



# ANNUAL STATEMENT

For the Year Ended December 31, 2012  
of the Condition and Affairs of the

## FLORIDA HEALTH CARE PLAN, INC.

NAIC Group Code.....536, 536 (Current Period) (Prior Period) NAIC Company Code..... 13567 Employer's ID Number..... 26-3238817

Organized under the Laws of Florida State of Domicile or Port of Entry Florida Country of Domicile

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

Incorporated/Organized..... August 7, 2008 Commenced Business..... January 1, 2009

Statutory Home Office 1340 Ridgewood Avenue..... Holly Hill ..... FL ..... 32117  
(Street and Number) (City or Town, State and Zip Code)

Main Administrative Office 1340 Ridgewood Avenue..... Holly Hill ..... FL ..... 32117 386-676-7100  
(Street and Number) (City or Town, State and Zip Code) (Area Code) (Telephone Number)

Mail Address 1340 Ridgewood Avenue..... Holly Hill ..... FL ..... 32117  
(Street and Number or P. O. Box) (City or Town, State and Zip Code)

Primary Location of Books and Records 1340 Ridgewood Avenue..... Holly Hill ..... FL ..... 32117 386-676-7182  
(Street and Number) (City or Town, State and Zip Code) (Area Code) (Telephone Number)

Internet Web Site Address www.fhcp.com

Statutory Statement Contact L. Melanie Ruel 386-676-7182  
(Name) (Area Code) (Telephone Number) (Extension)  
mruel@fhcp.com 386-615-4064  
(E-Mail Address) (Fax Number)

### OFFICERS

Name	Title	Name	Title
1. Wendy Ann Myers M.D.	President/Chief Executive Officer	2. David Carl Schandel	Chief Financial Officer/Assoc. CEO
3. Pamela J Thomas Esq	Assistant Secretary	4. Arezou C Jolly Esq	Secretary

### OTHER

### DIRECTORS OR TRUSTEES

Joyce A Kramzer	R Chris Doerr	Jon Urbanek	Deanna M McDonald
David Carl Schandel	Wendy Ann Myers	William Andrew Coats	

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

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

_____ (Signature) Wendy Ann Myers M.D.	_____ (Signature) David Carl Schandel	_____ (Signature) Pamela J Thomas Esq
1. (Printed Name) President/Chief Executive Officer	2. (Printed Name) Chief Financial Officer/Assoc. CEO	3. (Printed Name) Assistant Secretary
_____ (Title)	_____ (Title)	_____ (Title)

Subscribed and sworn to before me  
This 28 day of March 2013

a. Is this an original filing? Yes [ X ] No [ ]

b. If no

1. State the amendment number	_____
2. Date filed	_____
3. Number of pages attached	_____

**ASSETS**

	Current Year			Prior Year
	1 Assets	2 Nonadmitted Assets	3 Net Admitted Assets (Cols. 1 - 2)	4 Net Admitted Assets
1. Bonds (Schedule D).....	59,997,620		59,997,620	45,707,570
2. Stocks (Schedule D):				
2.1 Preferred stocks.....			0	
2.2 Common stocks.....	3,750	3,750	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).....	7,509,136		7,509,136	7,917,705
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 (\$.....7,370,512, Schedule E-Part 1), cash equivalents (\$.....0, Schedule E-Part 2) and short-term investments (\$.....11,109,796, Schedule DA).....	18,480,308		18,480,308	34,557,316
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).....	85,990,813	3,750	85,987,063	88,182,591
13. Title plants less \$.....0 charged off (for Title insurers only).....			0	
14. Investment income due and accrued.....	87,094		87,094	5,294
15. Premiums and considerations:				
15.1 Uncollected premiums and agents' balances in the course of collection.....	1,296,448	94,207	1,202,240	1,582,085
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.....	2,406,803		2,406,803	1,039,000
16. Reinsurance:				
16.1 Amounts recoverable from reinsurers.....	1,080,367		1,080,367	26,396
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.....	403,173		403,173	266,128
18.1 Current federal and foreign income tax recoverable and interest thereon.....			0	513,501
18.2 Net deferred tax asset.....	16,090,816	11,688,657	4,402,159	2,372,459
19. Guaranty funds receivable or on deposit.....			0	
20. Electronic data processing equipment and software.....	6,413,003	4,656,145	1,756,858	1,632,546
21. Furniture and equipment, including health care delivery assets (\$....3,030,568).....	6,386,588	3,356,020	3,030,568	2,825,971
22. Net adjustment in assets and liabilities due to foreign exchange rates.....			0	
23. Receivables from parent, subsidiaries and affiliates.....	586,699	586,699	0	
24. Health care (\$....903,350) and other amounts receivable.....	1,213,726	310,376	903,350	691,504
25. Aggregate write-ins for other than invested assets.....	628,855	628,855	0	0
26. Total assets excluding Separate Accounts, Segregated Accounts and Protected Cell Accounts (Lines 12 to 25).....	122,584,385	21,324,709	101,259,676	99,137,477
27. From Separate Accounts, Segregated Accounts and Protected Cell Accounts.....			0	
28. TOTALS (Lines 26 and 27).....	122,584,385	21,324,709	101,259,676	99,137,477

**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 thru 1103 plus 1198) (Line 11 above).....	0	0	0	0
2501. Prepaid Expenses.....	393,758	393,758	0	
2502. Deposits and Other Assets.....	235,097	235,097	0	
2503.....			0	
2598. Summary of remaining write-ins for Line 25 from overflow page.....	0	0	0	0
2599. Totals (Lines 2501 thru 2503 plus 2598) (Line 25 above).....	628,855	628,855	0	0

**LIABILITIES, CAPITAL AND SURPLUS**

	Current Period			Prior Year
	1 Covered	2 Uncovered	3 Total	4 Total
1. Claims unpaid (less \$.....0 reinsurance ceded).....	24,363,008		24,363,008	24,532,332
2. Accrued medical incentive pool and bonus amounts.....			0	
3. Unpaid claims adjustment expenses.....	750,000		750,000	750,000
4. Aggregate health policy reserves, including the liability of \$.....0 for medical loss ratio rebate per the Public Health Service Act.....	544,550		544,550	2,040,625
5. Aggregate life policy reserves.....			0	
6. Property/casualty unearned premium reserve.....			0	
7. Aggregate health claim reserves.....			0	
8. Premiums received in advance.....	546,909		546,909	389,481
9. General expenses due or accrued.....	3,357,908		3,357,908	3,526,276
10.1 Current federal and foreign income tax payable and interest thereon (including \$.....0 on realized capital gains (losses)).....	1,547,174		1,547,174	
10.2 Net deferred tax liability.....			0	
11. Ceded reinsurance premiums payable.....			0	
12. Amounts withheld or retained for the account of others.....	393,947		393,947	902,649
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.....			0	
16. Derivatives.....			0	
17. Payable for securities.....			0	
18. Payable for securities lending.....			0	
19. Funds held under reinsurance treaties with (\$.....0 authorized reinsurers, \$.....0 unauthorized and \$.....0 certified reinsurers).....			0	
20. Reinsurance in unauthorized and certified (\$.....0) companies.....			0	
21. Net adjustments in assets and liabilities due to foreign exchange rates.....			0	
22. Liability for amounts held under uninsured plans.....	280,744		280,744	672,899
23. Aggregate write-ins for other liabilities (including \$.....0 current).....	36,723	0	36,723	2,599
24. Total liabilities (Lines 1 to 23).....	31,820,963	0	31,820,963	32,816,861
25. Aggregate write-ins for special surplus funds.....	XXX	XXX	0	0
26. Common capital stock.....	XXX	XXX	1,000	1,000
27. Preferred capital stock.....	XXX	XXX		
28. Gross paid in and contributed surplus.....	XXX	XXX	22,231,695	22,231,695
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	47,206,018	44,087,921
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	69,438,712	66,320,616
34. Total liabilities, capital and surplus (Lines 24 and 33).....	XXX	XXX	101,259,676	99,137,477

**DETAILS OF WRITE-INS**

2301. Escheat Items.....	36,723		36,723	2,599
2302. ....			0	
2303. ....			0	
2398. Summary of remaining write-ins for Line 23 from overflow page.....	0	0	0	0
2399. Totals (Lines 2301 thru 2303 plus 2398) (Line 23 above).....	36,723	0	36,723	2,599
2501. ....	XXX	XXX		
2502. ....	XXX	XXX		
2503. ....	XXX	XXX		
2598. Summary of remaining write-ins for Line 25 from overflow page.....	XXX	XXX	0	0
2599. Totals (Lines 2501 thru 2503 plus 2598) (Line 25 above).....	XXX	XXX	0	0
3001. ....	XXX	XXX		
3002. ....	XXX	XXX		
3003. ....	XXX	XXX		
3098. Summary of remaining write-ins for Line 30 from overflow page.....	XXX	XXX	0	0
3099. Totals (Lines 3001 thru 3003 plus 3098) (Line 30 above).....	XXX	XXX	0	0

**STATEMENT OF REVENUE AND EXPENSES**

	Current Year		Prior Year
	1 Uncovered	2 Total	3 Total
1. Member months.....	XXX	579,775	589,052
2. Net premium income (including \$.....0 non-health premium income).....	XXX	305,148,735	301,925,936
3. Change in unearned premium reserves and reserve for rate credits.....	XXX		
4. Fee-for-service (net of \$.....5,937,604 medical expenses).....	XXX	715,785	708,788
5. Risk revenue.....	XXX		
6. Aggregate write-ins for other health care related revenues.....	XXX	150,994	152,950
7. Aggregate write-ins for other non-health revenues.....	XXX	0	0
8. Total revenues (Lines 2 to 7).....	XXX	306,015,514	302,787,674
<b>Hospital and Medical:</b>			
9. Hospital/medical benefits.....		124,528,275	123,163,975
10. Other professional services.....		84,490,646	83,346,645
11. Outside referrals.....		2,647,079	2,709,718
12. Emergency room and out-of-area.....		23,390,868	20,185,461
13. Prescription drugs.....		15,471,912	13,171,719
14. Aggregate write-ins for other hospital and medical.....	0	9,984,635	8,650,000
15. Incentive pool, withhold adjustments and bonus amounts.....			
16. Subtotal (Lines 9 to 15).....	0	260,513,415	251,227,519
<b>Less:</b>			
17. Net reinsurance recoveries.....		1,620,684	682,085
18. Total hospital and medical (Lines 16 minus 17).....	0	258,892,731	250,545,434
19. Non-health claims (net).....			
20. Claims adjustment expenses, including \$.....2,300,465 cost containment expenses.....		3,841,082	3,676,410
21. General administrative expenses.....		26,055,284	26,688,148
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	288,789,096	280,909,993
24. Net underwriting gain or (loss) (Lines 8 minus 23).....	XXX	17,226,418	21,877,681
25. Net investment income earned (Exhibit of Net Investment Income, Line 17).....		1,033,285	491,473
26. Net realized capital gains or (losses) less capital gains tax of \$.....0.....		283,087	
27. Net investment gains or (losses) (Lines 25 plus 26).....	0	1,316,372	491,473
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	1,223,877	1,668,909
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	19,766,668	24,038,062
31. Federal and foreign income taxes incurred.....	XXX	5,964,602	5,889,361
32. Net income (loss) (Lines 30 minus 31).....	XXX	13,802,066	18,148,701

**DETAILS OF WRITE-INS**

0601. Pharmacy OTC Sales.....	XXX	150,994	152,950
0602. ....	XXX		
0603. ....	XXX		
0698. Summary of remaining write-ins for Line 6 from overflow page.....	XXX	0	0
0699. Totals (Lines 0601 thru 0603 plus 0698) (Line 6 above).....	XXX	150,994	152,950
0701. ....	XXX		
0702. ....	XXX		
0703. ....	XXX		
0798. Summary of remaining write-ins for Line 7 from overflow page.....	XXX	0	0
0799. Totals (Lines 0701 thru 0703 plus 0798) (Line 7 above).....	XXX	0	0
1401. Drugs.....		1,972,995	1,557,265
1402. Malpractice Insurance.....		938,433	840,500
1403. Postage.....		190,023	167,787
1498. Summary of remaining write-ins for Line 14 from overflow page.....	0	6,883,184	6,084,449
1499. Totals (Lines 1401 thru 1403 plus 1498) (Line 14 above).....	0	9,984,635	8,650,000
2901. Sales.....		55,988	53,516
2902. Miscellaneous Income.....		1,167,890	1,615,393
2903. ....			
2998. Summary of remaining write-ins for Line 29 from overflow page.....	0	0	0
2999. Totals (Lines 2901 thru 2903 plus 2998) (Line 29 above).....	0	1,223,877	1,668,909

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

<b>CAPITAL AND SURPLUS ACCOUNT</b>	1 Current Year	2 Prior Year
33. Capital and surplus prior reporting period.....	66,320,616	49,711,667
34. Net income or (loss) from Line 32.....	13,802,066	18,148,701
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.....	(835,987)	(2,182,028)
39. Change in nonadmitted assets.....	421,988	642,276
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.....	2,730,030	
44. Capital changes:		
44.1 Paid in.....		
44.2 Transferred from surplus (Stock Dividend).....		
44.3 Transferred to surplus.....		
45. Surplus adjustments:		
45.1 Paid in.....		
45.2 Transferred to capital (Stock Dividend).....		
45.3 Transferred from capital.....		
46. Dividends to stockholders.....	(13,000,000)	
47. Aggregate write-ins for gains or (losses) in surplus.....	0	0
48. Net change in capital and surplus (Lines 34 to 47).....	3,118,096	16,608,949
49. Capital and surplus end of reporting period (Line 33 plus 48).....	69,438,712	66,320,616

