



# ANNUAL STATEMENT

For the Year Ended December 31, 2018  
of the Condition and Affairs of the

## MMM Multi Health, LLC

NAIC Group Code..... 4812, 4812 (Current Period) (Prior Period) NAIC Company Code..... 12534 Employer's ID Number..... 660653763

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

Licensed as Business Type Is HMO Federally Qualified? Yes [ X ] No [ ]

Incorporated/Organized..... February 18, 2012 Commenced Business..... March 1, 2012

Statutory Home Office 350 CHARDON AVE STE 350 .. SAN JUAN .. PR .. 00918  
(Street and Number) (City or Town, State, Country and Zip Code)

Main Administrative Office 350 CHARDON AVE STE 350 .. SAN JUAN .. PR .. 00918  
(Street and Number) (City or Town, State, Country and Zip Code) (Area Code) (Telephone Number)

Mail Address 350 CHARDON AVE STE 350 .. SAN JUAN .. PR .. 00918  
(Street and Number or P. O. Box) (City or Town, State, Country and Zip Code)

Primary Location of Books and Records 350 CHARDON AVE STE 350 .. SAN JUAN .. PR .. 00918  
(Street and Number) (City or Town, State, Country and Zip Code) (Area Code) (Telephone Number)

Internet Web Site Address www.mmm-pr.com

Statutory Statement Contact LE ANN RIVERA 787-622-3000  
(Name) (Area Code) (Telephone Number) (Extension)  
leann.rivera@mmmhc.com (E-Mail Address) (Fax Number)

### OFFICERS

| Name                | Title     | Name              | Title |
|---------------------|-----------|-------------------|-------|
| 1. ORLANDO GONZALEZ | PRESIDENT | 2. CARLOS VIVALDI | CFO   |
| 3.                  |           | 4.                |       |

### OTHER

|                   |                          |                       |                     |
|-------------------|--------------------------|-----------------------|---------------------|
| RICHARD SHINTO    | CEO                      | ORLANDO GONZALEZ      | PRESIDENT           |
| PAUL KLAUSNER     | SECRETARY                | DOUGLAS MALTON        | VICEPRESIDENT       |
| MICHAEL J SORTINO | CHIEF ACCOUNTING OFFICER | EYMINEL VIEL          | ASSISTANT SECRETARY |
| CARLOS VIVALDI    | CFO                      | MANUEL SANCHEZ SIERRA | COO                 |

### DIRECTORS OR TRUSTEES

RICHARD SHINTO ORLANDO GONZALEZ DOUGLAS MALTON CARLOS VIVALDI

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.

|  |  |                      |
|--|--|----------------------|
| _____<br>(Signature)<br>ORLANDO GONZALEZ | _____<br>(Signature)<br>CARLOS VIVALDI | _____<br>(Signature) |
| 1. (Printed Name)<br>PRESIDENT           | 2. (Printed Name)<br>CFO               | 3. (Printed Name)    |
| _____<br>(Title)                         | _____<br>(Title)                       | _____<br>(Title)     |

Subscribed and sworn to before me  
This \_\_\_\_\_ day of \_\_\_\_\_ 2019

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 |                            |  | Prior Year                  |
|---|--------------|----------------------------|--|-----------------------------|
|   | 1<br>Assets  | 2<br>Nonadmitted<br>Assets | 3<br>Net Admitted<br>Assets<br>(Cols. 1 - 2) | 4<br>Net<br>Admitted Assets |
| 1. Bonds (Schedule D).....  | 53,448,985   |                            | 53,448,985                                   | 69,246,533                  |
| 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 (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 (\$.....58,476,615, Schedule E-Part 1), cash equivalents (\$.....1,769,535, Schedule E-Part 2) and short-term investments (\$.....15,495,969, Schedule DA)..... | 75,742,119   |                            | 75,742,119                                   | 85,314,824                  |
| 6. Contract loans (including \$.....0 premium notes).....   |              |                            | .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.....  | .0           | .0                         | .0   | .0                          |
| 12. Subtotals, cash and invested assets (Lines 1 to 11).....  | 129,191,104  | .0                         | 129,191,104                                  | 154,561,357                 |
| 13. Title plants less \$.....0 charged off (for Title insurers only).....   |              |                            | .0   |                             |
| 14. Investment income due and accrued.....  | 1,324,009    | 1,072,817                  | 251,192                                      | 219,451                     |
| 15. Premiums and considerations:  |              |                            |  |                             |
| 15.1 Uncollected premiums and agents' balances in the course of collection.....   | 14,975,809   | 6,701,700                  | 8,274,109                                    | 15,681,103                  |
| 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) and contracts subject to redetermination (\$.....0).....   |              |                            | .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.....  | 1,615,874    | 3,419                      | 1,612,455                                    | 1,019,880                   |
| 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 (\$.....0) and other amounts receivable.....  |              |                            | .0   |                             |
| 25. Aggregate write-ins for other-than-invested assets.....   | 835,411      | (14,008)                   | 849,419                                      | 196,138                     |
| 26. Total assets excluding Separate Accounts, Segregated Accounts and Protected Cell Accounts (Lines 12 to 25).....   | 147,942,207  | 7,763,928                  | 140,178,279                                  | 171,677,929                 |
| 27. From Separate Accounts, Segregated Accounts and Protected Cell Accounts.....  |              |                            | .0   |                             |
| 28. TOTAL (Lines 26 and 27).....  | 147,942,207  | 7,763,928                  | 140,178,279                                  | 171,677,929                 |

### DETAILS OF WRITE-INS

|  |         |          |         |         |
|--|---------|----------|---------|---------|
| 1101.....  |         |          | .0      |         |
| 1102.....  |         |          | .0      |         |
| 1103.....  |         |          | .0      |         |
| 1198. Summary of remaining write-ins for Line 11 from overflow page..... | .0      | .0       | .0      | .0      |
| 1199. Totals (Lines 1101 through 1103 plus 1198) (Line 11 above).....    | .0      | .0       | .0      | .0      |
| 2501. Advance to Providers.....  | 816,803 | (14,008) | 830,811 | 195,784 |
| 2502. Other Assets.....  | 18,608  |          | 18,608  | 354     |
| 2503.....  |         |          | .0      |         |
| 2598. Summary of remaining write-ins for Line 25 from overflow page..... | .0      | .0       | .0      | .0      |
| 2599. Totals (Lines 2501 through 2503 plus 2598) (Line 25 above).....    | 835,411 | (14,008) | 849,419 | 196,138 |

**LIABILITIES, CAPITAL AND SURPLUS**

|  | Current Period |                |             | Prior Year  |
|--|----------------|----------------|-------------|-------------|
|  | 1<br>Covered   | 2<br>Uncovered | 3<br>Total  | 4<br>Total  |
| 1. Claims unpaid (less \$.....0 reinsurance ceded).....  | 61,697,799     |                | 61,697,799  | 65,706,467  |
| 2. Accrued medical incentive pool and bonus amounts.....   | 16,643,392     |                | 16,643,392  | 28,760,885  |
| 3. Unpaid claims adjustment expenses.....  | 531,943        |                | 531,943     | 562,415     |
| 4. Aggregate health policy reserves, including the liability of \$.....0 for medical loss ratio rebate per the Public Health Service Act.....            |                |                | 0           |             |
| 5. Aggregate life policy reserves.....   |                |                | 0           |             |
| 6. Property/casualty unearned premium reserves.....  |                |                | 0           |             |
| 7. Aggregate health claim reserves.....  |                |                | 0           |             |
| 8. Premiums received in advance.....   |                |                | 0           |             |
| 9. General expenses due or accrued.....  | 1,146,605      |                | 1,146,605   | 928,326     |
| 10.1 Current federal and foreign income tax payable and interest thereon (including \$.....0 on realized capital gains (losses)).....                    | 7,795,614      |                | 7,795,614   | 273,089     |
| 10.2 Net deferred tax liability.....   |                |                | 0           |             |
| 11. Ceded reinsurance premiums payable.....  |                |                | 0           |             |
| 12. Amounts withheld or retained for the account of others.....  | 10,499         |                | 10,499      | 463,670     |
| 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.....  | 2,105,005      |                | 2,105,005   | 3,655,784   |
| 16. Derivatives.....   |                |                | 0           |             |
| 17. Payable for securities.....  |                |                | 0           | 14,955,698  |
| 18. Payable for securities lending.....  |                |                | 0           |             |
| 19. Funds held under reinsurance treaties with (\$.....0 authorized reinsurers, \$.....0 unauthorized reinsurers 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.....  |                |                | 0           |             |
| 23. Aggregate write-ins for other liabilities (including \$.....0 current).....  | 600,000        | 0              | 600,000     | 600,000     |
| 24. Total liabilities (Lines 1 to 23).....   | 90,530,856     | 0              | 90,530,856  | 115,906,334 |
| 25. Aggregate write-ins for special surplus funds.....   | XXX            | XXX            | 0           | 0           |
| 26. Common capital stock.....  | XXX            | XXX            | 400,000     | 400,000     |
| 27. Preferred capital stock.....   | XXX            | XXX            |             |             |
| 28. Gross paid in and contributed surplus.....   | XXX            | XXX            | 58,762,271  | 58,762,271  |
| 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            | (9,514,848) | (3,390,676) |
| 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            | 49,647,423  | 55,771,595  |
| 34. Total liabilities, capital and surplus (Lines 24 and 33).....  | XXX            | XXX            | 140,178,279 | 171,677,929 |

**DETAILS OF WRITE-INS**

|  |         |     |         |         |
|--|---------|-----|---------|---------|
| 2301. Statutory Deposit.....   | 600,000 |     | 600,000 | 600,000 |
| 2302. ....   |         |     | 0       |         |
| 2303. ....   |         |     | 0       |         |
| 2398. Summary of remaining write-ins for Line 23 from overflow page..... | 0       | 0   | 0       | 0       |
| 2399. Totals (Lines 2301 through 2303 plus 2398) (Line 23 above).....    | 600,000 | 0   | 600,000 | 600,000 |
| 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 through 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 through 3003 plus 3098) (Line 30 above).....    | XXX     | XXX | 0       | 0       |

## STATEMENT OF REVENUE AND EXPENSES

|  | Current Year   |             | Prior Year  |
|--|----------------|-------------|-------------|
|  | 1<br>Uncovered | 2<br>Total  | 3<br>Total  |
| 1. Member months.....  | XXX            | 3,204,313   | 3,188,390   |
| 2. Net premium income (including \$.....0 non-health premium income).....  | XXX            | 570,652,756 | 541,681,621 |
| 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            | 570,652,756 | 541,681,621 |
| <b>Hospital and Medical:</b>   |                |             |             |
| 9. Hospital/medical benefits.....  |                | 318,338,253 | 299,711,852 |
| 10. Other professional services.....   |                |             |             |
| 11. Outside referrals.....   |                |             |             |
| 12. Emergency room and out-of-area.....  |                | 26,113,096  | 37,397,384  |
| 13. Prescription drugs.....  |                | 132,387,978 | 129,242,676 |
| 14. Aggregate write-ins for other hospital and medical.....  | .0             | .0          | .0          |
| 15. Incentive pool, withhold adjustments and bonus amounts.....  |                | 23,254,885  | 19,111,297  |
| 16. Subtotal (Lines 9 to 15).....  | .0             | 500,094,212 | 485,463,209 |
| <b>Less:</b>   |                |             |             |
| 17. Net reinsurance recoveries.....  |                |             |             |
| 18. Total hospital and medical (Lines 16 minus 17).....  | .0             | 500,094,212 | 485,463,209 |
| 19. Non-health claims (net).....   |                |             |             |
| 20. Claims adjustment expenses, including \$.....0 cost containment expenses.....  |                |             |             |
| 21. General administrative expenses.....   |                | 52,864,872  | 53,552,303  |
| 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             | 552,959,084 | 539,015,512 |
| 24. Net underwriting gain or (loss) (Lines 8 minus 23).....  | XXX            | 17,693,672  | 2,666,109   |
| 25. Net investment income earned (Exhibit of Net Investment Income, Line 17).....  |                | 1,804,558   | 1,799,380   |
| 26. Net realized capital gains or (losses) less capital gains tax of \$.....0.....   |                | (17,549)    | (6,247)     |
| 27. Net investment gains or (losses) (Lines 25 plus 26).....   | .0             | 1,787,009   | 1,793,133   |
| 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            | 19,480,681  | 4,459,242   |
| 31. Federal and foreign income taxes incurred.....   | XXX            | 7,522,525   | 273,089     |
| 32. Net income (loss) (Lines 30 minus 31).....   | XXX            | 11,958,156  | 4,186,153   |

### 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 through 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 through 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 through 1403 plus 1498) (Line 14 above).....    | .0  | .0 | .0 |
| 2901. ....   |     |    |    |
| 2902. ....   |     |    |    |
| 2903. ....   |     |    |    |
| 2998. Summary of remaining write-ins for Line 29 from overflow page..... | .0  | .0 | .0 |
| 2999. Totals (Lines 2901 through 2903 plus 2998) (Line 29 above).....    | .0  | .0 | .0 |

**STATEMENT OF REVENUE AND EXPENSES (Continued)**

| CAPITAL AND SURPLUS ACCOUNT  | 1<br>Current Year | 2<br>Prior Year |
|--|-------------------|-----------------|
| 33. Capital and surplus prior reporting period.....  | 55,771,595        | 18,785,828      |
| 34. Net income or (loss) from Line 32.....   | 11,958,156        | 4,186,153       |
| 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.....   | 592,575           | (548,635)       |
| 39. Change in nonadmitted assets.....  | (3,071,550)       | (1,240,592)     |
| 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.....  |                   | 34,589,290      |
| 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.....   | (15,603,000)      |                 |
| 47. Aggregate write-ins for gains or (losses) in surplus.....                                    | (353)             | (449)           |
| 48. Net change in capital and surplus (Lines 34 to 47).....                                      | (6,124,172)       | 36,985,767      |
| 49. Capital and surplus end of reporting period (Line 33 plus 48).....                           | 49,647,423        | 55,771,595      |

**DETAILS OF WRITE-INS**

|  |       |       |
|--|-------|-------|
| 4701. Other Surplus Adjustment.....                                      | (353) | (449) |
| 4702. ....   |       |       |
| 4703. ....   |       |       |
| 4798. Summary of remaining write-ins for Line 47 from overflow page..... | 0     | 0     |
| 4799. Totals (Lines 4701 through 4703 plus 4798) (Line 47 above).....    | (353) | (449) |

## CASH FLOW

|  | 1<br>Current Year | 2<br>Prior Year |
|--|-------------------|-----------------|
| <b>CASH FROM OPERATIONS</b>  |                   |                 |
| 1. Premiums collected net of reinsurance.....  | 574,875,866       | 529,151,784     |
| 2. Net investment income.....  | 2,279,322         | (12,923,197)    |
| 3. Miscellaneous income.....   |                   |                 |
| 4. Total (Lines 1 through 3).....  | 577,155,188       | 516,228,587     |
| 5. Benefit and loss related payments.....  | 516,138,512       | 479,892,623     |
| 6. Net transfers to Separate Accounts, Segregated Accounts and Protected Cell Accounts.....                    |                   |                 |
| 7. Commissions, expenses paid and aggregate write-ins for deductions.....                                      | 55,303,826        | 37,600,669      |
| 8. Dividends paid to policyholders.....  |                   |                 |
| 9. Federal and foreign income taxes paid (recovered) net of \$.....0 tax on capital gains (losses).....        |                   |                 |
| 10. Total (Lines 5 through 9).....   | 571,442,338       | 517,493,292     |
| 11. Net cash from operations (Line 4 minus Line 10).....   | 5,712,850         | (1,264,705)     |
| <b>CASH FROM INVESTMENTS</b>   |                   |                 |
| 12. Proceeds from investments sold, matured or repaid:   |                   |                 |
| 12.1 Bonds.....  | 28,513,237        | 12,873,389      |
| 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).....   | 28,513,237        | 12,873,389      |
| 13. Cost of investments acquired (long-term only):   |                   |                 |
| 13.1 Bonds.....  | 28,195,439        | 7,309,305       |
| 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).....  | 28,195,439        | 7,309,305       |
| 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).....                                  | 317,798           | 5,564,084       |
| <b>CASH FROM FINANCING AND MISCELLANEOUS SOURCES</b>   |                   |                 |
| 16. Cash provided (applied):   |                   |                 |
| 16.1 Surplus notes, capital notes.....   |                   |                 |
| 16.2 Capital and paid in surplus, less treasury stock.....   |                   | 34,589,290      |
| 16.3 Borrowed funds.....   |                   |                 |
| 16.4 Net deposits on deposit-type contracts and other insurance liabilities.....                               |                   |                 |
| 16.5 Dividends to stockholders.....  | 15,603,000        |                 |
| 16.6 Other cash provided (applied).....  | (353)             | 13,087,245      |
| 17. Net cash from financing and miscellaneous sources (Lines 16.1 to 16.4 minus Line 16.5 plus Line 16.6)..... | (15,603,353)      | 47,676,535      |
| <b>RECONCILIATION OF CASH, CASH EQUIVALENTS AND SHORT-TERM INVESTMENTS</b>                                     |                   |                 |
| 18. Net change in cash, cash equivalents and short-term investments (Line 11, plus Lines 15 and 17).....       | (9,572,705)       | 51,975,914      |
| 19. Cash, cash equivalents and short-term investments:   |                   |                 |
| 19.1 Beginning of year.....  | 85,314,824        | 33,338,910      |
| 19.2 End of year (Line 18 plus Line 19.1).....   | 75,742,119        | 85,314,824      |

