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ANNUAL STATEMENT

For the Year Ended December 31, 2012

of the Condition and Affairs of the

PMC Medicare Choice Inc.

NAIC Group Code..... , (Current Period) (Prior Period) NAIC Company Code..... 12178 Employer's ID Number..... 660592131

Organized under the Laws of Puerto Rico State of Domicile or Port of Entry Puerto Rico Country of Domicile US

Licensed as Business Type.....Health Mainteinance Organization Is HMO Federally Qualified? Yes [X] No [ ]

Incorporated/Organized..... January 10, 2001 Commenced Business..... August 1, 2004

Statutory Home Office	350 Chardón Avenue….. San Juan ..... PR ..... …. 00917 *(Street and Number) (City or Town, State and Zip Code)*	
Main Administrative Office	350 Chardón Avenue….. San Juan ..... PR ..... …. 00917 *(Street and Number) (City or Town, State and Zip Code)*	787-622-3000 *(Area Code) (Telephone Number)*
Mail Address	P.O. Box 369292….. San Juan ..... PR ..... …. 00936-6292 *(Street and Number or P. O. Box) (City or Town, State and Zip Code)*	
Primary Location of Books and Records	350 Chardón Avenue….. San Juan ..... PR ..... …. 00917 *(Street and Number) (City or Town, State and Zip Code)*	787-622-3000 *(Area Code) (Telephone Number)*
Internet Web Site Address	N/A	
Statutory Statement Contact	Sonia Nieves *(Name)*	787-622-3000 *(Area Code) (Telephone Number) (Extension)*
	sonia.nieves@mmmhc.com *(E-Mail Address)*	787-620-2399 *(Fax Number)*

OFFICERS

Name	Title	Name	Title
1. Manuel Sanchez	Interim President	2. Carlos Vivaldi	CFO
3.		4.	

OTHER

Richard Shinto	CEO	Solange De Lahongrais	Secretary
Wilson Quiroja	Vicepresident	Vivian Arthur	Vicepresident
Luis Garcia	Vicepresident	Manuel Sanchez	COO
Vilmarie Garcia	Vicepresident	Juan Arill	Vicepresident
Jose Mercado	VP of Finance	Myra Plumey	Compliance Officer

DIRECTORS OR TRUSTEES

Richard Shinto MD	Orlando Gonzalez	Doug Malton	Claude Chevance

State of........
County of.....

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

(Signature)	(Signature)	(Signature)
Manuel Sanchez	Carlos Vivaldi	
1. (Printed Name)	2. (Printed Name)	3. (Printed Name)
Interim President	CFO	
(Title)	(Title)	(Title)

Subscribed and sworn to before me
This ________ day of ____________ 2013

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

ASSETS

	Current Year 1 Assets	Current Year 2 Nonadmitted Assets	Current Year 3 Net Admitted Assets (Cols. 1 - 2)	Prior Year 4 Net Admitted Assets
1. Bonds (Schedule D)	54,707,692		54,707,692	73,907,847
2. Stocks (Schedule D):				
2.1 Preferred stocks			0	
2.2 Common stocks			0	4,227
3. Mortgage loans on real estate (Schedule B):				
3.1 First liens			0	
3.2 Other than first liens			0	
4. Real estate (Schedule A):				
4.1 Properties occupied by the company (less $..........0 encumbrances)			0	
4.2 Properties held for the production of income (less $..........0 encumbrances)			0	
4.3 Properties held for sale (less $..........0 encumbrances)			0	
5. Cash ($.....2,615,400, Schedule E-Part 1), cash equivalents ($..........0, Schedule E-Part 2) and short-term investments ($.....823,916, Schedule DA)	3,439,316		3,439,316	(1,757,227)
6. Contract loans (including $..........0 premium notes)			0	
7. Derivatives (Schedule DB)			0	
8. Other invested assets (Schedule BA)			0	
9. Receivables for securities	389,423		389,423	21,117
10. Securities lending reinvested collateral assets (Schedule DL)			0	
11. Aggregate write-ins for invested assets	1,614,292	0	1,614,292	600,000
12. Subtotals, cash and invested assets (Lines 1 to 11)	60,150,723	0	60,150,723	72,775,964
13. Title plants less $..........0 charged off (for Title insurers only)			0	
14. Investment income due and accrued			0	514,515
15. Premiums and considerations:				
15.1 Uncollected premiums and agents' balances in the course of collection	19,835,877	320,490	19,515,387	36,086,937
15.2 Deferred premiums, agents' balances and installments booked but deferred and not yet due (including $..........0 earned but unbilled premiums)			0	
15.3 Accrued retrospective premiums			0	
16. Reinsurance:				
16.1 Amounts recoverable from reinsurers			0	
16.2 Funds held by or deposited with reinsured companies			0	
16.3 Other amounts receivable under reinsurance contracts			0	
17. Amounts receivable relating to uninsured plans			0	
18.1 Current federal and foreign income tax recoverable and interest thereon	2,126,461		2,126,461	519,051
18.2 Net deferred tax asset	605,139		605,139	686,797
19. Guaranty funds receivable or on deposit			0	
20. Electronic data processing equipment and software			0	
21. Furniture and equipment, including health care delivery assets ($..........0)			0	
22. Net adjustment in assets and liabilities due to foreign exchange rates			0	
23. Receivables from parent, subsidiaries and affiliates			0	
24. Health care ($.....2,204,077) and other amounts receivable	2,362,481	158,404	2,204,077	3,209,460
25. Aggregate write-ins for other than invested assets	6,326,902	617,992	5,708,910	4,985,097
26. Total assets excluding Separate Accounts, Segregated Accounts and Protected Cell Accounts (Lines 12 to 25)	91,407,583	1,096,886	90,310,697	118,777,821
27. From Separate Accounts, Segregated Accounts and Protected Cell Accounts			0	
28. TOTALS (Lines 26 and 27)	91,407,583	1,096,886	90,310,697	118,777,821
DETAILS OF WRITE-INS				
1101. Statutory Deposit with The Insurance Commissioner	600,000		600,000	600,000
1102. Other Assets	1,014,292		1,014,292	
1103.			0	
1198. Summary of remaining write-ins for Line 11 from overflow page	0	0	0	0
1199. Totals (Lines 1101 thru 1103 plus 1198) (Line 11 above)	1,614,292	0	1,614,292	600,000
2501. Plan to Plan Receivable	1,988	1,988	0	
2502. Other Receivable	5,708,910		5,708,910	4,985,097
2503. Prepaid Expenses	5,370	5,370	0	
2598. Summary of remaining write-ins for Line 25 from overflow page	610,634	610,634	0	0
2599. Totals (Lines 2501 thru 2503 plus 2598) (Line 25 above)	6,326,902	617,992	5,708,910	4,985,097

LIABILITIES, CAPITAL AND SURPLUS

		Current Period 1 Covered	2 Uncovered	3 Total	Prior Year 4 Total
1.	Claims unpaid (less $..........0 reinsurance ceded)	35,995,261		35,995,261	39,544,701
2.	Accrued medical incentive pool and bonus amounts	14,317,620		14,317,620	17,083,964
3.	Unpaid claims adjustment expenses	303,218		303,218	317,106
4.	Aggregate health policy reserves, including the liability of $..........0 for medical loss ratio rebate per the Public Health Service Act	850,000		850,000	4,100,000
5.	Aggregate life policy reserves			0	
6.	Property/casualty unearned premium reserve			0	
7.	Aggregate health claim reserves			0	
8.	Premiums received in advance			0	
9.	General expenses due or accrued	1,549		1,549	1,428,945
10.1	Current federal and foreign income tax payable and interest thereon (including $..........0 on realized capital gains (losses))			0	
10.2	Net deferred tax liability			0	
11.	Ceded reinsurance premiums payable			0	
12.	Amounts withheld or retained for the account of others	414,450		414,450	587,475
13.	Remittances and items not allocated			0	
14.	Borrowed money (including $..........0 current) and interest thereon $..........0 (including $..........0 current)			0	
15.	Amounts due to parent, subsidiaries and affiliates	5,414,706		5,414,706	8,040,956
16.	Derivatives			0	
17.	Payable for securities			0	
18.	Payable for securities lending			0	
19.	Funds held under reinsurance treaties with ($..........0 authorized reinsurers, $..........0 unauthorized and $..........0 certified reinsurers)			0	
20.	Reinsurance in unauthorized and certified ($..........0) companies			0	
21.	Net adjustments in assets and liabilities due to foreign exchange rates			0	
22.	Liability for amounts held under uninsured plans	2,780,262		2,780,262	6,741,804
23.	Aggregate write-ins for other liabilities (including $..........0 current)	600,000	0	600,000	16,000,000
24.	Total liabilities (Lines 1 to 23)	60,677,066	0	60,677,066	93,844,951
25.	Aggregate write-ins for special surplus funds	XXX	XXX	0	0
26.	Common capital stock	XXX	XXX	8,970	8,970
27.	Preferred capital stock	XXX	XXX		
28.	Gross paid in and contributed surplus	XXX	XXX	12,988,451	12,988,450
29.	Surplus notes	XXX	XXX		
30.	Aggregate write-ins for other than special surplus funds	XXX	XXX	0	0
31.	Unassigned funds (surplus)	XXX	XXX	16,636,210	11,935,450
32.	Less treasury stock at cost:				
	32.1 .....0.000 shares common (value included in Line 26 $..........0)	XXX	XXX		
	32.2 .....0.000 shares preferred (value included in Line 27 $..........0)	XXX	XXX		
33.	Total capital and surplus (Lines 25 to 31 minus Line 32)	XXX	XXX	29,633,631	24,932,870
34.	Total liabilities, capital and surplus (Lines 24 and 33)	XXX	XXX	90,310,697	118,777,821

DETAILS OF WRITE-INS

		1	2	3	4
2301.	Statutory Deposit with The Insurance Commissioner	600,000		600,000	600,000
2302.	Plan To Plan Payable			0	
2303.	Dividend Payable & Other liabilities			0	15,400,000
2398.	Summary of remaining write-ins for Line 23 from overflow page	0	0	0	0
2399.	Totals (Lines 2301 thru 2303 plus 2398) (Line 23 above)	600,000	0	600,000	16,000,000
2501.		XXX	XXX		
2502.		XXX	XXX		
2503.		XXX	XXX		
2598.	Summary of remaining write-ins for Line 25 from overflow page	XXX	XXX	0	0
2599.	Totals (Lines 2501 thru 2503 plus 2598) (Line 25 above)	XXX	XXX	0	0
3001.		XXX	XXX		
3002.		XXX	XXX		
3003.		XXX	XXX		
3098.	Summary of remaining write-ins for Line 30 from overflow page	XXX	XXX	0	0
3099.	Totals (Lines 3001 thru 3003 plus 3098) (Line 30 above)	XXX	XXX	0	0

STATEMENT OF REVENUE AND EXPENSES

	Current Year 1 Uncovered	Current Year 2 Total	Prior Year 3 Total
1. Member months	XXX	480,691	549,982
2. Net premium income (including $.........0 non-health premium income)	XXX	415,520,525	462,734,956
3. Change in unearned premium reserves and reserve for rate credits	XXX		
4. Fee-for-service (net of $.........0 medical expenses)	XXX		
5. Risk revenue	XXX		
6. Aggregate write-ins for other health care related revenues	XXX	0	0
7. Aggregate write-ins for other non-health revenues	XXX	0	0
8. Total revenues (Lines 2 to 7)	XXX	415,520,525	462,734,956
Hospital and Medical:			
9. Hospital/medical benefits		244,704,331	272,238,901
10. Other professional services		2,628,204	2,805,713
11. Outside referrals			
12. Emergency room and out-of-area		6,710,824	6,737,032
13. Prescription drugs		62,892,617	72,153,791
14. Aggregate write-ins for other hospital and medical	0	0	0
15. Incentive pool, withhold adjustments and bonus amounts		31,773,684	30,281,325
16. Subtotal (Lines 9 to 15)	0	348,709,660	384,216,762
Less:			
17. Net reinsurance recoveries			
18. Total hospital and medical (Lines 16 minus 17)	0	348,709,660	384,216,762
19. Non-health claims (net)			
20. Claims adjustment expenses, including $.........0 cost containment expenses			
21. General administrative expenses		45,471,399	51,355,768
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)	0	394,181,059	435,572,530
24. Net underwriting gain or (loss) (Lines 8 minus 23)	XXX	21,339,466	27,162,426
25. Net investment income earned (Exhibit of Net Investment Income, Line 17)		1,322,687	1,952,760
26. Net realized capital gains or (losses) less capital gains tax of $.........0		328,854	
27. Net investment gains or (losses) (Lines 25 plus 26)	0	1,651,541	1,952,760
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	0	0	0
30. Net income or (loss) after capital gains tax and before all other federal income taxes (Lines 24 plus 27 plus 28 plus 29)	XXX	22,991,007	29,115,186
31. Federal and foreign income taxes incurred	XXX	6,113,200	8,767,377
32. Net income (loss) (Lines 30 minus 31)	XXX	16,877,807	20,347,809

DETAILS OF WRITE-INS

0601.	XXX		
0602.	XXX		
0603.	XXX		
0698. Summary of remaining write-ins for Line 6 from overflow page	XXX	0	0
0699. Totals (Lines 0601 thru 0603 plus 0698) (Line 6 above)	XXX	0	0
0701.	XXX		
0702.	XXX		
0703.	XXX		
0798. Summary of remaining write-ins for Line 7 from overflow page	XXX	0	0
0799. Totals (Lines 0701 thru 0703 plus 0798) (Line 7 above)	XXX	0	0
1401.			
1402.			
1403.			
1498. Summary of remaining write-ins for Line 14 from overflow page	0	0	0
1499. Totals (Lines 1401 thru 1403 plus 1498) (Line 14 above)	0	0	0
2901. Other income			
2902.			
2903.			
2998. Summary of remaining write-ins for Line 29 from overflow page	0	0	0
2999. Totals (Lines 2901 thru 2903 plus 2998) (Line 29 above)	0	0	0

STATEMENT OF REVENUE AND EXPENSES (Continued)

CAPITAL AND SURPLUS ACCOUNT	1 Current Year	2 Prior Year
33. Capital and surplus prior reporting period	24,932,871	26,690,117
34. Net income or (loss) from Line 32	16,877,807	20,347,809
35. Change in valuation basis of aggregate policy and claim reserves		
36. Change in net unrealized capital gains and (losses) less capital gains tax of $.........0		
37. Change in net unrealized foreign exchange capital gain or (loss)		
38. Change in net deferred income tax	(280,309)	610,116
39. Change in nonadmitted assets	2,053,262	(2,315,171)
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	(13,950,000)	(20,400,000)
47. Aggregate write-ins for gains or (losses) in surplus	0	0
48. Net change in capital and surplus (Lines 34 to 47)	4,700,760	(1,757,246)
49. Capital and surplus end of reporting period (Line 33 plus 48)	29,633,631	24,932,871

DETAILS OF WRITE-INS

4701. Other surplus adjustments		
4702.		
4703.		
4798. Summary of remaining write-ins for Line 47 from overflow page	0	0
4799. Totals (Lines 4701 thru 4703 plus 4798) (Line 47 above)	0	0