**DETAILS OF WRITE-INS**

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

**FLORIDA HEALTH CARE PLAN, INC.  
CASH FLOW**

	1 Current Year	2 Prior Year
<b>CASH FROM OPERATIONS</b>		
1. Premiums collected net of reinsurance.....	303,027,115	303,386,511
2. Net investment income.....	(593,359)	(1,048,945)
3. Miscellaneous income.....	1,148,208	1,049,473
4. Total (Lines 1 through 3).....	303,581,964	303,387,038
5. Benefit and loss related payments.....	256,475,315	247,855,768
6. Net transfers to Separate Accounts, Segregated Accounts and Protected Cell Accounts.....		
7. Commissions, expenses paid and aggregate write-ins for deductions.....	26,980,167	26,233,822
8. Dividends paid to policyholders.....		
9. Federal and foreign income taxes paid (recovered) net of \$.....0 tax on capital gains (losses).....	3,903,927	7,040,119
10. Total (Lines 5 through 9).....	287,359,409	281,129,709
11. Net cash from operations (Line 4 minus Line 10).....	16,222,555	22,257,329
<b>CASH FROM INVESTMENTS</b>		
12. Proceeds from investments sold, matured or repaid:		
12.1 Bonds.....	41,056,798	
12.2 Stocks.....	191,432	
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).....	41,248,229	0
13. Cost of investments acquired (long-term only):		
13.1 Bonds.....	54,997,620	15,399,284
13.2 Stocks.....		250
13.3 Mortgage loans.....		
13.4 Real estate.....	192,511	4,697
13.5 Other invested assets.....		
13.6 Miscellaneous applications.....		
13.7 Total investments acquired (Lines 13.1 to 13.6).....	55,190,131	15,404,231
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).....	(13,941,902)	(15,404,231)
<b>CASH FROM FINANCING AND MISCELLANEOUS SOURCES</b>		
16. Cash provided (applied):		
16.1 Surplus notes, capital notes.....		
16.2 Capital and paid in surplus, less treasury stock.....		
16.3 Borrowed funds.....		
16.4 Net deposits on deposit-type contracts and other insurance liabilities.....		
16.5 Dividends to stockholders.....	13,000,000	
16.6 Other cash provided (applied).....	(5,357,662)	(4,151,244)
17. Net cash from financing and miscellaneous sources (Lines 16.1 to 16.4 minus Line 16.5 plus Line 16.6).....	(18,357,662)	(4,151,244)
<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 Line 15 plus Line 17).....	(16,077,008)	2,701,855
19. Cash, cash equivalents and short-term investments:		
19.1 Beginning of year.....	34,557,316	31,855,461
19.2 End of year (Line 18 plus Line 19.1).....	18,480,308	34,557,316

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

20.0001 .....		
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## ANALYSIS OF OPERATIONS BY LINES OF BUSINESS

	1	2	3	4	5	6	7	8	9	10
	Total	Comprehensive (Hospital and Medical)	Medicare Supplement	Dental Only	Vision Only	Federal Employees Health Benefit Plans	Title XVIII Medicare	Title XIX Medicaid	Other Health	Other Non-Health
1. Net premium income.....	305,148,735	154,746,744					150,401,991			
2. Change in unearned premium reserves and reserve for rate credit.....	0									
3. Fee-for-service (net of \$.....5,937,604 medical expenses).....	715,785								715,785	XXX
4. Risk revenue.....	0									XXX
5. Aggregate write-ins for other health care related revenues.....	150,994	0	0	0	0	0	0	0	150,994	XXX
6. Aggregate write-ins for other non-health care related revenues.....	0	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	0
7. Total revenues (Lines 1 to 6).....	306,015,514	154,746,744	0	0	0	0	150,401,991	0	866,779	0
8. Hospital/medical benefits.....	124,528,275	66,020,769					58,507,506			XXX
9. Other professional services.....	84,490,646	43,353,671					41,136,975			XXX
10. Outside referrals.....	2,647,079	1,449,166					1,197,913			XXX
11. Emergency room and out-of-area.....	23,390,868	12,805,527					10,585,341			XXX
12. Prescription drugs.....	15,471,912	9,662,200					5,809,713			XXX
13. Aggregate write-ins for other hospital and medical.....	9,984,635	4,645,122	0	0	0	0	5,339,514	0	0	XXX
14. Incentive pool, withhold adjustments and bonus amounts.....	0									XXX
15. Subtotal (Lines 8 to 14).....	260,513,415	137,936,453	0	0	0	0	122,576,962	0	0	XXX
16. Net reinsurance recoveries.....	1,620,684	1,472,573					148,112			XXX
17. Total hospital and medical (Lines 15 minus 16).....	258,892,731	136,463,880	0	0	0	0	122,428,850	0	0	XXX
18. Non-health claims (net).....	0	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	
19. Claims adjustment expenses including \$.....2,300,465 cost containment expenses.....	3,841,082	2,024,657					1,816,425			
20. General administrative expenses.....	26,055,284	14,061,293					11,679,542		314,448	
21. Increase in reserves for accident and health contracts.....	0									XXX
22. Increase in reserve for life contracts.....	0	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	
23. Total underwriting deductions (Lines 17 to 22).....	288,789,096	152,549,830	0	0	0	0	135,924,817	0	314,448	0
24. Net underwriting gain or (loss) (Line 7 minus Line 23).....	17,226,418	2,196,913	0	0	0	0	14,477,174	0	552,331	0

### DETAILS OF WRITE-INS

0501. Pharmacy OTC Sales.....	150,994								150,994	XXX
0502. ....	0									XXX
0503. ....	0									XXX
0598. Summary of remaining write-ins for Line 5 from overflow page.....	0	0	0	0	0	0	0	0	0	XXX
0599. Total (Lines 0501 thru 0503 plus 0598) (Line 5 above).....	150,994	0	0	0	0	0	0	0	150,994	XXX
0601. ....	0	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	
0602. ....	0	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	
0603. ....	0	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	
0698. Summary of remaining write-ins for Line 6 from overflow page.....	0	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	0
0699. Total (Lines 0601 thru 0603 plus 0698) (Line 6 above).....	0	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	0
1301. Drugs.....	1,972,995	916,498					1,056,497			XXX
1302. Malpractice Insurance.....	938,433	441,850					496,584			XXX
1303. Postage.....	190,023	82,190					107,833			XXX
1398. Summary of remaining write-ins for Line 13 from overflow page.....	6,883,184	3,204,584	0	0	0	0	3,678,600	0	0	XXX
1399. Total (Lines 1301 thru 1303 plus 1398) (Line 13 above).....	9,984,635	4,645,122	0	0	0	0	5,339,514	0	0	XXX

## UNDERWRITING AND INVESTMENT EXHIBIT

### PART 1 - PREMIUMS

	1	2	3	4
Line of Business	Direct Business	Reinsurance Assumed	Reinsurance Ceded	Net Premium Income (Cols. 1 + 2 - 3)
1. Comprehensive (hospital and medical).....	156,054,396		1,307,652	154,746,744
2. Medicare supplement.....				.0
3. Dental only.....				.0
4. Vision only.....				.0
5. Federal employees health benefits plan.....				.0
6. Title XVIII - Medicare.....	150,630,344		228,353	150,401,991
7. Title XIX - Medicaid.....				.0
8. Other health.....				.0
9. Health subtotal (Lines 1 through 8).....	306,684,740	.0	1,536,005	305,148,735
10. Life.....				.0
11. Property/casualty.....				.0
12. Totals (Lines 9 to 11).....	306,684,740	.0	1,536,005	305,148,735



**UNDERWRITING AND INVESTMENT EXHIBIT**  
**PART 2 - CLAIMS INCURRED DURING THE YEAR**

	1	2	3	4	5	6	7	8	9	10
	Total	Comprehensive (Hospital and Medical)	Medicare Supplement	Dental Only	Vision Only	Federal Employees Health Benefits Plan	Title XVIII Medicare	Title XIX Medicaid	Other Health	Other Non-Health
1. Payments during the year:										
1.1 Direct.....	260,682,738	137,015,029					123,667,709			
1.2 Reinsurance assumed.....	0									
1.3 Reinsurance ceded.....	566,714	377,495					189,219			
1.4 Net.....	260,116,025	136,637,534	0	0	0	0	123,478,490	0	0	0
2. Paid medical incentive pools and bonuses.....	0									
3. Claim liability December 31, current year from Part 2A:										
3.1 Direct.....	24,363,008	13,323,894					11,039,115			
3.2 Reinsurance assumed.....	0									
3.3 Reinsurance ceded.....	0									
3.4 Net.....	24,363,008	13,323,894	0	0	0	0	11,039,115	0	0	0
4. Claim reserve December 31, current year from Part 2D:										
4.1 Direct.....	0									
4.2 Reinsurance assumed.....	0									
4.3 Reinsurance ceded.....	0									
4.4 Net.....	0	0	0	0	0	0	0	0	0	0
5. Accrued medical incentive pools and bonuses, current year.....	0									
6. Net healthcare receivables (a).....	0									
7. Amounts recoverable from reinsurers December 31, current year.....	1,080,367	1,121,474					(41,108)			
8. Claim liability December 31, prior year from Part 2A:										
8.1 Direct.....	24,532,332	12,402,470					12,129,862			
8.2 Reinsurance assumed.....	0									
8.3 Reinsurance ceded.....	0									
8.4 Net.....	24,532,332	12,402,470	0	0	0	0	12,129,862	0	0	0
9. Claim reserve December 31, prior year from Part 2D:										
9.1 Direct.....	0									
9.2 Reinsurance assumed.....	0									
9.3 Reinsurance ceded.....	0									
9.4 Net.....	0	0	0	0	0	0	0	0	0	0
10. Accrued medical incentive pools and bonuses, prior year.....	0									
11. Amounts recoverable from reinsurers December 31, prior year.....	26,396	26,396								
12. Incurred benefits:										
12.1 Direct.....	260,513,415	137,936,453	0	0	0	0	122,576,962	0	0	0
12.2 Reinsurance assumed.....	0	0	0	0	0	0	0	0	0	0
12.3 Reinsurance ceded.....	1,620,684	1,472,573	0	0	0	0	148,112	0	0	0
12.4 Net.....	258,892,731	136,463,880	0	0	0	0	122,428,850	0	0	0
13. Incurred medical incentive pools and bonuses.....	0	0	0	0	0	0	0	0	0	0

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

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

	1	2	3	4	5	6	7	8	9	10
	Total	Comprehensive (Medical and Hospital)	Medicare Supplement	Dental Only	Vision Only	Federal Employees Health Benefits Plan	Title XVIII Medicare	Title XIX Medicaid	Other Health	Other Non-Health
1. Reported in process of adjustment:										
1.1 Direct.....	4,800,780	2,648,255					2,152,525			
1.2 Reinsurance assumed.....	.0									
1.3 Reinsurance ceded.....	.0									
1.4 Net.....	4,800,780	2,648,255	.0	.0	.0	.0	2,152,525	.0	.0	.0
2. Incurred but unreported:										
2.1 Direct.....	19,562,228	10,675,639					8,886,589			
2.2 Reinsurance assumed.....	.0									
2.3 Reinsurance ceded.....	.0									
2.4 Net.....	19,562,228	10,675,639	.0	.0	.0	.0	8,886,589	.0	.0	.0
3. Amounts withheld from paid claims and capitations:										
3.1 Direct.....	.0									
3.2 Reinsurance assumed.....	.0									
3.3 Reinsurance ceded.....	.0									
3.4 Net.....	.0	.0	.0	.0	.0	.0	.0	.0	.0	.0
4. Totals:										
4.1 Direct.....	24,363,008	13,323,894	.0	.0	.0	.0	11,039,115	.0	.0	.0
4.2 Reinsurance assumed.....	.0	.0	.0	.0	.0	.0	.0	.0	.0	.0
4.3 Reinsurance ceded.....	.0	.0	.0	.0	.0	.0	.0	.0	.0	.0
4.4 Net.....	24,363,008	13,323,894	.0	.0	.0	.0	11,039,115	.0	.0	.0