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

|               |  |  |
|---------------|--|--|
| 20.0001 ..... |  |  |
|---------------|--|--|



## UNDERWRITING AND INVESTMENT EXHIBIT

### PART 1 - PREMIUMS

|  | 1                  | 2                      | 3                    | 4  |
|--|--------------------|------------------------|----------------------|--|
| Line of Business                               | Direct<br>Business | Reinsurance<br>Assumed | Reinsurance<br>Ceded | Net Premium<br>Income<br>(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.....                 |                    |                        |                      | .0   |
| 7. Title XIX - Medicaid.....                   | 570,652,756        |                        |                      | 570,652,756                                |
| 8. Other health.....                           |                    |                        |                      | .0   |
| 9. Health subtotal (Lines 1 through 8).....    | 570,652,756        | .0                     | .0                   | 570,652,756                                |
| 10. Life.....                                  |                    |                        |                      | .0   |
| 11. Property/casualty.....                     |                    |                        |                      | .0   |
| 12. Totals (Lines 9 to 11).....                | 570,652,756        | .0                     | .0                   | 570,652,756                                |



## UNDERWRITING AND INVESTMENT EXHIBIT

### PART 2 - CLAIMS INCURRED DURING THE YEAR

|   | 1           | 2  | 3                      | 4              | 5              | 6   | 7                          | 8                        | 9               | 10                  |
|---|-------------|--|------------------------|----------------|----------------|---|----------------------------|--------------------------|-----------------|---------------------|
|   | Total       | Comprehensive<br>(Hospital<br>and Medical) | Medicare<br>Supplement | Dental<br>Only | Vision<br>Only | Federal<br>Employees<br>Health<br>Benefits Plan | Title<br>XVIII<br>Medicare | Title<br>XIX<br>Medicaid | Other<br>Health | Other<br>Non-Health |
| 1. Payments during the year:  |             |  |                        |                |                |   |                            |                          |                 |                     |
| 1.1 Direct.....   | 480,847,997 |  |                        |                |                |   |                            | 480,847,997              |                 |                     |
| 1.2 Reinsurance assumed.....  | .0          |  |                        |                |                |   |                            |                          |                 |                     |
| 1.3 Reinsurance ceded.....  | .0          |  |                        |                |                |   |                            |                          |                 |                     |
| 1.4 Net.....  | 480,847,997 | .0   | .0                     | .0             | .0             | .0  | .0                         | 480,847,997              | .0              | .0                  |
| 2. Paid medical incentive pools and bonuses.....                      | 35,372,377  |  |                        |                |                |   |                            | 35,372,377               |                 |                     |
| 3. Claim liability December 31, current year from Part 2A:            |             |  |                        |                |                |   |                            |                          |                 |                     |
| 3.1 Direct.....   | 61,697,799  |  |                        |                |                |   |                            | 61,697,799               |                 |                     |
| 3.2 Reinsurance assumed.....  | .0          |  |                        |                |                |   |                            |                          |                 |                     |
| 3.3 Reinsurance ceded.....  | .0          |  |                        |                |                |   |                            |                          |                 |                     |
| 3.4 Net.....  | 61,697,799  | .0   | .0                     | .0             | .0             | .0  | .0                         | 61,697,799               | .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.....     | 16,643,392  |  |                        |                |                |   |                            | 16,643,392               |                 |                     |
| 6. Net healthcare receivables (a).....                                | .0          |  |                        |                |                |   |                            |                          |                 |                     |
| 7. Amounts recoverable from reinsurers December 31, current year..... | .0          |  |                        |                |                |   |                            |                          |                 |                     |
| 8. Claim liability December 31, prior year from Part 2A:              |             |  |                        |                |                |   |                            |                          |                 |                     |
| 8.1 Direct.....   | 65,706,467  |  |                        |                |                |   |                            | 65,706,467               |                 |                     |
| 8.2 Reinsurance assumed.....  | .0          |  |                        |                |                |   |                            |                          |                 |                     |
| 8.3 Reinsurance ceded.....  | .0          |  |                        |                |                |   |                            |                          |                 |                     |
| 8.4 Net.....  | 65,706,467  | .0   | .0                     | .0             | .0             | .0  | .0                         | 65,706,467               | .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.....      | 28,760,885  |  |                        |                |                |   |                            | 28,760,885               |                 |                     |
| 11. Amounts recoverable from reinsurers December 31, prior year.....  | .0          |  |                        |                |                |   |                            |                          |                 |                     |
| 12. Incurred benefits:  |             |  |                        |                |                |   |                            |                          |                 |                     |
| 12.1 Direct.....  | 476,839,329 | .0   | .0                     | .0             | .0             | .0  | .0                         | 476,839,329              | .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.....   | 476,839,329 | .0   | .0                     | .0             | .0             | .0  | .0                         | 476,839,329              | .0              | .0                  |
| 13. Incurred medical incentive pools and bonuses.....                 | 23,254,884  | .0   | .0                     | .0             | .0             | .0  | .0                         | 23,254,884               | .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          | 2  | 3                      | 4              | 5              | 6   | 7                          | 8                        | 9               | 10                  |
|---|------------|--|------------------------|----------------|----------------|---|----------------------------|--------------------------|-----------------|---------------------|
|   | Total      | Comprehensive<br>(Medical<br>and Hospital) | Medicare<br>Supplement | Dental<br>Only | Vision<br>Only | Federal<br>Employees<br>Health<br>Benefits Plan | Title<br>XVIII<br>Medicare | Title<br>XIX<br>Medicaid | Other<br>Health | Other<br>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.....                                       | 61,697,799 |  |                        |                |                |   |                            | 61,697,799               |                 |                     |
| 2.2 Reinsurance assumed.....                          | 0          |  |                        |                |                |   |                            |                          |                 |                     |
| 2.3 Reinsurance ceded.....                            | 0          |  |                        |                |                |   |                            |                          |                 |                     |
| 2.4 Net.....  | 61,697,799 | 0  | 0                      | 0              | 0              | 0   | 0                          | 61,697,799               | 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.....                                       | 61,697,799 | 0  | 0                      | 0              | 0              | 0   | 0                          | 61,697,799               | 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.....  | 61,697,799 | 0  | 0                      | 0              | 0              | 0   | 0                          | 61,697,799               | 0               | 0                   |

## UNDERWRITING AND INVESTMENT EXHIBIT

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

| Line of Business                                   | Claims Paid<br>During the Year                                       |   | Claim Reserve and Claim Liability<br>December 31 of Current Year |   | 5<br><br>Claims Incurred<br>in Prior Years<br>(Columns 1 + 3) | 6<br><br>Estimated Claim<br>Reserve and<br>Claim Liability<br>December 31 of<br>Prior Year |
|--|--|---|--|---|---|--|
|  | 1<br><br>On Claims Incurred<br>Prior to January 1<br>of Current Year | 2<br><br>On Claims<br>Incurred During<br>the Year | 3<br><br>On Claims Unpaid<br>December 31 of<br>Prior Year        | 4<br><br>On Claims<br>Incurred During<br>the 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.....                     |  |   |  |   | 0   |  |
| 7. Title XIX - Medicaid.....                       | 48,970,613   | 431,877,384                                       | 2,489,000  | 59,208,797  | 51,459,613  | 65,706,467   |
| 8. Other health.....                               |  |   |  |   | 0   |  |
| 9. Health subtotal (Lines 1 to 8).....             | 48,970,613   | 431,877,384                                       | 2,489,000  | 59,208,797  | 51,459,613  | 65,706,467   |
| 10. Healthcare receivables (a).....                |  |   |  |   | 0   |  |
| 11. Other non-health.....                          |  |   |  |   | 0   |  |
| 12. Medical incentive pools and bonus amounts..... | 30,299,013   | 5,073,364   | 7,829,455  | 8,813,939   | 38,128,468  | 28,760,885   |
| 13. Totals (Lines 9 - 10 + 11 + 12).....           | 79,269,626   | 436,950,748                                       | 10,318,455   | 68,022,736  | 89,588,081  | 94,467,352   |

(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**

| Year in Which Losses<br>Were Incurred | Cumulative Net Amounts Paid |           |           |           |           |
|---------------------------------------|-----------------------------|-----------|-----------|-----------|-----------|
|                                       | 1<br>2014                   | 2<br>2015 | 3<br>2016 | 4<br>2017 | 5<br>2018 |
| 1. Prior.....                         |                             |           |           |           |           |
| 2. 2014.....                          |                             |           |           |           |           |
| 3. 2015.....                          | XXX                         | 120,710   | 41,847    | 165,655   | 166,105   |
| 4. 2016.....                          | XXX                         | XXX       | 229,471   | 292,716   | 294,609   |
| 5. 2017.....                          | XXX                         | XXX       | XXX       | 394,720   | 459,618   |
| 6. 2018.....                          | XXX                         | XXX       | XXX       | XXX       | 422,643   |

**SECTION B - INCURRED HEALTH CLAIMS - GRAND TOTAL**

| Year in Which Losses<br>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<br>2014  | 2<br>2015 | 3<br>2016 | 4<br>2017 | 5<br>2018 |
| 1. Prior.....                         |  |           |           |           |           |
| 2. 2014.....                          |  |           |           |           |           |
| 3. 2015.....                          | XXX  | 120,710   | 41,847    | 166,107   | 166,827   |
| 4. 2016.....                          | XXX  | XXX       | 229,471   | 300,497   | 301,956   |
| 5. 2017.....                          | XXX  | XXX       | XXX       | 470,909   | 474,378   |
| 6. 2018.....                          | XXX  | XXX       | XXX       | XXX       | 495,336   |

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

| Years in Which<br>Premiums were Earned and<br>Claims were Incurred | 1<br>Premiums<br>Earned | 2<br>Claim<br>Payments | 3<br>Claim Adjustment<br>Expense Payments | 4<br>Percent<br>(Col. 3/2) | 5<br>Claim and Claim<br>Adjustment<br>Expense Payments<br>(Col. 2 + 3) | 6<br>Percent<br>(Col. 5/1) | 7<br>Claims<br>Unpaid | 8<br>Unpaid Claim<br>Adjustment<br>Expense | 9<br>Total Claims and<br>Claims Adjustment<br>Expense Incurred<br>(Col. 5 + 7 + 8) | 10<br>Percent<br>(Col. 9/1) |
|--|-------------------------|------------------------|---|----------------------------|--|----------------------------|-----------------------|--|--|-----------------------------|
| 1. 2014.....   |                         |                        |   | 0.0                        | 0  | 0.0                        |                       |  | 0  | 0.0                         |
| 2. 2015.....   | 193,401                 | 166,105                | 1,661                                     | 1.0                        | 167,766  | 86.7                       | 720                   |  | 168,486  | 87.1                        |
| 3. 2016.....   | 249,582                 | 294,609                | 2,946                                     | 1.0                        | 297,555  | 119.2                      | 1,459                 |  | 299,014  | 119.8                       |
| 4. 2017.....   | 541,682                 | 459,618                | 4,624                                     | 1.0                        | 464,242  | 85.7                       | 3,469                 |  | 467,711  | 86.3                        |
| 5. 2018.....   | 570,653                 | 422,643                | 4,226                                     | 1.0                        | 426,869  | 74.8                       | 72,693                | 532  | 500,094  | 87.6                        |

12.GT

**Underwriting and Investment Ex. - Pt. 2C - Development of Paid Health Claims  
NONE**

**Underwriting and Investment Ex. - Pt. 2C - Development of Incurred Health Claims  
NONE**

**Underwriting and Investment Ex. - Pt. 2C - Development Ratio Incurred Year Health Claims  
NONE**

**Underwriting and Investment Ex. - Pt. 2C - Development of Paid Health Claims  
NONE**

**Underwriting and Investment Ex. - Pt. 2C - Development of Incurred Health Claims  
NONE**

**Underwriting and Investment Ex. - Pt. 2C - Development Ratio Incurred Year Health Claims  
NONE**

**Underwriting and Investment Ex. - Pt. 2C - Development of Paid Health Claims  
NONE**

**Underwriting and Investment Ex. - Pt. 2C - Development of Incurred Health Claims  
NONE**

**Underwriting and Investment Ex. - Pt. 2C - Development Ratio Incurred Year Health Claims  
NONE**

**Underwriting and Investment Ex. - Pt. 2C - Development of Paid Health Claims  
NONE**

**Underwriting and Investment Ex. - Pt. 2C - Development of Incurred Health Claims  
NONE**

**Underwriting and Investment Ex. - Pt. 2C - Development Ratio Incurred Year Health Claims  
NONE**

**Underwriting and Investment Ex. - Pt. 2C - Development of Paid Health Claims  
NONE**

**Underwriting and Investment Ex. - Pt. 2C - Development of Incurred Health Claims  
NONE**

**Underwriting and Investment Ex. - Pt. 2C - Development Ratio Incurred Year Health Claims  
NONE**

**Underwriting and Investment Ex. - Pt. 2C - Development of Paid Health Claims  
NONE**

**Underwriting and Investment Ex. - Pt. 2C - Development of Incurred Health Claims  
NONE**

**Underwriting and Investment Ex. - Pt. 2C - Development Ratio Incurred Year Health Claims  
NONE**

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

**SECTION A - PAID HEALTH CLAIMS - TITLE XIX - MEDICAID**

| Year in Which Losses<br>Were Incurred | Cumulative Net Amounts Paid |           |           |           |           |
|---------------------------------------|-----------------------------|-----------|-----------|-----------|-----------|
|                                       | 1<br>2014                   | 2<br>2015 | 3<br>2016 | 4<br>2017 | 5<br>2018 |
| 1. Prior.....                         |                             |           |           |           |           |
| 2. 2014.....                          |                             |           |           |           |           |
| 3. 2015.....                          | XXX                         | 120,710   | 41,847    | 165,655   | 166,105   |
| 4. 2016.....                          | XXX                         | XXX       | 229,471   | 292,716   | 294,609   |
| 5. 2017.....                          | XXX                         | XXX       | XXX       | 394,720   | 459,618   |
| 6. 2018.....                          | XXX                         | XXX       | XXX       | XXX       | 422,643   |

**SECTION B - INCURRED HEALTH CLAIMS - TITLE XIX - MEDICAID**

12.XI

| Year in Which Losses<br>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<br>2014  | 2<br>2015 | 3<br>2016 | 4<br>2017 | 5<br>2018 |
| 1. Prior.....                         |  |           |           |           |           |
| 2. 2014.....                          |  |           |           |           |           |
| 3. 2015.....                          | XXX  | 120,710   | 41,847    | 166,107   | 166,827   |
| 4. 2016.....                          | XXX  | XXX       | 229,471   | 300,497   | 301,956   |
| 5. 2017.....                          | XXX  | XXX       | XXX       | 470,909   | 474,378   |
| 6. 2018.....                          | XXX  | XXX       | XXX       | XXX       | 495,336   |

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

| Years in Which<br>Premiums were Earned and<br>Claims were Incurred | 1<br>Premiums<br>Earned | 2<br>Claim<br>Payments | 3<br>Claim Adjustment<br>Expense Payments | 4<br>Percent<br>(Col. 3/2) | 5<br>Claim and Claim<br>Adjustment<br>Expense Payments<br>(Col. 2 + 3) | 6<br>Percent<br>(Col. 5/1) | 7<br>Claims<br>Unpaid | 8<br>Unpaid Claim<br>Adjustment<br>Expenses | 9<br>Total Claims and<br>Claims Adjustment<br>Expense Incurred<br>(Col. 5 + 7 + 8) | 10<br>Percent<br>(Col. 9/1) |
|--|-------------------------|------------------------|---|----------------------------|--|----------------------------|-----------------------|---|--|-----------------------------|
| 1. 2014.....   |                         | 0                      |   | 0.0                        | 0  | 0.0                        |                       |   | 0  | 0.0                         |
| 2. 2015.....   | 193,401                 | 166,105                | 1,661                                     | 1.0                        | 167,766  | 86.7                       | 720                   |   | 168,486  | 87.1                        |
| 3. 2016.....   | 249,582                 | 294,609                | 2,946                                     | 1.0                        | 297,555  | 119.2                      | 1,459                 |   | 299,014  | 119.8                       |
| 4. 2017.....   | 541,682                 | 459,618                | 4,596                                     | 1.0                        | 464,214  | 85.7                       | 3,469                 |   | 467,683  | 86.3                        |
| 5. 2018.....   | 570,653                 | 422,643                | 4,226                                     | 1.0                        | 426,869  | 74.8                       | 72,693                | 532   | 500,094  | 87.6                        |