CASH FLOW

		1 Current Year	2 Prior Year
	CASH FROM OPERATIONS		
1.	Premiums collected net of reinsurance	429,181,771	443,155,776
2.	Net investment income	1,790,936	2,339,419
3.	Miscellaneous income		
4.	Total (Lines 1 through 3)	430,972,707	445,495,195
5.	Benefit and loss related payments	350,216,800	395,507,942
6.	Net transfers to Separate Accounts, Segregated Accounts and Protected Cell Accounts		
7.	Commissions, expenses paid and aggregate write-ins for deductions	49,267,371	48,028,783
8.	Dividends paid to policyholders		
9.	Federal and foreign income taxes paid (recovered) net of $..........0 tax on capital gains (losses)	9,131,477	8,640,019
10.	Total (Lines 5 through 9)	408,615,648	452,176,744
11.	Net cash from operations (Line 4 minus Line 10)	22,357,059	(6,681,549)
	CASH FROM INVESTMENTS		
12.	Proceeds from investments sold, matured or repaid:		
	12.1 Bonds	40,723,723	35,293,969
	12.2 Stocks		
	12.3 Mortgage loans		
	12.4 Real estate		
	12.5 Other invested assets		
	12.6 Net gains or (losses) on cash, cash equivalents and short-term investments		
	12.7 Miscellaneous proceeds		
	12.8 Total investment proceeds (Lines 12.1 to 12.7)	40,723,723	35,293,969
13.	Cost of investments acquired (long-term only):		
	13.1 Bonds	21,544,465	23,315,525
	13.2 Stocks		
	13.3 Mortgage loans		
	13.4 Real estate		
	13.5 Other invested assets		
	13.6 Miscellaneous applications		
	13.7 Total investments acquired (Lines 13.1 to 13.6)	21,544,465	23,315,525
14.	Net increase (decrease) in contract loans and premium notes		
15.	Net cash from investments (Line 12.8 minus Lines 13.7 minus Line 14)	19,179,258	11,978,444
	CASH FROM FINANCING AND MISCELLANEOUS SOURCES		
16.	Cash provided (applied):		
	16.1 Surplus notes, capital notes		
	16.2 Capital and paid in surplus, less treasury stock		
	16.3 Borrowed funds		
	16.4 Net deposits on deposit-type contracts and other insurance liabilities		
	16.5 Dividends to stockholders	29,350,000	13,800,000
	16.6 Other cash provided (applied)	(6,989,774)	1,328,554
17.	Net cash from financing and miscellaneous sources (Lines 16.1 to 16.4 minus Line 16.5 plus Line 16.6)	(36,339,774)	(12,471,446)
	RECONCILIATION OF CASH, CASH EQUIVALENTS AND SHORT-TERM INVESTMENTS		
18.	Net change in cash, cash equivalents and short-term investments (Line 11 plus Line 15 plus Line 17)	5,196,543	(7,174,551)
19.	Cash, cash equivalents and short-term investments:		
	19.1 Beginning of year	(1,757,227)	5,417,324
	19.2 End of year (Line 18 plus Line 19.1)	3,439,316	(1,757,227)

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

20.0001			

ANALYSIS OF OPERATIONS BY LINES OF BUSINESS

	1 Total	2 Comprehensive (Hospital and Medical)	3 Medicare Supplement	4 Dental Only	5 Vision Only	6 Federal Employees Health Benefit Plans	7 Title XVIII Medicare	8 Title XIX Medicaid	9 Other Health	10 Other Non-Health
1. Net premium income	415,520,525						415,520,525			
2. Change in unearned premium reserves and reserve for rate credit	0									
3. Fee-for-service (net of $0 medical expenses)	0									XXX
4. Risk revenue	0									XXX
5. Aggregate write-ins for other health care related revenues	0	0	0	0	0	0	0	0	0	XXX
6. Aggregate write-ins for other non-health care related revenues	0	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	0
7. Total revenues (Lines 1 to 6)	415,520,525	0	0	0	0	0	415,520,525	0	0	0
8. Hospital/medical benefits	244,704,331						244,704,331			XXX
9. Other professional services	2,628,204						2,628,204			XXX
10. Outside referrals	0									XXX
11. Emergency room and out-of-area	6,710,824						6,710,824			XXX
12. Prescription drugs	62,892,617						62,892,617			XXX
13. Aggregate write-ins for other hospital and medical	0	0	0	0	0	0	0	0	0	XXX
14. Incentive pool, withhold adjustments and bonus amounts	31,773,684						31,773,684			XXX
15. Subtotal (Lines 8 to 14)	348,709,660	0	0	0	0	0	348,709,660	0	0	XXX
16. Net reinsurance recoveries	0									XXX
17. Total hospital and medical (Lines 15 minus 16)	348,709,660	0	0	0	0	0	348,709,660	0	0	XXX
18. Non-health claims (net)	0	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	
19. Claims adjustment expenses including $0 cost containment expenses	0									
20. General administrative expenses	45,439,467						45,439,467			
21. Increase in reserves for accident and health contracts	0									XXX
22. Increase in reserve for life contracts	0	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	
23. Total underwriting deductions (Lines 17 to 22)	394,149,127	0	0	0	0	0	394,149,127	0	0	0
24. Net underwriting gain or (loss) (Line 7 minus Line 23)	21,371,398	0	0	0	0	0	21,371,398	0	0	0
DETAILS OF WRITE-INS										
0501.	0									XXX
0502.	0									XXX
0503.	0									XXX
0598. Summary of remaining write-ins for Line 5 from overflow page	0	0	0	0	0	0	0	0	0	XXX
0599. Total (Lines 0501 thru 0503 plus 0598) (Line 5 above)	0	0	0	0	0	0	0	0	0	XXX
0601.	0	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	
0602.	0	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	
0603.	0	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	
0698. Summary of remaining write-ins for Line 6 from overflow page	0	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	0
0699. Total (Lines 0601 thru 0603 plus 0698) (Line 6 above)	0	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	0
1301.	0									XXX
1302.	0									XXX
1303.	0									XXX
1398. Summary of remaining write-ins for Line 13 from overflow page	0	0	0	0	0	0	0	0	0	XXX
1399. Total (Lines 1301 thru 1303 plus 1398) (Line 13 above)	0	0	0	0	0	0	0	0	0	XXX

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)				0
2. Medicare supplement				0
3. Dental only				0
4. Vision only				0
5. Federal employees health benefits plan				0
6. Title XVIII - Medicare	415,520,525			415,520,525
7. Title XIX - Medicaid				0
8. Other health				0
9. Health subtotal (Lines 1 through 8)	415,520,525	0	0	415,520,525
10. Life				0
11. Property/casualty				0
12. Totals (Lines 9 to 11)	415,520,525	0	0	415,520,525

UNDERWRITING AND INVESTMENT EXHIBIT

PART 2 - CLAIMS INCURRED DURING THE YEAR

	1 Total	2 Comprehensive (Hospital and Medical)	3 Medicare Supplement	4 Dental Only	5 Vision Only	6 Federal Employees Health Benefits Plan	7 Title XVIII Medicare	8 Title XIX Medicaid	9 Other Health	10 Other Non-Health
1. Payments during the year:										
1.1 Direct	322,689,493						322,689,493			
1.2 Reinsurance assumed	0									
1.3 Reinsurance ceded	0									
1.4 Net	322,689,493	0	0	0	0	0	322,689,493	0	0	0
2. Paid medical incentive pools and bonuses	34,540,028						34,540,028			
3. Claim liability December 31, current year from Part 2A:										
3.1 Direct	35,995,261						35,995,261			
3.2 Reinsurance assumed	0									
3.3 Reinsurance ceded	0									
3.4 Net	35,995,261	0	0	0	0	0	35,995,261	0	0	0
4. Claim reserve December 31, current year from Part 2D:										
4.1 Direct	0									
4.2 Reinsurance assumed	0									
4.3 Reinsurance ceded	0									
4.4 Net	0	0	0	0	0	0	0	0	0	0
5. Accrued medical incentive pools and bonuses, current year	14,317,620						14,317,620			
6. Net healthcare receivables (a)	2,204,077						2,204,077			
7. Amounts recoverable from reinsurers December 31, current year	0									
8. Claim liability December 31, prior year from Part 2A:										
8.1 Direct	39,544,701						39,544,701			
8.2 Reinsurance assumed	0									
8.3 Reinsurance ceded	0									
8.4 Net	39,544,701	0	0	0	0	0	39,544,701	0	0	0
9. Claim reserve December 31, prior year from Part 2D:										
9.1 Direct	0									
9.2 Reinsurance assumed	0									
9.3 Reinsurance ceded	0									
9.4 Net	0	0	0	0	0	0	0	0	0	0
10. Accrued medical incentive pools and bonuses, prior year	17,083,964						17,083,964			
11. Amounts recoverable from reinsurers December 31, prior year	0									
12. Incurred benefits:										
12.1 Direct	316,935,976	0	0	0	0	0	316,935,976	0	0	0
12.2 Reinsurance assumed	0	0	0	0	0	0	0	0	0	0
12.3 Reinsurance ceded	0	0	0	0	0	0	0	0	0	0
12.4 Net	316,935,976	0	0	0	0	0	316,935,976	0	0	0
13. Incurred medical incentive pools and bonuses	31,773,684	0	0	0	0	0	31,773,684	0	0	0

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

UNDERWRITING AND INVESTMENT EXHIBIT
PART 2A - CLAIMS LIABILITY END OF CURRENT YEAR

	1 Total	2 Comprehensive (Medical and Hospital)	3 Medicare Supplement	4 Dental Only	5 Vision Only	6 Federal Employees Health Benefits Plan	7 Title XVIII Medicare	8 Title XIX Medicaid	9 Other Health	10 Other Non-Health
1. Reported in process of adjustment:										
1.1 Direct	0									
1.2 Reinsurance assumed	0									
1.3 Reinsurance ceded	0									
1.4 Net	0	0	0	0	0	0	0	0	0	0
2. Incurred but unreported:										
2.1 Direct	35,995,261						35,995,261			
2.2 Reinsurance assumed	0									
2.3 Reinsurance ceded	0									
2.4 Net	35,995,261	0	0	0	0	0	35,995,261	0	0	0
3. Amounts withheld from paid claims and capitations:										
3.1 Direct	0									
3.2 Reinsurance assumed	0									
3.3 Reinsurance ceded	0									
3.4 Net	0	0	0	0	0	0	0	0	0	0
4. Totals:										
4.1 Direct	35,995,261	0	0	0	0	0	35,995,261	0	0	0
4.2 Reinsurance assumed	0	0	0	0	0	0	0	0	0	0
4.3 Reinsurance ceded	0	0	0	0	0	0	0	0	0	0
4.4 Net	35,995,261	0	0	0	0	0	35,995,261	0	0	0

UNDERWRITING AND INVESTMENT EXHIBIT

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

Line of Business	Claims Paid During the Year 1 On Claims Incurred Prior to January 1 of Current Year	Claims Paid During the Year 2 On Claims Incurred During the Year	Claim Reserve and Claim Liability December 31 of Current Year 3 On Claims Unpaid December 31 of Prior Year	Claim Reserve and Claim Liability December 31 of Current Year 4 On Claims Incurred During the Year	5 Claims Incurred in Prior Years (Columns 1 + 3)	6 Estimated Claim Reserve and Claim Liability December 31 of Prior Year
1. Comprehensive (hospital and medical)					0	
2. Medicare supplement					0	
3. Dental only					0	
4. Vision only					0	
5. Federal employees health benefits plan					0	
6. Title XVIII - Medicare	35,114,659	288,482,829	530,127	35,465,121	35,644,786	39,544,701
7. Title XIX - Medicaid					0	
8. Other health					0	
9. Health subtotal (Lines 1 to 8)	35,114,659	288,482,829	530,127	35,465,121	35,644,786	39,544,701
10. Healthcare receivables (a)					0	
11. Other non-health					0	
12. Medical incentive pools and bonus amounts	17,053,021	14,314,208	2,060,893	12,256,727	19,113,914	17,083,964
13. Totals (Lines 9 - 10 + 11 + 12)	52,167,680	302,797,037	2,591,020	47,721,848	54,758,700	56,628,665

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

UNDERWRITING AND INVESTMENT EXHIBIT

PART 2C - DEVELOPMENT OF PAID AND INCURRED CLAIMS

(000 Omitted)

SECTION A - PAID HEALTH CLAIMS - GRAND TOTAL

NONE

Year in Which Losses Were Incurred	Cumulative Net Amounts Paid				
	1 2008	2 2009	3 2010	4 2011	5 2012
1. Prior					
2. 2008					
3. 2009	XXX				
4. 2010	XXX	XXX			
5. 2011	XXX	XXX	XXX		
6. 2012	XXX	XXX	XXX	XXX	

SECTION B - INCURRED HEALTH CLAIMS - GRAND TOTAL

NONE

Year in Which Losses Were Incurred	Sum of Cumulative Net Amount Paid and Claim Liability, Claim Reserve and Medical Incentive Pool and Bonuses Outstanding at End of Year				
	1 2008	2 2009	3 2010	4 2011	5 2012
1. Prior					
2. 2008					
3. 2009	XXX				
4. 2010	XXX	XXX			
5. 2011	XXX	XXX	XXX		
6. 2012	XXX	XXX	XXX	XXX	

SECTION C - INCURRED YEAR HEALTH CLAIM AND CLAIM ADJUSTMENT EXPENSE RATIO - GRAND TOTAL

Years in Which Premiums were Earned and Claims were Incurred	1 Premiums Earned	2 Claim Payments	3 Claim Adjustment Expense Payments	4 Percent (Col. 3/2)	5 Claim and Claim Adjustment Expense Payments (Col. 2 + 3)	6 Percent (Col. 5/1)	7 Claims Unpaid	8 Unpaid Claim Adjustment Expense	9 Total Claims and Claims Adjustment Expense Incurred (Col. 5 + 7 + 8)	10 Percent (Col. 9/1)
1. 2008	422,587	288,370		0.0	288,370	68.2			288,370	68.2
2. 2009	538,051	359,148		0.0	359,148	66.7			359,148	66.7
3. 2010	510,400	413,053		0.0	413,053	80.9			413,053	80.9
4. 2011	462,735	368,597		0.0	368,597	79.7			368,597	79.7
5. 2012	415,521	322,689		0.0	322,689	77.7	50,313	303	373,305	89.8

UNDERWRITING AND INVESTMENT EXHIBIT

PART 2C - DEVELOPMENT OF PAID AND INCURRED CLAIMS

(000 Omitted)

SECTION A - PAID HEALTH CLAIMS - HOSPITAL AND MEDICAL

NONE

Year in Which Losses Were Incurred	Cumulative Net Amounts Paid				
	1 2008	2 2009	3 2010	4 2011	5 2012
1. Prior					
2. 2008					
3. 2009	XXX				
4. 2010	XXX	XXX			
5. 2011	XXX	XXX	XXX		
6. 2012	XXX	XXX	XXX	XXX	

SECTION B - INCURRED HEALTH CLAIMS - HOSPITAL AND MEDICAL

NONE

Year in Which Losses Were Incurred	Sum of Cumulative Net Amount Paid and Claim Liability, Claim Reserve and Medical Incentive Pool and Bonuses Outstanding at End of Year				
	1 2008	2 2009	3 2010	4 2011	5 2012
1. Prior					
2. 2008					
3. 2009	XXX				
4. 2010	XXX	XXX			
5. 2011	XXX	XXX	XXX		
6. 2012	XXX	XXX	XXX	XXX	

SECTION C - INCURRED YEAR HEALTH CLAIM AND CLAIM ADJUSTMENT EXPENSE RATIO - HOSPITAL AND MEDICAL

Years in Which Premiums were Earned and Claims were Incurred	1 Premiums Earned	2 Claim Payments	3 Claim Adjustment Expense Payments	4 Percent (Col. 3/2)	5 Claim and Claim Adjustment Expense Payments (Col. 2 + 3)	6 Percent (Col. 5/1)	7 Claims Unpaid	8 Unpaid Claim Adjustment Expenses	9 Total Claims and Claims Adjustment Expense Incurred (Col. 5 + 7 + 8)	10 Percent (Col. 9/1)
1. 2008	422,587	288,370		0.0	288,370	68.2	796		289,166	68.4
2. 2009	538,051	359,148		0.0	359,148	66.7	61,722	399	421,269	78.3
3. 2010	510,400	413,053		0.0	413,053	80.9	65,405	436	478,894	93.8
4. 2011	462,735	368,597		0.0	368,597	79.7	56,629	317	425,543	92.0
5. 2012	415,521	322,689		0.0	322,689	77.7	50,313	303	373,305	89.8

UNDERWRITING AND INVESTMENT EXHIBIT

PART 2C - DEVELOPMENT OF PAID AND INCURRED CLAIMS

(000 Omitted)

SECTION A - PAID HEALTH CLAIMS - MEDICARE SUPPLEMENT

NONE

Year in Which Losses Were Incurred	Cumulative Net Amounts Paid				
	1 2008	2 2009	3 2010	4 2011	5 2012
1. Prior					
2. 2008					
3. 2009	XXX				
4. 2010	XXX	XXX			
5. 2011	XXX	XXX	XXX		
6. 2012	XXX	XXX	XXX	XXX	

SECTION B - INCURRED HEALTH CLAIMS - MEDICARE SUPPLEMENT

NONE

Year in Which Losses Were Incurred	Sum of Cumulative Net Amount Paid and Claim Liability, Claim Reserve and Medical Incentive Pool and Bonuses Outstanding at End of Year				
	1 2008	2 2009	3 2010	4 2011	5 2012
1. Prior					
2. 2008					
3. 2009	XXX				
4. 2010	XXX	XXX			
5. 2011	XXX	XXX	XXX		
6. 2012	XXX	XXX	XXX	XXX	