## UNDERWRITING AND INVESTMENT EXHIBIT

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

Line of Business	Claims Paid During the Year		Claim Reserve and Claim Liability December 31 of Current Year		5  Claims Incurred in Prior Years (Columns 1 + 3)	6  Estimated Claim Reserve and Claim Liability December 31 of Prior Year
	1 On Claims Incurred Prior to January 1 of Current Year	2 On Claims Incurred During the Year	3 On Claims Unpaid December 31 of Prior Year	4 On Claims Incurred During the Year		
1. Comprehensive (hospital and medical).....	13,545,133	121,997,323	411,306	12,912,588	13,956,439	12,402,470
2. Medicare supplement.....					.0	
3. Dental only.....					.0	
4. Vision only.....					.0	
5. Federal employees health benefits plan.....					.0	
6. Title XVIII - Medicare.....	12,167,142	111,352,456	13,011	11,026,104	12,180,153	12,129,862
7. Title XIX - Medicaid.....					.0	
8. Other health.....					.0	
9. Health subtotal (Lines 1 to 8).....	25,712,275	233,349,779	424,317	23,938,691	26,136,592	24,532,332
10. Healthcare receivables (a).....					.0	
11. Other non-health.....					.0	
12. Medical incentive pools and bonus amounts.....					.0	
13. Totals (Lines 9 - 10 + 11 + 12).....	25,712,275	233,349,779	424,317	23,938,691	26,136,592	24,532,332

(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 Were Incurred	Cumulative Net Amounts Paid				
	1 2008	2 2009	3 2010	4 2011	5 2012
1. Prior.....		.47	.....(81)	.....(87)	.....(111)
2. 2008.....		19,563	19,546	19,544	19,541
3. 2009.....	.XXX	225,930	245,874	245,846	245,862
4. 2010.....	.XXX	.XXX	219,677	241,741	241,845
5. 2011.....	.XXX	.XXX	.XXX	227,568	253,010
6. 2012.....	.XXX	.XXX	.XXX	.XXX	234,580

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

Year in Which Losses Were Incurred	Sum of Cumulative Net Amount Paid and Claim Liability, Claim Reserve and Medical Incentive Pool and Bonuses Outstanding at End of Year				
	1 2008	2 2009	3 2010	4 2011	5 2012
1. Prior.....	.245	.47	.....(81)	.....(87)	.....(111)
2. 2008.....	24,087	19,821	19,546	19,544	19,541
3. 2009.....	.XXX	248,722	245,891	245,846	245,862
4. 2010.....	.XXX	.XXX	243,217	241,774	241,845
5. 2011.....	.XXX	.XXX	.XXX	252,067	253,435
6. 2012.....	.XXX	.XXX	.XXX	.XXX	258,519

12.GT

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

Years in Which Premiums were Earned and Claims were Incurred	1 Premiums Earned	2 Claim Payments	3 Claim Adjustment Expense Payments	4 Percent (Col. 3/2)	5 Claim and Claim Adjustment Expense Payments (Col. 2 + 3)	6 Percent (Col. 5/1)	7 Claims Unpaid	8 Unpaid Claim Adjustment Expense	9 Total Claims and Claims Adjustment Expense Incurred (Col. 5 + 7 + 8)	10 Percent (Col. 9/1)
1. 2008.....		19,541	.670	3.4	20,211	0.0			20,211	0.0
2. 2009.....	297,454	245,862	5,097	2.1	250,959	84.4			250,959	84.4
3. 2010.....	302,525	241,845	4,962	2.1	246,807	81.6			246,807	81.6
4. 2011.....	303,577	253,010	3,713	1.5	256,724	84.6	424	.13	257,161	84.7
5. 2012.....	306,685	234,580	3,306	1.4	237,886	77.6	23,939	.737	262,562	85.6

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

**SECTION A - PAID HEALTH CLAIMS - HOSPITAL AND MEDICAL**

Year in Which Losses Were Incurred	Cumulative Net Amounts Paid				
	1 2008	2 2009	3 2010	4 2011	5 2012
1. Prior.....		.42	.....(9)	.....(10)	.....(31)
2. 2008.....		10,245	10,189	10,196	10,194
3. 2009.....	XXX	116,534	126,658	126,625	126,641
4. 2010.....	XXX	XXX	111,636	122,714	122,797
5. 2011.....	XXX	XXX	XXX	116,128	129,420
6. 2012.....	XXX	XXX	XXX	XXX	123,269

**SECTION B - INCURRED HEALTH CLAIMS - HOSPITAL AND MEDICAL**

Year in Which Losses Were Incurred	Sum of Cumulative Net Amount Paid and Claim Liability, Claim Reserve and Medical Incentive Pool and Bonuses Outstanding at End of Year				
	1 2008	2 2009	3 2010	4 2011	5 2012
1. Prior.....	.94	.42	.....(9)	.....(10)	.....(31)
2. 2008.....	12,085	10,331	10,189	10,196	10,194
3. 2009.....	XXX	128,376	126,663	126,625	126,641
4. 2010.....	XXX	XXX	123,208	122,740	122,797
5. 2011.....	XXX	XXX	XXX	128,504	129,831
6. 2012.....	XXX	XXX	XXX	XXX	136,181

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

Years in Which Premiums were Earned and Claims were Incurred	1 Premiums Earned	2 Claim Payments	3 Claim Adjustment Expense Payments	4 Percent (Col. 3/2)	5 Claim and Claim Adjustment Expense Payments (Col. 2 + 3)	6 Percent (Col. 5/1)	7 Claims Unpaid	8 Unpaid Claim Adjustment Expenses	9 Total Claims and Claims Adjustment Expense Incurred (Col. 5 + 7 + 8)	10 Percent (Col. 9/1)
1. 2008.....		10,194	345	3.4	10,538	0.0			10,538	0.0
2. 2009.....	145,142	126,641	2,612	2.1	129,254	89.1			129,254	89.1
3. 2010.....	152,226	122,797	2,527	2.1	125,324	82.3			125,324	82.3
4. 2011.....	157,661	129,420	1,893	1.5	131,312	83.3	.411	.13	131,736	83.6
5. 2012.....	156,054	123,269	1,716	1.4	124,985	80.1	12,913	.398	138,295	88.6

12.HM

**U & I Ex.-Pt.2C-Sn A-Paid Claims-Medicare Supp.  
NONE**

**U & I Ex.-Pt.2C-Sn B-Incurred Claims-Medicare Supp.  
NONE**

**U & I Ex.-Pt.2C-Sn C-Expense Ratio-Medicare Supp.  
NONE**

**U & I Ex.-Pt.2C-Sn A-Paid Claims-Dental  
NONE**

**U & I Ex.-Pt.2C-Sn B-Incurred Claims-Dental  
NONE**

**U & I Ex.-Pt.2C-Sn C-Expense Ratio-Dental  
NONE**

**U & I Ex.-Pt.2C-Sn A-Paid Claims-Vision  
NONE**

**U & I Ex.-Pt.2C-Sn B-Incurred Claims-Vision  
NONE**

**U & I Ex.-Pt.2C-Sn C-Expense Ratio-Vision  
NONE**

**U & I Ex.-Pt.2C-Sn A-Paid Claims-Fed Emp Health  
NONE**

**U & I Ex.-Pt.2C-Sn B-Incurred Claims-Fed Emp Health  
NONE**

**U & I Ex.-Pt.2C-Sn C-Expense Ratio-Fed Emp Health  
NONE**

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

**SECTION A - PAID HEALTH CLAIMS - TITLE XVIII - MEDICARE**

Year in Which Losses Were Incurred	Cumulative Net Amounts Paid				
	1 2008	2 2009	3 2010	4 2011	5 2012
1. Prior.....		4	(71)	(77)	(80)
2. 2008.....		9,317	9,357	9,348	9,347
3. 2009.....	XXX	109,210	118,994	118,998	118,999
4. 2010.....	XXX	XXX	107,462	118,407	118,428
5. 2011.....	XXX	XXX	XXX	111,165	123,315
6. 2012.....	XXX	XXX	XXX	XXX	111,311

**SECTION B - INCURRED HEALTH CLAIMS - TITLE XVIII - MEDICARE**

Year in Which Losses Were Incurred	Sum of Cumulative Net Amount Paid and Claim Liability, Claim Reserve and Medical Incentive Pool and Bonuses Outstanding at End of Year				
	1 2008	2 2009	3 2010	4 2011	5 2012
1. Prior.....	151	4	(71)	(76)	(80)
2. 2008.....	12,002	9,489	9,357	9,348	9,347
3. 2009.....	XXX	120,149	119,005	118,998	118,999
4. 2010.....	XXX	XXX	119,419	118,414	118,428
5. 2011.....	XXX	XXX	XXX	123,288	123,328
6. 2012.....	XXX	XXX	XXX	XXX	122,337

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

Years in Which Premiums were Earned and Claims were Incurred	1 Premiums Earned	2 Claim Payments	3 Claim Adjustment Expense Payments	4 Percent (Col. 3/2)	5 Claim and Claim Adjustment Expense Payments (Col. 2 + 3)	6 Percent (Col. 5/1)	7 Claims Unpaid	8 Unpaid Claim Adjustment Expenses	9 Total Claims and Claims Adjustment Expense Incurred (Col. 5 + 7 + 8)	10 Percent (Col. 9/1)
1. 2008.....		9,347	325	3.5	9,672	0.0			9,672	0.0
2. 2009.....	151,986	118,999	2,480	2.1	121,478	79.9			121,478	79.9
3. 2010.....	149,764	118,428	2,423	2.0	120,851	80.7			120,851	80.7
4. 2011.....	145,704	123,315	1,817	1.5	125,132	85.9	13	0	125,145	85.9
5. 2012.....	150,630	111,311	1,590	1.4	112,901	75.0	11,026	339	124,267	82.5

12.XV

**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 Were Incurred	Cumulative Net Amounts Paid				
	1 2008	2 2009	3 2010	4 2011	5 2012
1. Prior.....	<b>NONE</b>				
2. 2008.....					
3. 2009.....		XXX			
4. 2010.....		XXX	XXX		
5. 2011.....		XXX	XXX	XXX	
6. 2012.....		XXX	XXX	XXX	XXX

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

**12.XI**

Year in Which Losses Were Incurred	Sum of Cumulative Net Amount Paid and Claim Liability, Claim Reserve and Medical Incentive Pool and Bonuses Outstanding at End of Year				
	1 2008	2 2009	3 2010	4 2011	5 2012
1. Prior.....	<b>NONE</b>				
2. 2008.....					
3. 2009.....		XXX			
4. 2010.....		XXX	XXX		
5. 2011.....		XXX	XXX	XXX	
6. 2012.....		XXX	XXX	XXX	XXX

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

Years in Which Premiums were Earned and Claims were Incurred	1 Premiums Earned	2 Claim Payments	3 Claim Adjustment Expense Payments	4 Percent (Col. 3/2)	5 Claim and Claim Adjustment Expense Payments (Col. 2 + 3)	6 Percent (Col. 5/1)	7 Claims Unpaid	8 Unpaid Claim Adjustment Expenses	9 Total Claims and Claims Adjustment Expense Incurred (Col. 5 + 7 + 8)	10 Percent (Col. 9/1)
1. 2008.....				<b>NONE</b>		.00			.00	.00
2. 2009.....					.00	.00			.00	.00
3. 2010.....					.00	.00			.00	.00
4. 2011.....					.00	.00			.00	.00
5. 2012.....					.00	.00			.00	.00



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

**SECTION A - PAID HEALTH CLAIMS - OTHER**

Year in Which Losses Were Incurred	Cumulative Net Amounts Paid				
	1 2008	2 2009	3 2010	4 2011	5 2012
1. Prior.....					
2. 2008.....					
3. 2009.....	XXX	187	223	223	223
4. 2010.....	XXX	XXX	578	620	620
5. 2011.....	XXX	XXX	XXX	275	275
6. 2012.....	XXX	XXX	XXX	XXX	

**SECTION B - INCURRED HEALTH CLAIMS - OTHER**

Year in Which Losses Were Incurred	Sum of Cumulative Net Amount Paid and Claim Liability, Claim Reserve and Medical Incentive Pool and Bonuses Outstanding at End of Year				
	1 2008	2 2009	3 2010	4 2011	5 2012
1. Prior.....					
2. 2008.....					
3. 2009.....	XXX	197	223	223	223
4. 2010.....	XXX	XXX	590	620	620
5. 2011.....	XXX	XXX	XXX	275	275
6. 2012.....	XXX	XXX	XXX	XXX	

12.01

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

Years in Which Premiums were Earned and Claims were Incurred	1 Premiums Earned	2 Claim Payments	3 Claim Adjustment Expense Payments	4 Percent (Col. 3/2)	5 Claim and Claim Adjustment Expense Payments (Col. 2 + 3)	6 Percent (Col. 5/1)	7 Claims Unpaid	8 Unpaid Claim Adjustment Expenses	9 Total Claims and Claims Adjustment Expense Incurred (Col. 5 + 7 + 8)	10 Percent (Col. 9/1)
1. 2008.....			0	0.0	0	0.0			0	0.0
2. 2009.....	326	223	5	2.2	228	69.8			228	69.8
3. 2010.....	535	620	12	2.0	632	118.2			632	118.2
4. 2011.....	212	275	4	1.5	279	131.8			279	131.8
5. 2012.....				0.0	0	0.0			0	0.0