**Underwriting and Investment Ex. - Pt. 2C - Development of Paid Health Claims  
NONE**

**Underwriting and Investment Ex. - Pt. 2C - Development of Incurred Health Claims  
NONE**

**Underwriting and Investment Ex. - Pt. 2C - Development Ratio Incurred Year Health Claims  
NONE**

**Underwriting and Investment Ex. - Pt. 2D - Aggregate Reserve for A&H Contracts Only  
NONE**

**UNDERWRITING AND INVESTMENT EXHIBIT**

**PART 3 - ANALYSIS OF EXPENSES**

|   | Claim Adjustment Expenses            |  | 3<br>General<br>Administrative<br>Expenses | 4<br>Investment<br>Expenses | 5<br>Total     |
|---|--------------------------------------|--|--|-----------------------------|----------------|
|   | 1<br>Cost<br>Containment<br>Expenses | 2<br>Other Claim<br>Adjustment<br>Expenses |  |                             |                |
| 1. Rent (\$.....0 for occupancy of own building).....                     |                                      |  | 1,166,741                                  |                             | 1,166,741      |
| 2. Salaries, wages and other benefits.....                                |                                      |  | 27,302,791                                 |                             | 27,302,791     |
| 3. Commissions (less \$.....0 ceded plus \$.....0 assumed).....           |                                      |  | 3,195,301                                  |                             | 3,195,301      |
| 4. Legal fees and expenses.....   |                                      |  | 481,979                                    |                             | 481,979        |
| 5. Certifications and accreditation fees.....                             |                                      |  | 86,542                                     |                             | 86,542         |
| 6. Auditing, actuarial and other consulting services.....                 |                                      |  | 2,968,384                                  |                             | 2,968,384      |
| 7. Traveling expenses.....  |                                      |  | 139,437                                    |                             | 139,437        |
| 8. Marketing and advertising.....   |                                      |  | 3,238,096                                  |                             | 3,238,096      |
| 9. Postage, express and telephone.....                                    |                                      |  | 1,419,044                                  |                             | 1,419,044      |
| 10. Printing and office supplies.....                                     |                                      |  | 108,824                                    |                             | 108,824        |
| 11. Occupancy, depreciation and amortization.....                         |                                      |  | 2,798,476                                  |                             | 2,798,476      |
| 12. Equipment.....  |                                      |  | 7,584                                      |                             | 7,584          |
| 13. Cost or depreciation of EDP equipment and software.....               |                                      |  |  |                             | 0              |
| 14. Outsourced services including EDP, claims, and other services.....    |                                      |  |  |                             | 0              |
| 15. Boards, bureaus and association fees.....                             |                                      |  |  |                             | 0              |
| 16. Insurance, except on real estate.....                                 |                                      |  | 240,278                                    |                             | 240,278        |
| 17. Collection and bank service charges.....                              |                                      |  |  |                             | 0              |
| 18. Group service and administration fees.....                            |                                      |  |  |                             | 0              |
| 19. Reimbursements by uninsured plans.....                                |                                      |  |  |                             | 0              |
| 20. Reimbursements from fiscal intermediaries.....                        |                                      |  |  |                             | 0              |
| 21. Real estate expenses.....   |                                      |  | 683,646                                    |                             | 683,646        |
| 22. Real estate taxes.....  |                                      |  | 147,106                                    |                             | 147,106        |
| 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).....          |                                      |  | 289,947                                    |                             | 289,947        |
| 24. Investment expenses not included elsewhere.....                       |                                      |  |  |                             | 0              |
| 25. Aggregate write-ins for expenses.....                                 | 0                                    | 0  | 8,590,694                                  | 0                           | 8,590,694      |
| 26. Total expenses incurred (Lines 1 to 25).....                          | 0                                    | 0  | 52,864,872                                 | 0                           | (a) 52,864,872 |
| 27. Less expenses unpaid December 31, current year.....                   |                                      |  | 1,146,606                                  |                             | 1,146,606      |
| 28. Add expenses unpaid December 31, prior year.....                      |                                      |  | 928,326                                    |                             | 928,326        |
| 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                                    | 0  | 52,646,592                                 | 0                           | 52,646,592     |

**DETAILS OF WRITE-INS**

|  |   |   |           |   |           |
|--|---|---|-----------|---|-----------|
| 2501. Public & Provider Relations.....                                   |   |   | 571,239   |   | 571,239   |
| 2502. Data Process, Special Projects & Other Expenses.....               |   |   | 8,019,455 |   | 8,019,455 |
| 2503. ....   |   |   |           |   | 0         |
| 2598. Summary of remaining write-ins for Line 25 from overflow page..... | 0 | 0 | 0         | 0 | 0         |
| 2599. TOTALS (Lines 2501 through 2503 plus 2598) (Line 25 above).....    | 0 | 0 | 8,590,694 | 0 | 8,590,694 |

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



## EXHIBIT OF NET INVESTMENT INCOME

|  | 1<br>Collected<br>During Year | 2<br>Earned<br>During Year |
|--|-------------------------------|----------------------------|
| 1. U.S. government bonds.....  | (a).....230,133               | .....236,408               |
| 1.1 Bonds exempt from U.S. tax.....  | (a).....                      | .....                      |
| 1.2 Other bonds (unaffiliated).....  | (a).....776,446               | .....785,459               |
| 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).....273,045               | .....283,383               |
| 7. Derivative instruments.....   | (f).....                      | .....                      |
| 8. Other invested assets.....  | .....                         | .....                      |
| 9. Aggregate write-ins for investment income.....                            | .....0                        | .....499,308               |
| 10. Total gross investment income.....                                       | .....1,279,624                | .....1,804,558             |
| 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).....                       | .....                         | .....1,804,558             |

### DETAILS OF WRITE-INS

|  |   |         |
|--|---|---------|
| 0901. Other Investment Income.....                                       |   | 499,308 |
| 0902. ....   |   |         |
| 0903. ....   |   |         |
| 0998. Summary of remaining write-ins for Line 9 from overflow page.....  | 0 | 0       |
| 0999. Totals (Lines 0901 through 0903 plus 0998) (Line 9 above).....     | 0 | 499,308 |
| 1501. ....   |   |         |
| 1502. ....   |   |         |
| 1503. ....   |   |         |
| 1598. Summary of remaining write-ins for Line 15 from overflow page..... |   | 0       |
| 1599. Totals (Lines 1501 through 1503 plus 1598) (Line 15 above).....    |   | 0       |

- (a) Includes \$.....74,362 accrual of discount less \$.....92,360 amortization of premium and less \$.....26,498 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 \$.....265,600 accrual of discount less \$.....4,327 amortization of premium and less \$.....2,938 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<br>Realized<br>Gain (Loss)<br>on Sales<br>or Maturity | 2<br>Other<br>Realized<br>Adjustments | 3<br>Total Realized<br>Capital Gain (Loss)<br>(Columns 1 + 2) | 4<br>Change in<br>Unrealized<br>Capital Gain (Loss) | 5<br>Change in<br>Unrealized<br>Foreign Exchange<br>Capital Gain (Loss) |
|---|---|---------------------------------------|---|---|---|
| 1. U.S. government bonds.....                             |   |                                       | .0  |   |   |
| 1.1 Bonds exempt from U.S. tax.....                       |   |                                       | .0  |   |   |
| 1.2 Other bonds (unaffiliated).....                       | (17,549)  |                                       | (17,549)  |   |   |
| 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).....                     | (17,549)  | .0                                    | (17,549)  | .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 through 0903 plus 0998) (Line 9 above).....    | .0 | .0 | .0 | .0 | .0 |

**EXHIBIT OF NONADMITTED ASSETS**

|   | 1<br>Current Year<br>Total<br>Nonadmitted Assets | 2<br>Prior Year<br>Total<br>Nonadmitted Assets | 3<br>Change in Total<br>Nonadmitted Assets<br>(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)<br>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.....  | (14,008)   | 1,711,585                                      | 1,725,593   |
| 12. Subtotals, cash and invested assets (Lines 1 to 11).....  | (14,008)   | 1,711,585                                      | 1,725,593   |
| 13. Title plants (for Title insurers only).....   |  |  | 0   |
| 14. Investment income due and accrued.....  | 1,072,817  |  | (1,072,817)   |
| 15. Premiums and considerations:  |  |  |   |
| 15.1 Uncollected premiums and agents' balances in the course of collection.....   | 6,701,700  | 2,977,374                                      | (3,724,326)   |
| 15.2 Deferred premiums, agents' balances and installments booked but<br>deferred and not yet due.....                       |  |  | 0   |
| 15.3 Accrued retrospective premiums and contracts subject to redetermination.....   |  |  | 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.....  | 3,419  | 3,419  | 0   |
| 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.....   |  |  | 0   |
| 25. Aggregate write-ins for other-than-invested assets.....   | 0  | 0  | 0   |
| 26. Total assets excluding Separate Accounts, Segregated Accounts and Protected<br>Cell Accounts (Lines 12 through 25)..... | 7,763,928  | 4,692,378                                      | (3,071,550)   |
| 27. From Separate Accounts, Segregated Accounts and Protected Cell Accounts.....  |  |  | 0   |
| 28. TOTALS (Lines 26 and 27).....   | 7,763,928  | 4,692,378                                      | (3,071,550)   |

**DETAILS OF WRITE-INS**

|  |          |           |           |
|--|----------|-----------|-----------|
| 1101. Advance to Providers.....  | (14,008) | 98,326    | 112,334   |
| 1102. Allowance for Doubtful Accounts.....                               |          | 1,613,259 | 1,613,259 |
| 1103. ....   |          |           | 0         |
| 1198. Summary of remaining write-ins for Line 11 from overflow page..... | 0        | 0         | 0         |
| 1199. Totals (Lines 1101 through 1103 plus 1198) (Line 11 above).....    | (14,008) | 1,711,585 | 1,725,593 |
| 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 through 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 |                       |                        |                       |                      | 6<br>Current Year<br>Member<br>Months |
|---|-------------------------|-----------------------|------------------------|-----------------------|----------------------|---------------------------------------|
|   | 1<br>Prior<br>Year      | 2<br>First<br>Quarter | 3<br>Second<br>Quarter | 4<br>Third<br>Quarter | 5<br>Current<br>Year |                                       |
| 1. Health maintenance organizations.....                | 257,562                 | 265,783               | 272,684                | 265,227               | 276,428              | 3,204,313                             |
| 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.....   | 257,562                 | 265,783               | 272,684                | 265,227               | 276,428              | 3,204,313                             |

**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 through 0603 plus 0698) (Line 6 above).....    | 0 | 0 | 0 | 0 | 0 | 0 |

**NOTES TO FINANCIAL STATEMENTS****Note 1 – Summary of Significant Accounting Policies and Going Concern**

## A. Accounting Practices

|  | SSAP # | F/S Page | F/S Line # | 2018          | 2017          |
|--|--------|----------|------------|---------------|---------------|
| <b>NET INCOME</b>  |        |          |            |               |               |
| (1) Company state basis (Page 4, Line 32, Columns 2 & 3)                     | XXX    | XXX      | XXX        | \$ 11,958,156 | \$ 4,186,153  |
| (2) State Prescribed Practices that are an increase/(decrease) from NAIC SAP |        |          |            | \$            | \$            |
| (3) State Permitted Practices that are an increase/(decrease) from NAIC SAP  |        |          |            | \$            | \$            |
| (4) NAIC SAP (1 – 2 – 3 = 4)   | XXX    | XXX      | XXX        | \$ 11,958,156 | \$ 4,186,153  |
| <b>SURPLUS</b>   |        |          |            |               |               |
| (5) Company state basis (Page 3, Line 33, Columns 3 & 4)                     | XXX    | XXX      | XXX        | \$ 49,647,423 | \$ 55,771,595 |
| (6) State Prescribed Practices that are an increase/(decrease) from NAIC SAP |        |          |            | \$            | \$            |
| (7) State Permitted Practices that are an increase/(decrease) from NAIC SAP  |        |          |            | \$            | \$            |
| (8) NAIC SAP (5 – 6 – 7 = 8)   | XXX    | XXX      | XXX        | \$ 49,647,423 | \$ 55,771,595 |

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

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 medical claims liabilities, and the Company's estimated receivable from ASES. Actual results could differ from these estimates.

## C. Accounting Policy

**Organization**

MMM Multi Health, LLC (the Company), previously known as Red Médica de Puerto Rico, Inc., was organized under the laws of the Commonwealth of Puerto Rico on December 28, 2000 and is a wholly owned subsidiary of MMM Holdings, LLC (Holdings or Parent Company), a corporation organized under the laws of the Commonwealth of Puerto Rico. Holdings is a wholly owned subsidiary of InnoVaCare Inc., a corporation organized under the laws of the Commonwealth of Puerto Rico.

The Company signed contracts based on a risk based model with the Puerto Rico Health Insurance Administration/Administración de Seguros de Salud de Puerto Rico ("ASES") under the Government Health Plan Program ("GHP" or "Reforma") to provide managed care health insurance benefits for Medicaid, Children's Health Insurance Program and other eligible persons in the Northeast and Southeast regions of Puerto Rico for the period April 1, 2015 through June 30, 2017 ("2015 GHP Contracts"), and these contracts were subsequently extended until October 31, 2018. In September 2018, Multi Health and ASES signed a new GHP contract for the period November 1, 2018 through September 30, 2021, under which Multi Health will be able to offer coverage island-wide. On January 1, 2017, PMC Medicare Choice, LLC (an affiliate) assigned its GHP contract and all of the assets and liabilities relating to such contract to the Company, and the Company assumed all obligations with respect to such assets and liabilities as of January 1, 2017.

**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 Commissioner of Insurance has adopted the National Association of Insurance Commissioners' statutory accounting practices (NAIC SSAP), 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 (SSAP) 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.

**Recognition of Premium Revenue**

Premium revenue is recognized as revenue over the period in which service or benefits are obligated to be provided. Substantially, all revenues recognized by the Company are received from the ASES. Revenues are recognized ratably over the period of coverage based on anticipated ASES reimbursement rates, number of enrollees, and expected Medicaid eligibility. Actual amounts received from ASES are subject to adjustment based on subsequent review of members' eligibility. 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 ASES.

**Cash, Cash Equivalents, and Short-Term Investments**

The Company considers all highly liquid investments with original maturities of three months or less to be cash equivalents. Short-term investments are defined as short-term highly liquid investments with remaining maturities of one year or less at the time of acquisition (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, 2018 and 2017, cash, cash equivalents, and short-term investments consisted of cash deposited in financial institutions and money market funds amounting to approximately \$75,142,000 and \$84,714,000, respectively, of which approximately \$1,769,000 and \$15,162,000, respectively, represent cash equivalents and approximately \$15,496,000 and \$0, respectively, represent short-term investments at December 31, 2018 and 2017. In addition, the Company has a certificate deposit amounted to \$600,000 as of December 31, 2018 and 2017, deposited with the Puerto Rico Commissioner of Insurance in order to comply with the deposit requirements of the Insurance Code. This amount cannot be used in the Company's operations unless previously approved by the Puerto Rico Commissioner of Insurance.

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## NOTES TO FINANCIAL STATEMENTS

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### **Investment Securities**

Bonds and other debt securities, and equity securities are reported in accordance with rules promulgated by NAIC. Bonds that are designated highest quality, NAIC designation 1 and 2, are reported at amortized cost, and bonds that are classified as NAIC designation 3 or lower are reported at lower of amortized cost or fair value. 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 (loss) 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.

The Company applies the provisions of SSAP No. 43R, *Loan-Backed and Structured Securities*, which requires insurers to separate other-than-temporary impairments between interest and noninterest-related declines in the value of all loan-backed and structured securities.

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 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 an 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 investment income in the accompanying statutory statements of revenue and expenses.

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.

### **Fair Value Measurements**

The Company follows the guidance in SSAP No. 100, *Fair Value Measurements*, 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. SSAP No. 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 carrying amounts of cash and cash equivalents, short-term investments, premium receivables, net, other receivables, and accounts payable, and accrued expenses approximate fair value because of the short-term nature of these instruments that should be collected or paid within 12 months after year-end.

The Company utilizes valuation techniques that maximize the use of observable inputs and minimizes the use unobservable inputs. Additional information on the fair value of investments is included in note 4.

### **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 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 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, 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.

Premiums the Company pays to reinsurers are reported as an off-set to premiums, and related reinsurance recoveries are reported as reductions from medical expenses.

### **Income Taxes**

Income taxes are accounted for in accordance with SSAP No. 101, *Income Taxes, A Replacement of SSAP No. 10R and SSAP No. 10* (SSAP 101). 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 carry forwards. 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 SSAP 101, 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 statement of changes in capital and surplus in the period that includes the enactment date.

Under SSAP 101, gross deferred tax assets generally are admitted to the extent the Company's income taxes paid in prior years can be recovered through loss carrybacks; plus the amounts determined by applying the *Realization Threshold Limitation Table – RBC Reporting Entities (RBC Reporting Entity)*; plus any remaining deferred tax assets that can be offset against existing gross deferred tax liabilities.