SECTION C - INCURRED YEAR HEALTH CLAIM AND CLAIM ADJUSTMENT EXPENSE RATIO - MEDICARE SUPPLEMENT

NONE

Years in Which Premiums were Earned and Claims were Incurred	1 Premiums Earned	2 Claim Payments	3 Claim Adjustment Expense Payments	4 Percent (Col. 3/2)	5 Claim and Claim Adjustment Expense Payments (Col. 2 + 3)	6 Percent (Col. 5/1)	7 Claims Unpaid	8 Unpaid Claim Adjustment Expenses	9 Total Claims and Claims Adjustment Expense Incurred (Col. 5 + 7 + 8)	10 Percent (Col. 9/1)
1. 2008				0.0	0	0.0			0	0.0
2. 2009				0.0	0	0.0			0	0.0
3. 2010				0.0	0	0.0			0	0.0
4. 2011				0.0	0	0.0			0	0.0
5. 2012				0.0	0	0.0			0	0.0

UNDERWRITING AND INVESTMENT EXHIBIT

PART 2C - DEVELOPMENT OF PAID AND INCURRED CLAIMS

(000 Omitted)

SECTION A - PAID HEALTH CLAIMS - DENTAL ONLY

NONE

Year in Which Losses Were Incurred	Cumulative Net Amounts Paid 1 2008	2 2009	3 2010	4 2011	5 2012
1. Prior					
2. 2008					
3. 2009	XXX				
4. 2010	XXX	XXX			
5. 2011	XXX	XXX	XXX		
6. 2012	XXX	XXX	XXX	XXX	

SECTION B - INCURRED HEALTH CLAIMS - DENTAL ONLY

NONE

Year in Which Losses Were Incurred	Sum of Cumulative Net Amount Paid and Claim Liability, Claim Reserve and Medical Incentive Pool and Bonuses Outstanding at End of Year 1 2008	2 2009	3 2010	4 2011	5 2012
1. Prior					
2. 2008					
3. 2009	XXX				
4. 2010	XXX	XXX			
5. 2011	XXX	XXX	XXX		
6. 2012	XXX	XXX	XXX	XXX	

SECTION C - INCURRED YEAR HEALTH CLAIM AND CLAIM ADJUSTMENT EXPENSE RATIO - DENTAL ONLY

NONE

Years in Which Premiums were Earned and Claims were Incurred	1 Premiums Earned	2 Claim Payments	3 Claim Adjustment Expense Payments	4 Percent (Col. 3/2)	5 Claim and Claim Adjustment Expense Payments (Col. 2 + 3)	6 Percent (Col. 5/1)	7 Claims Unpaid	8 Unpaid Claim Adjustment Expenses	9 Total Claims and Claims Adjustment Expense Incurred (Col. 5 + 7 + 8)	10 Percent (Col. 9/1)
1. 2008				0.0	0	0.0			0	0.0
2. 2009				0.0	0	0.0			0	0.0
3. 2010				0.0	0	0.0			0	0.0
4. 2011				0.0	0	0.0			0	0.0
5. 2012				0.0	0	0.0			0	0.0

UNDERWRITING AND INVESTMENT EXHIBIT

PART 2C - DEVELOPMENT OF PAID AND INCURRED CLAIMS

(000 Omitted)

SECTION A - PAID HEALTH CLAIMS - VISION ONLY

NONE

Year in Which Losses Were Incurred	Cumulative Net Amounts Paid 1 2008	2 2009	3 2010	4 2011	5 2012
1. Prior					
2. 2008					
3. 2009	XXX				
4. 2010	XXX	XXX			
5. 2011	XXX	XXX	XXX		
6. 2012	XXX	XXX	XXX	XXX	

SECTION B - INCURRED HEALTH CLAIMS - VISION ONLY

NONE

Year in Which Losses Were Incurred	Sum of Cumulative Net Amount Paid and Claim Liability, Claim Reserve and Medical Incentive Pool and Bonuses Outstanding at End of Year 1 2008	2 2009	3 2010	4 2011	5 2012
1. Prior					
2. 2008					
3. 2009	XXX				
4. 2010	XXX	XXX			
5. 2011	XXX	XXX	XXX		
6. 2012	XXX	XXX	XXX	XXX	

SECTION C - INCURRED YEAR HEALTH CLAIM AND CLAIM ADJUSTMENT EXPENSE RATIO - VISION ONLY

NONE

Years in Which Premiums were Earned and Claims were Incurred	1 Premiums Earned	2 Claim Payments	3 Claim Adjustment Expense Payments	4 Percent (Col. 3/2)	5 Claim and Claim Adjustment Expense Payments (Col. 2 + 3)	6 Percent (Col. 5/1)	7 Claims Unpaid	8 Unpaid Claim Adjustment Expenses	9 Total Claims and Claims Adjustment Expense Incurred (Col. 5 + 7 + 8)	10 Percent (Col. 9/1)
1. 2008				0.0	0	0.0			0	0.0
2. 2009				0.0	0	0.0			0	0.0
3. 2010				0.0	0	0.0			0	0.0
4. 2011				0.0	0	0.0			0	0.0
5. 2012				0.0	0	0.0			0	0.0

UNDERWRITING AND INVESTMENT EXHIBIT

PART 2C - DEVELOPMENT OF PAID AND INCURRED CLAIMS

(000 Omitted)

SECTION A - PAID HEALTH CLAIMS - FEDERAL EMPLOYEES HEALTH BENEFITS PLAN PREMIUM

NONE

Year in Which Losses Were Incurred	Cumulative Net Amounts Paid 1 2008	2 2009	3 2010	4 2011	5 2012
1. Prior					
2. 2008					
3. 2009	XXX				
4. 2010	XXX	XXX			
5. 2011	XXX	XXX	XXX		
6. 2012	XXX	XXX	XXX	XXX	

SECTION B - INCURRED HEALTH CLAIMS - FEDERAL EMPLOYEES HEALTH BENEFITS PLAN PREMIUM

NONE

Year in Which Losses Were Incurred	Sum of Cumulative Net Amount Paid and Claim Liability, Claim Reserve and Medical Incentive Pool and Bonuses Outstanding at End of Year 1 2008	2 2009	3 2010	4 2011	5 2012
1. Prior					
2. 2008					
3. 2009	XXX				
4. 2010	XXX	XXX			
5. 2011	XXX	XXX	XXX		
6. 2012	XXX	XXX	XXX	XXX	

SECTION C - INCURRED YEAR HEALTH CLAIM AND CLAIM ADJUSTMENT EXPENSE RATIO - FEDERAL EMPLOYEES HEALTH BENEFITS PLAN PREMIUM

NONE

Years in Which Premiums were Earned and Claims were Incurred	1 Premiums Earned	2 Claim Payments	3 Claim Adjustment Expense Payments	4 Percent (Col. 3/2)	5 Claim and Claim Adjustment Expense Payments (Col. 2 + 3)	6 Percent (Col. 5/1)	7 Claims Unpaid	8 Unpaid Claim Adjustment Expenses	9 Total Claims and Claims Adjustment Expense Incurred (Col. 5 + 7 + 8)	10 Percent (Col. 9/1)
1. 2008				0.0	0	0.0			0	0.0
2. 2009				0.0	0	0.0			0	0.0
3. 2010				0.0	0	0.0			0	0.0
4. 2011				0.0	0	0.0			0	0.0
5. 2012				0.0	0	0.0			0	0.0

UNDERWRITING AND INVESTMENT EXHIBIT

PART 2C - DEVELOPMENT OF PAID AND INCURRED CLAIMS

(000 Omitted)

SECTION A - PAID HEALTH CLAIMS - TITLE XVIII - MEDICARE

NONE

Year in Which Losses Were Incurred	Cumulative Net Amounts Paid 1 2008	2 2009	3 2010	4 2011	5 2012
1. Prior					
2. 2008					
3. 2009	XXX				
4. 2010	XXX	XXX			
5. 2011	XXX	XXX	XXX		
6. 2012	XXX	XXX	XXX	XXX	

SECTION B - INCURRED HEALTH CLAIMS - TITLE XVIII - MEDICARE

NONE

Year in Which Losses Were Incurred	Sum of Cumulative Net Amount Paid and Claim Liability, Claim Reserve and Medical Incentive Pool and Bonuses Outstanding at End of Year 1 2008	2 2009	3 2010	4 2011	5 2012
1. Prior					
2. 2008					
3. 2009	XXX				
4. 2010	XXX	XXX			
5. 2011	XXX	XXX	XXX		
6. 2012	XXX	XXX	XXX	XXX	

SECTION C - INCURRED YEAR HEALTH CLAIM AND CLAIM ADJUSTMENT EXPENSE RATIO - TITLE XVIII - MEDICARE

NONE

Years in Which Premiums were Earned and Claims were Incurred	1 Premiums Earned	2 Claim Payments	3 Claim Adjustment Expense Payments	4 Percent (Col. 3/2)	5 Claim and Claim Adjustment Expense Payments (Col. 2 + 3)	6 Percent (Col. 5/1)	7 Claims Unpaid	8 Unpaid Claim Adjustment Expenses	9 Total Claims and Claims Adjustment Expense Incurred (Col. 5 + 7 + 8)	10 Percent (Col. 9/1)
1. 2008				0.0	0	0.0			0	0.0
2. 2009				0.0	0	0.0			0	0.0
3. 2010				0.0	0	0.0			0	0.0
4. 2011				0.0	0	0.0			0	0.0
5. 2012				0.0	0	0.0			0	0.0

UNDERWRITING AND INVESTMENT EXHIBIT

PART 2C - DEVELOPMENT OF PAID AND INCURRED CLAIMS

(000 Omitted)

SECTION A - PAID HEALTH CLAIMS - TITLE XIX - MEDICAID

NONE

Year in Which Losses Were Incurred	Cumulative Net Amounts Paid 1 2008	2 2009	3 2010	4 2011	5 2012
1. Prior					
2. 2008					
3. 2009	XXX				
4. 2010	XXX	XXX			
5. 2011	XXX	XXX	XXX		
6. 2012	XXX	XXX	XXX	XXX	

SECTION B - INCURRED HEALTH CLAIMS - TITLE XIX - MEDICAID

NONE

Year in Which Losses Were Incurred	Sum of Cumulative Net Amount Paid and Claim Liability, Claim Reserve and Medical Incentive Pool and Bonuses Outstanding at End of Year 1 2008	2 2009	3 2010	4 2011	5 2012
1. Prior					
2. 2008					
3. 2009	XXX				
4. 2010	XXX	XXX			
5. 2011	XXX	XXX	XXX		
6. 2012	XXX	XXX	XXX	XXX	

SECTION C - INCURRED YEAR HEALTH CLAIM AND CLAIM ADJUSTMENT EXPENSE RATIO - TITLE XIX - MEDICAID

NONE

Years in Which Premiums were Earned and Claims were Incurred	1 Premiums Earned	2 Claim Payments	3 Claim Adjustment Expense Payments	4 Percent (Col. 3/2)	5 Claim and Claim Adjustment Expense Payments (Col. 2 + 3)	6 Percent (Col. 5/1)	7 Claims Unpaid	8 Unpaid Claim Adjustment Expenses	9 Total Claims and Claims Adjustment Expense Incurred (Col. 5 + 7 + 8)	10 Percent (Col. 9/1)
1. 2008				0.0	0	0.0			0	0.0
2. 2009				0.0	0	0.0			0	0.0
3. 2010				0.0	0	0.0			0	0.0
4. 2011				0.0	0	0.0			0	0.0
5. 2012				0.0	0	0.0			0	0.0

UNDERWRITING AND INVESTMENT EXHIBIT

PART 2C - DEVELOPMENT OF PAID AND INCURRED CLAIMS

(000 Omitted)

SECTION A - PAID HEALTH CLAIMS - OTHER

NONE

Year in Which Losses Were Incurred	Cumulative Net Amounts Paid				
	1 2008	2 2009	3 2010	4 2011	5 2012
1. Prior					
2. 2008					
3. 2009	XXX				
4. 2010	XXX	XXX			
5. 2011	XXX	XXX	XXX		
6. 2012	XXX	XXX	XXX	XXX	

SECTION B - INCURRED HEALTH CLAIMS - OTHER

NONE

Year in Which Losses Were Incurred	Sum of Cumulative Net Amount Paid and Claim Liability, Claim Reserve and Medical Incentive Pool and Bonuses Outstanding at End of Year				
	1 2008	2 2009	3 2010	4 2011	5 2012
1. Prior					
2. 2008					
3. 2009	XXX				
4. 2010	XXX	XXX			
5. 2011	XXX	XXX	XXX		
6. 2012	XXX	XXX	XXX	XXX	

SECTION C - INCURRED YEAR HEALTH CLAIM AND CLAIM ADJUSTMENT EXPENSE RATIO - OTHER

NONE

Years in Which Premiums were Earned and Claims were Incurred	1 Premiums Earned	2 Claim Payments	3 Claim Adjustment Expense Payments	4 Percent (Col. 3/2)	5 Claim and Claim Adjustment Expense Payments (Col. 2 + 3)	6 Percent (Col. 5/1)	7 Claims Unpaid	8 Unpaid Claim Adjustment Expenses	9 Total Claims and Claims Adjustment Expense Incurred (Col. 5 + 7 + 8)	10 Percent (Col. 9/1)
1. 2008					0	0.0			0	0.0
2. 2009				0.0	0	0.0			0	0.0
3. 2010				0.0	0	0.0			0	0.0
4. 2011				0.0	0	0.0			0	0.0
5. 2012				0.0	0	0.0			0	0.0

UNDERWRITING AND INVESTMENT EXHIBIT

PART 2D - AGGREGATE RESERVE FOR ACCIDENT AND HEALTH CONTRACTS ONLY

	1 Total	2 Comprehensive (Hospital and Medical)	3 Medicare Supplement	4 Dental Only	5 Vision Only	6 Federal Employees Health Benefit Plan	7 Title XVIII Medicare	8 Title XIX Medicaid	9 Other
1. Unearned premium reserves	0								
2. Additional policy reserves (a)	0								
3. Reserve for future contingent benefits	0								
4. Reserve for rate credits or experience rating refunds (including $..........0) for investment income	0								
5. Aggregate write-ins for other policy reserves	850,000	0	0	0	0	0	850,000	0	0
6. Totals (gross)	850,000	0	0	0	0	0	850,000	0	0
7. Reinsurance ceded	0								
8. Totals (net) (Page 3, Line 4)	850,000	0	0	0	0	0	850,000	0	0
9. Present value of amounts not yet due on claims	0								
10. Reserve for future contingent benefits	0								
11. Aggregate write-ins for other claim reserves	0	0	0	0	0	0	0	0	0
12. Totals (gross)	0	0	0	0	0	0	0	0	0
13. Reinsurance ceded	0								
14. Totals (net) (Page 3, Line 7)	0	0	0	0	0	0	0	0	0

DETAILS OF WRITE-INS

	1 Total	2 Comprehensive (Hospital and Medical)	3 Medicare Supplement	4 Dental Only	5 Vision Only	6 Federal Employees Health Benefit Plan	7 Title XVIII Medicare	8 Title XIX Medicaid	9 Other
0501. Aggregate write ins for other policy reserves	850,000						850,000		
0502.	0								
0503.	0								
0598. Summary of remaining write-ins for Line 5 from overflow page	0	0	0	0	0	0	0	0	0
0599. Totals (Lines 0501 thru 0503 plus 0598) (Line 5 above)	850,000	0	0	0	0	0	850,000	0	0
1101.	0								
1102.	0								
1103.	0								
1198. Summary of remaining write-ins for Line 11 from overflow page	0	0	0	0	0	0	0	0	0
1199. Totals (Lines 1101 thru 1103 plus 1198) (Line 11 above)	0	0	0	0	0	0	0	0	0

(a) Includes $..........0 premium deficiency reserve.