**UNDERWRITING AND INVESTMENT EXHIBIT**  
**PART 2D - AGGREGATE RESERVE FOR ACCIDENT AND HEALTH CONTRACTS ONLY**

	1	2	3	4	5	6	7	8	9
	Total	Comprehensive (Hospital and Medical)	Medicare Supplement	Dental Only	Vision Only	Federal Employees Health Benefit Plan	Title XVIII Medicare	Title XIX Medicaid	Other
1. Unearned premium reserves.....	18,700	18,700							
2. Additional policy reserves (a).....	.0								
3. Reserve for future contingent benefits.....	.0								
4. Reserve for rate credits or experience rating refunds (including \$.....0) for investment income.....	525,850						525,850		
5. Aggregate write-ins for other policy reserves.....	.0	.0	.0	.0	.0	.0	.0	.0	.0
6. Totals (gross).....	544,550	18,700	.0	.0	.0	.0	525,850	.0	.0
7. Reinsurance ceded.....	.0								
8. Totals (net) (Page 3, Line 4).....	544,550	18,700	.0	.0	.0	.0	525,850	.0	.0
9. Present value of amounts not yet due on claims.....	.0								
10. Reserve for future contingent benefits.....	.0								
11. Aggregate write-ins for other claim reserves.....	.0	.0	.0	.0	.0	.0	.0	.0	.0
12. Totals (gross).....	.0	.0	.0	.0	.0	.0	.0	.0	.0
13. Reinsurance ceded.....	.0								
14. Totals (net) (Page 3, Line 7).....	.0	.0	.0	.0	.0	.0	.0	.0	.0

13

**DETAILS OF WRITE-INS**

0501. ....	.0								
0502. ....	.0								
0503. ....	.0								
0598. Summary of remaining write-ins for Line 5 from overflow page.....	.0	.0	.0	.0	.0	.0	.0	.0	.0
0599. Totals (Lines 0501 thru 0503 plus 0598) (Line 5 above).....	.0	.0	.0	.0	.0	.0	.0	.0	.0
1101. ....	.0								
1102. ....	.0								
1103. ....	.0								
1198. Summary of remaining write-ins for Line 11 from overflow page.....	.0	.0	.0	.0	.0	.0	.0	.0	.0
1199. Totals (Lines 1101 thru 1103 plus 1198) (Line 11 above).....	.0	.0	.0	.0	.0	.0	.0	.0	.0

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

**UNDERWRITING AND INVESTMENT EXHIBIT**

**PART 3 - ANALYSIS OF EXPENSES**

	Claim Adjustment Expenses		3 General Administrative Expenses	4 Investment Expenses	5 Total
	1 Cost Containment Expenses	2 Other Claim Adjustment Expenses			
1. Rent (\$.....1,306,932 for occupancy of own building).....	59,400	92,367	1,048,113		1,199,880
2. Salaries, wages and other benefits.....	1,674,529	1,221,630	14,212,490		17,108,649
3. Commissions (less \$.....0 ceded plus \$.....0 assumed).....			1,712,473		1,712,473
4. Legal fees and expenses.....	4,481		207,698		212,179
5. Certifications and accreditation fees.....			1,950		1,950
6. Auditing, actuarial and other consulting services.....			181,732		181,732
7. Traveling expenses.....	8,284	344	154,630		163,258
8. Marketing and advertising.....	4,482	242	473,232		477,956
9. Postage, express and telephone.....	17,630	17,226	911,937		946,792
10. Printing and office supplies.....	28,494	21,762	943,896		994,153
11. Occupancy, depreciation and amortization.....	46,118	12,004	619,092		677,215
12. Equipment.....	129	275	881,484		881,888
13. Cost or depreciation of EDP equipment and software.....	4,078	18,664	1,157,824		1,180,566
14. Outsourced services including EDP, claims, and other services.....	19,350	75,494	529,893		624,737
15. Boards, bureaus and association fees.....	58,750	(957)	230,627		288,419
16. Insurance, except on real estate.....	197	250	57,117		57,564
17. Collection and bank service charges.....			192,008	533,403	725,410
18. Group service and administration fees.....	266,267		419,107		685,375
19. Reimbursements by uninsured plans.....					0
20. Reimbursements from fiscal intermediaries.....					0
21. Real estate expenses.....				1,248,350	1,248,350
22. Real estate taxes.....	3,672		22,346	200,634	226,651
23. Taxes, licenses and fees:					
23.1 State and local insurance taxes.....			1,184,654		1,184,654
23.2 State premium taxes.....					0
23.3 Regulatory authority licenses and fees.....					0
23.4 Payroll taxes.....	103,411	79,674	865,239	22,707	1,071,031
23.5 Other (excluding federal income and real estate taxes).....	1,193	1,641	47,741		50,575
24. Investment expenses not included elsewhere.....					0
25. Aggregate write-ins for expenses.....	0	0	0	0	0
26. Total expenses incurred (Lines 1 to 25).....	2,300,465	1,540,617	26,055,283	2,005,093	(a) 31,901,458
27. Less expenses unpaid December 31, current year.....		750,000	3,357,908		4,107,908
28. Add expenses unpaid December 31, prior year.....		750,000	3,526,276		4,276,276
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).....	2,300,465	1,540,617	26,223,652	2,005,093	32,069,827

**DETAILS OF WRITE-INS**

2501. ....					0
2502. ....					0
2503. ....					0
2598. Summary of remaining write-ins for Line 25 from overflow page.....	0	0	0	0	0
2599. TOTALS (Lines 2501 thru 2503 plus 2598) (Line 25 above).....	0	0	0	0	0

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

**EXHIBIT OF NET INVESTMENT INCOME**

	1 Collected During Year	2 Earned During Year
1. U.S. government bonds.....	(a).....	.....
1.1 Bonds exempt from U.S. tax.....	(a).....	.....
1.2 Other bonds (unaffiliated).....	(a)..... 1,376,952	..... 1,376,952
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)..... 2,181,720	..... 2,181,720
5. Contract loans.....	.....	.....
6. Cash, cash equivalents and short-term investments.....	(e)..... 80,786	..... 80,786
7. Derivative instruments.....	(f).....	.....
8. Other invested assets.....	.....	.....
9. Aggregate write-ins for investment income.....	..... 0	..... 0
10. Total gross investment income.....	..... 3,639,459	..... 3,639,459
11. Investment expenses.....	.....	(g)..... 1,982,386
12. Investment taxes, licenses and fees, excluding federal income taxes.....	.....	(g)..... 22,707
13. Interest expense.....	.....	(h).....
14. Depreciation on real estate and other invested assets.....	.....	(i)..... 601,081
15. Aggregate write-ins for deductions from investment income.....	.....	..... 0
16. Total deductions (Lines 11 through 15).....	.....	..... 2,606,174
17. Net investment income (Line 10 minus Line 16).....	.....	..... 1,033,285

**DETAILS OF WRITE-INS**

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

- (a) Includes \$.....0 accrual of discount less \$.....0 amortization of premium and less \$.....0 paid for accrued interest on purchases.
- (b) Includes \$.....0 accrual of discount less \$.....0 amortization of premium and less \$.....0 paid for accrued dividends on purchases.
- (c) Includes \$.....0 accrual of discount less \$.....0 amortization of premium and less \$.....0 paid for accrued interest on purchases.
- (d) Includes \$.....2,145,924 for company's occupancy of its own buildings; and excludes \$.....0 interest on encumbrances.
- (e) Includes \$.....0 accrual of discount less \$.....0 amortization of premium and less \$.....0 paid for accrued interest on purchases.
- (f) Includes \$.....0 accrual of discount less \$.....0 amortization of premium.
- (g) Includes \$.....0 investment expenses and \$.....0 investment taxes, licenses and fees, excluding federal income taxes, attributable to Segregated and Separate Accounts.
- (h) Includes \$.....0 interest on surplus notes and \$.....0 interest on capital notes.
- (i) Includes \$.....601,081 depreciation on real estate and \$.....0 depreciation on other invested assets.

**EXHIBIT OF CAPITAL GAINS (LOSSES)**

	1 Realized Gain (Loss) on Sales or Maturity	2 Other Realized Adjustments	3 Total Realized Capital Gain (Loss) (Columns 1 + 2)	4 Change in Unrealized Capital Gain (Loss)	5 Change in Unrealized Foreign Exchange Capital Gain (Loss)
1. U.S. government bonds.....	.....	.....	..... 0	.....	.....
1.1 Bonds exempt from U.S. tax.....	.....	.....	..... 0	.....	.....
1.2 Other bonds (unaffiliated).....	..... 349,227	.....	..... 349,227	.....	.....
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.....	.....	..... (66,140)	..... (66,140)	.....	.....
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).....	..... 349,227	..... (66,140)	..... 283,087	..... 0	..... 0

**DETAILS OF WRITE-INS**

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

**EXHIBIT OF NONADMITTED ASSETS**

	1 Current Year Total Nonadmitted Assets	2 Prior Year Total Nonadmitted Assets	3 Change in Total Nonadmitted Assets (Col. 2 - Col. 1)
1. Bonds (Schedule D).....			.0
2. Stocks (Schedule D):			
2.1 Preferred stocks.....			.0
2.2 Common stocks.....	3,750	261,322	257,572
3. Mortgage loans on real estate (Schedule B):			
3.1 First liens.....			.0
3.2 Other than first liens.....			.0
4. Real estate (Schedule A):			
4.1 Properties occupied by the company.....			.0
4.2 Properties held for the production of income.....			.0
4.3 Properties held for sale.....			.0
5. Cash (Schedule E-Part 1), cash equivalents (Schedule E-Part 2) and short-term investments (Schedule DA).....			.0
6. Contract loans.....			.0
7. Derivatives (Schedule DB).....			.0
8. Other invested assets (Schedule BA).....			.0
9. Receivables for securities.....			.0
10. Securities lending reinvested collateral assets (Schedule DL).....			.0
11. Aggregate write-ins for invested assets.....	.0	.0	.0
12. Subtotals, cash and invested assets (Lines 1 to 11).....	3,750	261,322	257,572
13. Title plants (for Title insurers only).....			.0
14. Investment income due and accrued.....			.0
15. Premiums and considerations:			
15.1 Uncollected premiums and agents' balances in the course of collection.....	94,207	299,192	204,985
15.2 Deferred premiums, agents' balances and installments booked but deferred and not yet due.....			.0
15.3 Accrued retrospective premiums.....			.0
16. Reinsurance:			
16.1 Amounts recoverable from reinsurers.....			.0
16.2 Funds held by or deposited with reinsured companies.....			.0
16.3 Other amounts receivable under reinsurance contracts.....			.0
17. Amounts receivable relating to uninsured plans.....			.0
18.1 Current federal and foreign income tax recoverable and interest thereon.....			.0
18.2 Net deferred tax asset.....	11,688,657	14,554,344	2,865,687
19. Guaranty funds receivable or on deposit.....			.0
20. Electronic data processing equipment and software.....	4,656,145	2,204,292	(2,451,853)
21. Furniture and equipment, including health care delivery assets.....	3,356,020	4,742,431	1,386,411
22. Net adjustment in assets and liabilities due to foreign exchange rates.....			.0
23. Receivables from parent, subsidiaries and affiliates.....	586,699	487,785	(98,914)
24. Health care and other amounts receivable.....	310,376	1,171,930	861,554
25. Aggregate write-ins for other than invested assets.....	628,855	755,431	126,576
26. Total assets excluding Separate Accounts, Segregated Accounts and Protected Cell Accounts (Lines 12 through 25).....	21,324,709	24,476,726	3,152,018
27. From Separate Accounts, Segregated Accounts and Protected Cell Accounts.....			.0
28. TOTALS (Lines 26 and 27).....	21,324,709	24,476,726	3,152,018

**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
1199. Totals (Lines 1101 thru 1103 plus 1198) (Line 11 above).....	.0	.0	.0
2501. Prepaid Expenses.....	393,758	414,665	20,907
2502. Deposits and Other Assets.....	235,097	340,766	105,670
2503.....			.0
2598. Summary of remaining write-ins for Line 25 from overflow page.....	.0	.0	.0
2599. Totals (Lines 2501 thru 2503 plus 2598) (Line 25 above).....	628,855	755,431	126,576

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

Source of Enrollment	Total Members at End of					6 Current Year Member Months
	1 Prior Year	2 First Quarter	3 Second Quarter	4 Third Quarter	5 Current Year	
1. Health maintenance organizations.....	38,289	37,650	37,002	36,928	36,322	443,682
2. Provider service organizations.....						
3. Preferred provider organizations.....						
4. Point of service.....	10,500	10,802	11,270	11,558	11,683	136,093
5. Indemnity only.....						
6. Aggregate write-ins for other lines of business.....	0	0	0	0	0	0
7. Total.....	48,789	48,452	48,272	48,486	48,005	579,775

**DETAILS OF WRITE-INS**

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

**NOTES TO FINANCIAL STATEMENTS****1. Summary of Significant Accounting Policies****Organization**

NAC Health Plan, Inc. ("NAC") was incorporated on August 7, 2008 as a Florida for-profit stock corporation and as a wholly owned subsidiary of Florida Health Care Plan, Inc., a Florida not-for-profit licensed health maintenance organization ("FHCP-NFP"). FHCP-NFP was a controlled affiliate of Halifax Hospital Medical Center ("HMC"), a special taxing district. NAC obtained its Certificate of Authority to operate as a health maintenance organization under Chapter 641 of the Florida Statutes on December 9, 2008.