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## NOTES TO FINANCIAL STATEMENTS

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The Company reviews its gross deferred tax assets for realizability and in assessing the total deferred tax assets that will be realized management considers 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 gross deferred tax assets will not be realized. Management believes, it is more likely than not the Company will be able to realize all gross deferred tax assets and therefore, no valuation allowance was established as of December 31, 2018 or 2017.

The Company is organized as a single member Limited Liability Company (LLC) and elected to be treated as a partnership for Puerto Rico tax purposes pursuant to the provisions of Sections 1034.04(b)(6) and 1072.01 of the Puerto Rico tax code. Therefore, the Company is not considered a taxable entity and the Company's net taxable income or loss will be included as part of InnovaCare's results of operations, pursuant to Section 1071.01 of the Puerto Rico tax code. The Company entered into a tax sharing agreement to provide Holdings with the funds necessary to satisfy the Company's share of income taxes. Income tax payments are allocated to the Company based on their taxable income or loss as if had been taxed as a corporation instead of a partnership.

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. The Company recognizes interest and penalties relating to uncertain tax positions in income tax expense. For the years ended December 31, 2018 and 2017 there were no unrecognized tax benefits.

D. Going Concern - Not applicable.

**Note 2 – Accounting Changes and Correction of Errors** - Not applicable.

**Note 3 – Business Combinations and Goodwill** - Not applicable.

A. Statutory Purchase Method - Not applicable.

B. Statutory Merger - Not applicable.

C. Assumption Reinsurance - Not applicable.

D. Impairment Loss - Not applicable.

**Note 4 – Discontinued Operations** - Not applicable.

A. Discontinued Operation Disposed of or Classified as Held for Sale - Not applicable.

(1) List of Discontinued Operations Disposed of or Classified as Held for Sale - Not applicable.

(2) Description of the Facts and Circumstances Leading to the Disposal or Expected Disposal and a Description of the Expected Manner and Timing of that Disposal - Not applicable.

(3) Loss Recognized on Discontinued Operations - Not applicable.

(4) Carrying Amount and Fair Value of Discontinued Operations and the Effect on Assets, Liabilities, Surplus and Income - Not applicable.

a. Carrying Amount of Discontinued Operations

b. Effect of Discontinued Operations on Assets, Liabilities, Surplus and Income

B. Change in Plan of Sale of Discontinued Operation - Not applicable.

C. Nature of any Significant Continuing Involvement with Discontinued Operations After Disposal - Not applicable.

D. Equity Interest Retained in the Discontinued Operation After Disposal - Not applicable.

**Note 5 – Investments**

A. Mortgage Loans, including Mezzanine Real Estate Loans - Not applicable.

(1) Maximum and Minimum Lending Rates - Not applicable.

(2) The maximum percentage of any one loan to the value of security at the time of the loan, exclusive of insured or guaranteed or purchase money mortgage was - Not applicable.

(3) Taxes, assessments and any amounts advanced and not included in the mortgage loan total - Not applicable.

(4) Age Analysis of Mortgage Loans and Identification of Mortgage Loans in which the Insurer is a Participant or Co-Lender in a Mortgage Loan Agreement - Not applicable.

(5) Investment in Impaired Loans with or without Allowance for Credit Losses and Impaired Loans Subject to a Participant or Co-Lender Mortgage Loan Agreement for which the Reporting Entity is Restricted from Unilaterally Foreclosing on the Mortgage Loan - Not applicable.

(6) Investment in Impaired Loans – Average Recorded Investment, Interest Income Recognized, Recorded Investment on Nonaccrual Status and Amount of Interest Income Recognized Using a Cash-Basis Method of Accounting - Not applicable.

(7) Allowance for Credit Balances - Not applicable.

(8) Mortgage Loans Derecognized as a Result of Foreclosure - Not applicable.

**NOTES TO FINANCIAL STATEMENTS**

(9) Policy for Recognizing Interest Income on Impaired Loans - Not applicable.

**B. Debt Restructuring - Not applicable.**

|  |
|--|
| (1) The total recorded investment in restructured loans, as of year-end - Not applicable.  |
| (2) The realized capital losses related to these loans - Not applicable.   |
| (3) Total contractual commitments to extend credit to debtors owing receivables whose terms have been modified in troubled debt restructurings - Not applicable. |

(4) Creditor's Income Recognition Policy for Interest Income on Impaired Loans - Not applicable.

**C. Reverse Mortgages - Not applicable.**

(1) Description of Accounting Policies and Methods - Not applicable.

(2) General Information Regarding Commitment Under the Agreement - Not applicable.

(3) At December 31, the actuarial reserve of \$0 reduced the asset value of the group of reverse mortgages. - Not applicable.

(4) The Company recorded an unrealized loss \$0 as a result of the re-estimates of the cash flows. - Not applicable.

**D. Loan-Backed Securities**

(1) Description of Sources Used to Determine Prepayment Assumptions - Not applicable.

(2) Other-Than-Temporary Impairments - Not applicable.

(3) Recognized OTTI securities - Not applicable.

(4) All impaired securities (fair value is less than cost or amortized cost) for which an other-than-temporary impairment has not been recognized in earnings as a realized loss (including securities with a recognized other-than-temporary impairment for non-interest related declines when a non-recognized interest related impairment remains):

|   |                        |    |            |
|---|------------------------|----|------------|
| a. The aggregate amount of unrealized losses:                             | 1. Less than 12 Months | \$ | 88,491     |
|   | 2. 12 Months or Longer | \$ | 518,382    |
| b. The aggregate related fair value of securities with unrealized losses: | 1. Less than 12 Months | \$ | 8,822,342  |
|   | 2. 12 Months or Longer | \$ | 36,066,872 |

(5) Information Investor Considered in Reaching Conclusion that Impairments are Not Other-Than-Temporary - Not applicable.

**E. Dollar Repurchase Agreements and/or Securities Lending Transactions - Not applicable.**

(1) Policy for Requiring Collateral or Other Security - Not applicable.

(2) Disclose the Carrying Amount and Classification of Both Assets and Liabilities - Not applicable.

(3) Collateral Received - Not applicable.

a. Aggregate Amount Collateral Received - Not applicable.

b. The fair value of that collateral and of the portion of that collateral that it has sold or repledged - Not applicable.

c. Information about Sources and Uses of Collateral - Not applicable.

(4) Aggregate Value of the Reinvested Collateral - Not applicable.

(5) Collateral Reinvestment - Not applicable.

a. Aggregate Amount Collateral Reinvested - Not applicable.

b. Explanation of Additional Sources of Liquidity for Maturity Date Mismatches - Not applicable.

(6) Detail on Collateral Transactions Not Permitted by Contract or Custom to Sell or Repledge - Not applicable.

(7) Collateral for Securities Lending Transactions that Extend Beyond One Year from the Reporting Date. - Not applicable.

**F. Repurchase Agreements Transactions Accounted for as Secured Borrowing - Not applicable.**

(1) Company Policies or Strategies for Repo Programs - Not applicable.

(2) Type of Repo Trades Used - Not applicable.

(3) Original (Flow) and Residual Maturity - Not applicable.

(4) Counterparty, Jurisdiction and Fair Value (FV) - Not applicable.

(5) Securities "Sold" Under Repo – Secured Borrowing - Not applicable.

(6) Securities Sold Under Repo – Secured Borrowing by NAIC Designation - Not applicable.

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## NOTES TO FINANCIAL STATEMENTS

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- (7) Collateral Received – Secured Borrowing - Not applicable.
  - (8) Cash & Non-Cash Collateral Received – Secured Borrowing by NAIC Designation - Not applicable.
  - (9) Allocation of Aggregate Collateral by Remaining Contractual Maturity - Not applicable.
  - (10) Allocation of Aggregate Collateral Reinvested by Remaining Contractual Maturity - Not applicable.
  - (11) Liability to Return Collateral – Secured Borrowing (Total) - Not applicable.
- G. Reverse Repurchase Agreements Transactions Accounted for as Secured Borrowing  
Repurchase Transactions – Cash Provider – Overview of Secured Borrowing Transactions - Not applicable.
- (1) Company Policy or Strategies for Engaging in Repo Programs - Not applicable.
  - (2) Type of Repo Trades Used - Not applicable.
  - (3) Original (Flow) and Residual Maturity - Not applicable.
  - (4) Counterparty, Jurisdiction and Fair Value (FV) - Not applicable.
  - (5) Fair Value of Securities Acquired Under Repo – Secured Borrowing - Not applicable.
  - (6) Securities Acquired Under Repo – Secured Borrowing by NAIC Designation - Not applicable.
  - (7) Collateral Pledged – Secured Borrowing- Not applicable.
  - (8) Allocation of Aggregate Collateral Pledged by Remaining Contractual Maturity- Not applicable.
  - (9) Recognized Receivable for Return of Collateral – Secured Borrowing - Not applicable.
  - (10) Recognized Liability to Return Collateral – Secured Borrowing (Total) - Not applicable.
- H. Repurchase Agreements Transactions Accounted for as a Sale  
Repurchase Transaction – Cash Taker – Overview of Sale Transactions - Not applicable.
- (1) Company Policy or Strategies for Engaging in Repo Programs- Not applicable.
  - (2) Type of Repo Trades Used - Not applicable.
  - (3) Original (Flow) & Residual Maturity - Not applicable.
  - (4) Counterparty, Jurisdiction and Fair Value (FV) - Not applicable.
  - (5) Securities "Sold" Under Repo – Sale - Not applicable.
  - (6) Securities Sold Under Repo – Sale by NAIC Designation - Not applicable.
  - (7) Proceeds Received – Sale - Not applicable.
  - (8) Cash & Non-Cash Collateral Received – Sale by NAIC Designation - Not applicable.
  - (9) Recognized Forward Resale Commitment - Not applicable.
- I. Reverse Repurchase Agreements Transactions Accounted for as a Sale  
Repurchase Transaction – Cash Provider – Overview of Sale Transactions - Not applicable.
- (1) Company Policy or Strategies for Engaging in Repo Programs - Not applicable.
  - (2) Type of Repo Trades Used - Not applicable.
  - (3) Original (Flow) & Residual Maturity - Not applicable.
  - (4) Counterparty, Jurisdiction and Fair Value (FV) - Not applicable.
  - (5) Securities Acquired Under Repo – Sale - Not applicable.
  - (6) Securities Acquired Under Repo – Sale by NAIC Designation - Not applicable.
  - (7) Proceeds Provided – Sale - Not applicable.
  - (8) Recognized Forward Resale Commitment - Not applicable.
- J. Real Estate - Not applicable.
- (1) Recognized Impairment Loss - Not applicable.
  - (2) Sold or Classified Real Estate Investments as Held for Sale - Not applicable.
  - (3) Changes to a Plan of Sale for an Investment in Real Estate - Not applicable.
  - (4) Retail Land Sales Operations - Not applicable.
  - (5) Real Estate Investments with Participating Mortgage Loan Features - Not applicable.



**NOTES TO FINANCIAL STATEMENTS**

K. Low-Income Housing Tax Credits (LIHTC) - Not applicable.

- (1) Number of Remaining Years of Unexpired Tax Credits and Holding Period for LIHTC Investments - Not applicable.
- (2) Amount of LIHTC and Other Tax Benefits Recognized - Not applicable.
- (3) Balance of Investment Recognized - Not applicable.
- (4) Regulatory Reviews - Not applicable.
- (5) LIHTC investments which Exceed 10% of Total Admitted Assets - Not applicable.
- (6) Recognized Impairment - Not applicable.
- (7) Amount and Nature of Write-Downs or Reclassifications - Not applicable.

L. Restricted Assets

(1) Restricted Assets (Including Pledged)

| Restricted Asset Category  | 1<br>Total Gross Restricted from Current Year | 2<br>Total Gross Restricted from Prior Year | 3<br>Increase (Decrease) (1 minus 2) | 4<br>Total Current Year Nonadmitted Restricted | 5<br>Total Current Year Admitted Restricted (1 minus 4) | 6<br>Gross (Admitted & Nonadmitted) Restricted to Total Assets (a) | 7<br>Additional Restricted to Total Admitted Assets (b) |
|--|---|---|--------------------------------------|--|---|--|---|
| a. Subject to contractual obligation for which liability is not shown              | \$  | \$  | \$                                   | \$   | \$  | %  | %   |
| b. Collateral held under security lending arrangements                             |   |   |                                      |  |   | %  | %   |
| c. Subject to repurchase agreements  |   |   |                                      |  |   | %  | %   |
| d. Subject to reverse repurchase agreements  |   |   |                                      |  |   | %  | %   |
| e. Subject to dollar repurchase agreements   |   |   |                                      |  |   | %  | %   |
| f. Subject to dollar reverse repurchase agreements                                 |   |   |                                      |  |   | %  | %   |
| g. Placed under option contracts   |   |   |                                      |  |   | %  | %   |
| h. Letter stock or securities restricted as to sale – excluding FHLB capital stock |   |   |                                      |  |   | %  | %   |
| i. FHLB capital stock  |   |   |                                      |  |   | %  | %   |
| j. On deposit with states  |   |   |                                      |  |   | %  | %   |
| k. On deposit with other regulatory bodies   | 600,000                                       | 600,000                                     |                                      |  | 600,000   | %  | %   |
| l. Pledged as collateral to FHLB (including assets backing funding agreements)     |   |   |                                      |  |   | %  | %   |
| m. Pledged as collateral not captured in other categories                          |   |   |                                      |  |   | %  | %   |
| n. Other restricted assets   |   |   |                                      |  |   | %  | %   |
| <b>o. Total Restricted Assets</b>  | <b>\$ 600,000</b>                             | <b>\$ 600,000</b>                           | <b>\$</b>                            | <b>\$</b>                                      | <b>\$ 600,000</b>                                       | <b>%</b>   | <b>%</b>  |

(a) Column 1 divided by Asset Page, Column 1, Line 28

(b) Column 5 divided by Asset Page, Column 1, Line 28

- (2) Detail of Assets Pledged as Collateral Not Captured in Other Categories (Contracts that Share Similar Characteristics, Such as Reinsurance and Derivatives, are Reported in the Aggregate) - Not applicable.
- (3) Detail of Other Restricted Assets (Contracts that Share Similar Characteristics, such as Reinsurance and Derivatives, are Reported in the Aggregate) - Not applicable.
- (4) Collateral Received and Reflected as Assets Within the Reporting Entity's Financial Statements - Not applicable.

M. Working Capital Finance Investments

- (1) Aggregate Working Capital Finance Investments (WCFI) Book/Adjusted Carrying Value by NAIC Designation: - Not applicable.
- (2) Aggregate Maturity Distribution on the Underlying Working Capital Finance Programs

|                    | Book/Adjusted Carrying Value |
|--------------------|------------------------------|
| a. Up to 180 Days  | \$ 27,761,451                |
| b. 181 to 365 Days | 4,152,209                    |
| <b>c. Total</b>    | <b>\$ 31,913,660</b>         |

- (3) Any Events of Default or Working Capital Finance Investments - Not applicable.

N. Offsetting and Netting of Assets and Liabilities - Not applicable.

O. Structured Notes - Not applicable.

P. 5GI Securities - Not applicable.

Q. Short Sales - Not applicable.

- (1) Unsettled Short Sale Transactions (Outstanding as of Reporting Date) - Not applicable.

**NOTES TO FINANCIAL STATEMENTS**

(2) Settled Short Sale Transactions - Not applicable.

R. Prepayment Penalty and Acceleration Fees

|   |           |
|---|-----------|
| (1) Number of CUSIPs                      |           |
| (2) Aggregate Amount of Investment Income | \$ 19,472 |

**Note 6 – Joint Ventures, Partnerships and Limited Liability Companies** - Not applicable.

A. Investments in Joint Ventures, Partnerships and Limited Liability Companies that Exceed 10% of Ownership - Not applicable.