UNDERWRITING AND INVESTMENT EXHIBIT

PART 3 - ANALYSIS OF EXPENSES

	Claim Adjustment Expenses		3	4	5
	1 Cost Containment Expenses	2 Other Claim Adjustment Expenses	General Administrative Expenses	Investment Expenses	Total
1. Rent ($..........0 for occupancy of own building)			832,894		832,894
2. Salaries, wages and other benefits			22,931,303		22,931,303
3. Commissions (less $..........0 ceded plus $..........0 assumed)			1,604,592		1,604,592
4. Legal fees and expenses			433,791		433,791
5. Certifications and accreditation fees			105,067		105,067
6. Auditing, actuarial and other consulting services			1,737,245		1,737,245
7. Traveling expenses			146,162		146,162
8. Marketing and advertising			1,616,201		1,616,201
9. Postage, express and telephone			331,111		331,111
10. Printing and office supplies			1,395,491		1,395,491
11. Occupancy, depreciation and amortization					0
12. Equipment			399,521		399,521
13. Cost or depreciation of EDP equipment and software			1,714,795		1,714,795
14. Outsourced services including EDP, claims, and other services					0
15. Boards, bureaus and association fees					0
16. Insurance, except on real estate			67,043		67,043
17. Collection and bank service charges					0
18. Group service and administration fees			7,910,036		7,910,036
19. Reimbursements by uninsured plans					0
20. Reimbursements from fiscal intermediaries					0
21. Real estate expenses					0
22. Real estate taxes			76,174		76,174
23. Taxes, licenses and fees:					
23.1 State and local insurance taxes					0
23.2 State premium taxes					0
23.3 Regulatory authority licenses and fees					0
23.4 Payroll taxes					0
23.5 Other (excluding federal income and real estate taxes)			473,656		473,656
24. Investment expenses not included elsewhere					0
25. Aggregate write-ins for expenses	0	0	3,664,385	0	3,664,385
26. Total expenses incurred (Lines 1 to 25)	0	0	45,439,467	0	(a)......45,439,467
27. Less expenses unpaid December 31, current year		303,218	1,553		304,771
28. Add expenses unpaid December 31, prior year		317,106	1,428,945		1,746,051
29. Amounts receivable relating to uninsured plans, prior year					0
30. Amounts receivable relating to uninsured plans, current year					0
31. Total expenses paid (Lines 26 minus 27 plus 28 minus 29 plus 30)	0	13,888	46,866,859	0	46,880,747

DETAILS OF WRITE-INS

	1	2	3	4	5
2501. Data Process			1,622,861		1,622,861
2502. Provider & Public Relations			542,469		542,469
2503. Special Projects & Other Expenses			1,499,055		1,499,055
2598. Summary of remaining write-ins for Line 25 from overflow page	0	0	0	0	0
2599. TOTALS (Lines 2501 thru 2503 plus 2598) (Line 25 above)	0	0	3,664,385	0	3,664,385

(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) 136,428	124,979
1.1	Bonds exempt from U.S. tax	(a) 1,319,091	1,197,663
1.2	Other bonds (unaffiliated)	(a)	
1.3	Bonds of affiliates	(a)	
2.1	Preferred stocks (unaffiliated)	(b)	
2.11	Preferred stocks of affiliates	(b)	
2.2	Common stocks (unaffiliated)		
2.21	Common stocks of affiliates		
3.	Mortgage loans	(c)	
4.	Real estate	(d)	
5.	Contract loans		
6.	Cash, cash equivalents and short-term investments	(e) 45	45
7.	Derivative instruments	(f)	
8.	Other invested assets		
9.	Aggregate write-ins for investment income	0	0
10.	Total gross investment income	1,455,564	1,322,687
11.	Investment expenses		(g)
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) 0
15.	Aggregate write-ins for deductions from investment income		0
16.	Total deductions (Lines 11 through 15)		0
17.	Net investment income (Line 10 minus Line 16)		1,322,687

DETAILS OF WRITE-INS

0901.			
0902.			
0903.			
0998.	Summary of remaining write-ins for Line 9 from overflow page	0	0
0999.	Totals (Lines 0901 thru 0903 plus 0998) (Line 9 above)	0	0
1501.			
1502.			
1503.			
1598.	Summary of remaining write-ins for Line 15 from overflow page		0
1599.	Totals (Lines 1501 thru 1503 plus 1598) (Line 15 above)		0

(a) Includes $.....16,974 accrual of discount less $.....370,950 amortization of premium and less $.....13,308 paid for accrued interest on purchases.
(b) Includes $..........0 accrual of discount less $..........0 amortization of premium and less $..........0 paid for accrued dividends on purchases.
(c) Includes $..........0 accrual of discount less $..........0 amortization of premium and less $..........0 paid for accrued interest on purchases.
(d) Includes $..........0 for company's occupancy of its own buildings; and excludes $..........0 interest on encumbrances.
(e) Includes $..........0 accrual of discount less $..........0 amortization of premium and less $..........0 paid for accrued interest on purchases.
(f) Includes $..........0 accrual of discount less $..........0 amortization of premium.
(g) Includes $..........0 investment expenses and $..........0 investment taxes, licenses and fees, excluding federal income taxes, attributable to Segregated and Separate Accounts.
(h) Includes $..........0 interest on surplus notes and $..........0 interest on capital notes.
(i) Includes $..........0 depreciation on real estate and $..........0 depreciation on other invested assets.

EXHIBIT OF CAPITAL GAINS (LOSSES)

		1 Realized Gain (Loss) on Sales or Maturity	2 Other Realized Adjustments	3 Total Realized Capital Gain (Loss) (Columns 1 + 2)	4 Change in Unrealized Capital Gain (Loss)	5 Change in Unrealized Foreign Exchange Capital Gain (Loss)
1.	U.S. government bonds	75,794		75,794		
1.1	Bonds exempt from U.S. tax	253,060		253,060		
1.2	Other bonds (unaffiliated)			0		
1.3	Bonds of affiliates			0		
2.1	Preferred stocks (unaffiliated)			0		
2.11	Preferred stocks of affiliates			0		
2.2	Common stocks (unaffiliated)			0		
2.21	Common stocks of affiliates			0		
3.	Mortgage loans			0		
4.	Real estate			0		
5.	Contract loans			0		
6.	Cash, cash equivalents and short-term investments			0		
7.	Derivative instruments			0		
8.	Other invested assets			0		
9.	Aggregate write-ins for capital gains (losses)	0	0	0	0	0
10.	Total capital gains (losses)	328,854	0	328,854	0	0

DETAILS OF WRITE-INS

0901.				0		
0902.				0		
0903.				0		
0998.	Summary of remaining write-ins for Line 9 from overflow page	0	0	0	0	0
0999.	Totals (Lines 0901 thru 0903 plus 0998) (Line 9 above)	0	0	0	0	0

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)			0
2. Stocks (Schedule D):			
2.1 Preferred stocks			0
2.2 Common stocks			0
3. Mortgage loans on real estate (Schedule B):			
3.1 First liens			0
3.2 Other than first liens			0
4. Real estate (Schedule A):			
4.1 Properties occupied by the company			0
4.2 Properties held for the production of income			0
4.3 Properties held for sale			0
5. Cash (Schedule E-Part 1), cash equivalents (Schedule E-Part 2) and short-term investments (Schedule DA)			0
6. Contract loans			0
7. Derivatives (Schedule DB)			0
8. Other invested assets (Schedule BA)			0
9. Receivables for securities			0
10. Securities lending reinvested collateral assets (Schedule DL)			0
11. Aggregate write-ins for invested assets	617,992	2,009,192	1,391,200
12. Subtotals, cash and invested assets (Lines 1 to 11)	617,992	2,009,192	1,391,200
13. Title plants (for Title insurers only)			0
14. Investment income due and accrued			0
15. Premiums and considerations:			
15.1 Uncollected premiums and agents' balances in the course of collection	320,490	207,612	(112,878)
15.2 Deferred premiums, agents' balances and installments booked but deferred and not yet due			0
15.3 Accrued retrospective premiums			0
16. Reinsurance:			
16.1 Amounts recoverable from reinsurers			0
16.2 Funds held by or deposited with reinsured companies			0
16.3 Other amounts receivable under reinsurance contracts			0
17. Amounts receivable relating to uninsured plans			0
18.1 Current federal and foreign income tax recoverable and interest thereon			0
18.2 Net deferred tax asset		198,652	198,652
19. Guaranty funds receivable or on deposit			0
20. Electronic data processing equipment and software			0
21. Furniture and equipment, including health care delivery assets			0
22. Net adjustment in assets and liabilities due to foreign exchange rates			0
23. Receivables from parent, subsidiaries and affiliates			0
24. Health care and other amounts receivable	158,404	734,692	576,288
25. Aggregate write-ins for other than invested assets	0	0	0
26. Total assets excluding Separate Accounts, Segregated Accounts and Protected Cell Accounts (Lines 12 through 25)	1,096,886	3,150,148	2,053,262
27. From Separate Accounts, Segregated Accounts and Protected Cell Accounts			0
28. TOTALS (Lines 26 and 27)	1,096,886	3,150,148	2,053,262

DETAILS OF WRITE-INS

1101. Plan to Plan Receivable	1,988	201,048	199,060
1102. Prepaid Expense	5,370	5,370	0
1103. Advance to Providers	610,634	1,549,259	938,625
1198. Summary of remaining write-ins for Line 11 from overflow page	0	253,515	253,515
1199. Totals (Lines 1101 thru 1103 plus 1198) (Line 11 above)	617,992	2,009,192	1,391,200
2501.			0
2502.			0
2503.			0
2598. Summary of remaining write-ins for Line 25 from overflow page	0	0	0
2599. Totals (Lines 2501 thru 2503 plus 2598) (Line 25 above)	0	0	0

EXHIBIT 1 - ENROLLMENT BY PRODUCT TYPE FOR HEALTH BUSINESS ONLY

Source of Enrollment	Total Members at End of 1 Prior Year	2 First Quarter	3 Second Quarter	4 Third Quarter	5 Current Year	6 Current Year Member Months
1. Health maintenance organizations	44,024	41,164	40,042	39,153	38,558	480,691
2. Provider service organizations						
3. Preferred provider organizations						
4. Point of service						
5. Indemnity only						
6. Aggregate write-ins for other lines of business	0	0	0	0	0	0
7. Total	44,024	41,164	40,042	39,153	38,558	480,691

DETAILS OF WRITE-INS

0601.						
0602.						
0603.						
0698. Summary of remaining write-ins for Line 6 from overflow page	0	0	0	0	0	0
0699. Totals (Lines 0601 thru 0603 plus 0698) (Line 6 above)	0	0	0	0	0	0

NOTES TO FINANCIAL STATEMENTS

(1) Organization and Summary of Significant Accounting Policies

(a) Organization

PMC Medicare Choice, Inc. (the "Company" or "PMC") was organized under the laws of the Commonwealth of Puerto Rico on December 28, 2000. And is a wholly owned subsidiary of MMM Holdings, Inc. ("Holdings" or "Parent Company"), a corporation organized under the laws of the Commonwealth of Puerto Rico. Until December 12, 2012, Holdings was wholly owned by Aveta Inc., a Delaware corporation ("Aveta"). On December 12, 2012, immediately prior to the merger of Aveta into a subsidiary of Collaborative Care Holdings, LLC (the "Merger"): (1) Holdings became a wholly owned subsidiary of a newly created subsidiary of Aveta, InnovaCare, Inc., a Puerto Rico corporation ("InnovaCare"), and (2) InnovaCare was distributed to Aveta's stockholders, including holders of Aveta equity options and 2007 Plan awards.

Prior to the Merger, Aveta entered into a Separation Agreement by and among Aveta and Holdings providing for the separation of Aveta's U.S.-based Medicare and commercial delegated businesses ("NAMM"), all of which following the Merger are held by Aveta, from its Puerto Rico-based, Medicare managed care operations, all of which following the Merger are held by the Holdings. In addition, Holdings and Aveta each assumed all of the liabilities relating to the assets so held by it subsequent to the Merger, and indemnified the other party against any claims relating to such assets. (The Separation Agreement also provided for the distribution of the InnovaCare to Aveta's stockholders as described above.)

The Company was organized to develop and provide Medicare Advantage Plan (MA Plan) coverage to residents of Puerto Rico who are eligible for Medicare benefits. The MA Plan offered by the Company provides plan members with full Medicare Part A and Plan B benefits plus coverage of Medicare deductibles and copayment amounts and additional benefits that Medicare does not provide. Since January 2006, the MA Plan has also offered Medicare Part D drug coverage (MA-PD plan). The MA Plan operates as a health services organization (HSO) whereby members are covered for care provided by physicians, hospitals, and other healthcare providers.

The Company offers its Medicare Advantage Plan pursuant to a contract with the United States Centers for Medicare and Medicaid Services (CMS), a federal agency within the U.S. Department of Health and Human Services. Under the terms of this contract, CMS pays the Company a fixed amount which is subject to future adjustment for each member of the Company's coordinated care plan, and the Company provides the coverage to that member for the health services provided. The contract is for a period of one year commencing January 1 and ending on December 31, and can be renewed for periods of one year, as defined in the contract. The contract was renewed effective January 1, 2013 for a period of one year. The Company also provides supplemental health coverage to Medicare and Medicaid dual eligible members enrolled in a specified MA-PD plan.

On August 14, 2006, the shareholders of Holdings acquired all the outstanding common stock of the Company. Approximately $182 million of the purchase price (including fees and expenses) was paid at closing and an additional earn-out provision provided that a potential payment of an additional $68 million could be earned and payable over a period of up to approximately 18 months after the closingdate based on the achievement of specific performance targets for Holdings's combined Puerto Rico healthcare operations, including PMC. The specific performance targets were not achieved.

Following the acquisition, the Company made a determination of the value of the assets acquired and liabilities assumed on the date of the acquisition (closing balance sheet), which resulted in $34,400 due from the sellers under the terms of the agreements. The sellers did not agree with the values of the assets and liabilities as determined by the Company and did not pay or agree to pay any amounts due to the Company under the agreement. As a result of this dispute, the Company and the principal selling shareholders and the Shareholders' Representative (the "BER Group"), as well as certain other selling shareholders commenced several litigations with respect to adjustments to the value of the assets acquired and liabilities assumed. In August 2007, the Company offered a settlement to the former minority shareholders of PMC (the "PMC Minority Shareholders"). The settlement was offered to former minority shareholders of approximately 2,950,000 PMC Class B Shares, representing 31% of the equity. The settlement was accepted by the PMC Minority Shareholders holding approximately 2,103,000 PMC Class B Shares. The settlement provided that the Company would not seek recovery from such former shareholders related to the final values of the assets received and liabilities assumed, and the shareholders released the Company from any claims related to the transaction. The settlement provided for additional consideration of $5.21 per share.

In February 2010, the Company offered a settlement to certain remaining PMC Minority Shareholders pursuant to which the Company would pay $3.97 per share on April 1, 2010 under the same terms and conditions previously offered. This offer was made to PMC Minority Shareholders who held approximately 196,000 PMC Class B Shares (representing approximately 2% of the equity), and was accepted by former holders of 125,500 of such shares. Payments were made with respect to all of those shares in March and April 2010 for the amount of approximately $524,000 and were recorded as restructuring and other charges in the accompanying statements of revenues and expenses.

Effective on October 1, 2011, the Company and the BER Group agreed to settle all outstanding claims and disputes related to the PMC acquisition (the "BER Settlement") in consideration of (i) a payment to the Company of $1.3 million, (ii) the delivery of promissory notes from the BER Group to the Company in the aggregate amount of $15.7 million (the "BER Notes"), (iii) the execution of agreements extending for a five-year period the exclusive service agreements between the Company and three independent physician associations controlled by the BER Group (the "IPA Service Agreements"); (iv) the execution of five year non-competition agreements by the individuals comprising the BER Group in favor of the Company (the "Non-Compete Agreements"); and (v) the delivery of mutual settlement and release agreements by all parties to the various litigations commenced in connection with the PMC acquisition (the agreements set forth in (ii), (iii), (iv) and (v) hereinafter referred to as the "PMC Settlement Agreements"). Under the terms of the Settlement Agreements, the principal and interest amounts due under the BER Notes (which are joint and several obligations of the individual shareholders comprising the BER Group) are to be reduced (and potential eliminated) in the event that (1) no breach occurs with respect to the Non-Compete Agreements during its respective term, and (2) the quality and scope of the services presently provided under the IPA Service Agreements are maintained.

In connection with the BER Settlement, the Company also executed agreements with the remaining PMC Minority Shareholders under the same terms and conditions previously offered, pursuant to which the Company paid $3.97 per share to holders of 442,500 such shares totaling $1,757,000.