Prior to December 31, 2008, Diversified Health Services, Inc. ("DHS"), a wholly owned subsidiary of Blue Cross and Blue Shield of Florida, Inc. ("BCBSF"), entered into an agreement with FHCP-NFP and HMC to acquire certain of FHCP-NFP's assets and assume certain of its liabilities. This was accomplished through the transfer of these certain assets and liabilities to NAC, simultaneous with the acquisition of 100% of the NAC common stock by DHS on December 31, 2008. FHCP-NFP subsequently relinquished its license to operate as a Florida HMO effective December 31, 2008 and NAC filed an amendment with the state to change its name to Florida Health Care Plan, Inc. ("FHCP" or "the Company"). FHCP began operations on January 1, 2009.

FHCP is a wholly owned for-profit subsidiary of DHS. FHCP's enrollees are comprised of three major product lines including Commercial, Medicare and Healthy Kids. FHCP's primary business is the provision of prepaid health care services, including primary and specialty services, to members residing in its service areas of Volusia, Flagler and Collier counties.

**Basis of Presentation**

The accompanying financial statements have been prepared in conformity with accounting practices prescribed or permitted by the OIR, which is a comprehensive basis of accounting other than generally accepted accounting principles (GAAP).

**Accounting Practices**

The statutory financial statements of FHCP are presented on the basis of accounting practices prescribed or permitted by the OIR. The OIR recognizes only statutory accounting practices prescribed or permitted by the state of Florida for determining and reporting the financial condition and results of operations of an insurance company, for determining its solvency under the Florida Insurance Law. The National Association of Insurance Commissioners' ("NAIC") *Accounting Practices and Procedures Manual*, ("NAIC SAP") has been adopted as a component of prescribed or permitted practices by the state of Florida. The state has adopted certain prescribed accounting practices that differ from those found in NAIC SAP, specifically the nonadmissibility of health care delivery equipment and medical leasehold improvements. The Commissioner of the OIR has the right to permit other specific practices that deviate from prescribed practices.

A reconciliation of FHCP's capital and surplus at December 31 between NAIC SAP and practices prescribed and permitted by the state of Florida is shown below:

<b>NET INCOME</b>	State of Domicile	<b>2012</b>	<b>2011</b>
1 FLORIDA HEALTH CARE PLAN, INC. state basis (Page 4, Line 32, Columns 2 & 4)		<b>\$13,802,000</b>	<b>\$18,149,000</b>
2 State Prescribed Practices that increase (decrease) NAIC SAP		\$0	\$0
3 State Permitted Practices that increase (decrease) NAIC SAP		\$0	\$0
4 NAIC SAP (1 - 2 - 3 = 4)		<b>\$13,802,000</b>	<b>\$18,149,000</b>
<b>SURPLUS</b>			
5 FLORIDA HEALTH CARE PLAN, INC. state basis (Page 3, Line 33, Columns 3 & 4)		<b>\$69,439,000</b>	<b>\$66,321,000</b>
6 State Prescribed Practices that increase (decrease) NAIC SAP		\$0	\$0
7 State Permitted Practices that increase (decrease) NAIC SAP			
Health care delivery assets not admitted by State of FL		(\$489,000)	(\$804,000)
Medical leasehold improvements not admitted by State of FL		(\$1,439,000)	(\$2,879,000)
8 NAIC SAP (5 - 6 - 7 = 8)		<b>\$71,367,000</b>	<b>\$70,004,000</b>

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**NOTES TO FINANCIAL STATEMENTS**

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There is no difference between NAIC SAP net income and OIR statutory net income as of December 31, 2012 and 2011, respectively.

**Use of Estimates**

The preparation of FHCP's financial statements in conformity with accounting practices prescribed or permitted by the OIR requires management to make certain estimates and assumptions that affect amounts reported in the statutory financial statements and accompanying notes. Such estimates and assumptions could change in the future as more information becomes known, which could impact the amounts reported and disclosed herein. These estimates and assumptions include those based on actuarially accepted quantitative and analytical methods used in determining incurred and unreported claims and other various accruals.

**Short-Term Investments**

Short-term investments consist of cash in money market accounts. The carrying amount reported in the financial statements approximates their fair value.

**Real Estate**

Land and properties occupied by FHCP are reported at historical cost and historical depreciated cost, respectively. Depreciation is calculated on a straight-line basis over the estimated useful lives of the properties.

**Premium Revenues**

Commercial membership contracts are written on an annual contract year basis and are subject to cancellation following guidelines as reflected in the employer groups' contracts. Medicare membership contracts are subject to cancellation by individual Medicare beneficiaries during certain Centers for Medicare and Medicaid Services ("CMS") prescribed election and open enrollment periods effective the last day of the month in which notification is received by FHCP or by FHCP within prescribed Medicare program guidelines. Premiums for prepaid health care are due monthly and are recognized as revenue in the month in which enrollees are entitled to health care services. Amounts collected in advance are deferred and are recorded as premiums received in advance.

Reserves for medical loss ratio ("MLR") rebates that are required by federal regulations described in Note 14 are recorded as a reduction to premium income with a corresponding liability included in aggregate health policy reserves. As of December 31, 2012 and 2011 FHCP had no recorded reserves for any MLR rebates.

Laws and regulations governing the Medicare program are extremely complex and subject to interpretation. FHCP believes that it is in compliance with all applicable laws and regulations and is not aware of any pending or threatened investigations involving allegations of potential wrongdoing. While no such regulatory investigations have occurred, compliance with such laws and regulations can be subject to future government review and interpretation as well as significant regulatory action including fines, penalties and exclusion from the Medicare program. Accordingly, changes in the Medicare program and the reduction of funding could have an adverse impact on FHCP.

In November 2011, the United States Joint Select Committee on Deficit Reduction failed to meet a statutory deadline to produce a bill identifying budgetary savings of at least \$1.2 trillion over 10 years. As a result, the committee's inaction triggered an automatic spending reduction process known as sequestration. The implementation of sequestration was delayed until March 2013. Under sequestration, Medicare payments to providers, insurance plans and MA organizations will be reduced by 2%. Accordingly, beginning April 2013 FHCP's MA premium payments from CMS will be reduced by 2%. The impact of the payment reduction to FHCP will be primarily mitigated by a reduction in claim payments from FHCP to its fee-for-service Medicare providers.

**Unpaid Losses and Loss Adjustment Expenses**

Medical services consist principally of inpatient and outpatient hospital services, outpatient clinic services and pharmacy. Hospital services are paid on a fee-for-service, fixed rate, Diagnosis Related Groups ("DRG") and per diem basis. Outpatient clinic and physician services are provided through both FHCP facilities with employed physicians and through contracts with outside physician/hospital organizations, group practices and individual physicians paid through capitation and fee-for-service arrangements.

Claims and claims adjustment expenses unpaid include the amount of payments to be made on individual claims, which have been reported to FHCP as well as estimates of claims incurred which have not yet been reported as of the balance sheet date. Claims and claims adjustment expenses unpaid are estimated using various statistical methods that use both historical financial and operating data using accepted actuarial methods. Although considerable variability is



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**NOTES TO FINANCIAL STATEMENTS**

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inherent in such estimates, management believes that the reserves for unpaid claims are adequate. The estimates are continually reviewed and adjusted as necessary as experience develops or new information becomes known. Although it is reasonably possible that actual results could vary materially from estimated claims in the near term, management believes that recorded reserves are adequate. The estimates are continually reviewed and adjusted as necessary as experience develops or new information becomes known. Such adjustments are generally included in current operations.

**Accounting for the Medicare Part D Prescription Drug Program**

FHCP serves as a plan sponsor offering Medicare Part D prescription drug insurance coverage under a contract with CMS. Premiums received in advance are recorded as premiums received in advance. Costs for covered prescription drugs are expensed as incurred. Low-income cost-sharing subsidy and reinsurance paid in advance by CMS are recorded as liabilities included in liabilities for amounts held under uninsured plans and reduce claims and medical expenses as earned. A risk sharing arrangement provides a risk corridor whereby the target amount (premiums received from members and CMS based on FHCP's annual bid amount less administrative expenses) is compared to actual drug costs incurred during the contract year. Based on actual claims incurred, a receivable or payable is recorded as an adjustment to premiums. A reconciliation of the final risk sharing, low-income subsidy and catastrophic amounts is required annually.

Beginning in 2011, as a plan sponsor, FHCP administers the Medicare coverage gap subsidy, a 50% brand drug discount from pharmaceutical manufacturers to Medicare Part D enrollees on drug costs exceeding their initial coverage limit until they qualify for catastrophic coverage. Coverage gap amounts paid in advance by CMS are included in liabilities for amounts held under uninsured plans. Estimated amounts due from manufacturers are recorded as amounts receivable relating to uninsured plans.

**2. Accounting Changes and Corrections of Errors**

The cumulative effect of change in accounting principle is reported as an adjustment to unassigned funds in the period of the change in accounting principle. As described in Footnote 9, the cumulative effect to FHCP of adopting SSAP No. 101, Income Taxes - A Replacement of SSAP No. 10R, was \$2,730,000 for the year ended December 31, 2012.

**3. Business Combinations and Goodwill**

The purchase of FHCP was accounted for under the statutory purchase method in accordance with NAIC SAP. Under this method, pushdown accounting is not permitted and therefore FHCP does not report any associated goodwill and other identifiable intangible assets in its accompanying statutory financial statements. Additionally, FHCP uses the historical bases of its assets, rather than fair market value at time of purchase, in preparing its statutory financial statements.

**4. Discontinued Operations**

None

**5. Investments**

FHCP did not have any mortgage loans, restructured debt, reverse mortgages, loan-backed securities, repurchase agreements that qualify as an investment, investments in real estate, or investments in low-income housing tax credits at December 31, 2012 or December 31, 2011.

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

None

**7. Investment Income**

Investment income on cash and short-term investments was approximately \$55,000 and \$73,000 for the years ended December 31, 2012 and December 31, 2011, respectively, and is included in net investment income in the accompanying Statement of Revenue and Expenses. Investment income on long-term bonds was approximately \$1,403,000 and \$899,000 for the years ended December 31, 2012 and December 31, 2011, respectively. Investment income due and accrued was approximately \$87,000 and \$5,000 at December 31, 2012 and December 31, 2011, respectively.

**8. Derivative Instruments**

**NOTES TO FINANCIAL STATEMENTS**

None

**9. Income Taxes**

A. SSAP No. 101, *Income Taxes – A Replacement of SSAP No. 10R* (SSAP No. 101) is a revised income tax accounting standard adopted by the NAIC, effective for 2012 and future years. This guidance provides that the deferred tax asset admissibility guidance is no longer elective, and the reversal and surplus limitation parameters in the admissibility tests are determined based on the adjusted gross DTA to adjusted capital and surplus ratio for non-RBC filers. It also requires gross deferred tax assets to be reduced by a statutory valuation allowance if it is more likely than not that some portion or all of the gross deferred tax assets will not be realized. Considerable judgment is required in determining whether a valuation allowance is necessary, and if so, the amount of such valuation allowance. In evaluating the need for a valuation allowance the company considers many factors, including: (1) the nature of the deferred tax assets (DTA) and liabilities (DTL); (2) whether they are ordinary or capital; (3) the timing of their reversal; (4) taxable income in prior carry back years as well as projected taxable earnings exclusive of reversing temporary differences and carry-forwards; (5) the length of time that carry-forwards can be utilized; (6) unique tax rules that would impact the utilization of the deferred tax assets; and (7) any tax planning strategies that the Plan would employ to avoid a tax benefit from expiring unused. Finally, the guidance sets a more likely than not threshold for the recording of contingent tax liabilities. The cumulative effect of adopting this pronouncement is \$2,730,030.

Calendar year 2011 data has been revised to follow the SSAP 101 disclosure requirements to allow for better comparison. In revising the calendar year 2011 information no amounts have been recalculated or changed.

The following summarizes the impact of adoption.