B. Investments in Impaired Joint Ventures, Partnerships and Limited Liability Companies - Not applicable.

**Note 7 – Investment Income**

A. Components of investment income for the years ended December 31, 2018 and 2017 are as follows

|  | <u>2018</u>         | <u>2017</u>      |
|--|---------------------|------------------|
| Bonds and other debt securities, and certificates of deposit | \$ 1,787,009        | 959,784          |
| Interest income on GHP premiums                              | —                   | 833,349          |
| Total  | <u>\$ 1,787,009</u> | <u>1,793,133</u> |

B. For the year ended December 31, 2018, net realized losses of \$17,549 are included as component of investment income.

**Note 8 – Derivative Instruments** - Not applicable.

A. Market Risk, Credit Risk and Cash Requirements - Not applicable.

B. Objectives for Derivative User - Not applicable.

C. Accounting Policies for Recognition and Measurement - Not applicable.

D. Identification of Whether Derivative Contacts with Financing Premiums - Not applicable.

E. Net Gain or Loss Recognized - Not applicable.

F. Net Gain or Loss Recognized from Derivatives that no Longer Qualify for Hedge Accounting - Not applicable.

G. Derivatives Accounted for as Cash Flow Hedges - Not applicable.

H. Total Premium Costs for Contracts - Not applicable.

**Note 9 – Income Taxes**

A. Deferred Tax Assets/(Liabilities)

## 1. Components of Net Deferred Tax Asset/(Liability)

|  | 2018          |              |                         | 2017          |              |                         | Change                     |                           |                         |
|--|---------------|--------------|-------------------------|---------------|--------------|-------------------------|----------------------------|---------------------------|-------------------------|
|  | 1<br>Ordinary | 2<br>Capital | 3<br>(Col 1+2)<br>Total | 4<br>Ordinary | 5<br>Capital | 6<br>(Col 4+5)<br>Total | 7<br>(Col 1-4)<br>Ordinary | 8<br>(Col 2-5)<br>Capital | 9<br>(Col 7+8)<br>Total |
| a. Gross deferred tax assets   | \$ 1,615,875  | \$           | \$ 1,615,875            | \$ 1,023,299  | \$           | \$ 1,023,299            | \$ 592,576                 | \$                        | \$ 592,576              |
| b. Statutory valuation allowance adjustment                              |               |              |                         |               |              |                         |                            |                           |                         |
| c. Adjusted gross deferred tax assets (1a-1b)                            | \$ 1,615,875  | \$           | \$ 1,615,875            | \$ 1,023,299  | \$           | \$ 1,023,299            | \$ 592,576                 | \$                        | \$ 592,576              |
| d. Deferred tax assets nonadmitted                                       | 3,419         |              | 3,419                   | 3,419         |              | 3,419                   |                            |                           |                         |
| e. Subtotal net admitted deferred tax asset (1c-1d)                      | \$ 1,612,456  | \$           | \$ 1,612,456            | \$ 1,019,880  | \$           | \$ 1,019,880            | \$ 592,576                 | \$                        | \$ 592,576              |
| f. Deferred tax liabilities  |               |              |                         |               |              |                         |                            |                           |                         |
| g. Net admitted deferred tax assets/(net deferred tax liability) (1e-1f) | \$ 1,612,456  | \$           | \$ 1,612,456            | \$ 1,019,880  | \$           | \$ 1,019,880            | \$ 592,576                 | \$                        | \$ 592,576              |

**NOTES TO FINANCIAL STATEMENTS**

2. All the deferred tax assets are admitted under SSAP applying the Realization Threshold Limitation Table - RBC Reporting Entities paragraphs 11.b.i and 11.b.ii.

Admissibility of deferred tax asset pursuant to paragraphs 11.b.i and 11.b.ii of SSAP 101 was based on RBC ratio excluding the admitted deferred tax assets. Such ratio as of December 31, 2018 was 246%.

3. Other Admissibility Criteria - Not applicable.

4. Impact of Tax Planning Strategies

- (a) Determination of adjusted gross deferred tax assets and net admitted deferred tax assets, by tax character as a percentage.

|  | 2018          |              | 2017          |              | Change                      |                            |
|--|---------------|--------------|---------------|--------------|-----------------------------|----------------------------|
|  | 1<br>Ordinary | 2<br>Capital | 3<br>Ordinary | 4<br>Capital | 5<br>(Col. 1-3)<br>Ordinary | 6<br>(Col. 2-4)<br>Capital |
| 1. Adjusted gross DTAs amount from Note 9A1(c)   | \$ 1,615,875  | \$           | \$ 1,023,299  | \$           | \$ 592,576                  | \$                         |
| 2. Percentage of adjusted gross DTAs by tax character attributable to the impact of tax planning strategies                  | %             | %            | %             | %            | %                           | %                          |
| 3. Net Admitted Adjusted Gross DTAs amount from Note 9A1(e)  | \$ 1,612,456  | \$           | \$ 1,019,880  | \$           | \$ 592,576                  | \$                         |
| 4. Percentage of net admitted adjusted gross DTAs by tax character admitted because of the impact of tax planning strategies | %             | %            | %             | %            | %                           | %                          |

- (b) Does the company's tax planning strategies include the use of reinsurance? - Not applicable.

B. Deferred Tax Liabilities Not Recognized - Not applicable.

- The types of temporary differences for which a DTL has not been recognized and the types of events that would cause those temporary differences to become taxable are - Not applicable.
- The cumulative amount of each type of temporary difference is - Not applicable.
- The amount of the unrecognized DTL for temporary differences related to investments in foreign subsidiaries and foreign corporate joint ventures that are essentially permanent in duration, if determination of that liability is practicable, or a statement that determination is not practicable are - Not applicable.
- The amount of the DTL for temporary differences other than those in item (3) above that is not recognized is - Not applicable.

C. Current and Deferred Income Taxes

The income tax expense differs from the amount computed by applying the Puerto Rico statutory income tax rate of 39% in 2018 and 2017 to the income before income taxes as a result of the following:

1. Current Income Tax

|   | 1<br>2018    | 2<br>2017  | 3<br>(Col 1-2)<br>Change |
|---|--------------|------------|--------------------------|
| a. Federal                                    | \$           | \$         | \$                       |
| b. Foreign                                    | \$           | \$         | \$                       |
| c. Subtotal                                   | \$           | \$         | \$                       |
| d. Federal income tax on net capital gains    | \$           | \$         | \$                       |
| e. Utilization of capital loss carry-forwards | \$           | \$         | \$                       |
| f. Other                                      | \$ 7,522,525 | \$ 273,089 | \$ 7,249,436             |
| g. Federal and Foreign income taxes incurred  | \$ 7,522,525 | \$ 273,089 | \$ 7,249,436             |

2. Deferred Tax Assets

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, 2018 and 2017 of the Company is composed of the following:

|  | 1<br>2018 | 2<br>2017 | 3<br>(Col 1-2)<br>Change |
|--|-----------|-----------|--------------------------|
|  |           |           |                          |

**NOTES TO FINANCIAL STATEMENTS**

|  |              |              |            |
|--|--------------|--------------|------------|
| a. Ordinary:   |              |              |            |
| 1. Discounting of unpaid losses                                    | \$           | \$           | \$         |
| 2. Unearned premium reserve  |              |              |            |
| 3. Policyholder reserves   |              |              |            |
| 4. Investments   |              |              |            |
| 5. Deferred acquisition costs                                      |              |              |            |
| 6. Policyholder dividends accrual                                  |              |              |            |
| 7. Fixed assets  |              |              |            |
| 8. Compensation and benefits accrual                               |              |              |            |
| 9. Pension accrual   |              |              |            |
| 10. Receivables - nonadmitted                                      | 1,424,191    | 831,614      | 592,577    |
| 11. Net operating loss carry-forward                               |              |              |            |
| 12. Tax credit carry-forward                                       |              |              |            |
| 13. Other (items <=5% and >5% of total ordinary tax assets)        | 191,684      | 191,685      | (1)        |
| Other (items listed individually >5% of total ordinary tax assets) |              |              |            |
| 99. Subtotal   | 1,615,875    | 1,023,299    | 592,576    |
| b. Statutory valuation allowance adjustment                        |              |              |            |
| c. Nonadmitted   |              |              |            |
|  | 3,419        | 3,419        |            |
| d. Admitted ordinary deferred tax assets (2a99-2b-2c)              |              |              |            |
|  | 1,612,456    | 1,019,880    | 592,576    |
| e. Capital:  |              |              |            |
| 1. Investments   | \$           | \$           | \$         |
| 2. Net capital loss carry-forward                                  |              |              |            |
| 3. Real estate   |              |              |            |
| 4. Other (items <=5% and >5% of total capital tax assets)          |              |              |            |
| Other (items listed individually >5% of total capital tax assets)  |              |              |            |
| 99. Subtotal   | \$           | \$           | \$         |
| f. Statutory valuation allowance adjustment                        |              |              |            |
| g. Nonadmitted   |              |              |            |
| h. Admitted capital deferred tax assets (2e99-2f-2g)               |              |              |            |
| i. Admitted deferred tax assets (2d+2h)                            |              |              |            |
|  | \$ 1,612,456 | \$ 1,019,880 | \$ 592,576 |

3. Deferred Tax Liabilities - Not applicable.

|                                      |              |              |            |
|--------------------------------------|--------------|--------------|------------|
| 4. Net Deferred Tax Assets (2i - 3c) | \$ 1,612,456 | \$ 1,019,880 | \$ 592,576 |
|--------------------------------------|--------------|--------------|------------|

D. Reconciliation of Federal Income Tax Rate to Actual Effective Rate Among the more significant book to tax adjustments were the following - Not applicable.

E. Operating Loss Carryforwards and Income Taxes Available for Recoupment - Not applicable.

1. The amounts, origination dates and expiration dates of operating loss and tax credit carry forwards available for tax purposes - Not applicable.

2. The following is income tax expense for current year and proceeding years that is available for recoupment in the event of future net losses - Not applicable.

3. The Company's aggregate amount of deposits admitted under Section 6603 of the Internal Revenue Service Code is - Not applicable.

F. Consolidated Federal Income Tax Return - Not applicable.

1. The Company's federal income tax return is consolidated with the following entities - Not applicable.

2. The manner in which the Board of Directors sets forth for allocating the consolidated federal income tax - Not applicable.

G. Federal or Foreign Federal Income Tax Loss Contingencies - Not applicable.

H. Repatriation Transition Tax Not applicable.(RTT) - RTT owed under the TCJA - Not applicable.

I. Alternative Minimum Tax (AMT Credit) - Not applicable.

**Note 10 – Information Concerning Parent, Subsidiaries, Affiliates and Other Related Parties**

A. Nature of the Relationship Involved - Holdings provides certain management, infrastructure support, consulting, and implementation services in the operations of the Company and other subsidiaries of Holdings.

B. Transactions - For these services, Holdings charges a management fee based on 120% of Holdings monthly operating expenses.

C. Dollar Amounts of Transactions - Holdings charged the Company approximately \$52,865,000 and \$53,552,000 during the years ended December 31, 2018 and 2017, respectively, which is included in general and administrative expenses in the accompanying statutory statements of revenues and expenses.

D. Amounts Due From or To Related Parties - The amounts due to and due from parent company at December 31, 2018 and 2017 are noninterest-bearing.

E. Guarantees or Undertakings - Not applicable.

F. Material Management or Service Contracts and Cost-Sharing Arrangements - Not applicable.

G. Nature of the Control Relationship - Not applicable.

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## NOTES TO FINANCIAL STATEMENTS

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- H. Amount Deducted from the Value of Upstream Intermediate Entity or Ultimate Parent Owned - Not applicable.
- I. Investments in SCA that Exceed 10% of Admitted Assets - Not applicable.
- J. Investments in Impaired SCAs - Not applicable.
- K. Investment in Foreign Insurance Subsidiary - Not applicable.
- L. Investment in Downstream Noninsurance Holding Company - Not applicable.
- M. All SCA Investments - Not applicable.
  - (1) Balance Sheet Value (Admitted and Nonadmitted) All SCAs (Except 8bi Entities) - Not applicable.
  - (2) NAIC Filing Response Information - Not applicable.
- N. Investment in Insurance SCAs - Not applicable.
  - (1) Accounting Practice that Differs from NAIC Statutory Accounting Practices and Procedures - Not applicable.
  - (2) Monetary Effect on Net Income and Surplus - Not applicable.
  - (3) RBC Regulatory Event Because of Prescribed or Permitted Practice - Not applicable.
- O. SCA Loss Tracking - Not applicable.

**Note 11 – Debt** - Not applicable.

- A. Debt Including Capital Notes - Not applicable.
- B. FHLB (Federal Home Loan Bank) Agreements - Not applicable.
  - (1) Nature of the Agreement - Not applicable.
  - (2) FHLB Capital Stock - Not applicable.
    - a. Aggregate Totals - Not applicable.
    - b. Membership Stock (Class A and B) Eligible and Not Eligible for Redemption - Not applicable.
  - (3) Collateral Pledged to FHLB - Not applicable.
    - a. Amount Pledged as of Reporting Date (Current Year) - Not applicable.
    - b. Maximum Amount Pledged During Year - Not applicable.
  - (4) Borrowing from FHLB - Not applicable.
    - a. Amount as of the Reporting Date - Not applicable.
    - b. Maximum Amount During Reporting Period (Current Year) - Not applicable.
    - c. FHLB – Prepayment Obligations - Not applicable.

**Note 12 – Retirement Plans, Deferred Compensation, Postemployment Benefits and Compensated Absences and Other Postretirement Benefit Plans** - Not applicable.

- A. Defined Benefit Plan - Not applicable.
  - (1) Change in Benefit Obligation - Not applicable.
  - (2) Change in Plan Assets - Not applicable.
  - (3) Funded Status - Not applicable.
  - (4) Components of Net Periodic Benefit Cost - Not applicable.
  - (5) Amounts in Unassigned Funds (Surplus) Recognized as Components of Net Periodic Benefit Cost - Not applicable.
  - (6) Amounts in Unassigned Funds (Surplus) Expected to be Recognized in the Next Fiscal Year as Components of Net Periodic Benefit Cost - Not applicable.
  - (7) Amounts in Unassigned Funds (Surplus) that have not yet been Recognized as Components of Net Periodic Benefit Cost - Not applicable.
  - (8) Weighted-Average Assumptions Used to Determine Net Periodic Benefit Cost as of December 31 - Not applicable.
  - (9) Accumulated Benefit Obligation for Defined Benefit Pension Plans - Not applicable.
  - (10) For Postretirement Benefits Other Than Pensions, the Assumed Health Care Cost Trend Rate(s) - Not applicable.

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## NOTES TO FINANCIAL STATEMENTS

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- (11) Assumed health care cost trend rates have a significant effect on the amounts reported for the health care plans. A one-percentage point change in assumed health care cost trend rates would have the following effects - Not applicable.
- (12) The following estimated future payments, which reflect expected future service, as appropriate, are expected to be paid in the year indicated - Not applicable.
- (13) Estimate of Contributions Expected to be Paid to the Plan - Not applicable.
- (14) Amounts and Types of Securities Included in Plan Assets - Not applicable.
- (15) Alternative Method Used to Amortize Prior Service Amounts or Net Gains and Losses - Not applicable.
- (16) Substantive Comment Used to Account for Benefit Obligation - Not applicable.
- (17) Cost of Providing Special or Contractual Termination Benefits Recognized - Not applicable.
- (18) Significant Change in the Benefit Obligation or Plan Assets - Not applicable.
- (19) Amount and Time Plan Assets Expected to be Returned - Not applicable.
- (20) Accumulated Postretirement and Pension Benefit Obligation and Fair Value of Plan Assets for Defined Postretirement and Pension Benefit Plans - Not applicable.
- (21) Full Transition Surplus Impact of SSAP 102 - Not applicable.
- B. Investment Policies and Strategies - Not applicable.
- C. Fair Value of Plan Assets - Not applicable.
  - (1) Fair Value Measurements of Plans Assets at Reporting Date - Not applicable.
  - (2) Valuation Technique(s) and Inputs Used to Measure Fair Value - Not applicable.
- D. Basis Used to Determine Expected Long-Term Rate-of-Return - Not applicable.
- E. Defined Contribution Plans - Not applicable.
- F. Multiemployer Plans - Not applicable.
- G. Consolidated/Holding Company Plans - Not applicable.
- H. Postemployment Benefits and Compensated Absences - Not applicable.
- I. Impact of Medicare Modernization Act on Postretirement Benefits (INT 04-17) - Not applicable.
  - (1) Recognition of the Existence of the Act - Not applicable.
  - (2) Effects of the Subsidy in Measuring the Net Postretirement Benefit Cost - Not applicable.
  - (3) Disclosure of Gross Benefit Payments - Not applicable.

### **Note 13 – Capital and Surplus, Shareholder’s Dividend Restrictions and Quasi-Reorganizations**

- (1) Number of Share and Par or State Value of Each Class - The Company has 400,000 shares authorized and issued. All shares are Class A shares.
- (2) Dividend Rate, Liquidation Value and Redemption Schedule of Preferred Stock Issues - The Company has no preferred stock outstanding.
- (3) Dividend Restrictions - Not applicable.
- (4) Dates and Amounts of Dividends Paid - On April 30, The Company declared ordinary dividends of \$603,000. Ordinary dividends were paid to Parent Company on May 15<sup>th</sup>, 2018. On June 26, 2018, the Commissioner of Insurance approved extraordinary dividends of \$15,000,000. Dividends were paid to Parent Company on June 29, 2018.
- (5) Profits that may be Paid as Ordinary Dividends to Stockholders - Not applicable.
- (6) Restrictions Plans on Unassigned Funds (Surplus) - Not applicable.
- (7) Amount of Advances to Surplus not Repaid - Not applicable.
- (8) Amount of Stock Held for Special Purposes - Not applicable.
- (9) Reasons for Changes in Balance of Special Surplus Funds from Prior Period - Not applicable.
- (10) The Portion of Unassigned Funds (Surplus) Represented or Reduced by Unrealized Gains and Losses is - Not applicable.
- (11) The Reporting Entity Issued the Following Surplus Debentures or Similar Obligations - Not applicable.
- (12) The impact of any restatement due to prior quasi-reorganizations is as follows - Not applicable.
- (13) Effective Date of Quasi-Reorganization for a Period of Ten Years Following Reorganization - Not applicable.

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## NOTES TO FINANCIAL STATEMENTS

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**Note 14 – Liabilities, Contingencies and Assessments** - Not applicable.