The net expense associated with the settlement of approximately $457,000 representing a payment received of $1,300,000 and a payment made of approximately $1,757,000 has been reflected as restructuring and other charges in the accompanying statements of revenue and expenses, there were no charges as of December 31, 2012.

The BER Notes received by the Company have not been reflected as an asset or a gain on the settlement as the realization of any such amounts would only occur as a result of a material breach of the terms of the BER Settlement by the BER Group, which is not expected to occur.

(b) Basis of Presentation

The accompanying statutory financial statements of the Company have been prepared in accordance with accounting practices prescribed or permitted by the Commissioner of Insurance of the Commonwealth of Puerto Rico (the Commissioner of Insurance), which is a comprehensive basis of accounting other than U.S. generally accepted accounting principles. The Company adopted the National Association of Insurance Commissioners' statutory accounting practices (NAIC SAP), as the basis of its statutory accounting practices, as long as they do not contradict the provisions of the Insurance Code of the Commonwealth of Puerto Rico (the Insurance Code) or the Circular Letters issued by the Commissioner of Insurance.

The Commissioner of Insurance has the right to permit other specific practices that may deviate from prescribed practices. Prescribed statutory accounting practices (SAP) include a variety of publications of the National Association of Insurance Commissioners (NAIC) including its codification initiative contained in its accounting practices and procedures manual, as well as state laws, regulations, and general administrative rules. Permitted statutory accounting practices encompass all accounting practices not so prescribed. The Commissioner of Insurance has adopted certain permitted accounting practices that differ from those found in NAIC SAP. However, differences adopted by the Commissioner of Insurance do not have a significant effect on the net income and statutory capital and surplus of the Company.

As more fully described in note 11, the Company entered into a transaction with Holdings that resulted in the recognition at December 31, 2011 of a deferred tax charge (other asset) and an increase in the statutory capital and surplus of approximately $13,041,000 in the accompanying statutory statement of admitted assets, liabilities and capital and surplus. Upon letter dated June 29, 2011, the Commissioner of Insurance permitted the Company to consider this deferred tax charge as an admitted asset. At the December 31, 2012 the deferred tax charge amounted to $10,692,507 and is included as admitted asset in the statutory statement of admitted assets, liabilities and capital and surplus

(c) Nonadmitted Assets

Certain assets designated as nonadmitted assets have been excluded from the statutory statements of admitted assets, liabilities, and capital and surplus by a charge to unassigned surplus.

The nonadmitted assets charged to unassigned surplus during 2012 and 2011 are as follows:

		2012	2011
Receivables and advance to providers	$	1,091,516	2,946,126
Prepaid expenses		5,370	5,370
Deferred tax asset		—	198,652
	$	1,096,886	3,150,148

(d) Use of Estimates

The preparation of the statutory financial statements requires management of the Company to make estimates and assumptions relating to the reported amounts included in the statutory financial statements and accompanying notes. The most significant items subject to estimates and assumptions are the actuarial determination for liabilities related to medical costs, the Company's estimated risk adjustment payments receivable from CMS, and certain amounts recorded related to the Part D program. Actual results could differ from these estimates.

(e) Recognition of Premium Revenue

Premium revenue is recognized as revenue over the period in which service or benefits are obligated to be provided. The Company recognizes premium revenue for the Part D payments received from CMS for which it assumes risk. The Company does not record revenue related to Part D payments from CMS that represent payments for claims for which it assumes no risk (see note 4).

Substantially, all revenues recognized by the Company are received from CMS and from the Commonwealth of Puerto Rico Health Insurance Administration (ASES by its Spanish acronym). Revenues are recognized ratably over the period of coverage based on anticipated CMS and ASES reimbursement rates, number of enrollees, and expected Medicare and Medicaid eligibility. Actual amounts received from CMS and ASES are subject to adjustment based on subsequent review of members' eligibility or retroactive adjustments of reimbursement rates. An estimate is made of such retroactive adjustments based on historical trends, premiums billed, number of members, expected eligibility, and other information. Retroactive membership adjustments result from enrollment changes not yet processed, or not yet reported by CMS. Changes in revenues from CMS resulting from the periodic changes in risk adjustment scores for the Company's membership are recognized when the amounts become determinable and the collectability is reasonably assured. Such estimates are regularly reviewed and updated, and any resulting adjustments are included in the current year's results.

(f) Cash, Cash and Equivalents, and Short-Term Investments

The Company considers all highly liquid investments with original maturities of three months or less to be cash equivalents (none at December 31, 2012 and 2011). Short-term investments are defined as short-term highly liquid investments with remaining maturities of one year or less (excluding those investments classified as cash equivalents). Short-term investments having an original maturity of less than one year are stated at cost. At December 31, 2012 cash and short-term investments consisted of cash deposited in financial institutions and money market funds amounting to approximately $3,440,000 of which approximately $824,000 represent short-term investments. For December 31, 2011 short-term investments amounted to $414,000.

(g) Investment Securities

Debt and other debt securities, and equity securities are valued in accordance with rules promulgated by NAIC. Bonds and other debt securities eligible for amortization under such rules and nonredeemable preferred stocks are stated at amortized cost. Equity securities are carried at estimated fair value. Adjustments reflecting the unrealized appreciation or depreciation of equity securities are shown as a component of surplus, net of tax and are not included in the determination of the net gain from operations.

Realized gains or losses on the sale of investments are included in operations and are derived using the specific-identification method for determining the cost of securities sold. Interest and dividend income is recognized when earned.

A decline in the fair value of any security below cost that is deemed to be other-than-temporary impairment (OTTI) results in a reduction in carrying amount to fair value. The impairment is charged to operations and a new cost basis for the security is established. To determine whether an impairment is other-than temporary, the Company considers all available information relevant to the recoverability of the security, including past events, current conditions, and reasonable and supportable forecasts when developing estimate of cash flows expected to be collected. Evidence considered in this assessment includes the reasons for the impairment, the severity and duration of the impairment, changes in value subsequent to year-end, and forecasted performance of the investee.

Premiums and discounts on bonds and other debt securities are amortized or accreted over the life of the related security as an adjustment to yield using the effective-interest method. Such amortization and accretion is included in the investment income line item in the accompanying statutory statements of revenue and expenses. Dividend and interest income are recognized when earned.

The Company's investments are exposed to three primary sources of risk: credit, interest rate, and liquidity risk. The financial statement risks, stemming from such investment risks, are those associated with the determination of estimated fair values, the diminished ability to sell certain investments in times of strained market conditions, the recognition of impairments and the recognition of income on certain investments. These financial statement risks may have a material effect on the amounts presented within the statutory financial statements.

(h) Cash, Cash and Equivalents, and Short-Term Investments

The Company considers all highly liquid investments with original maturities of three months or less to be cash equivalents (none at December 31, 2012 and 2011). Short-term investments are defined as short-term highly liquid investments with remaining maturities of one year or less (excluding those investments classified as cash equivalents). Short-term investments having an original maturity of less than one year are stated at cost. At December 31, 2012 cash and short-term investments consisted of cash deposited in financial institutions and money market funds amounting to approximately $3,440,000 of which approximately $824,000 represent short-term investments. For December 31, 2011 short-term investments amounted to $414,000.

(i) Investment Securities

Debt and other debt securities, and equity securities are valued in accordance with rules promulgated by NAIC. Bonds and other debt securities eligible for amortization under such rules and nonredeemable preferred stocks are stated at amortized cost. Equity securities are carried at estimated fair value. Adjustments reflecting the unrealized appreciation or depreciation of equity securities are shown as a component of surplus, net of tax and are not included in the determination of the net gain from operations.

Realized gains or losses on the sale of investments are included in operations and are derived using the specific-identification method for determining the cost of securities sold. Interest and dividend income is recognized when earned.

A decline in the fair value of any security below cost that is deemed to be other-than-temporary impairment (OTTI) results in a reduction in carrying amount to fair value. The impairment is charged to operations and a new cost basis for the security is established. To determine whether an impairment is other-than temporary, the Company considers all available information relevant to the recoverability of the security, including past events, current conditions, and reasonable and supportable forecasts when developing estimate of cash flows expected to be collected. Evidence considered in this assessment includes the reasons for the impairment, the severity and duration of the impairment, changes in value subsequent to year-end, and forecasted performance of the investee.

Premiums and discounts on bonds and other debt securities are amortized or accreted over the life of the related security as an adjustment to yield using the effective-interest method. Such amortization and accretion is included in the investment income line item in the accompanying statutory statements of revenue and expenses. Dividend and interest income are recognized when earned.

The Company's investments are exposed to three primary sources of risk: credit, interest rate, and liquidity risk. The financial statement risks, stemming from such investment risks, are those associated with the determination of estimated fair values, the diminished ability to sell certain investments in times of strained market conditions, the recognition of impairments and the recognition of income on certain investments. These financial statement risks may have a material effect on the amounts presented within the statutory financial statements.

(j) Fair Value Measurements

The Company follows the guidance in the provisions of SAP No. 100, *Fair Value Measurements* (SAP 100), for fair value measurements of financial assets and financial liabilities that are recognized or disclosed at fair value in the statutory financial statements on a recurring basis. SAP 100 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date and also establishes a framework for measuring fair value and expands disclosures about fair value measurements. The adoption of this standard resulted in additional disclosures included in note 5 and did not have any impact on the Company's financial position, results of operations or cash flows.

The carrying amounts of cash and cash equivalents, short-term investments, receivables, accounts payable, and accrued liabilities approximate fair value because of the short-term nature of these instruments and should be collected or paid within 12 months after year-end.

The Company utilizes valuation techniques that maximized the use of observable inputs and minimizes the use unobservable inputs. Additional information on the fair value of investments is included in note 5.

(k) Medical Claim Liabilities and Medical Costs and Claims

Medical claim liabilities are accrued as services are rendered, including claims in process and other medical liabilities and an estimate for claims incurred but not yet reported (IBNR). The IBNR is determined based upon an actuarial analysis of the Company's historical claim payment patterns, management estimates, and other statistics. In addition, the Company contracts with various service providers, which are compensated based on a capitation basis. Expenses related to these providers, which are based in part on estimates, are recorded in the period in which the related services are rendered.

The medical claim liabilities are necessarily based on estimates and, while management believes that the amounts are adequate, the ultimate liability may be in excess of or less than the amounts provided. The methods for making

NOTES TO FINANCIAL STATEMENTS

such estimates and for establishing the resulting liability are continually reviewed, and any adjustments are reflected in the statutory statements of revenue and expenses of the current period. Other medical claims liabilities include medical costs disputes based upon an analysis of potential outcomes, assuming a combination of litigation and settlement strategies. The actual results could differ materially from the amount recorded in the statutory financial statements of the Company.

Medical costs and claims consist of claim payments, capitation payments, risk-sharing payments, compensation to doctors and pharmacy costs, net of rebates, as well as estimates of future payments of claims provided for services rendered prior to the end of the reporting period. Capitation payments represent monthly contractual fees disbursed to physicians and other providers who are responsible for providing medical care to members. Risk-sharing payments represent amounts paid under risk-sharing arrangements with providers, including independent physician associations. Pharmacy costs represent payments for members' prescription drug benefits, net of rebates from drug manufacturers. Rebates are recognized when the rebates are earned according to the contractual arrangements with the respective vendors. Premiums the Company pays to reinsurer are reported as an off-set to premiums, and related reinsurance recoveries are reported as reductions from medical expenses.

(l) Income Taxes

Income taxes are accounted for under the asset and liability method. Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases and operating loss and tax credit carryforwards. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. Under SAP, the amount permitted to be recognized is more restrictive, and the effect on deferred tax assets and liabilities of a change in tax rates is recognized in the accompanying statutory statements of changes in capital and surplus in the period that includes the enactment date. Admissibility of deferred tax assets are analyzed following guidance of the Realization Threshold Limitation Table for RBC Reporting Entities, that states that entities below 200% of RBC should admit 0% of deferred tax assets.

The Company reviews its deferred tax assets for recoverability and establishes a statutory valuation allowance based on historical taxable income, projected future taxable income, applicable tax strategies, and the expected timing of the reversals of existing temporary differences. A valuation allowance is provided when it is more likely than not that some portion or all of the deferred tax assets will not be realized.

The Company is subject to Puerto Rico income taxes as another-than-life insurance entity. Other-than-life insurance entities are taxed essentially the same as other corporations with taxable income determined on the prescribed statutory accounting practices. Also, operations are subject to an alternative minimum income tax, which is calculated based on a formula established by the existing tax laws. Any alternative minimum income tax paid may be used as a credit against the excess, if any, of regular income tax over the alternative minimum income tax in future years.

Tax credits purchased are initially recorded at cost. Gains on tax credits are deferred until the value of the tax credits utilized exceeds its cost. Losses on tax credits are recognized when known. Gains and losses on tax credits are reflected in other income in the accompanying statutory statements of revenue and expenses.

The Company accounts for uncertainty in income taxes by prescribing a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. This standard also provides guidance on derecognition, classification, interest and penalties, and disclosure. The Company recognizes interest and penalties relating to uncertain tax positions in income tax expense.

(2) Accounting Changes and Correction of Errors

N/A

(3) Business Combinations and Goodwill

N/A

(4) Discontinued Operations

N/A

NOTES TO FINANCIAL STATEMENTS

(5) Investment Securities

The amortized cost, gross unrealized gains, gross unrealized losses, and estimated fair value of investment securities at December 31, 2012 and 2011 are as follows:

		2012			
		Amortized cost	Gross unrealized gains	Gross unrealized losses	Estimated fair value
Collateralized mortgage obligations	$	3,693,649	103,349	—	3,796,998
U.S. Treasury securities and obligations of U.S. government agencies, state and authorities		4,556,033	156,432	—	4,712,466
Corporate bonds		32,676,201	708,777	2,660	33,382,318
Mortgage-backed securities		6,263,858	225,234	—	6,489,092
Asset-backed securities		4,508,367	50,196	5,814	4,552,749
Foreign securities		3,005,357	92,069	—	3,097,425
Bonds and other debt securities		54,703,465	1,336,057	8,474	56,031,048
Equity securities		3,501	726	—	4,227
Total	$	54,706,966	1,336,783	8,474	56,035,275

		2011			
		Amortized cost	Gross unrealized gains	Gross unrealized losses	Estimated fair value
Collateralized mortgage obligations	$	6,345,805	202,349	—	6,548,154
U.S. Treasury securities and obligations of U.S. government agencies, state and authorities		19,217,572	367,640	—	19,585,212
Corporate bonds		29,915,402	375,586	116,684	30,174,305
Mortgage-backed securities		10,550,857	223,450	1,217	10,773,090
Asset-backed securities		4,871,672	30,465	7,608	4,894,529
Foreign securities		3,006,539	87,530	—	3,094,068
Bonds and other debt securities		73,907,847	1,287,020	125,509	75,069,358
Equity securities		3,501	726	—	4,227
Total	$	73,911,348	1,287,746	125,509	75,073,585

Proceeds from sales of bonds and other debt securities during 2012 and 2011 amounted to approximately $40,745,000 and $35,294,000, respectively.

Gross unrealized losses on available for sale investment securities for which other-than-temporary impairments have not been recognized and the estimated fair value of the related securities, aggregated by investment category and length of time that individual securities have been in a continuous unrealized loss position as of December 31, 2012 and 2011 are as follows:

		2012					
		Less than 12 months		12 months or longer		Total	
		Estimated fair value	Gross unrealized losses	Estimated fair value	Gross unrealized losses	Estimated fair value	Gross unrealized losses
Corporate bonds	$	1,771,144	2,660	—	—	1,771,144	2,660
Asset-backed securities		199,908	77	272,605	5,737	472,513	5,814
Total	$	1,971,052	2,737	272,605	5,737	2,243,657	8,474

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		2011					
		Less than 12 months		12 months or longer		Total	
		Estimated fair value	Gross unrealized losses	Estimated fair value	Gross unrealized losses	Estimated fair value	Gross unrealized losses
U.S. Treasury securities and obligations of U.S. government agencies, state and authorities	$						
Corporate bonds		6,560,342	106,249	739,020	10,435	7,299,362	116,684
Mortgage-backed securities		510,770	1,217	—	—	510,770	1,217
Asset-backed securities		2,663,357	7,608	—	—	2,663,357	7,608
Total	$	9,734,469	115,074	739,020	10,435	10,473,489	125,509

The Company regularly monitors and evaluates the difference between the cost and estimated fair value of investments. For investments with a fair value below cost, the process includes evaluating the length of time and the extent to which cost exceeds fair value, the prospects and financial condition of the issuer, and the Company's intent and ability to retain the investment to allow for recovery in fair value, among other factors. This process is not exact and further requires consideration of risks such as credit and interest rate risks. Consequently, if an investment's cost exceeds its fair value solely due to changes in interest rates, impairment may not be appropriate. If after monitoring and analyzing, the Company determines that a decline in the estimated fair value of any fixed income or equity security below cost is other than temporary, the carrying amount of the security is reduced to its fair value. The impairment is charged to operations, and a new cost basis for the security is established. No impairments were identified nor recognized by the Company during the years ended December 31, 2012 and 2011.