	<u>01/01/12</u>	<u>12/31/11</u>	<u>Change</u>
Gross DTA	16,926,803	16,926,803	-
Statutory Valuation Allowance	-	-	-
Adjusted Gross DTA	16,926,803	16,926,803	-
Gross DTL	-	-	-
Net Admitted DTA/(DTL)	5,102,489	2,372,459	2,730,030
Contingent Tax Liability	-	-	-
Penalty / Interest	-	-	-
Net Impact to Surplus			
Decrease / (Increase)	----	----	(2,730,030)

The components of the net deferred tax asset were as follows at December 31, 2012 and 2011:

Description	12/31/2012			12/31/2011			Change		
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
	Ordinary	Capital	(1)+(2) Total	Ordinary	Capital	(4)+(5) Total	(1)-(4) Ordinary	(2)-(5) Capital	(7)-(9) Total
(a) Gross Deferred Tax Assets	\$ 16,090,947		\$ 16,090,947	\$ 16,926,803		\$ 16,926,803	\$ (835,856)	\$ -	\$ (835,856)
(b) Statutory Valuation Allowance Adjustment	-	-	-	-	-	-	-	-	-
(c) Adjusted Gross Deferred Tax Assets ((a)-(b))	\$ 16,090,947	\$ -	\$ 16,090,947	\$ 16,926,803	\$ -	\$ 16,926,803	\$ (835,856)	\$ -	\$ (835,856)
(d) Deferred Tax Liabilities	131		131				131	-	131
(e) Subtotal (Net Deferred Tax Assets)((c)-(d))	16,090,816	-	16,090,816	16,926,803	-	16,926,803	(835,987)	-	(835,987)
(f) Deferred Tax Assets Nonadmitted	\$ 11,688,657	\$ -	\$ 11,688,657	\$ 14,554,344	\$ -	\$ 14,554,344	(2,865,687)	-	(2,865,687)
(g) Net Admitted Deferred Tax Assets ((e)+(f))	\$ 4,402,159	\$ -	\$ 4,402,159	\$ 2,372,459	\$ -	\$ 2,372,459	\$ 2,029,700	\$ -	\$ 2,029,700

The Plan has evaluated the admission of DTAs under SSAP 101 as follows:

**NOTES TO FINANCIAL STATEMENTS**

2

	12/31/2012			12/31/2011			Change		
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
	Ordinary	Capital	(1)+(2) Total	Ordinary	Capital	(4)+(5) Total	(7)-(4)	(8)-(5)	(9)-(6)
<b>Admission Calculation Components</b>									
<b>SSAP No. 101</b>									
(a) Federal income tax paid in prior years recoverable through loss carrybacks	\$ 334,406	\$ -	\$ 334,406	\$ 237,459	\$ -	\$ 237,459	\$ 96,947	\$ -	\$ 96,947
(b) Adjusted gross deferred tax assets expected to be realized (excluding the amount of deferred tax assets from 2(a) above) after application of the threshold limitation (lesser of 2(b)1 and 2(b)2 below)	1,067,733	-	1,067,733	-	-	-	1,067,733	-	1,067,733
1. Adjusted gross deferred tax assets expected to be realized following the balance sheet date	1,067,733	-	1,067,733	-	-	-	1,067,733	-	1,067,733
2. Adjusted gross deferred tax assets allowed per limitation threshold	NA	NA	940,961	NA	NA	937,342	NA	NA	13,619
(c) Adjusted gross deferred tax assets (excluding the amount of deferred tax assets from 2(a) and 2(b) above) offset by gross deferred tax liabilities	131		131			-	131	-	131
(d) Deferred tax assets admitted as a result of application of SSAP No. 101									
<b>Total (2a)+(2b)+(2c))</b>	<u>\$ 440,290</u>	<u>\$ -</u>	<u>\$ 440,290</u>	<u>\$ 237,459</u>	<u>\$ -</u>	<u>\$ 237,459</u>	<u>\$ 203,831</u>	<u>\$ -</u>	<u>\$ 203,831</u>

3

	2012	2011
(a) Ratio percentage used to determine determine recovery period and threshold limitation amount	20.7%	23.3%
(b) Amount of adjusted capital and surplus used to determine recovery period and threshold limitation in 2(b)2 above	63,206,409	63,315,611

4.

A. Impact of Tax Planning Strategies  
None

B. All deferred tax liabilities have been recognized for amounts described in SSAP No. 101.

Current income taxes incurred consist of the following major components:

**NOTES TO FINANCIAL STATEMENTS**

	(1)	(2)	(3)
	12/31/2012	12/31/2011	(Col 1-2) Change
<b>1. Current Income Tax</b>			
(a) Federal	\$ 5,964,602	\$ 5,889,361	\$ 75,241
(b) Foreign	-	-	-
(c) Subtotal	5,964,602	5,889,361	75,241
(d) Federal income tax on net capital gains	-	-	-
(e) Utilization of capital loss carry-forwards	-	-	-
(f) Other	-	-	-
(g) Federal and foreign income taxes incurred	-	-	-
	<u>\$ 5,964,602</u>	<u>\$ 5,889,361</u>	<u>\$ 75,241</u>
<b>2. Deferred Tax Assets</b>			
(a) Ordinary			
(1) Discounting of unpaid losses	\$ 124,319	\$ 149,146	\$ (24,827)
(2) Unearned premium reserve	43,520	27,264	16,256
(3) Policyholder reserves	-	-	-
(4) Investments	-	-	-
(5) Deferred acquisition costs	-	-	-
(6) Policyholder dividends accrual	-	-	-
(7) Fixed assets	3,610,788	3,193,882	416,906
(8) Compensation and benefits accrual	201,473	12,016	189,457
(9) Pension accrual	-	-	-
(10) Receivables - nonadmitted	346,949	685,617	(338,668)
(11) Net operating loss carry-forward	-	-	-
(12) Tax credit carry-forward	-	-	-
(13.1) Other - Intangibles	9,237,433	1,007,200	(839,767)
(13.2) Other - Goodwill	2,430,630	2,651,596	(220,966)
(13.4) Other (including items <5% of total ordinary tax assets)	95,835	130,082	(34,247)
(99) Subtotal	<u>\$ 16,090,947</u>	<u>\$ 1,692,603</u>	<u>\$ (835,856)</u>
(b) Statutory valuation allowance adjustment	\$ -	\$ -	\$ -
(c) Nonadmitted	<u>\$ 11,688,657</u>	<u>\$ 1,454,344</u>	<u>\$ (2,865,687)</u>
(d) Admitted ordinary deferred tax assets (2a99 - 2b- 2c)	<u>\$ 4,402,290</u>	<u>\$ 2,372,459</u>	<u>\$ 2,029,831</u>
(e) Capital:			
(1) Investments	-	-	\$ -
(2) Net capital loss carry-forward	-	-	-
(3) Real estate	-	-	-
(4) Other (including items <5% of total ordinary tax assets)	-	-	-
(99) Subtotal	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
(f) Statutory valuation allowance adjustment	\$ -	\$ -	\$ -
(g) Nonadmitted	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
(h) Admitted capital deferred tax assets (2e99 - 2f - 2g)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
(i) Admitted deferred tax assets (2d + 2h)	<u>\$ 4,402,290</u>	<u>\$ 2,372,459</u>	<u>\$ 2,029,831</u>
<b>3. Deferred Tax Liabilities</b>			
(a) Ordinary			
(1) Investments	-	-	\$ -
(2) Fixed assets	-	-	-
(3) Deferred and uncollected premium	-	-	-
(4) Policyholder reserves	-	-	-
(5.1) Discounting of Salvage & Subrogation	131	-	131
(5.2) Other (including items <5% of total ordinary tax liabilities)	-	-	-
(99) Subtotal	<u>\$ 131</u>	<u>\$ -</u>	<u>\$ 131</u>
(b) Capital			
(1) Investments	-	-	\$ -
(2) Real estate	-	-	-
(3) Other (including items <5% of total capital tax liabilities)	-	-	-
(99) Subtotal	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
(c) Deferred tax liabilities (3a99 + 3b99)	<u>\$ 131</u>	<u>\$ -</u>	<u>\$ 131</u>
<b>4. Net deferred tax assets/liabilities (2i- 3c)</b>	<u>\$ 4,402,159</u>	<u>\$ 2,372,459</u>	<u>\$ 2,029,700</u>

(3) The Plan had no investment tax credits.

(4) No adjustments were made to deferred tax liabilities or deferred tax assets for enacted changes in tax laws or rates.

D. The Plan's income tax expense/(benefit) and changes in DTA/DTL differ from the amount obtained by applying the federal statutory rate of 35% to pretax net income/(loss) for the following reasons for the years ended December 31, 2012 and 2011:

**NOTES TO FINANCIAL STATEMENTS**

	2012	2011
(1) Expected federal income tax expense	\$ 6,918,334	\$ 8,413,322
(2) Change in nonadmitted assets	10,066	(583,441)
(3) Non-deductible expenses	2,450	1,750
(3) Prior year underaccrual(overaccrual)	(130,261)	239,758
(4) Total incurred income tax expense/(benefit)	<u>\$ 6,800,589</u>	<u>\$ 8,071,389</u>
Income taxes incurred	\$ 5,964,602	\$ 5,889,361
Change in net deferred income taxes	835,987	2,182,028
Total statutory income taxes	<u>\$ 6,800,589</u>	<u>\$ 8,071,389</u>

E. (1) As of December 31, 2012 and 2011, the Plan had no operating loss or capital loss carry-forwards.

(2) The following federal income taxes incurred in the current and prior years will be available for recoupment in the event of future net losses:

Year	Ordinary	Capital	Total
2010			\$ -
2011	5,807,014		5,807,014
2012	5,388,154		5,388,154
Total	<u>\$ 11,195,168</u>	<u>\$ -</u>	<u>\$ 11,195,168</u>

(3) The Plan does not have any protective tax deposits with the Internal Revenue Service under Section 6603 of the Internal Revenue Service Code as of December 31, 2012 or 2011.

C. (1) For the tax year ended 2012, the Company is included in a consolidated federal income tax return filed for its parent company, BCBSF, and the following subsidiaries:

- Diversified Health Services, Inc. (DHS)
- Diversified Services Options, Inc. (DSO)
- First Coast Service Options, Inc. (FCSO)
- Health Options, Inc. (HOI)
- Atlantic Institute of Clinical Research, Inc.
- Florida Health Care Plan, Provider Option, Inc.
- East Coast Bariatrics, Inc.
- Comp Options Insurance Company, Inc d/b/a OptaComp (COI).
- Navigy, Inc.
- Navigy Holdings, Inc.
- Incepture, Inc.
- GuideWell, Inc.
- Novitas Solutions, Inc.
- Diagnostic Clinic Medical Group, Inc.

(2) The method of allocation of income tax liability is subject to written agreement among the companies. The agreement provides that a company with a net operating loss is reimbursed for the tax benefit associated with its loss in the year the loss is used in the consolidated federal income tax return. Inter-company tax balances are settled annually after the consolidated tax return is filed.

**10. Information Concerning Parent, Subsidiaries and Affiliates**

A., B., . & C. FHCP is a wholly owned subsidiary of DHS. On December 31, 2008 DHS purchased 100% of FHCP's common stock from FHCP-NFP for the purchase price of \$90,510,000. In 2009 purchase price adjustments were made totaling \$1,069,000 to reflect certain adjustments outlined in the stock purchase agreement as well as to record valuation fees associated with the purchase. During the year ended December 31, 2012, FHCP paid BCBSFL approximately \$96,000 for final purchase price adjustments.

As an affiliate of BCBSF, FHCP utilizes the BlueCard network for its members' health services outside of state of Florida. The BlueCard program links participating healthcare providers with the independent Blue Cross and Blue Shields Plans across the country through a single electronic network for claims processing and reimbursements. FHCP paid BCBSF approximately \$3,172,000 and \$3,047,000 for BlueCard related claims during the year ended December 31, 2012 and 2011, respectively. Additionally, FHCP paid BCBSF approximately \$4,814,000 and \$8,366,000, net, for estimated income tax payments and approximately \$23,000 and \$22,000 for equipment rental fees for the years ended December 31, 2012 and 2011, respectively. FHCP

**NOTES TO FINANCIAL STATEMENTS**

received approximately \$304,000 and \$272,000 from BCBSF for FHCP pharmacy services billed and collected by BCBSF for the years ended December 31, 2012 and 2011, respectively. During the year ended December 31, 2012 FHCP paid BCBSF approximately \$84,000 for professional services received.

- D. At December 31, 2012 and 2011 FHCP reported \$0 as Amounts due to Parent, Subsidiaries and Affiliates.
- E. There are no guarantees or undertakings for the benefit of an affiliate or related party that result in a material contingent exposure of the Company's or related party's assets or liabilities.
- F. There are no material management or service contracts and cost-sharing arrangements involving the Company and any related party.
- G. There are no control relationships whereby the Company and another enterprise are under common ownership or control and the existence of that control could result in significantly difference operating results or financial position from those that would have been obtained if the enterprises were autonomous.
- H. There are no amounts deducted from the value of an upstream intermediate entity or ultimate parent owned via a downstream subsidiary, controlled, or affiliated entity (SCA), in accordance with the *Purposes and Procedures* Manual of the NAIC Securities Valuation Office, "Procedures for Valuing Common Stocks and Stock Warrants."
- I. The Company has no investments in an SCA entity that exceeds 10% of its admitted assets.
- J. Atlantic Institute of Clinical Research (AICR), a wholly owned subsidiary of FHCP, paid FHCP an equity distribution of \$191,432. The remaining investment balance was reduced to \$2,500, representing AICR's net cash composed of cash and cash equivalents at December 31, 2012. Additionally, FHCP recorded a \$66,140 realized capital loss in the Statement of Revenue and Expenses for the year ended December 31, 2012.
- K. The Company has no investments in a foreign insurance subsidiary.
- L. The Company does not hold an investment in a downstream noninsurance holding company.

**11. Debt**

None

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

FHCP sponsors a defined contribution plan (the Plan) intended to comply with Section 401(a) and/or 401(k) of the Internal Revenue Code. Each participant may elect to make salary reduction contributions to the Plan up to the maximum permitted by the Internal Revenue Code Section 402(g). FHCP will contribute to the Plan a discretionary matching contribution to be determined each year by FHCP. The Company contributed approximately \$871,000 and \$837,000 to the Plan for the years ended December 31, 2012 and 2011, respectively.