- A. Contingent Commitments - Not applicable.
- (1) Total SSAP No. 97, Investments in Subsidiary, Controlled, and Affiliated Entities, A Replacement of SSAP No. 88, and SSAP No. 48, Joint Ventures, Partnerships and Limited Liability Company contingent liabilities - Not applicable.
  - (2) Detail of other contingent commitments - Not applicable.
  - (3) Guarantee Obligations - Not applicable.
- B. Assessments - Not applicable.
- (1) Assessments Where Amount is Known or Unknown - Not applicable.
  - (2) Assessments - Not applicable.
  - (3) Guaranty Fund Liabilities and Assets Related to Assessments from Insolvencies for Long-Term Care Contracts - Not applicable.
    - a. Discount Rate Applied - Not applicable. %
    - b. The undiscounted and discounted amount of the guaranty fund assessments and related assets by insolvency - Not applicable.
    - c. Number of jurisdictions, ranges of years used to discount and weighted average number of years of the discounting time period for payables and recoverables by insolvency - Not applicable.
- C. Gain Contingencies - Not applicable.
- D. Claims Related Extra Contractual Obligation and Bad Faith Losses Stemming from Lawsuits - Total SSAP 97 and SSAP 48 Contingent Liabilities - Not applicable.
- The Company paid the following amounts in the reporting period to settle claims related extra contractual obligations or bad faith claims stemming from lawsuits - Not applicable.
- Number of claims where amounts were paid to settle claims related extra contractual obligations or bad faith claims resulting from lawsuits during the reporting period - Not applicable.
- Indicate whether claim count information is disclosed per claim or per claimant - Not applicable.
- E. Joint and Several Liabilities - Not applicable.
- F. All Other Contingencies - Not applicable.

**Note 15 – Leases** - Not applicable.

- A. Lessee Operating Lease - Not applicable.
- (1) Lessee's Leasing Arrangements - Not applicable.
    - a. Rental Expense - Not applicable.
    - b. Basis on Which Contingent Rental Payments are Determined - Not applicable.
    - c. Existence and Terms of Renewal or Purchase Options and Escalation Clauses - Not applicable.
    - d. Restrictions Imposed by Lease Agreements - Not applicable.
    - e. Identification of Lease Agreements that have been Terminated Early - Not applicable.
  - (2) Leases with Initial or Remaining Noncancelable Lease Terms in Excess of One Year - Not applicable.
    - a. At December 31, 2018 the minimum aggregate rental commitments are as follows - Not applicable.
    - b. Total of Minimum Rentals to be Received in the Future under Noncancelable Subleases - Not applicable.
  - (3) For Sale-Leaseback Transactions - Not applicable.
    - a. Terms of the Sale-Leaseback Transactions - Not applicable.

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## NOTES TO FINANCIAL STATEMENTS

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b. Obligation of Future Minimum Lease Payments and Total of Minimum Sublease Rentals - Not applicable.

B. Lessor Leases - Not applicable.

(1) Operating Leases - Not applicable.

a. Lessor's Leasing Arrangements - Not applicable.

b. Cost and Carrying Amount of Property on Lease or Held for Leasing - Not applicable.

c. Future minimum lease payment receivables under noncancelable leasing arrangements as of December 31 are as follows - Not applicable.

d. Total Contingent Rentals - Not applicable.

(2) Leveraged Leases - Not applicable.

a. Terms Including Pretax Income from Leveraged Leases - Not applicable.

b. Pretax Income, Tax Effect and Investment Tax Credit - Not applicable.

c. The components of the investment in leveraged leases at December 31, 2018 and 2017 were as shown below - Not applicable.

**Note 16 – Information about Financial Instruments with Off-Balance Sheet Risk and Financial Instruments with Concentrations of Credit Risk - Not applicable.**

1. The table below summarizes the face amount of the Company's financial instruments with off-balance sheet risk - Not applicable.

2. Nature and Terms of Off-Balance Sheet Risk - Not applicable.

3. Amount of Loss if any Party to the Financial Instrument Failed - Not applicable.

4. Collateral or Other Security Required to Support Financial Instrument - Not applicable.

**Note 17 – Sale, Transfer and Servicing of Financial Assets and Extinguishments of Liabilities - Not applicable.**

A. Transfers of Receivables Reported as Sales - Not applicable.

(1) Proceeds to the Transferor - Not applicable.

(2) Gain or Loss Record on Sale - Not applicable.

B. Transfer and Servicing of Financial Assets - Not applicable.

(1) Description of any Loaned Securities - Not applicable.

(2) Servicing Assets and Servicing Liabilities - Not applicable.

(3) When Servicing Assets and Liabilities are Measured at Fair Value - Not applicable.

(4) Securitizations, Asset-Based Financing Arrangements and Similar Transfers Accounted for as Sales - Not applicable.

(5) Disclosure Requirements for Transfers of Assets Accounted for as Secured Borrowing - Not applicable.

(6) Transfer of Receivables with Recourse - Not applicable.

(7) Securities Underlying Repurchase and Reverse Repurchase Agreements, Dollar Repurchase and Dollar Reverse Repurchase Agreements - Not applicable.

C. Wash Sales - Not applicable.



## NOTES TO FINANCIAL STATEMENTS

- (1) Description of the Objectives Regarding These Transactions - Not applicable.
- (2) The details by NAIC designation 3 or below, or unrated of securities sold during the year ended December 31, 2018 and reacquired within 30 days of the sale date are - Not applicable.

**Note 18 – Gain or Loss to the Reporting Entity from Uninsured Plans and the Uninsured Portion of Partially Insured Plans - Not applicable.**

A. ASO Plans - Not applicable.

The gain from operations from Administrative Services Only (ASO) uninsured plans and the uninsured portion of partially insured plans was as follows during 2018 - Not applicable.

B. ASC Plans - Not applicable.

The gain from operations from Administrative Services Contract (ASC) uninsured plans and the uninsured portion of partially insured plans was as follows during 2018 - Not applicable.

C. Medicare or Similarly Structured Cost Based Reimbursement Contract - Not applicable.

- (1) Major Components of Revenue by Payor - Not applicable.
- (2) Receivables from Payors with Account Balances the Greater of 10% of Amounts Receivable Relating to Uninsured Accident and Health Plans or \$10,000 - Not applicable.
- (3) Recorded Allowances and Reserves for Adjustment of Recorded Revenues - Not applicable.
- (4) Adjustments to Revenue Resulting from Audit of Receivables Related to Revenues Recorded in the Prior Period - Not applicable.

**Note 19 – Direct Premium Written/Produced by Managing General Agents/Third Party Administrators - Not applicable.**

**Note 20 – Fair Value Measurements**

A. Fair Value Measurements

(1) Fair Value Measurements at Reporting Date

| Description for Each Type of Asset or Liability | Level 1    | Level 2       | Level 3 | Net Asset Value (NAV) | Total         |
|---|------------|---------------|---------|-----------------------|---------------|
| Assets at Fair Value                            |            |               |         |                       |               |
| Cash Equivalents                                | \$ 269,631 | \$ 1,499,909  | \$      | \$                    | \$ 1,769,540  |
| Short-term Investments                          | \$         | \$ 15,496,437 | \$      | \$                    | \$ 15,496,437 |
| Investments                                     | \$         | \$ 52,884,695 | \$      | \$                    | \$ 52,884,695 |
| Restricted certificate of deposit               | \$ 600,000 | \$            | \$      | \$                    | \$ 600,000    |
| Total   | \$ 869,631 | \$ 69,881,041 | \$      | \$                    | \$ 70,750,672 |
| Liabilities at Fair Value                       |            |               |         |                       |               |
|   | \$         | \$            | \$      | \$                    | \$            |
| Total   | \$         | \$            | \$      | \$                    | \$            |

- (2) Fair Value Measurements in (Level 3) of the Fair Value Hierarchy - Not applicable.
- (3) Policies when Transfers Between Levels are Recognized - Not applicable.
- (4) Description of Valuation Techniques and Inputs Used in Fair Value Measurement - Not applicable.
- (5) Fair Value Disclosures - Not applicable.

B. Fair Value Reporting under SSAP 100 and Other Accounting Pronouncements - Not applicable.

**NOTES TO FINANCIAL STATEMENTS**

## C. Fair Value Level

| Type of Financial Instrument   | Aggregate Fair Value | Admitted Assets | (Level 1)  | (Level 2)     | (Level 3) | Net Asset Value (NAV) | Not Practicable (Carrying Value) |
|--|----------------------|-----------------|------------|---------------|-----------|-----------------------|----------------------------------|
| Cash Equivalents   | \$ 1,769,540         | \$ 1,769,534    | \$ 269,631 | \$ 1,499,909  | \$        | \$                    | \$                               |
| Short-term Investments   | \$ 15,496,437        | \$ 15,495,969   | \$         | \$ 15,496,437 | \$        | \$                    | \$                               |
| US Treasury securities and obligations of US government agencies, states and authorities | \$ 22,658,003        | \$ 22,858,592   | \$         | \$ 22,658,003 | \$        | \$                    | \$                               |
| Corporate  | \$ 15,767,445        | \$ 15,909,831   | \$         | \$ 15,767,445 | \$        | \$                    | \$                               |
| Mortgage Backed Securities   | \$ 7,708,084         | \$ 7,893,464    | \$         | \$ 7,708,084  | \$        | \$                    | \$                               |
| Asset Backed Securities  | \$ 4,587,381         | \$ 4,619,746    | \$         | \$ 4,587,381  | \$        | \$                    | \$                               |
| Collateralized Mortgage Backed Securities  | \$ 2,163,782         | \$ 2,167,353    | \$         | \$ 2,163,782  | \$        | \$                    | \$                               |
| Restricted certificate of deposit  | \$ 600,000           | \$ 600,000      | \$ 600,000 | \$            | \$        | \$                    | \$                               |

D. Not Practicable to Estimate Fair Value - Not applicable.

E. NAV Practical Expedient Investments - Not applicable.

**Note 21 – Other Items** - Not applicable.

A. Unusual or Infrequent Items - Not applicable.

B. Troubled Debt Restructuring Debtors - Not applicable.

C. Other Disclosures - Not applicable.

D. Business Interruption Insurance Recoveries - Not applicable.

E. State Transferable and Non-Transferable Tax Credits - Not applicable.

(1) Carrying Value of Transferable and Non-Transferable State Tax Credits Gross of any Related Tax Liabilities and Total Unused Transferable and Non-Transferable State Tax Credits by State and in Total - Not applicable.

(2) Method of Estimating Utilization of Remaining Transferable and Non-Transferable State Tax Credits - Not applicable.

(3) Impairment Loss - Not applicable.

(4) State Tax Credits Admitted and Nonadmitted - Not applicable.

F. Subprime Mortgage Related Risk Exposure - Not applicable.

(1) Description of the Subprime-Mortgage-Related Risk Exposure and Related Risk Management Practices - Not applicable.

(2) Direct Exposure Through Investments in Subprime Mortgage Loans - Not applicable.

(3) Direct Exposure Through Other Investments - Not applicable.

(4) Underwriting Exposure to Subprime Mortgage Risk Through Mortgage Guaranty or Financial Guaranty Insurance Coverage - Not applicable.

G. Retained Assets - Not applicable.

(1) Description of How Accounts are Structured and Reporting - Not applicable.

(2) Retained Assets In Force - Not applicable.

(3) Segregation Between Individual and Group Contracts - Not applicable.

H. Insurance-Linked Securities (ILS) Contracts - Not applicable.

**NOTES TO FINANCIAL STATEMENTS****Note 22 – Events Subsequent**

| A. Did the reporting entity write accident and health insurance premium that is subject to Section 9010 of the Federal Affordable Care Act (YES/NO)? |   | Yes [ X ]      | No [ ]         |
|--|---|----------------|----------------|
|  |   | 2018           | 2017           |
| B.   | ACA fee assessment payable for the upcoming year  | \$             | \$ 11,000,000  |
| C.   | ACA fee assessment paid   | \$ 10,112,432  | \$             |
| D.   | Premium written subject to ACA 9010 assessment  | \$ 570,652,756 | \$ 541,681,621 |
| E.   | Total adjusted capital before surplus adjustment (Five-Year Historical Line 14)                         | \$ 49,647,423  |                |
| F.   | Total adjusted capital after surplus adjustment (Five-Year Historical Line 14 minus 22B above)          | \$ 49,647,423  |                |
| G.   | Authorized control level (Five-Year Historical Line 15)   | \$ 20,165,584  |                |
| H.   | Would reporting the ACA assessment as of December 31, 2018 have triggered an RBC action level (YES/NO)? | Yes [ X ]      | No [ ]         |

Subsequent events have been considered through March 29, 2019, for these statutory financial statements which are to be issued on March 29, 2019. The Company determined that there are no other items to disclose.

**Note 23 – Reinsurance - Not applicable.**

A. Ceded Reinsurance Report - Not applicable.

**Section 1 – General Interrogatories - Not applicable.**

- (1) Are any of the reinsurers listed in Schedule S as non-affiliated, owned in excess of 10% or controlled, either directly or indirectly, by the company or by any representative, officer, trustee, or director of the company? Not applicable.  
If yes, give full details.  
Not applicable.
- (2) Have any policies issued by the company been reinsured with a company chartered in a country other than the United States (excluding U.S. Branches of such companies) that is owned in excess of 10% or controlled directly or indirectly by an insured, a beneficiary, a creditor or any other person not primarily engaged in the insurance business? Not applicable.  
If yes, give full details.  
Not applicable.

**Section 2 – Ceded Reinsurance Report – Part A - Not applicable.**

- (1) Does the company have any reinsurance agreements in effect under which the reinsurer may unilaterally cancel any reinsurance for reasons other than for nonpayment of premium or other similar credits? Not applicable.
  - a. If yes, what is the estimated amount of the aggregate reduction in surplus of a unilateral cancellation by the reinsurer as of the date of this statement, for those agreements in which cancellation results in a net obligation of the reporting entity to the reinsurer, and for which such obligation is not presently accrued? Where necessary, the reporting entity may consider the current or anticipated experience of the business reinsured in making this estimate. Not applicable.
  - b. What is the total amount of reinsurance credits taken, whether as an asset or as a reduction of liability, for these agreements in this statement? Not applicable.
- (2) Does the reporting entity have any reinsurance agreements in effect such that the amount of losses paid or accrued through the statement date may result in a payment to the reinsurer of amounts that, in aggregate and allowing for offset of mutual credits from other reinsurance agreements with the same reinsurer, exceed the total direct premium collected under the reinsured policies? Not applicable.  
If yes, give full details.  
Not applicable.

**Section 3 – Ceded Reinsurance Report – Part B - Not applicable.**

- (1) What is the estimated amount of the aggregate reduction in surplus, (for agreements other than those under which the reinsurer may unilaterally cancel for reasons other than for nonpayment of premium or other similar credits that are reflected in Section 2 above) of termination of ALL reinsurance agreements, by either party, as of the date of this statement? Where necessary, the company may consider the current or anticipated experience of the business reinsured in making this estimate. Not applicable.
- (2) Have any new agreements been executed or existing agreements amended, since January 1 of the year of this statement, to include policies or contracts that were in force or which had existing reserves established by the company as of the effective date of the agreement? Not applicable.  
If yes, what is the amount of reinsurance credits, whether an asset or a reduction of liability, taken for such new agreements or amendments? Not applicable.

B. Uncollectible Reinsurance - Not applicable.

- (1) The Company has written off in the current year reinsurance balances due from the entities listed below, the amount of - Not applicable.

C. Commutation of Ceded Reinsurance - Not applicable.

The Company has reported in its operations in the current year as a result of commutation of reinsurance with the companies listed below, amounts that are reflected as - Not applicable.

D. Certified Reinsurer Rating Downgraded or Status Subject to Revocation - Not applicable.

- (1) Reporting Entity Ceding to Certified Reinsurer Whose Rating was Downgraded or Status Subject to Revocation
  - a. Certified Reinsurers Downgraded or Status Subject to Revocation - Not applicable.
  - b. Impact to the Reporting Entity as a Result of the Assuming Entity's Downgraded or Revocation of Certified Reinsurer Status - Not applicable.
- (2) Reporting Entity's Certified Reinsurer Rating Downgraded or Status Subject to Revocation - Not applicable.

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## NOTES TO FINANCIAL STATEMENTS

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- a. Certified Reinsurer Rating is Downgraded or Status Subject to Revocation - Not applicable.
- b. Impact to the Reporting Entity as a Result of the Certified Reinsurer Rating Downgraded or Revocation of Certified Reinsurer Status - Not applicable.