The unrealized losses in fixed income securities as of December 31, 2012 were caused principally by the concerns over European sovereign debt crisis. Because the Company has the ability and intent to hold these securities until a market price recovery or maturity, these investments are not considered other-than-temporarily impaired. The Company has assessed each position for credit impairment.

The amortized cost and estimated fair value of debt securities at December 31, 2012 by contractual maturity are shown below. Expected maturities will differ from contractual maturities because borrowers may have the right to call or prepay obligations with or without call or prepayment penalties.

		Amortized cost	Estimated fair value
Due in one year or less	$	3,270,001	3,288,063
Due after one year through five years		40,086,913	41,124,711
Due after five years through ten years		574,326	576,433
Mortgage and asset backed securities		10,772,225	11,041,841
	$	54,703,465	56,031,048

(6) Joint Ventures, Partnerships, and Limited Liability Companies

N/A

(7) Investment Income

Components of investment income for the years ended December 31, 2012 and 2011 were as follows:

		2012	2011
Cash and short-term investments	$	38,113	50,862
Bonds and other debt securities, and certificates of deposits		1,581,496	1,901,898
Total	$	1,619,609	1,952,760

(8) Derivative Instruments

N/A

(9) Income Taxes

The income tax expense differs from the amount computed by applying the Puerto Rico statutory income tax rate of 30% in 2012 and 30% in 2011 to the income before income taxes as a result of the following:

		2012	2011
Computed "expected" tax expense	$	6,897,302	8,734,556
Increase (reduction) in income benefit resulting from:			
Exempt interest income		(11,000)	(33,322)
Change in deferred income taxes		(1,015,000)	(610,115)
Other		241,898	66,143
Total	$	6,113,200	8,157,262
Income tax	$	6,113,200	8,767,377
Change in deferred income taxes		280,309	(610,115)
Total statutory income	$	6,393,509	8,157,262

On March 9, 2009, the Government of Puerto Rico signed into law Act No. 7, *Special Act Declaring State of Fiscal Emergency and Establishing an Integrated Fiscal Stabilizing Plan to Save the Credit of Puerto Rico*. The plan is organized with revenue generating measures, permanent and temporary, cost reducing, and financial measures. Among the tax related measures, the law affects corporations operating in Puerto Rico by requiring a five percent (5%) surtax over the determined tax liability. These measures are effective for tax years commenced after December 31, 2008 and before January 1, 2012.

On November 15, 2010, the Commonwealth of Puerto Rico passed Law No. 171. This law gives corporations that complied with Christmas bonus requirements, a seven percent (7%) tax credit (only available in 2010) based on the regular tax, surtax and recaptured amounts but, will not be allowed against the alternative minimum tax. For the year ended December 31, 2011, the effect of this tax credit was a decrease to the Company's statutory income tax rate by approximately 270 basis points.

On January 31, 2011, the Governor of Puerto Rico signed into laws the Internal Revenue Code for a New Puerto Rico (the New Code).This law replaces the Puerto Rico Internal Revenue Code of 1994, as amended (1994 Code), and as the latter one it covers the Puerto Rico income tax, gift and estate tax, sales and use tax, excise tax, liquor tax and their administrative provisions. The New Code retains the twenty percent (20%) regular income tax rate but establishes significant lower surtax rates and eliminates the five percent (5%) additional surtax described above established by Act No. 7. Under the New Code, the maximum rate will be 30% unless the Company makes a decision to apply the provisions of the 1994 Code for a period of 5 years, in which case the 30% would be applicable after the 5 year period. The Company elected to apply the tax rate of the New Code.

Deferred income taxes reflect the tax effects of temporary differences between carrying amounts of assets and liabilities for financial reporting purposes and income tax purposes. The deferred tax asset at December 31, 2012 and 2011 of the Company is composed of the following:

		2012	2011
Deferred tax asset on nonadmitted assets	$	605,140	885,449
Less nonadmitted deferred tax asset		—	(198,652)
Admitted deferred tax asset	$	605,140	686,797

Under SAP, gross deferred tax assets generally are admitted to the extent the Company's income taxes paid in prior years that can be recovered through loss carrybacks; plus the lesser of (a) the amount of gross deferred tax assets expected to be realized within one year after year-end, or (b) 10% of statutory capital and surplus as of year-end; plus any remaining deferred tax assets that can be offset against existing gross deferred tax liabilities. Companies subject to RBC can elect to admit a higher amount of deferred taxes (a) the amount of gross deferred tax assets expected to be realized within three years after yea-end, or (b) 15% of statutory capital and surplus as of year-end. As further explained in note 10, the Company is in a phased transition period to achieve the minimum RBC requirements. Once the Company achieves the minimum RBC requirements it could elect to admit higher deferred taxes.

The change in deferred income taxes during 2012 and 2011 amounted to $280,309 and $610,115, respectively, and was credited directly to unassigned surplus.

Unrecognized tax benefits result from income tax positions taken or expected to be taken on the Company's income tax returns for which a tax benefit has not been recorded in the Company's statutory financial statements. For the years ended December 31, 2012 and 2011, there were no unrecognized tax benefits.

The Company is in the process of amending its tax returns for years ranging from 2006 through 2010 in order to reallocate certain retroactive management fees charges to their corresponding years. The amendment of these tax returns resulted in a current income tax benefit of approximately $64,000 for the year ended December 31, 2011.

The Company's policy is to recognize interest and penalties relating to uncertain tax positions in income tax expense. For the years ended December 31, 2012 and 2011, there was no interest or penalties accrued relating to income taxes.

The Company files its income tax return with a statute of limitation. In the normal course of the business, the Company is subject to examination by various taxing authorities. As of December 31, 2012, the Company may be subject to income tax examinations for the fiscal tax years ended in 2008 through 2012.

(10) Information Concerning Parent, Subsidiaries, and Affiliates and Other Related Parties

Holdings provides certain management, infrastructure support, consulting, and implementation services in the operations of the Company and other subsidiaries of Holdings. For these services, which Holdings charges a management fee based on 120% of Holdings monthly operating expenses, Holdings charged the Company approximately $28,339,000 and $30,700,000 during the years ended December 31, 2012 and 2011, respectively. Such service charges are presented within the general and administrative expenses in the accompanying statutory statements of revenue and expenses.

On August 1, 2009, the Company entered into a delegation agreement with MSO of Puerto Rico, Inc. (MSO), an affiliate, to provide management and administrative services with respect to the network of physicians and other healthcare providers contracted by the Company in exchange for a management fee. The delegation agreement terms include a fixed and variable component. The fixed component is determined based on a fixed percentage (4%) of the total premiums earned by the Company. The variable component is the 25% of the Surplus as contractually defined in the delegation agreements. During 2012 and 2011, MSO charged the Company approximately $22,792,000 and $26,063,000, respectively, of which $16,632,000 and $18,473,000 (fixed component) and $6,160,000 and $7,590,000 (variable component), respectively, are included in general and administrative expenses and medical costs and claims, respectively, in the accompanying statutory statements of revenue and expenses.

The amounts due to and due from parent company and affiliates at December 31, 2012 and 2011 are noninterest-bearing.

(11) Debt

N/A

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

N/A

(13) Capital and Surplus, Shareholder's Dividend Restrictions and Quasi-Reorganizations

N/A

(14) Contingencies

(a) Legal Matters

The College of Dental Surgeons of Puerto Rico, on its own behalf and in representation of its members, v. Triple S Management Inc. The College of Dental Surgeons of Puerto Rico filed a putative class action complaint before the Court of First Instance in San Juan, Puerto Rico, on its own behalf and on behalf of its members in the Commonwealth of Puerto Rico, against 24 payors licensed in the Commonwealth of Puerto Rico, including the Insurance Subsidiaries. The complaint alleges that the Insurance Subsidiaries, among other payors, in violation of various state laws and statutes engaged in the following actions: (a) imposing unilateral cancellation clauses in their provider contracts, which were then used against the dentists in the event that the dentist contested the payors' payment schedules; (b) denial of payments for services rendered that allegedly were medically necessary; and (c) unilateral downcoding of claims to underpay the dentists. The plaintiffs allege that the named payors, including the Insurance Subsidiaries, engaged in conduct violating the Racketeer Influenced and Corrupt Organization Act ("RICO") constituting a pattern of organized crime with the intent to illegally appropriate funds that belong to the dentists in violation of the state RICO statute. The parties have been engaged in motion practice over whether the action should proceed in federal district court or Puerto Rico Commonwealth court. That motion practice is ongoing and the parties have not yet engaged in any discovery concerning the merits. In March 2011, the Company filed a Motion to Dismiss and/or for Judgment on the Pleadings, and Plaintiffs filed their Motion In Position to same on June 10, 2011. The complaint alleges damages of $150,000 against the entire group of defendants but it is not now possible to determine what the Company's share of such amount could be. Although it is too early to make a judgment as to the probability of a favorable or unfavorable outcome, the Company believes that it has valid defenses against these claims, that they are without merit and is vigorously defending itself against them.

Former PMC Shareholders. On August 14, 2006, Holdings acquired all the outstanding common stock of Preferred Health Management Corporation and its related entities PMC and BER Health Partner Group, Inc., which were organized under the laws of the Commonwealth of Puerto Rico.

Approximately $182,000 of the purchase price (including fees and expenses) was paid at closing and an additional earn-out provision provided that a potential payment of an additional $68,000 could be earned and payable over a period of up to approximately 18 months after the closing date based on the achievement of specific performance targets for the Company's combined Puerto Rico healthcare operations, including PMC. The specific performance targets were not achieved.

Following the acquisition, Holdings made a determination of the value of the assets acquired and liabilities assumed on the date of the acquisition (closing balance sheet), which resulted in $34,400 due from the sellers under the terms of the agreements. The sellers did not agree with the values of the assets and liabilities as determined by the Company and did not pay or agree to pay any amounts due to Holdings under the agreement. As a result of this dispute, Holdings and the principal selling shareholders and the Shareholders' Representative (the "BER Group"), as well as certain other selling shareholders commenced several litigations with respect to adjustments to the value of the assets acquired and liabilities assumed. In August 2007, the Company offered a settlement to the former minority shareholders of PMC (the "PMC Minority Shareholders"). The settlement was offered to former minority shareholders of approximately 2,950,000 PMC Class B Shares, representing 31% of the equity. The settlement was accepted by the PMC Minority Shareholders holding approximately 2,103,000 PMC Class B Shares. The settlement provided that the Company would not seek recovery from such former shareholders related to the final values of the assets received and liabilities assumed, and the shareholders released the Company from any claims related to the transaction. The settlement provided for additional consideration of $5.21 per share.

In February 2010, the Company offered a settlement to certain remaining PMC Minority Shareholders pursuant to which the Company would pay $3.97 per share on April 1, 2010 under the same terms and conditions previously offered. This offer was made to PMC Minority Shareholders

who held approximately 196,000 PMC Class B Shares (representing approximately 2% of the equity), and was accepted by former holders of 125,500 of such shares. Payments were made with respect to all of those shares in March and April 2010 for the amount of $524 and were recorded as restructuring and other charges in the accompanying consolidated statements of earnings.

Effective on October 1, 2011, the Company and the BER Group agreed to settle all outstanding claims and disputes related to the PMC acquisition (the BER 2011 Settlement) in consideration of (i) a payment to the Company of $1.3 million, (ii) the delivery of promissory notes from the BER Group to the Company in the aggregate amount of $15.7 million (the BER notes), (iii) the execution of agreements extending for a five-year period the exclusive service agreements between the Company and three independent physician associations controlled by the BER Group (the IPA Service Agreements); (iv) the execution of five year noncompetition agreements by the individuals comprising the BER Group in favor of the Company (the Non-Compete Agreements); and (v) the delivery of mutual settlement and release agreements by all parties to the various litigations commenced in connection with the PMC acquisition (the agreements set forth in (ii), (iii), (iv) and (v) hereinafter referred to as the PMC Settlement Agreements). Under the terms of the Settlement Agreements, the principal and interest amounts due under the BER notes (which are joint and several obligations of the individual shareholders comprising the BER Group) are to be reduced (and potential eliminated) in the event that (1) no breach occurs with respect to the Non-Compete Agreements during its term, and (2) the quality and scope of the services presently provided under the IPA Service Agreements are maintained.

In connection with the BER 2011 Settlement, the Company also executed agreements with the remaining PMC Minority Shareholders under the same terms and conditions previously offered, pursuant to which the Company paid $3.97 per share to holders of 442,500 such shares totaling $1,757 for the year ended December 31, 2011.

The net expense associated with the BER 2011 Settlement of $457 representing a payment received of $1,300 and a payment made of $1,757 has been reflected as restructuring and other charges in the accompanying consolidated statement of earnings for the year ended December 31, 2011.

The BER notes received by the Company have not been reflected as an asset or a gain on the settlement as the realization of any such amounts would only occur as a result of a material breach of the terms of the BER 2011 Settlement by the BER Group, which is not expected to occur.

MMM v. Cardio Services, Inc., Diagnostic Nuclear Medicine, Inc., Dr. Orlando Marini and Dr. Ricardo Santiago. In 2009, the Company terminated the provider agreements of Dr. Orlando Marini and his affiliated cardiology provider entities (the “Marini Entities”) after an internal clinical review indicated the Marini Entities had submitted materially false billing documentation. Following that termination, the Company commenced an action in the First Instance Court of the Commonwealth of Puerto Rico to recover provider reimbursements related to such billings. The Marini Entities have denied all wrongdoing and have asserted counterclaims against the Company related to the terminations, including claims for lost profits and reputational damage. The case is in the early stages and the parties are currently engaged in discovery. Although the Company believe they have valid claims and valid defenses to the Marini Entities counterclaims, there can be no assurance that the Company will prevail against the Marini Entities. Notwithstanding the foregoing, in the event of an adverse ruling against the Company such a determination is not expected to have a material impact on the Company.

Miscellaneous. At December 31, 2012, the Company is a defendant in various other lawsuits and other claims arising in the ordinary course of business. In addition, current and past business practices of the Company are subject to review or investigation by, or subpoenas or other requests for information from, various state, commonwealth or federal healthcare regulatory authorities, state or commonwealth attorneys general, the U.S. Department of Justice, U.S. Attorneys, the Office of the Inspector General, and other state, commonwealth or federal authorities or bodies. In the opinion of management, the ultimate disposition of these matters will not have a material adverse effect on the financial position and results of operations of the Company.

From time to time in the ordinary course of business, the Company (1) denies payments for service based on factors such as medical necessity and failure to meet preauthorization requirements and (2) determines payments for service based on contractual provisions. Certain providers have notified the Company that they disagree with its determinations and have threatened legal action. The Company has included in its medical cost liabilities a provision for the potential payments to these providers.

(b) Audits by CMS and the Commissioner of Insurance of the Commonwealth of Puerto Rico

Under the terms of the agreement with CMS, the Insurance Subsidiaries are subject to audit of compliance with federal regulations. During 2012 and 2011, the Company was subject to CMS audits. These audits did not have a material adverse effect on the Company’s consolidated financial statements. Future audits could result in claims against the Company that could have a material adverse effect on the financial position and results of operations of the Company.