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

- (1) FHCP has 1,000 shares authorized, 1,000 shares issued and 1,000 shares outstanding.
- (2) FHCP has no preferred stock outstanding.
- (3) The OIR limits distributions of earnings and equity transfers to no more than 10% of statutory surplus from accumulated earnings in any one year unless prior approval is received from OIR. In addition to this payment, and to the extent accumulated statutory surplus exceeds the required amount, FHCP may make distributions out of its entire preceding fiscal year's net operating profits.
- (4) A distribution of \$13,000,000 was made to FHCP's parent company, Diversified Health Services, on May 29, 2012, and is within the limits set by the OIR. There were no dividends paid during the year ended December 31, 2011.
- (5) Within the limitations of (3) above, there are no restrictions placed on the portion FHCP's profits that may be paid as ordinary dividends to stockholders.

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**NOTES TO FINANCIAL STATEMENTS**

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- (6) There were no restrictions placed on FHCP's surplus, including for whom the surplus is being held.
- (7) There are no advances to surplus not repaid.
- (8) FHCP does not hold stock, including stock of affiliated companies, for special purposes.
- (9) There have been no changes in balances of special surplus funds.
- (10) None of FHCP's unassigned funds (surplus) are represented or reduced by cumulative unrealized gains and losses.
- (11) FHCP has not issued any surplus notes.
- (12) There have been no restatements due to prior quasi-reorganizations.
- (13) There are no quasi-reorganizations.

**14. Contingencies**

FHCP maintains professional liability insurance for its staff physicians and surgeons on a claims-made basis. The policy provides for annual coverage limits of \$1,000,000 per claim and \$3,000,000 aggregate per staff position for the year of 2012 and 2011. In addition, FHCP maintains HMO professional liability insurance with annual coverage limits of \$1,000,000 per claim and \$6,000,000 in the aggregate for 2012 and 2011. Management expects that all claims currently pending against FHCP will be settled within the coverage limits of the policy, as it is expected that the insurance carrier will pay those claims directly. Professional liability claims have historically settled within the limits of the policies. Management is not aware of any threatened claims in excess of coverage limits and has not recorded any amount for unreported claims. Losses resulting from unreported claims cannot be estimated by management. Therefore, an accrual for losses from such unreported claims, if any, has not been included in the accompanying statutory financial statements. In the opinion of management, such amounts would not materially affect the admitted assets, liabilities, capital and surplus of FHCP.

In addition to the above, FHCP is subject to claims and suits arising in the ordinary course of business. In the opinion of management, based upon the advice of legal counsel, the ultimate resolution of such pending legal proceedings will not have a material, adverse effect on FHCP's results of operations or admitted assets, liabilities, capital and surplus.

In March 2010, the President signed into law the Patient Protection and Affordable Care Act ("PPACA") and the Health Care and Education Reconciliation Act of 2010 (collectively referred to as the "Healthcare Reform Legislation") which considerably transforms the United States ("U.S.") health care system and increases regulations within the U.S. health insurance industry. This legislation is intended to expand the availability of health insurance coverage to millions of Americans. The Healthcare Reform Legislation contains provisions that take effect from 2010 through 2018, with most measures effective in 2014. The total impact of the Healthcare Reform Legislation is unknown, as many aspects of the legislation require additional guidance and clarification to be provided by the Department of Health and Human Services ("HHS"), the Department of Labor, the Department of Treasury, the NAIC, and the regulating state. Certain provisions of the new legislation are likely to have significant impacts on FHCP's future operations, including fees assessed on companies in the insurance industry and certain new taxes on high premium insurance policies.

The Rate Review regulations subject insurance carrier rate increases to a higher level of review and visibility. The rate review process requires that health insurance issuers submit a justification for an "unreasonable premium increase". Beginning September 2011 the regulations set the threshold at 10%. Starting in 2014, state-specific thresholds based on the cost of health insurance coverage in the state will be developed. If rate increases exceed the annual threshold, the insurer must provide detailed justification for the rate increase. The Rate Review process only applies to insurers in the individual and small group markets and does not apply to self-funded plans.

Beginning in 2011, PPACA imposes medical loss ratio ("MLR") mandates that require health insurers to spend a minimum percentage of premiums on medical care and health care quality improvement efforts. Insurers of large group plans must maintain at least 85% MLR and insurers of small group and individual plans must maintain an 80% minimum MLR. To the extent that these ratios are not met, insurers must rebate the difference back to policyholders beginning in 2012. As of December 31, 2012 and 2011, FHCP has estimated that there are no rebates due back to policyholders. The final report is due to the HHS by June 1, 2013.

Beginning in 2014, PPACA also imposes a minimum 85% MLR on MA Organizations. If an MA Organization or Plan Sponsor fails to satisfy the MLR standard for a contract year, it must remit to CMS the amount by which the Plan

**NOTES TO FINANCIAL STATEMENTS**

Sponsor's MLR is below 85%. If a Plan Sponsor fails to meet the 85% MLR standard for three consecutive contract years, enrollment in the Plan Sponsor's plans will be suspended for the subsequent contract year, and CMS will terminate the contract of a Plan Sponsor that fails to meet an 85% MLR for five consecutive contract years.

**15. Leases**

FHCP leases office facilities and equipment under various operating leases. The future minimum annual lease payments on noncancelable operating leases as of December 31, 2012 are as follows:

2013	2,810,000
2014	1,038,000
2015	625,000
2016	507,000
2017	272,000
Total minimum lease payments	<u>\$ 5,252,000</u>

Total rent expense was approximately \$3,382,000 and \$4,580,000 including approximately \$2,146,000 and \$2,137,000 of self-rental expense, for the years ended December 31, 2012 and 2011, respectively.

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

Financial instruments, which potentially subject FHCP to concentration of credit risk, consist primarily of cash and cash equivalents. FHCP limits the amount of credit exposure to each individual financial institution and places its cash into accounts and investments of high credit quality. Cash is held in deposits in noninterest-bearing transaction accounts with Federal Deposit Insurance Corporation ("FDIC") insured institutions. Beginning December 31, 2010 through December 31, 2012 all noninterest-bearing transaction accounts are fully insured, regardless of the balance in the account, at all FDIC-insured institutions. Effective January 1, 2013 deposits held in noninterest-bearing transaction accounts are now aggregated with any interest-bearing deposits, and the combined total insured up to \$250,000.

**17. Sale, Transfer and Servicing of Financial Assets and Extinguishment of Liabilities**

None

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

None

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

None

**20. Fair Value Measurements**

The book values and fair values, as determined by the SVO of the NAIC, of the Company's bonds (long-term, short-term and cash equivalents) were as follows at December 31, 2012 and 2011:



**NOTES TO FINANCIAL STATEMENTS**

<i>(in thousands of dollars)</i>	<b>2012</b>			
	<b>Book Value</b>	<b>Gross Unrealized Gains</b>	<b>Gross Unrealized Losses</b>	<b>Fair Value</b>
<b>Bonds</b>				
Exchange traded bond funds	\$ 54,972	\$ 736	\$ 56	\$ 55,652
Bond mutual funds	11,110	-	-	11,110
Certificates of deposit	5,026	-	-	5,026
<b>Total bonds</b>	<b>\$ 71,108</b>	<b>\$ 736</b>	<b>\$ 56</b>	<b>\$ 71,788</b>

<i>(in thousands of dollars)</i>	<b>2011</b>			
	<b>Book Value</b>	<b>Gross Unrealized Gains</b>	<b>Gross Unrealized Losses</b>	<b>Fair Value</b>
<b>Bonds</b>				
Exchange traded bond funds	\$ 40,708	\$ 256	\$ -	\$ 40,964
Bond mutual funds	27,381	-	-	27,381
Certificates of deposit	5,000	-	-	5,000
<b>Total bonds</b>	<b>\$ 73,089</b>	<b>\$ 256</b>	<b>\$ -</b>	<b>\$ 73,345</b>

As of December 31, 2012 and 2011, respectively, \$71,108,000 and \$73,089,000 or 100% of the bonds in FHCP's portfolio were investment grade (Baa and above, or equivalent).

The following disclosures have been provided to facilitate analysis of unrealized losses and a better understanding of the basis for management's conclusions on impairment of certain investment securities.

Bonds with gross unrealized losses were not considered other-than-temporarily impaired due to the duration, low magnitude of the losses or indications of recovery, the conclusions that collection of contractual amounts due is probable and an intent and ability to hold the securities to maturity or recovery.

The book value and fair value of bonds and money market securities at December 31, 2012 and 2011 by contractual maturity are shown below. Expected maturities differ from contractual maturities because borrowers may have the right to call or prepay obligations with or without call or prepayment penalties.

<i>(in thousands of dollars)</i>	<b>2012</b>		<b>2011</b>	
	<b>Book Value</b>	<b>Fair Value</b>	<b>Book Value</b>	<b>Fair Value</b>
Due in one year or less	\$ 11,110	\$11,110	\$ 27,381	\$27,381
Due after one year through five years	27,813	27,758	40,709	40,794
Due after five years through ten years	17,558	17,680	4,999	5,170
Due after ten years	14,627	15,240	-	-
	71,108	71,788	73,089	73,345
Mortgage-backed securities	-	-	-	-
	<b>\$ 71,108</b>	<b>\$71,788</b>	<b>\$ 73,089</b>	<b>\$73,345</b>

Net investment income for the years ended December 31, 2012 and 2011 are summarized as follows:

<i>(in thousands of dollars)</i>	<b>2012</b>	<b>2011</b>
Gross investment income		
Exchange traded bond funds	1,377	899
Real estate	2,181	2,186
Cash, cash equivalents and short-term investments	81	73
Less: Investment and related expenses	(2,606)	(2,667)
<b>Net Investment Income</b>	<b>\$ 1,033</b>	<b>\$ 491</b>

SSAP No. 100, *Fair Value Measurements*, ("SSAP No.100") establishes a framework for measuring and reporting fair values. The framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements). The three levels of the fair value hierarchy are described as follows:

Level 1 - Pricing inputs are based on quoted prices available in active markets for identical assets or liabilities as of the reporting date. Active markets are those in which transactions for the asset or liability occur in sufficient

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**NOTES TO FINANCIAL STATEMENTS**

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frequency and volume to provide pricing information on an ongoing basis. Unadjusted quoted prices from national exchanges are the primary pricing source.

Level 2 - Pricing inputs are other than quoted prices in active markets included in Level 1, which are either directly or indirectly observable as of the reporting date. Level 2 includes those financial instruments that are valued using models or other valuation methodologies. Quoted prices from less active markets are the primary pricing source.

Level 3 - Pricing inputs include significant inputs that are generally less observable from objective source and may include internally developed methodologies that result in management's best estimate of fair value from the perspective of a market participant.

FHCP did not have any assets that require reporting under SSAP No. 100 as of December 31, 2012 and 2011.

**21. Other Items**

## A. Extraordinary Items

None

## B. Troubled Debt Restructuring: Debtors

None

## C. Other Disclosures

FHCP is required by Section 641.225(1) of the Florida Statutes to maintain at all times a minimum surplus in an amount which is the greater of \$1,500,000, 10% of total liabilities, or 2% of total annualized premium, or \$6,134,000 and \$6,072,000 at December 31, 2012 and 2011. FHCP's surplus was \$69,439,000 and \$66,321,000 at December 31, 2012 and 2011, respectively. In addition, Section 641.35(9) of the Florida Statutes stipulates that FHCP must maintain an amount equal to its required minimum surplus in coin or currency of the United States on hand or on deposit in any solvent national or state bank, savings and loan association or trust company, or in eligible securities or obligations. FHCP was in compliance at December 31, 2012 and 2011.

The state of Florida requires an HMO to maintain a deposit with the OIR for the protection of the HMO's policyholders, subscribers and creditors against possible insolvencies. At December 31, 2012 and 2011, FHCP complies with this requirement by maintaining the required deposit with the OIR of \$310,000, which is included in cash, cash equivalents and short-term investments in the accompanying balance sheet.

Included in bonds as of December 31, 2012 and 2011 is a restricted long-term certificate of deposit ("CD") in the amount of \$5,026,000 and \$5,000,000, respectively. The CD secures a letter of credit in the amount of \$5,000,000 and fulfills a performance guarantee requirements by one of FHCP's large employer groups.

D. At December 31, 2012 and 2011 FHCP had admitted assets of approximately \$1,202,000 and \$1,582,000 in uncollected premiums and agents' balances in the course of collection. Uncollected premiums primarily consist of group commercial premiums. Uncollected amounts over 90 days old are nonadmitted assets. FHCP routinely assesses the collectability of these receivables and believes that any potential loss is not material to FHCP's financial condition.

## E. Business Interruption Insurance Recoveries

None

## F. State Transferable Tax Credits

None

## G. Subprime Mortgage Related Risk Exposure

None

## H. Retained Assets

None

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**NOTES TO FINANCIAL STATEMENTS**

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**22. Events Subsequent**

FHCP has evaluated subsequent events through the date that the financial statements were available for issuance. No such events were noted.

**23. Reinsurance**

FHCP has commercial reinsurance coverage for individual member health care claims with deductibles of \$275,000 for the years ended December 31, 2012 and 2011. There is a maximum lifetime coverage limit of \$2,000,000 on each individual member in both 2012 and 2011.

Reinsurance premiums totaled approximately \$1,536,000 and \$1,651,000 for the years ended December 31, 2012 and December 31, 2011, respectively, and are deducted from net premium income in the statement of revenue and expenses. Reinsurance recoveries of approximately \$1,621,000 and \$682,000 were recorded in the years ended December 31, 2012 and December 31, 2011, respectively.

