITE-INS

Page 3 - Continuation

LIABILITIES, CAPITAL AND SURPLUS

	Current Year			Prior Year
	1 Covered	2 Uncovered	3 Total	4 Total
WRITE-INS AGGREGATED AT LINE 23 FOR OTHER LIABILITIES				
2304. FEP & MISCELLANEOUS CLAIMS PAYABLES	494,154		494,154	42,522
2397. Totals (Lines 2304 through 2396) (Page 3, Line 23)	494,154		494,154	42,522

OVERFLOW PAGE FOR WRITE-INS

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. PREMIUM ASSISTANCE PROGRAM		902	1,522
2905. INTEREST EXPENSE TENANT COMMISSIONS			(69,093)
2906. PENSION TERMINATION SETTLEMENT			(64,054,346)
2907. BLUETRANSIT CHANGE IN USEFUL LIFE			(89,847,169)
2908. INTEREST EXPENSE IRS		(86,012)	(68,073)
2909. OTHER INCOME (NOTE RECEIVABLE)		(112,922)	6,167
2910. BANK SERVICE CHARGES		(304,664)	(325,661)
2911. INTEREST EXPENSE LINE OF CREDIT		(825,685)	(747,684)
2912. HEALTH INFORMATION EXCHANGE		(1,540,836)	(1,693,752)
2913. GOOD HEALTH BENEFIT EXPENSE		(3,458,376)	(3,224,072)
2914. PBM TERMINATION FEE		(13,000,000)	
2997. Totals (Lines 2901 through 2996) (Page 4, Line 2998)		(19,327,593)	(160,022,161)

OVERFLOW PAGE FOR WRITE-INS

Page 5 - Continuation

STATEMENT OF REVENUE AND EXPENSES

	1	2
WRITE-INS AGGREGATED AT LINE 47 FOR STATEMENT OF REVENUE AND EXPENSES	Current Year	Prior Year
4704. CHANGE IN OTHER COMPREHENSIVE INCOME (QUALIFIED PENSION PLAN)		(20,616,081)
4705. NON-QUALIFIED PENSION PLAN	(376,068)	61,615
4797. Totals (Lines 4701 through 4796) (Page 4, Line 4798)	(376,068)	(20,554,466)

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
WRITE-INS AGGREGATED AT LINE 05 FOR UNDERWRITING AND INVESTMENT EXHIBIT	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)									
WRITE-INS AGGREGATED AT LINE 11 FOR UNDERWRITING AND INVESTMENT EXHIBIT	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 General Administrative Expenses	4 Investment Expenses	5 Total
	1 Cost Containment Expenses	2 Other Claim Adjustment Expenses			
WRITE-INS AGGREGATED AT LINE 25 FOR UNDERWRITING AND INVESTMENT EXHIBIT					
2504. AGENCY & PORTFOLIO MANAGEMENT FEES				390,627	390,627
2505. CLAIMS HANDLING EXPENSE		(92,600)			(92,600)
2506. PBM TRANSITION COSTS			(621,153)		(621,153)
2507. BLUECARD ADMIN FEE INCOME	(1,713,638)	(2,624,098)			(4,337,736)
2597. Totals (Lines 2501 through 2596) (Page 14, Line 2598)	(1,713,638)	(2,716,698)	(621,153)	390,627	(4,660,862)

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	
WRITE-INS AGGREGATED AT LINE 06 FOR EXHIBIT 1						
0604. MEDICARE PRESCRIPTION DRUG PLAN	10,801	10,672	10,695	10,732	10,736	128,511
0605. TEMPORARY HIGH RISK POOL						
0697. Totals (Lines 0601 through 0697) (Page 17, Line 06)	10,801	10,672	10,695	10,732	10,736	128,511

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