In February 2012, CMS published a Notice of Final Payment Error Calculation Methodology for Part C Medicare Advantage Risk Adjustment Data Validation Contract-Level Audits (the “Notice”). The Notice outlines the methodology that CMS will use to determine RADV audit premium refunds payable by Medicare Advantage plans for contract years 2011 and forward. Under that methodology, the RADV audit premium refund calculation will include an adjustment for the differences in documentation standards between the RADV audits and the risk adjustment model; however, the Notice provides limited information about that adjustment. In addition, CMS will project the error rate identified in the audit sample to all risk adjusted premium payments made under the contract being audited. Historically, CMS did not make an adjustment for differences in documentation standards or project sample error rates to the entire contract. During 2013, CMS is expected to select Medicare Advantage contracts for contract year 2011 for audit. We are currently unable to predict which of our Medicare Advantage contracts will be selected for future audit, the financial impact of the documentation standard adjustment, the amounts of any retroactive refunds of, or prospective adjustments to, Medicare Advantage premium payments made to us, the effect of any such refunds or adjustments on the actuarial soundness of our Medicare Advantage bids, or whether any RADV audit findings would cause a change to our method of estimating future premium revenue in bid submissions to CMS for the current or future contract years or compromise premium assumptions made in our bids for prior contract years or the current contract year. Any premium refunds or adjustments resulting from regulatory audits, whether as a result of RADV or other audits by CMS, the OIG or otherwise, could be material and could adversely affect our operating results, financial position and cash flows.

(15) Leases

N/A

(16) Information about financial instruments with off-baloance sheet risk and financial instruments with concentrations of credit risk

N/A

(17) Sale, transfer, and servicing of financial assets and extinguishments of liabilities

N/A

(18) Gain or loss to the reporting entity from uninsured plans and the uninsured portion of partially insured plans

N/A

(19) Direct premium written/produced by managing general agents/third party administrators

N/A

(20) Fair Value Measurement

The Company follows SAP No. 100, *Fair Value Measurements* (SAP 100) for fair value measurements of financial assets and financial liabilities and for fair value measurements of nonfinancial items that are recognized or disclosed at fair value in the financial statements on a recurring basis. SAP 100 establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to measurements involving significant unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the Company has the ability to access at the measurement date.
- Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.
- Level 3 inputs are unobservable inputs for the asset or liability

The following table presents assets and liabilities that are measured at fair value on a recurring basis at December 31, 2012 and 2011

		As reflected on the statutory of admitted assets liabilities, capital and surplus as of December 31 2012	Fair value measurements at reporting date using Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)
Assets:					
Short-term investments	$	823,916	823,916	—	—
U.S. Treasury securities and obligations of U.S. government agencies state and authorities		4,556,033	—	4,556,033	—
Foreign securities		3,005,356	—	3,005,356	—
Corporate bonds		32,676,201	—	32,676,201	—
Mortgage-backed securities		6,263,858	—	6,263,858	
Asset-backed securities		4,508,367	—	4,508,367	—
Collateralized mortgage obligations		3,693,649	—	3,693,649	—
Equity securities		4,227			4,227
Restricted securities		600,000	600,000	—	—
Total	$	56,131,607	1,423,916	54,703,464	4,227

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		As reflected on the statutory of admitted assets liabilities, capital and surplus as of December 31 2011	Fair value measurements at reporting date using: Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)
Assets:					
Short-term investments	$	414,003	414,003	—	—
U.S. Treasury securities and obligations of U.S. government agencies state and authorities		19,217,572	—	19,585,212	—
Foreign securities		3,006,539	—	3,094,068	—
Corporate bonds		29,915,402	—	30,174,305	—
Mortgage-backed securities		10,550,857	—	10,773,090	—
Asset-backed securities		4,871,672	—	4,894,529	—
Collateralized mortgage obligations		6,345,805	—	6,548,154	—
Equity securities		4,227	—	—	4,227
Restricted securities		600,000	600,000	—	—
Total	$	74,926,077	1,014,003	75,069,358	4,227

(21) Other Items

Medicare prescription drug coverage is available to eligible members with Medicare. As a result, the Company renewed their contracts with CMS to offer MA-PD insurance coverage for medical and prescription drug benefits. The contract was renewed effective January 1, 2013 for a one year period.

In general, pharmacy benefits under Part D plans may vary in terms of coverage levels and out-of-pocket costs for beneficiary premiums, deductibles, and coinsurance. However, all Part D plans must offer either "standard coverage" or its actuarial equivalent (with the Company's out-of-pocket threshold and deductible amounts that do not exceed those of standard coverage). These "defined standard" benefits represent the minimum level of benefits mandated by Congress.

The payment the Company receives monthly from CMS generally represents the Company's bid amount for providing insurance coverage. The Company recognizes premium revenue for providing this insurance coverage ratably over the term of the annual contract. However, the CMS payment is subject to 1) risk sharing through the risk corridor provisions and 2) reinsurance subsidy in order for the Company and CMS to share the risk associated with financing the ultimate costs of the Part D benefit and (3) CMS coverage gap discount program (CGDP) subsidy (since January 2011). The amount of revenue payable to a plan by CMS is subject to adjustment, positive or negative, based upon the application of risk corridors that compare a plan's revenues targeted in their bids (target amount) to actual prescription drug costs. Variances exceeding certain thresholds may result in CMS making additional payments to the Company (risk sharing receivable) or require the Company to refund to CMS (risk sharing payable) a portion of the payments the Company received. Actual prescription drug costs subject to risk sharing with CMS are limited to the costs that are, or would have been, incurred under the CMS "defined standard" benefit plan (allowable risk corridor costs). The Company recognizes any changes in the risk sharing receivable from or payable to CMS as an adjustment to premium revenue.

Reinsurance subsidies represent payments from CMS for claims the Company paid for which the Company assumed no risk. Claims paid above the out-of-pocket or catastrophic threshold for which the Company is not at risk are all reimbursed by CMS through the reinsurance subsidy for Part D plans offering the standard coverage. The Company accounts for these subsidies, net of withdrawals, as a liability for amounts held under uninsured plans in the statutory statements of admitted assets, liabilities, and capital and surplus and as a financing activity in the statutory statements of cash flows. The Company does not recognize premium revenue or claims expense for these CMS subsidies.

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Effective January 1, 2011, Part D sponsors must provide the discounts for applicable drugs in the Medicare Part D coverage gap (difference between the initial coverage limit and the catastrophic coverage threshold) at point-of-sale under the CGDP. Part D sponsors receive monthly prospective payments from CMS under the CGDP. These prospective payments provide cash flows to Part D sponsors for advancing the gap discounts at the point of sale. The Company accounts for these prospective payments or subsidies as a liability in the statutory statements of admitted assets, liabilities and capital and surplus and as a financing activity in the statutory statements of cash flows. On a quarterly basis, CMS invoices drug manufacturers for discounts provided by Part D sponsors which are recorded as an account receivable from manufacturers (approximately $2,105,000 and $4,985,000 at December 31, 2012 and 2011 respectively) as part of other receivables in the accompanying statutory statements of admitted assets, liabilities and capital and surplus. Manufacturers remit payments for invoiced amounts directly to Part D sponsors. The prospective payments made to Part D sponsors are reduced by the discount amounts invoiced to manufacturers. The Company does not recognize premium revenue or claims expense for these CMS prospective payments or invoiced amounts to manufacturers.

These estimates of amounts due to or from CMS are primarily determined on the prescription drug benefit claim data submitted by plans to CMS in the form of Prescription Drug Event (PDE) data records. The Company used PDE submission reports and data, claims paid data, and actuarial assumptions pursuant to CMS risk sharing and reinsurance guidelines in order to estimate the final settlement amounts due to or from CMS.

The Company recorded at December 31, 2012 a risk sharing payable of approximately $850,000 that is reported as aggregate health policy reserves and a reinsurance receivable of approximately $3,604,000 (including low income cost-sharing liability of approximately $1,700) reported as an offsetting component of liabilities for amounts held under uninsured plans in the accompanying statutory statements of admitted assets, liabilities, and capital and surplus. The Company has a CGDP liability at December 31, 2012 amounting to approximately $2,779,000 reported as aggregate policy reserves in the accompanying statutory statements of admitted assets, liabilities, and capital and surplus.

The Company recorded at December 31, 2011 a risk sharing payable of approximately $4,100,000 that is reported as aggregate health policy reserves and a reinsurance liability of approximately $627,000 (including low income cost-sharing liability of approximately $1,500) reported as liabilities for amounts held under uninsured plans in the accompanying statutory statements of admitted assets, liabilities, and capital and surplus. The Company has a CGDP liability at December 31, 2011 amounting to approximately $7,369,000 reported as a liability for amounts held under uninsured plans in the accompanying statutory statements of admitted assets, liabilities, and capital and surplus.

The Part D amounts due to or from CMS are necessarily based on estimates and, while management believes that the amounts are adequate, the ultimate balance may be in excess or less than the amount provided. The methodology for making such estimates and for establishing the resulting Part D balances are continually reviewed, and adjustments, if any, are reflected in the current year. The final Part D amounts due to or from CMS are determined within one year after the contract year-end. The Company recorded changes in estimates for Part D amounts due to or from CMS that decreased income before taxes in the amounts of approximately $68,000 and $1,109,000 for the years ended December 31, 2012 and 2011, respectively.

The Company also receives premiums to enhance the drug benefit coverage to Medicaid-eligible members under the Medicare Platino Program sponsored by ASES. At December 31, 2012 and 2011, the Company has receivables from ASES of approximately $2,221,000 and $1,187,000, respectively, which are reflected as a component of premium receivables in the accompanying statutory statements of admitted assets, liabilities and capital and surplus.

Pharmacy benefit costs are recognized as incurred. The Company has subcontracted the pharmacy claims administration to a third-party pharmacy benefit manager.

(22) Events Subsequent

N/A

(23) Reinsurance

N/A

(24) Retrospectively Rated Contract & Contracts Subject to Redetermination

N/A

NOTES TO FINANCIAL STATEMENTS

(25) Changes in Incurred Claims and Claim Adjustment Expenses

The activity in the medical claim liabilities during the years ended December 31, 2012 and 2011 are as follows:

		2012	2011
Medical claim liabilities at beginning of year		$ 42,353,008	53,705,534
Medical costs and claims:			
Current period insured events		329,383,000	368,783,000
Prior periods insured events		(1,649,000)	(2,355,000)
	Total incurred	327,734,000	366,428,000
Payment for claims:			
Current period insured events		215,216,631	330,757,597
Prior periods insured events		115,267,335	47,022,929
	Total paid	330,483,966	377,780,526
Medical claim liabilities at end of year		$ 39,603,042	42,353,008

The above table shows the components of changes in medical claim liabilities for the periods indicated. Medical claim liabilities includes claims in process and other medical claims liabilities as well as provisions for the estimate of incurred but not reported claims and provisions for disputed claims obligations. Such estimates are developed using actuarial principles and assumptions that consider among other things, contractual requirements, historical utilization trends and payment patterns, benefit changes, medical inflation, seasonality, membership, and other relevant factors.

Because medical claim liabilities includes various actuarially developed estimates, the Company's actual medical costs and claims expense may be more or less than the Company's previously developed estimates.

The incurred claims for prior period insured events during 2012 and 2011 were lower due to a favorable development of claims liabilities that is attributed to lower-than-expected cost per service and utilization trends.

(26) Intercompany Pooling Arrangements

N/A

(27) Structured Settlements

N/A

(28) Health Care Receivables

N/A

(29) Participating Policies

N/A

(30) Premium Deficiency Reserves

N/A

(31) Anticipated Salvage and Subrogation

N/A

GENERAL INTERROGATORIES

PART 1 - COMMON INTERROGATORIES - GENERAL

1.1 Is the reporting entity a member of an Insurance Holding Company System consisting of two or more affiliated persons, one or more of which is an insurer? Yes [ ] No [X]

1.2 If yes, did the reporting entity register and file with its domiciliary State Insurance Commissioner, Director or Superintendent or with such regulatory official of the state of domicile of the principal insurer in the Holding Company System, a registration statement providing disclosure substantially similar to the standards adopted by the National Association of Insurance Commissioners (NAIC) in its Model Insurance Holding Company System Regulatory Act and model regulations pertaining thereto, or is the reporting entity subject to standards and disclosure requirements substantially similar to those required by such Act and regulations? Yes [X] No [ ] N/A [ ]

1.3 State regulating? ____________

2.1 Has any change been made during the year of this statement in the charter, by-laws, articles of incorporation, or deed of settlement of the reporting entity? Yes [X] No [ ]

2.2 If yes, date of change: 08/15/2006

3.1 State as of what date the latest financial examination of the reporting entity was made or is being made. 12/31/2004

3.2 State the as of date that the latest financial examination report became available from either the state of domicile or the reporting entity. This date should be the date of the examined balance sheet and not the date the report was completed or released. 12/31/2007

3.3 State as of what date the latest financial examination report became available to other states or the public from either the state of domicile or the reporting entity. This is the release date or completion date of the examination report and not the date of the examination (balance sheet date). 06/08/2005

3.4 By what department or departments?

____

3.5 Have all financial statement adjustments within the latest financial examination report been accounted for in a subsequent financial statement filed with departments? Yes [ ] No [ ] N/A [X]

3.6 Have all of the recommendations within the latest financial examination report been complied with? Yes [ ] No [ ] N/A [X]

4.1 During the period covered by this statement, did any agent, broker, sales representative, non-affiliated sales/service organization or any combination thereof under common control (other than salaried employees of the reporting entity) receive credit or commissions for or control a substantial part (more than 20 percent of any major line of business measured on direct premiums) of:

4.11 sales of new business? Yes [ ] No [X]

4.12 renewals? Yes [ ] No [X]

4.2 During the period covered by this statement, did any sales/service organization owned in whole or in part by the reporting entity or an affiliate, receive credit or commissions for or control a substantial part (more than 20 percent of any major line of business measured on direct premiums) of:

4.21 sales of new business? Yes [ ] No [X]

4.22 renewals? Yes [ ] No [X]

5.1 Has the reporting entity been a party to a merger or consolidation during the period covered by this statement? Yes [ ] No [X]

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

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

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

6.2 If yes, give full information:

____

7.1 Does any foreign (non-United States) person or entity directly or indirectly control 10% or more of the reporting entity? Yes [ ] No [X]

7.2 If yes,

7.21 State the percentage of foreign control ....%

7.22 State the nationality(ies) of the foreign person(s) or entity(ies); or if the entity is a mutual or reciprocal, the nationality of its manager or attorney-in-fact and identify the type of entity(ies) (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?
KPMG LLP American International Plaza Suite 1100 250 Munoz Rivera Ave. San Juan PR 00918

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 the 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 17A of the Model Regulation, or substantially similar state law or regulation? Yes [ ] No [X]

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

____

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

10.6 If the answer 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?
Judah Rabinowitz, Aveta, Fort Lee New Jersey

GENERAL INTERROGATORIES

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

12.11 Name of real estate holding company

12.12 Number of parcels involved ....

12.13 Total book/adjusted carrying value ....

12.2 If yes, provide explanation.

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

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

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

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

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

14.1 Are the senior officers (principal executive officer, principal financial officer, principal accounting officer or controller, or persons performing similar functions) of the reporting entity subject to a code of ethics, which includes the following standards? Yes [X] No [ ]

a. Honest and ethical conduct, including the ethical handling of actual or apparent conflicts of interest between personal and professional relationships;
b. Full, fair, accurate, timely and understandable disclosure in the periodic reports required to be filed by the reporting entity;
c. Compliance with applicable governmental laws, rules and regulations;
d. The prompt internal reporting of violations to an appropriate person or persons identified in the code; and
e. Accountability for adherence to the code.

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

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

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

14.3 Have any provisions of the code of ethics been waived for any of the specified officers? Yes [ ] No [X]

14.31 If the response to 14.3 is yes, provide the nature of any waiver(s).

15.1 Is the reporting entity the beneficiary of a Letter of Credit that is unrelated to reinsurance where the issuing or confirming bank is not on the SVO Bank List? Yes [ ] No [X]

15.2 If the response to 15.1 is yes, indicate the American Bankers Association (ABA) Routing Number and the name of the issuing or confirming bank of the Letter of Credit and describe the circumstances in which the Letter of Credit is triggered.