**Note 24 – Retrospectively Rated Contracts and Contracts Subject to Redetermination** - Not applicable.

- A. Method Used to Estimate Accrued Retrospective Premium Adjustments - Not applicable.
  - B. Retrospective Premiums Recorded Through Written Premium or Adjustment to Earned Premium - Not applicable.
  - C. Amount and Percentage of Net Premiums Written Subject to Retrospective Rating Features - Not applicable.
  - D. Medical Loss Ratio Rebates Required Pursuant to the Public Health Service Act - Not applicable.
  - E. Risk Sharing Provisions of the Affordable Care Act - Not applicable.
- (1) Did the reporting entity write accident and health insurance premium which is subject to the Affordable Care Act risk sharing provisions - Not applicable.
  - (2) Impact of Risk Sharing Provisions of the Affordable Care Act on admitted assets, liabilities and revenue for the current year - Not applicable.
  - (3) Roll forward of prior year ACA Risk Sharing Provisions for the following asset (gross of any nonadmission) and liability balances along with the reasons for adjustments to prior year balance - Not applicable.
  - (4) Roll-Forward of Risk Corridors Asset and Liability Balances by Program Benefit Year - Not applicable.
  - (5) ACA Risk Corridors Receivable as of Reporting Date - Not applicable.

**Note 25 – Change in Incurred Losses and Loss Adjustment Expenses**

- A. Change in Incurred Losses and Loss Adjustment Expenses  

Reserves as of December 31, 2018 were \$78.3 million. As of December 31, 2018, \$79.2 million has been paid for incurred claims attributable to insured events of prior years. Reserves remaining for prior years are now \$10.3 million. Therefore, there has been a \$3.0 million favorable prior year development during the year ended December 31, 2018. The favorable prior year development is attributed to lower than expected cost per service and utilization trends.
- B. Information about Significant Changes in Methodologies and Assumptions

**Note 26 – Intercompany Pooling Arrangements** - Not applicable.

- A. Identification of the Lead Entity and all Affiliated Entities Participating in the Intercompany Pool - Not applicable.
- B. Description of Lines and Types of Business Subject to the Pooling Agreement - Not applicable.
- C. Description of Cessions to Non-Affiliated Reinsurance Subject to Pooling Agreement - Not applicable.
- D. Identification of all Pool Members that are Parties to Reinsurance Agreements with Non-Affiliated Reinsurers - Not applicable.
- E. Explanation of Discrepancies Between Entries of Pooled Business - Not applicable.
- F. Description of Intercompany Sharing - Not applicable.
- G. Amounts Due To/From Lead Entity and all Affiliated Entities Participating in the Intercompany Pool - Not applicable.

**Note 27 – Structured Settlements** - Not applicable.

**Note 28 – Health Care Receivables** - Not applicable.

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## NOTES TO FINANCIAL STATEMENTS

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A. Pharmaceutical Rebate Receivables - Not applicable.

B. Risk Sharing Receivables - Not applicable.

**Note 29 – Participating Policies** - Not applicable.

**Note 30 – Premium Deficiency Reserves** - Not applicable.

1. Liability carried for premium deficiency reserve - Not applicable.

2. Date of most recent evaluation of this liability - Not applicable.

3. Was anticipated investment income utilized in the calculation? - Not applicable.

**Note 31 – Anticipated Salvage and Subrogation** - Not applicable.

# GENERAL INTERROGATORIES

## PART 1 - COMMON INTERROGATORIES

### GENERAL

- 1.1 Is the reporting entity a member of an Insurance Holding Company System consisting of two or more affiliated persons, one or more of which is an insurer? Yes  No   
 If yes, complete Schedule Y, Parts 1, 1A and 2.
- 1.2 If yes, did the reporting entity register and file with its domiciliary State Insurance Commissioner, Director or Superintendent or with such regulatory official of the state of domicile of the principal insurer in the Holding Company System, a registration statement providing disclosure substantially similar to the standards adopted by the National Association of Insurance Commissioners (NAIC) in its Model Insurance Holding Company System Regulatory Act and model regulations pertaining thereto, or is the reporting entity subject to standards and disclosure requirements substantially similar to those required by such Act and regulations? Yes  No  N/A
- 1.3 State regulating? Puerto Rico
- 1.4 Is the reporting entity publicly traded or a member of publicly traded group? Yes  No
- 1.5 If the response to 1.4 is yes, provide the CIK (Central Index Key) code issued by the SEC for the entity/group. \_\_\_\_\_
- 2.1 Has any change been made during the year of this statement in the charter, by-laws, articles of incorporation, or deed of settlement of the reporting entity? Yes  No
- 2.2 If yes, date of change: \_\_\_\_\_
- 3.1 State as of what date the latest financial examination of the reporting entity was made or is being made. \_\_\_\_\_
- 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. \_\_\_\_\_
- 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). \_\_\_\_\_
- 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
- 3.6 Have all of the recommendations within the latest financial examination report been complied with? Yes  No  N/A
- 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
- 4.12 renewals? Yes  No
- 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
- 4.22 renewals? Yes  No
- 5.1 Has the reporting entity been a party to a merger or consolidation during the period covered by this statement? Yes  No   
 If the answer is YES, complete and file the merger history data file with the NAIC.
- 5.2 If yes, provide the name of 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<br>Name of Entity | 2<br>NAIC<br>Company<br>Code | 3<br>State of<br>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
- 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
- 7.2 If yes,
- 7.21 State the percentage of foreign control \_\_\_\_\_ %
- 7.22 State the nationality(s) of the foreign person(s) or entity(s); or if the entity is a mutual or reciprocal, the nationality of its manager or attorney-in-fact and identify the type of entity(s) (e.g., individual, corporation, government, manager or attorney-in-fact).
- | 1<br>Nationality | 2<br>Type of Entity |
|------------------|---------------------|
|                  |                     |
- 8.1 Is the company a subsidiary of a bank holding company regulated with the Federal Reserve Board? Yes  No
- 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
- 8.4 If the response to 8.3 is yes, please provide below 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<br>Affiliate Name | 2<br>Location (City, State) | 3<br>FRB | 4<br>OCC | 5<br>FDIC | 6<br>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 250 Muñoz Rivera Ave. Suite 100 San Juan PR 0091
- 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
- 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 other requirements of the Annual Financial Reporting Model Regulation as allowed for in Section 18A of the Model Regulation, or substantially similar state law or regulation? Yes  No
- 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  No  N/A

# GENERAL INTERROGATORIES

## PART 1 - COMMON INTERROGATORIES

- 10.6 If the response to 10.5 is no or n/a, please explain:
11. What is the name, address and affiliation (officer/employee of the reporting entity or actuary/consultant associated with an actuarial consulting firm) of the individual providing the statement of actuarial opinion/certification?  
Timothy Dickson Innovacare HealthFort Lee NJ
- 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 0
- 12.13 Total book/adjusted carrying value \$ 0
- 12.2 If yes, provide explanation
13. **FOR UNITED STATES BRANCHES OF ALIEN REPORTING ENTITIES ONLY:**
- 13.1 What changes have been made during the year in the United States manager or the United States trustees of the reporting entity?
- 13.2 Does this statement contain all business transacted for the reporting entity through its United States Branch on risks wherever located? Yes [ ] No [ X ]
- 13.3 Have there been any changes made to any of the trust indentures during the year? Yes [ ] No [ X ]
- 13.4 If answer to (13.3) is yes, has the domiciliary or entry state approved the changes? Yes [ ] No [ ] N/A [ X ]
- 14.1 Are the senior officers (principal executive officer, principal financial officer, principal accounting officer or controller, or persons performing similar functions) of the reporting entity subject to a code of ethics, which includes the following standards? 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<br>American Bankers Association (ABA)<br>Routing Number | 2<br>Issuing or Confirming Bank Name | 3<br>Circumstances That Can Trigger<br>the Letter of Credit | 4<br>Amount |
|---|--------------------------------------|---|-------------|
|   |                                      |   | \$          |

### BOARD OF DIRECTORS

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

### FINANCIAL

19. Has this statement been prepared using a basis of accounting other than Statutory Accounting Principles (e.g., Generally Accepted Accounting Principles)? Yes [ ] No [ X ]
- 20.1 Total amount loaned during the year (inclusive of Separate Accounts, exclusive of policy loans):
- 20.11 To directors or other officers \$ 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 \$ 0
- 21.22 Borrowed from others \$ 0
- 21.23 Leased from others \$ 0
- 21.24 Other \$ 0
- 22.1 Does this statement include payments for assessments as described in the *Annual Statement Instructions* other than guaranty fund or guaranty association assessments? Yes [ ] No [ X ]
- 22.2 If answer is yes:
- 22.21 Amount paid as losses or risk adjustment \$ 0
- 22.22 Amount paid as expenses \$ 0
- 22.23 Other amounts paid \$ 0
- 23.1 Does the reporting entity report any amounts due from parent, subsidiaries or affiliates on Page 2 of this statement? Yes [ ] No [ X ]
- 23.2 If yes, indicate any amounts receivable from parent included in the Page 2 amount: \$ 0

# GENERAL INTERROGATORIES

## 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  No

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

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

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

24.05 If answer to 24.04 is yes, report amount of collateral for conforming programs. \$ 0

24.06 If answer to 24.04 is no, report amount of collateral for other programs \$ 0

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

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

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

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

24.101 Total fair value of reinvested collateral assets reported on Schedule DL, Parts 1 and 2: \$ 0

24.102 Total book adjusted/carrying value of reinvested collateral assets reported on Schedule DL, Parts 1 and 2: \$ 0

24.103 Total payable for securities lending reported on the liability page: \$ 0

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

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

25.21 Subject to repurchase agreements \$ 0

25.22 Subject to reverse repurchase agreements \$ 0

25.23 Subject to dollar repurchase agreements \$ 0

25.24 Subject to reverse dollar repurchase agreements \$ 0

25.25 Placed under option agreements \$ 0

25.26 Letter stock or securities restricted as sale – excluding FHLB Capital Stock \$ 0

25.27 FHLB Capital Stock \$ 0

25.28 On deposit with states \$ 0

25.29 On deposit with other regulatory bodies \$ 600,000

25.30 Pledged as collateral – excluding collateral pledged to an FHLB \$ 0

25.31 Pledged as collateral to FHLB – including assets backing funding agreements \$ 0

25.32 Other \$ 0

25.3 For category (25.26) provide the following:

| 1<br>Nature of Restriction | 2<br>Description | 3<br>Amount |
|----------------------------|------------------|-------------|
|                            |                  | \$          |

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

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

27.2 If yes, state the amount thereof at December 31 of the current year: \$ 0

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

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

| 1<br>Name of Custodian(s) | 2<br>Custodian's Address                     |
|---------------------------|--|
| Conning                   | One Financial Plaza, Hartford, CT 06103, USA |

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<br>Name(s) | 2<br>Location(s) | 3<br>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

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

| 1<br>Old Custodian | 2<br>New Custodian | 3<br>Date of Change | 4<br>Reason |
|--------------------|--------------------|---------------------|-------------|
|                    |                    |                     |             |

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

| 1<br>Name of Firm or Individual | 2<br>Affiliation |
|---------------------------------|------------------|
|                                 |                  |



# GENERAL INTERROGATORIES

## PART 1 - COMMON INTERROGATORIES

28.0597 For those firms/individuals listed in the table for Question 28.05, do any firms/individuals unaffiliated with the reporting entity (i.e. designated with a "U") manage more than 10% of the reporting entity's assets? Yes [ ] No [ ]

28.0598 For firms/individuals unaffiliated with the reporting entity (i.e. designated with a "U") listed in the table for Question 28.05, does the total assets under management aggregate to more than 50% of the reporting entity's assets? Yes [ ] No [ ]

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

| 1                                      | 2                          | 3                             | 4               | 5   |
|--|----------------------------|-------------------------------|-----------------|---|
| Central Registration Depository Number | Name of Firm or Individual | Legal Entity Identifier (LEI) | Registered With | Investment Management Agreement (IMA) Filed |
|  |                            |                               |                 |   |

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<br>CUSIP    | 2<br>Name of Mutual Fund | 3<br>Book/Adjusted Carrying Value |
|---------------|--------------------------|-----------------------------------|
|               |                          | \$                                |
| 29.2999 TOTAL |                          | \$                                |

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

| 1<br>Name of Mutual Fund (from above table) | 2<br>Name of Significant Holding of the Mutual Fund | 3<br>Amount of Mutual Fund's Book/Adjusted Carrying Value Attributable to the Holding | 4<br>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<br>Statement (Admitted) Value | 2<br>Fair Value | 3<br>Excess of Statement over Fair Value (-), or Fair Value over Statement (+) |
|------|------------------|---------------------------------|-----------------|--|
| 30.1 | Bonds            | \$ 70,444,858                   | \$ 69,881,038   | \$ (563,820)   |
| 30.2 | Preferred Stocks | \$ 0                            | \$ 0            | \$ 0   |
| 30.3 | Totals           | \$ 70,444,858                   | \$ 69,881,038   | \$ (563,820)   |

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

SVO

31.1 Was the rate used to calculate fair value determined by a broker or custodian for any of the securities in Schedule D? Yes [ X ] No [ ]

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

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

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

32.2 If no, list exceptions:

33. By self-designating 5GI securities, the reporting entity is certifying the following elements for each self-designation 5GI security:

- Documentation necessary to permit a full credit analysis of the security does not exist or an NAIC CRP credit rating for an FE or PL security is not available.
- Issuer or obligor is current on all contracted interest and principal payments.
- The insurer has an actual expectation of ultimate payment of all contracted interest and principal.

Has the reporting entity self-designated 5GI securities? Yes [ ] No [ X ]

34. By self-designating PLGI securities, the reporting entity is certifying the following elements of each self-designated PLGI security:

- The security was purchased prior to January 1, 2018.
- The reporting entity is holding capital commensurate with the NAIC Designation reported for the security.
- The NAIC Designation was derived from the credit rating assigned by an NAIC CRP in its legal capacity as an NRSRO which is shown on a current private letter rating held by the insurer and available for examination by state insurance regulators.
- The reporting entity is not permitted to share this credit rating of the PL security with the SVO.

Has the reporting entity self-designated PLGI securities? Yes [ ] No [ X ]

### OTHER

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

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

| 1<br>Name | 2<br>Amount Paid |
|-----------|------------------|
|           | \$               |

36.1 Amount of payments for legal expenses, if any? \$ 447,868

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

| 1<br>Name | 2<br>Amount Paid |
|-----------|------------------|
|           | \$               |

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

## GENERAL INTERROGATORIES

### PART 1 - COMMON INTERROGATORIES

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

| 1<br>Name | 2<br>Amount Paid |
|-----------|------------------|
|           | \$               |

# 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.   | \$                | 0                |
| 1.3  | What portion of Item (1.2) is not reported on the Medicare Supplement Insurance Experience Exhibit?  | \$                | 0                |
| 1.31 | Reason for excluding:  |                   |                  |
| 1.4  | Indicate amount of earned premium attributable to Canadian and/or Other Alien not included in Item (1.2) above.  | \$                | 0                |
| 1.5  | Indicate total incurred claims on all Medicare Supplement insurance.   | \$                | 0                |
| 1.6  | Individual policies:   |                   |                  |
|      | Most current three years:  |                   |                  |
| 1.61 | Total premium earned   | \$                | 0                |
| 1.62 | Total incurred claims  | \$                | 0                |
| 1.63 | Number of covered lives  |                   | 0                |
|      | All years prior to most current three years:   |                   |                  |
| 1.64 | Total premium earned   | \$                | 0                |
| 1.65 | Total incurred claims  | \$                | 0                |
| 1.66 | Number of covered lives  |                   | 0                |
| 1.7  | Group policies:  |                   |                  |
|      | Most current three years:  |                   |                  |
| 1.71 | Total premium earned   | \$                | 0                |
| 1.72 | Total incurred claims  | \$                | 0                |
| 1.73 | Number of covered lives  |                   | 0                |
|      | All years prior to most current three years:   |                   |                  |
| 1.74 | Total premium earned   | \$                | 0                |
| 1.75 | Total incurred claims  | \$                | 0                |
| 1.76 | Number of covered lives  |                   | 0                |
| 2.   | Health Test:   |                   |                  |
|      |  | 1<br>Current Year | 2<br>Prior Year  |
| 2.1  | Premium Numerator  | \$ 570,652,756    | \$ 541,681,621   |
| 2.2  | Premium Denominator  | \$ 570,652,756    | \$ 541,681,621   |
| 2.3  | Premium Ratio (2.1/2.2)  | 100.0%            | 100.0%           |
| 2.4  | Reserve Numerator  | \$ 78,341,191     | \$ 94,467,352    |
| 2.5  | Reserve Denominator  | \$ 78,341,191     | \$ 94,467,352    |
| 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, as 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: |                   |                  |

**GENERAL INTERROGATORIES**

**PART 2 – HEALTH INTERROGATORIES**

- 7.1 Does the reporting entity set up its claim liability for provider services on a service date basis? Yes  No
- 7.2 If no, give details
8. Provide the following information regarding participating providers:
- 8.1 Number of providers at start of reporting year 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
- 9.2 If yes, direct premium earned:
- 9.21 Business with rate guarantees with rate guarantees between 15-36 months \$ 0
- 9.22 Business with rate guarantees over 36 months \$ 0
- 10.1 Does the reporting entity have Incentive Pool, Withhold or Bonus Arrangements in its provider contracts? Yes  No
- 10.2 If yes:
- 10.21 Maximum amount payable bonuses 16,643,392
- 10.22 Amount actually paid for year bonuses 35,372,377
- 10.23 Maximum amount payable withholds 0
- 10.24 Amount actually paid for year withholds 0
- 11.1 Is the reporting entity organized as:
- 11.12 A Medical Group/Staff Model, Yes  No
- 11.13 An Individual Practice Association (IPA), or, Yes  No
- 11.14 A Mixed Model (combination of above)? Yes  No
- 11.2 Is the reporting entity subject to Statutory Minimum Capital and Surplus Requirements? Yes  No
- 11.3 If yes, show the name of the state requiring such minimum capital and surplus.  
Puerto Rico
- 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
- 11.6 If the amount is calculated, show the calculation
12. List service areas in which reporting entity is licensed to operate:
- | 1<br>Name of Service Area |
|---------------------------|
|                           |
- 13.1 Do you act as a custodian for health savings accounts? Yes  No
- 13.2 If yes, please provide the amount of custodial funds held as of the reporting date. \$ 0
- 13.3 Do you act as an administrator for health savings accounts? Yes  No
- 13.4 If yes, please provide the balance of the funds administered as of the reporting date. \$ 0
- 14.1 Are any of the captive affiliates reported on Schedule S, Part 3, authorized reinsurers? Yes  No  N/A
- 14.2 If the answer to 14.1 is yes, please provide the following:
- | 1<br>Company Name | 2<br>NAIC Company Code | 3<br>Domiciliary Jurisdiction | 4<br>Reserve Credit | Assets Supporting Reserve Credit |                       |            |
|-------------------|------------------------|-------------------------------|---------------------|----------------------------------|-----------------------|------------|
|                   |                        |                               |                     | 5<br>Letters of Credit           | 6<br>Trust Agreements | 7<br>Other |
|                   | 0                      |                               | \$                  | \$                               | \$                    | \$         |
15. Provide the following for individual ordinary life insurance\* policies (U.S. business only) for the current year (prior to reinsurance assumed or ceded).
- 15.1 Direct Premium Written \$ 0
- 15.2 Total Incurred Claims \$ 0
- 15.3 Number of Covered Lives 0
- | *Ordinary Life Insurance Includes   |
|---|
| Term (whether full underwriting, limited underwriting, jet issue, "short form app")       |
| Whole Life (whether full underwriting, limited underwriting, jet issue, "short form app") |
| Variable Life (with or without secondary guarantee)                                       |
| Universal Life (with or without secondary guarantee)                                      |
| Variable Universal Life (with or without secondary guarantee)                             |
16. Is the reporting entity licensed or chartered, registered, qualified, eligible or writing business in at least two states? Yes  No
- 16.1 If no, does the reporting entity assume reinsurance business that covers risks residing in at least one state other than the state of domicile of the reporting entity? Yes  No

**FIVE-YEAR HISTORICAL DATA**

|  | 1<br>2018   | 2<br>2017   | 3<br>2016    | 4<br>2015   | 5<br>2014 |
|--|-------------|-------------|--------------|-------------|-----------|
| <b>Balance Sheet Items (Pages 2 and 3)</b>   |             |             |              |             |           |
| 1. Total admitted assets (Page 2, Line 28).....  | 140,178,279 | 171,677,929 | 63,500,491   | 67,467,380  | 645,582   |
| 2. Total liabilities (Page 3, Line 24).....  | 90,530,856  | 115,906,334 | 44,714,663   | 51,873,240  | 600,000   |
| 3. Statutory minimum capital and surplus requirement.....  |             | 37,889,329  | 17,640,538   |             |           |
| 4. Total capital and surplus (Page 3, Line 33).....  | 49,647,423  | 55,771,595  | 18,785,828   | 15,594,140  | 45,582    |
| <b>Income Statement Items (Page 4)</b>   |             |             |              |             |           |
| 5. Total revenues (Line 8).....  | 570,652,756 | 541,681,621 | 249,582,009  | 193,401,014 |           |
| 6. Total medical and hospital expenses (Line 18).....  | 500,094,212 | 485,463,209 | 224,937,623  | 173,570,100 |           |
| 7. Claims adjustment expenses (Line 20).....   |             |             |              |             |           |
| 8. Total administrative expenses (Line 21).....  | 52,864,872  | 53,552,303  | 26,987,340   | 22,734,585  | 16,048    |
| 9. Net underwriting gain (loss) (Line 24).....   | 17,693,672  | 2,666,109   | (2,342,954)  | (2,903,671) | (16,048)  |
| 10. Net investment gain (loss) (Line 27).....  | 1,787,009   | 1,793,133   | 1,016,896    | 650,540     |           |
| 11. Total other income (Lines 28 plus 29).....   |             |             |              |             |           |
| 12. Net income or (loss) (Line 32).....  | 11,958,156  | 4,186,153   | (1,326,058)  | (2,253,131) | (16,048)  |
| <b>Cash Flow (Page 6)</b>  |             |             |              |             |           |
| 13. Net cash from operations (Line 11).....  | 5,712,850   | (1,264,705) | (10,567,204) | 52,083,039  |           |
| <b>Risk-Based Capital Analysis</b>   |             |             |              |             |           |
| 14. Total adjusted capital.....  | 49,647,423  | 55,771,595  | 18,785,828   | 15,594,140  | 45,582    |
| 15. Authorized control level risk-based capital.....   | 20,165,584  | 18,944,665  | 8,820,269    | 6,601,057   | 18,043    |
| <b>Enrollment (Exhibit 1)</b>  |             |             |              |             |           |
| 16. Total members at end of period (Column 5, Line 7).....   | 276,428     | 257,562     | 125,674      | 129,770     |           |
| 17. Total member months (Column 6, Line 7).....  | 3,204,313   | 3,188,390   | 1,518,308    | 1,198,249   |           |
| <b>Operating Percentage (Page 4)</b><br><b>(Item divided by Page 4, sum of Lines 2, 3, and 5) x 100.0</b>  |             |             |              |             |           |
| 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).....                           | 87.6        | 89.6        | 90.1         | 89.7        |           |
| 20. Cost containment expenses.....   |             |             |              |             |           |
| 21. Other claims adjustment expenses.....  |             |             |              |             |           |
| 22. Total underwriting deductions (Line 23).....   | 96.9        | 99.5        | 100.9        | 101.5       |           |
| 23. Total underwriting gain (loss) (Line 24).....  | 3.1         | 0.5         | (0.9)        | (1.5)       |           |
| <b>Unpaid Claims Analysis (U&amp;I Exhibit, Part 2B)</b>   |             |             |              |             |           |
| 24. Total claims incurred for prior years (Line 13, Col. 5).....   | 89,588,081  | 84,342,147  | 40,684,591   |             |           |
| 25. Estimated liability of unpaid claims - [prior year (Line 13, Col. 6)].....                             | 94,467,352  | 42,051,428  | 45,573,479   |             |           |
| <b>Investments in Parent, Subsidiaries and Affiliates</b>  |             |             |              |             |           |
| 26. Affiliated bonds (Sch. D Summary, Line 12, Col. 1).....  |             |             |              |             |           |
| 27. Affiliated preferred stocks (Sch D. Summary, Line 18, Col. 1).....                                     |             |             |              |             |           |
| 28. Affiliated common stocks (Sch D. Summary, Line 24, Col. 1).....  |             |             |              |             |           |
| 29. Affiliated short-term investments (subtotal included in Sch. DA, Verification, 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:

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**SCHEDULE T - PREMIUMS AND OTHER CONSIDERATIONS**

Allocated by States and Territories

| State, Etc.  | 1<br>Active Status (a) | Direct Business Only            |                           |                         |  |   |                                 |                                | 9<br>Deposit-Type Contracts |   |
|--|------------------------|---------------------------------|---------------------------|-------------------------|--|---|---------------------------------|--------------------------------|-----------------------------|---|
|  |                        | 2<br>Accident & Health Premiums | 3<br>Medicare Title XVIII | 4<br>Medicaid Title XIX | 5<br>Federal Employees Health Benefits Plan Premiums | 6<br>Life & Annuity Premiums and Other Considerations | 7<br>Property/Casualty Premiums | 8<br>Total Columns 2 Through 7 |                             |   |
| 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                    |                                 |                           | 570,652,756             |  |   |                                 |                                | 570,652,756                 |   |
| 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                           | 0 |
| 59. Subtotal.....  | ..XXX                  | 0                               | 0                         | 570,652,756             | 0  | 0   | 0                               | 0                              | 570,652,756                 | 0 |
| 60. Reporting entity contributions for Employee Benefit Plans..... | ..XXX                  |                                 |                           |                         |  |   |                                 |                                | 0                           |   |
| 61. Total (Direct Business).....                                   | ..XXX                  | 0                               | 0                         | 570,652,756             | 0  | 0   | 0                               | 0                              | 570,652,756                 | 0 |

**DETAILS OF WRITE-INS**

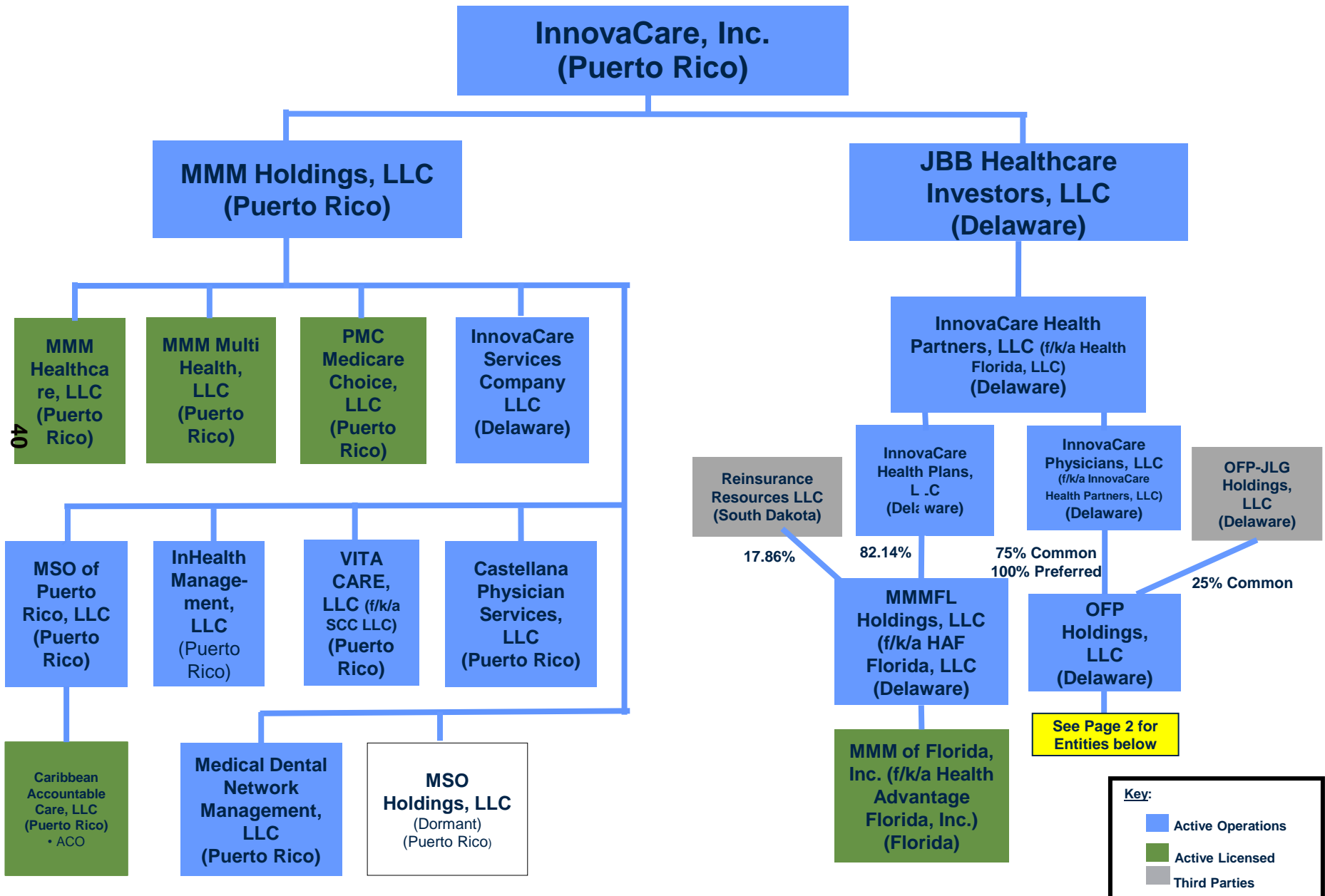
|  |  |   |   |   |   |   |   |   |   |   |
|--|--|---|---|---|---|---|---|---|---|---|
| 58001.....   |  |   |   |   |   |   |   |   | 0 |   |
| 58002.....   |  |   |   |   |   |   |   |   | 0 |   |
| 58003.....   |  |   |   |   |   |   |   |   | 0 |   |
| 58998. Summary of remaining write-ins for line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

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

(a) Active Status Counts:

L - Licensed or Chartered - Licensed insurance carrier or domiciled RRG..... 1  
 E - Eligible - Reporting entities eligible or approved to write surplus lines in the state..... 0

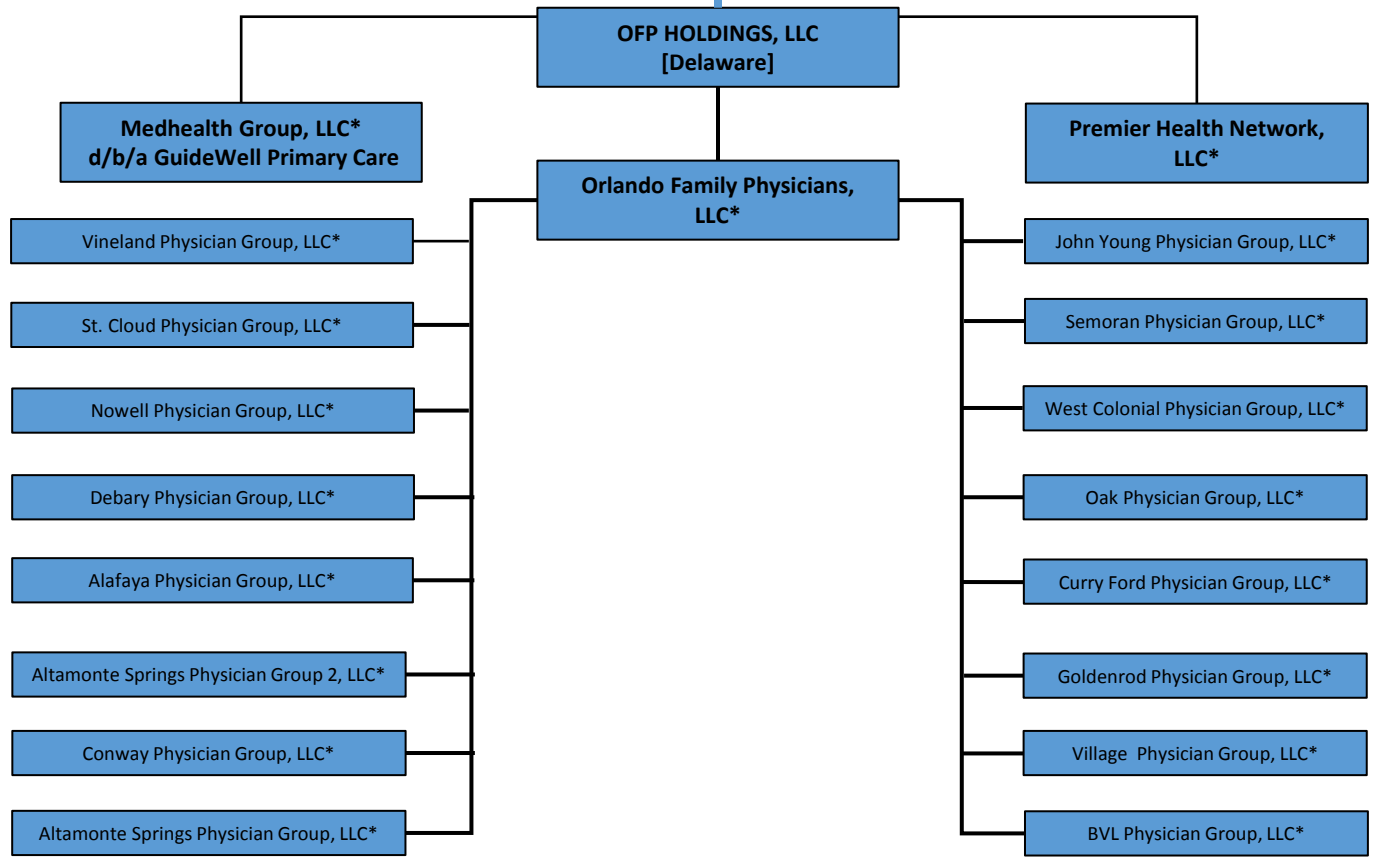
R - Registered - Non-domiciled RRGs..... 0  
 Q - Qualified - Qualified or accredited reinsurer..... 0  
 N - None of the above - Not allowed to write business in the state..... 56



**Key:**

- Active Operations
- Active Licensed
- Third Parties

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\* Florida Entity



**2018 ALPHABETICAL INDEX  
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