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

PART 1 - COMMON INTERROGATORIES - 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 [ ]

PART 1 - COMMON INTERROGATORIES - 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 $..........0
20.12 To stockholders not officers $..........0
20.13 Trustees, supreme or grand (Fraternal only) $..........0

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

20.21 To directors or other officers $..........0
20.22 To stockholders not officers $..........0
20.23 Trustees, supreme or grand (Fraternal only) $..........0

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

22.2 If answer is yes:

22.21 Amount paid as losses or risk adjustment ....
22.22 Amount paid as expenses ....
22.23 Other amounts paid ....

23.1 Does the reporting entity report any amounts due from parent, subsidiaries or affiliates on Page 2 of this statement? Yes [ ] No [X]

23.2 If yes, indicate any amounts receivable from parent included in the Page 2 amount. ....

PART 1 - COMMON INTERROGATORIES - 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 [X] No [ ]

24.02 If no, give full and complete information relating thereto.

PART 1 - COMMON INTERROGATORIES - INVESTMENT

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 [X]

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

24.06 If answer to 24.04 is no, report amount of collateral for other programs. ....

24.07 Does your securities lending program require 102% (domestic securities) and 105% (foreign securities) from the counterparty at the outset of the contract? Yes [ ] No [ ] N/A [X]

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

24.09 Does the reporting entity or the reporting entity's securities lending agent utilize the Master Securities Lending Agreement (MSLA) to conduct securities lending? Yes [ ] No [ ] N/A [X]

24.10 For the reporting entity's security lending program, state the amount of the following as of December 31 of the current year:

24.101 Total fair value of reinvested collateral assets reported on Schedule DL, Parts 1 and 2. ....

24.102 Total book adjusted/carrying value of reinvested collateral assets reported on Schedule DL, Parts 1 and 2. ....

24.103 Total payable for securities lending reported on the liability page. ....

25.1 Were any of the stocks, bonds or other assets of the reporting entity owned at December 31 of the current year not exclusively under the control of the reporting entity or has the reporting entity sold or transferred any assets subject to a put option contract that is currently in force? (Exclude securities subject to Interrogatory 21.1 and 24.03) Yes [ ] No [X]

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

25.21 Subject to repurchase agreements ....

25.22 Subject to reverse repurchase agreements ....

25.23 Subject to dollar repurchase agreements ....

25.24 Subject to reverse dollar repurchase agreements ....

25.25 Pledged as collateral ....

25.26 Placed under option agreements ....

25.27 Letter stock or securities restricted as to sale ....

25.28 On deposit with state or other regulatory body $....................600,000

25.29 Other ....

25.3 For category (25.27) provide the following:

1 Nature of Restriction	2 Description	3 Amount

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

26.2 If yes, has a comprehensive description of the hedging program been made available to the domiciliary state? Yes [ ] No [ ] N/A [ ]
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

28.02 For all agreements that do not comply with the requirements of the NAIC Financial Condition Examiners Handbook, provide the name, location and a complete explanation:

1 Name(s)	2 Location(s)	3 Complete Explanation(s)

28.03 Have there been any changes, including name changes, in the custodian(s) identified in 28.01 during the current year? Yes [ ] No [X]

28.04 If yes, give full and complete information relating thereto:

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

28.05 Identify all investment advisors, brokers/dealers or individuals acting on behalf of broker/dealers that have access to the investment accounts, handle securities and have authority to make investments on behalf of the reporting entity:

1 Central Registration Depository Number(s)	2 Name	3 Address

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 [X]

29.2 If yes, complete the following schedule:

1 CUSIP #	2 Name of Mutual Fund	3 Book/Adj.Carrying Value
29.2999. TOTAL		0

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

1 Name of Mutual Fund (from the above table)	2 Name of Significant Holding of the Mutual Fund	3 Amount of Mutual Fund's Book/Adjusted Carrying Value Attributable to Holding	4 Date of Valuation

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...	....	....	0
30.2 Preferred stocks..	....	....	0
30.3 Totals..	0	0	0

30.4 Describe the sources or methods utilized in determining the fair values:
SVD

PART 1 - COMMON INTERROGATORIES - INVESTMENT

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 Securities Valuation Office been followed? Yes [X] No [ ]

32.2 If no, list exceptions:

PART 1 - COMMON INTERROGATORIES - OTHER

33.1 Amount of payments to trade associations, service organizations and statistical or rating bureaus, if any? $...............................0

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

34.1 Amount of payments for legal expenses, if any? $...............................0

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

35.1 Amount of payments for expenditures in connection with matters before legislative bodies, officers or departments of government, if any? $...............................0

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

NONE

GENERAL INTERROGATORIES

PART 2 - HEALTH INTERROGATORIES

1.1 Does the reporting entity have any direct Medicare Supplement Insurance in force? Yes [ ] No [X]

1.2 If yes, indicate premium earned on U.S. business only ....

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. ....

1.6 Individual policies:

Most current three years:

1.61 Total premium earned ....

1.62 Total incurred claims ....

1.63 Number of covered lives ....

All years prior to most current three years:

1.64 Total premium earned ....

1.65 Total incurred claims ....

1.66 Number of covered lives ....

1.7 Group policies:

Most current three years:

1.71 Total premium earned ....

1.72 Total incurred claims ....

1.73 Number of covered lives ....

All years prior to most current three years:

1.74 Total premium earned ....

1.75 Total incurred claims ....

1.76 Number of covered lives ....

2. Health test:

	1 Current Year	2 Prior Year
2.1 Premium Numerator	415,520,525	462,734,956
2.2 Premium Denominator	415,520,525	462,734,956
2.3 Premium Ratio (2.1/2.2)	100.0	100.0
2.4 Reserve Numerator	51,162,881	60,728,665
2.5 Reserve Denominator	51,162,881	60,728,665
2.6 Reserve Ratio (2.4/2.5)	100.0	100.0

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, and if the earnings of the reporting entity permits? Yes [ ] No [X]

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 [X] No [ ]

4.2 If not previously filed, furnish herewith a copy(ies) of such agreement(s). Do these agreements include additional benefits offered? Yes [X] No [ ]

5.1 Does the reporting entity have stop-loss reinsurance? Yes [X] No [ ]

5.2 If no, explain:

5.3 Maximum retained risk (see instructions):

5.31 Comprehensive medical $..........0

5.32 Medical only $..........0

5.33 Medicare supplement $..........0

5.34 Dental and vision $..........0

5.35 Other limited benefit plan $..........0

5.36 Other $..........0

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

7.1 Does the reporting entity set up its claim liability for provider services on a service date base? Yes [X] 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 0

8.2 Number of providers at end of reporting year 0

9.1 Does the reporting entity have business subject to premium rate guarantees? Yes [ ] No [X]

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 [X] No [ ]

10.2 If yes:

10.21 Maximum amount payable bonuses $..........0

10.22 Amount actually paid for year bonuses $..........0

10.23 Maximum amount payable withholds $..........0

10.24 Amount actually paid for year withholds $..........0

GENERAL INTERROGATORIES

PART 2 - HEALTH INTERROGATORIES

11.1. Is the reporting entity organized as:		
11.12 A Medical Group/Staff Model,	Yes [ ]	No [X]
11.13 An Individual Practice Association (IPA), or	Yes [ ]	No [X]
11.14 A Mixed Model (combination of above)?	Yes [ ]	No [X]
11.2. Is the reporting entity subject to Minimum Net Worth Requirements?	Yes [X]	No [ ]
11.3. If yes, show the name of the state requiring such net worth.		
11.4. If yes, show the amount required.	$....................................0	
11.5. Is this amount included as part of a contingency reserve in stockholder's equity?	Yes [ ]	No [X]
11.6. If the amount is calculated, show the calculation:		

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

1 Name of Service Area

13.1. Do you act as a custodian for health savings account?	Yes [ ]	No [X]
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 [X]
13.4. If yes, please provide the balance of the funds administered as of the reporting date.	....	

FIVE-YEAR HISTORICAL DATA

	1 2012	2 2011	3 2010	4 2009	5 2008
Balance Sheet Items (Pages 2 and 3)					
1. Total admitted assets (Page 2, Line 28)	90,310,697	118,777,820	113,890,050	113,723,447	109,260,712
2. Total liabilities (Page 3, Line 24)	60,677,066	93,844,950	87,199,933	87,757,128	63,565,360
3. Statutory surplus					
4. Total capital and surplus (Page 3, Line 33)	29,633,631	24,932,870	26,690,117	25,966,319	45,695,352
Income Statement Items (Page 4)					
5. Total revenues (Line 8)	415,520,525	462,734,956	510,399,812	538,051,017	422,587,695
6. Total medical and hospital expenses (Line 18)	348,709,660	384,216,762	414,613,586	417,275,332	340,083,349
7. Claims adjustment expenses (Line 20)					
8. Total administrative expenses (Line 21)	45,471,399	51,355,768	58,683,670	52,170,530	44,739,651
9. Net underwriting gain (loss) (Line 24)	21,339,466	27,162,426	37,102,556	68,605,155	37,764,695
10. Net investment gain (loss) (Line 27)	1,651,541	1,952,760	1,934,921	1,114,370	2,616,229
11. Total other income (Lines 28 plus 29)				267,582	
12. Net income or (loss) (Line 32)	16,877,807	20,347,809	24,493,950	41,542,281	25,253,152
Cash Flow (Page 6)					
13. Net cash from operations (Line 11)	22,357,059	(6,681,549)	7,818,247	62,903,789	70,253,486
Risk-Based Capital Analysis					
14. Total adjusted capital	29,633,631	24,932,870	26,690,117	25,965,592	45,695,352
15. Authorized control level risk-based capital	14,889,068	16,301,686	17,644,652	18,268,497	15,161,140
Enrollment (Exhibit 1)					
16. Total members at end of period (Column 5, Line 7)	38,558	44,024	48,880	54,233	53,410
17. Total member months (Column 6, Line 7)	480,691	549,982	601,686	625,588	605,633
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)	83.9	83.0	81.2	77.6	80.5
20. Cost containment expenses					
21. Other claims adjustment expenses					
22. Total underwriting deductions (Line 23)	94.9	94.1	92.7	87.2	91.1
23. Total underwriting gain (loss) (Line 24)	5.1	5.9	7.3	12.8	8.9
Unpaid Claims Analysis (U&I Exhibit, Part 2B)					
24. Total claims incurred for prior years (Line 13 Col. 5)	54,758,700	64,408,988	63,748,482	48,234,771	55,003,498
25. Estimated liability of unpaid claims - [prior year (Line 13, Col. 6)]	56,628,665	65,404,988	62,718,962	52,331,210	54,090,035
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, Column 5, Line 10)					
30. Affiliated mortgage loans on real estate					
31. All other affiliated					
32. Total of above Lines 26 to 31	0	0	0	0	0
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 [ ]

If no, please explain:

SCHEDULE T - PREMIUMS AND OTHER CONSIDERATIONS

Allocated by States and Territories

	1	Direct Business Only							
		2	3	4	5	6	7	8	9
State, Etc.	Active Status	Accident & Health Premiums	Medicare Title XVIII	Medicaid Title XIX	Federal Employees Health Benefits Program Premiums	Life & Annuity Premiums and Other Considerations	Property/ Casualty Premiums	Total Columns 2 Through 7	Deposit-Type Contracts
1. Alabama AL	N							0	
2. Alaska AK	N							0	
3. Arizona AZ	N							0	
4. Arkansas AR	N							0	
5. California CA	N							0	
6. Colorado CO	N							0	
7. Connecticut CT	N							0	
8. Delaware DE	N							0	
9. District of Columbia DC	N							0	
10. Florida FL	N							0	
11. Georgia GA	N							0	
12. Hawaii HI	N							0	
13. Idaho ID	N							0	
14. Illinois IL	N							0	
15. Indiana IN	N							0	
16. Iowa IA	N							0	
17. Kansas KS	N							0	
18. Kentucky KY	N							0	
19. Louisiana LA	N							0	
20. Maine ME	N							0	
21. Maryland MD	N							0	
22. Massachusetts MA	N							0	
23. Michigan MI	N							0	
24. Minnesota MN	N							0	
25. Mississippi MS	N							0	
26. Missouri MO	N							0	
27. Montana MT	N							0	
28. Nebraska NE	N							0	
29. Nevada NV	N							0	
30. New Hampshire NH	N							0	
31. New Jersey NJ	N							0	
32. New Mexico NM	N							0	
33. New York NY	N							0	
34. North Carolina NC	N							0	
35. North Dakota ND	N							0	
36. Ohio OH	N							0	
37. Oklahoma OK	N							0	
38. Oregon OR	N							0	
39. Pennsylvania PA	N							0	
40. Rhode Island RI	N							0	
41. South Carolina SC	N							0	
42. South Dakota SD	N							0	
43. Tennessee TN	N							0	
44. Texas TX	N							0	
45. Utah UT	N							0	
46. Vermont VT	N							0	
47. Virginia VA	N							0	
48. Washington WA	N							0	
49. West Virginia WV	N							0	
50. Wisconsin WI	N							0	
51. Wyoming WY	N							0	
52. American Samoa AS	N							0	
53. Guam GU	N							0	
54. Puerto Rico PR	L		415,520,525					415,520,525	
55. U.S. Virgin Islands VI	N							0	
56. Northern Mariana Islands MP	N							0	
57. Canada CAN	N							0	
58. Aggregate Other alien OT	XXX	0	0	0	0	0	0	0	0
59. Subtotal	XXX	0	415,520,525	0	0	0	0	415,520,525	0
60. Reporting entity contributions for Employee Benefit Plans	XXX							0	
61. Total (Direct Business)	(a) 1	0	415,520,525	0	0	0	0	415,520,525	0

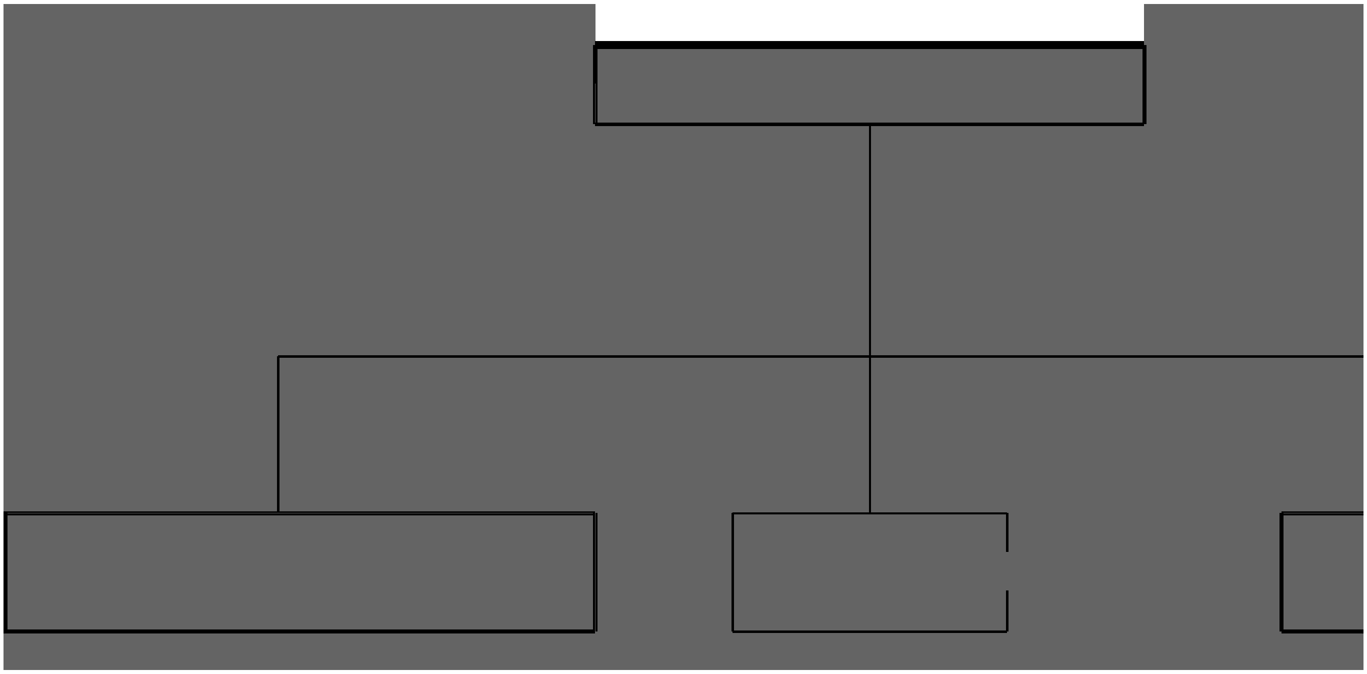
DETAILS OF WRITE-INS

58001.							0	
58002.							0	
58003.							0	
58998. Summary of remaining write-ins for line 58	0	0	0	0	0	0	0	0
58999. Total (Lines 58001 thru 58003 + 58998)	0	0	0	0	0	0	0	0

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

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

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



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HEALTH ANNUAL STATEMENT BLANK