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

FHCP participates in the Centers for Medicare and Medicaid Services' ("CMS") Medicare Advantage program. CMS utilizes a risk adjustment model which adjusts member premiums based on the underlying health conditions of beneficiaries. Under this model, member premiums are adjusted in subsequent periods after FHCP has submitted final medical diagnosis information to CMS. FHCP recorded \$2,407,000 and \$1,039,000 related to such premium adjustments at December 31, 2012 and 2011, respectively, and is reported as accrued retrospective premiums in the accompanying statements of admitted assets, liabilities and capital and surplus.

FHCP also offers Medicare Part D prescription drug coverage under a contract with CMS. Under this program, the Company is subject to a risk share settlement after the end of the contract year. The settlement is calculated based on the plan's actual cost experience for its standard Part D benefit compared to an established CMS threshold above or below the level estimated in the plan's original Part D bid filed with CMS. Included in aggregate policy reserves in the accompanying statutory basis balance sheet is approximately \$526,000 and \$2,033,000 due to CMS for the years ended December 31, 2012 and 2011, respectively.

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

Reserves as of December 31, 2012 and 2011 were comprised of claims unpaid of approximately \$23,283,000 and \$24,506,000, respectively, and unpaid claim adjustment expenses of \$750,000 at both December 31, 2012 and 2011. The change in prior years' reserves was an increase of \$1,604,000 for 2012 and a decrease of \$1,496,000 for 2011 (net of estimated recoveries of approximately (\$8,000) and (\$63,000) for December 31, 2012 and 2011, respectively). Based on additional claims runout information, analysis was performed to determine the unfavorable claim development that occurred during 2012 for 2011 and prior experience. The increase in 2012 reserves was primarily the result of higher medical trend. Similarly, additional analysis was performed to determine the unfavorable claim development that occurred during 2011 for 2010 and prior experience. The decrease in prior year's reserve of \$1,496,000 was primarily the results of lower medical trend. These estimates are reviewed regularly by management and are adjusted as necessary as new information becomes known. Such adjustments are included in current operations.

**26. Intercompany Pooling Arrangements**

None

**27. Structured Settlements**

Not applicable

**28. Health Care Receivables**

The Company's health care receivables are primarily comprised of fee-for-service receivables generated by FHCP's staff physicians. Receivables are reported net of estimated uncollectible amounts.

**29. Participating Policies**

None

**NOTES TO FINANCIAL STATEMENTS**

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**30. Premium Deficiency Reserves**

None

**31. Anticipated Salvage and Subrogation**

The Company did not include any amounts for anticipated salvage and subrogation in its determination of the liability for unpaid claims/losses.

**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 [ X ] No [ ]
- 1.2 If yes, did the reporting entity register and file with its domiciliary State Insurance Commissioner, Director or Superintendent or with such regulatory official of the state of domicile of the principal insurer in the Holding Company System, a registration statement providing disclosure substantially similar to the standards adopted by the National Association of Insurance Commissioners (NAIC) in its Model Insurance Holding Company System Regulatory Act and model regulations pertaining thereto, or is the reporting entity subject to standards and disclosure requirements substantially similar to those required by such Act and regulations? Yes [ X ] No [ ] N/A [ ]
- 1.3 State regulating? Florida
- 2.1 Has any change been made during the year of this statement in the charter, by-laws, articles of incorporation, or deed of settlement of the reporting entity? Yes [ ] No [ X ]
- 2.2 If yes, date of change: \_\_\_\_\_
- 3.1 State as of what date the latest financial examination of the reporting entity was made or is being made. \_\_\_\_\_
- 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 [ X ]
- 3.6 Have all of the recommendations within the latest financial examination report been complied with? Yes [ ] No [ ] N/A [ X ]
- 4.1 During the period covered by this statement, did any agent, broker, sales representative, non-affiliated sales/service organization or any combination thereof under common control (other than salaried employees of the reporting entity) receive credit or commissions for or control a substantial part (more than 20 percent of any major line of business measured on direct premiums) of:
  - 4.11 sales of new business? Yes [ ] No [ X ]
  - 4.12 renewals? Yes [ ] No [ X ]
- 4.2 During the period covered by this statement, did any sales/service organization owned in whole or in part by the reporting entity or an affiliate, receive credit or commissions for or control a substantial part (more than 20 percent of any major line of business measured on direct premiums) of:
  - 4.21 sales of new business? Yes [ ] No [ X ]
  - 4.22 renewals? Yes [ ] No [ X ]
- 5.1 Has the reporting entity been a party to a merger or consolidation during the period covered by this statement? Yes [ ] No [ X ]
- 5.2 If yes, provide the name of the entity, NAIC company code, and state of domicile (use two letter state abbreviation) for any entity that has ceased to exist as a result of the merger or consolidation.

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

- 6.1 Has the reporting entity had any Certificates of Authority, licenses or registrations (including corporate registration, if applicable) suspended or revoked by any governmental entity during the reporting period? Yes [ ] No [ X ]
- 6.2 If yes, give full information: \_\_\_\_\_

- 7.1 Does any foreign (non-United States) person or entity directly or indirectly control 10% or more of the reporting entity? Yes [ ] No [ X ]
- 7.2 If yes,
  - 7.21 State the percentage of foreign control .....%
  - 7.22 State the nationality(ies) of the foreign person(s) or entity(ies); or if the entity is a mutual or reciprocal, the nationality of its manager or attorney-in-fact and identify the type of entity(ies) (e.g., individual, corporation, government, manager or attorney-in-fact)

1 Nationality	2 Type of Entity

- 8.1 Is the company a subsidiary of a bank holding company regulated by the Federal Reserve Board? Yes [ ] No [ X ]
- 8.2 If response to 8.1 is yes, please identify the name of the bank holding company. \_\_\_\_\_

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

1 Affiliate Name	2 Location (City, State)	3 FRB	4 OCC	5 FDIC	6 SEC

- 9. What is the name and address of the independent certified public accountant or accounting firm retained to conduct the annual audit?  
Pricewaterhouse Coopers LLP, 500 North Laura Street, Suite 3000, Jacksonville, FL 32202
- 10.1 Has the insurer been granted any exemptions to the prohibited non-audit services provided by the certified independent public accountant requirements as allowed in Section 7H of the Annual Financial Reporting Model Regulation (Model Audit Rule), or substantially similar state law or regulation? Yes [ ] No [ X ]
- 10.2 If the response to 10.1 is yes, provide information related to this exemption: \_\_\_\_\_
- 10.3 Has the insurer been granted any exemptions related to the other requirements of the Annual Financial Reporting Model Regulation as allowed for in Section 17A of the Model Regulation, or substantially similar state law or regulation? Yes [ ] No [ X ]
- 10.4 If the response to 10.3 is yes, provide information related to this exemption: \_\_\_\_\_
- 10.5 Has the reporting entity established an Audit Committee in compliance with the domiciliary state insurance laws? Yes [ X ] No [ ] N/A [ ]
- 10.6 If the answer to 10.5 is no or n/a, please explain. \_\_\_\_\_

- 11. What is the name, address and affiliation (officer/employee of the reporting entity or actuary/consultant associated with an actuarial consulting firm) of the individual providing the statement of actuarial opinion/certification?  
Robert M. Heitman, ASA, MAAA, 1340 Ridgewood Ave, Holly Hill, FL 32117/FHCP Employee

**GENERAL INTERROGATORIES**

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

12.11 Name of real estate holding company

12.12 Number of parcels involved

12.13 Total book/adjusted carrying value

12.2 If yes, provide explanation.

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

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

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

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

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

14.1 Are the senior officers (principal executive officer, principal financial officer, principal accounting officer or controller, or persons performing similar functions) of the reporting entity subject to a code of ethics, which includes the following standards? 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	2	3	4
American Bankers Association (ABA) Routing Number	Issuing or Confirming Bank Name	Circumstances That Can Trigger the Letter of Credit	Amount

**PART 1 - COMMON INTERROGATORIES - BOARD OF DIRECTORS**

16. Is the purchase or sale of all investments of the reporting entity passed upon either by the Board of Directors or a subordinate committee thereof? Yes [X] No [ ]

17. Does the reporting entity keep a complete permanent record of the proceedings of its Board of Directors and all subordinate committees thereof? Yes [X] No [ ]

18. Has the reporting entity an established procedure for disclosure to its Board of Directors or trustees of any material interest or affiliation on the part of any of its officers, directors, trustees or responsible employees that is in conflict or is likely to conflict with the official duties of such person? Yes [X] No [ ]

**PART 1 - COMMON INTERROGATORIES - FINANCIAL**

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

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

20.11 To directors or other officers \$.....0

20.12 To stockholders not officers \$.....0

20.13 Trustees, supreme or grand (Fraternal only) \$.....0

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

20.21 To directors or other officers \$.....0

20.22 To stockholders not officers \$.....0

20.23 Trustees, supreme or grand (Fraternal only) \$.....0

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

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

21.21 Rented from others .....

21.22 Borrowed from others .....

21.23 Leased from others .....

21.24 Other .....

22.1 Does this statement include payments for assessments as described in the Annual Statement Instructions other than guaranty fund or guaranty association assessments? Yes [X] No [ ]

22.2 If answer is yes:

22.21 Amount paid as losses or risk adjustment \$.....0

22.22 Amount paid as expenses \$.....37,334

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. ....

**PART 1 - COMMON INTERROGATORIES - INVESTMENT**

24.01 Were all the stocks, bonds and other securities owned December 31 of current year, over which the reporting entity has exclusive control, in the actual possession of the reporting entity on said date (other than securities lending programs addressed in 24.03)? Yes [X] No [ ]

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

**PART 1 - COMMON INTERROGATORIES - INVESTMENT**

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

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

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

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

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

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

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

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

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

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

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

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

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

25.21 Subject to repurchase agreements \$.....0

25.22 Subject to reverse repurchase agreements \$.....0

25.23 Subject to dollar repurchase agreements \$.....0

25.24 Subject to reverse dollar repurchase agreements \$.....0

25.25 Pledged as collateral \$.....0

25.26 Placed under option agreements \$.....0

25.27 Letter stock or securities restricted as to sale \$.....0

25.28 On deposit with state or other regulatory body \$.....310,000

25.29 Other \$.....5,035,592

25.3 For category (25.27) provide the following:

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

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

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

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

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

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

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

1 Name of Custodian(s)	2 Custodian's Address
Bank of America Merrill Lynch	100 N. Tryon St., Charlotte, NC 28255
The Bank of New York Mellon	One Wall Street, New York NY 10286
Merrill Lynch, Pierce, Fenner & Smith Incorporated	200 N. College St., Charlotte NC 28255

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

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

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

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

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

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

1 Central Registration Depository Number(s)	2 Name	3 Address
35693	BNY CovergEx Execution Solutions LLC	1633 Broadway, 4th Floor, New York, NY 10019

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

29.2 If yes, complete the following schedule:

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

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

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

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

	1 Statement (Admitted) Value	2 Fair Value	3 Excess of Statement over Fair Value (-), or Fair Value over Statement (+)
30.1 Bonds.....	71,107,415	71,787,248	679,833
30.2 Preferred stocks.....			0
30.3 Totals.....	71,107,415	71,787,248	679,833

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

Review of closing market share values as of December 31, 2012

**PART 1 - COMMON INTERROGATORIES - INVESTMENT**

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

**PART 1 - COMMON INTERROGATORIES - OTHER**

- 33.1 Amount of payments to trade associations, service organizations and statistical or rating bureaus, if any? \$.....0
- 33.2 List the name of the organization and the amount paid if any such payment represented 25% or more of the total payments to trade associations, service organizations and statistical or rating bureaus during the period covered by this statement.

1 Name	2 Amount Paid

- 34.1 Amount of payments for legal expenses, if any? \$.....170,568
- 34.2 List the name of the firm and the amount paid if any such payment represented 25% or more of the total payments for legal expenses during the period covered by this statement.

1 Name	2 Amount Paid
Edward F Simpson	145,570

- 35.1 Amount of payments for expenditures in connection with matters before legislative bodies, officers or departments of government, if any? \$.....6,238
- 35.2 List the name of the firm and the amount paid if any such payment represented 25% or more of the total payment expenditures in connection with matters before legislative bodies, officers or departments of government during the period covered by this statement.

1 Name	2 Amount Paid
Meridian Consulting	6,238



**GENERAL INTERROGATORIES**

**PART 2 - HEALTH INTERROGATORIES**

- 1.1 Does the reporting entity have any direct Medicare Supplement Insurance in force? Yes [ ] No [X]
- 1.2 If yes, indicate premium earned on U.S. business only .....
- 1.3 What portion of Item (1.2) is not reported on the Medicare Supplement Insurance Experience Exhibit? .....
- 1.31 Reason for excluding .....

- 1.4 Indicate amount of earned premium attributable to Canadian and/or Other Alien not included in Item (1.2) above. .....
- 1.5 Indicate total incurred claims on all Medicare Supplement insurance. .....
- 1.6 Individual policies:
  - Most current three years:
    - 1.61 Total premium earned .....
    - 1.62 Total incurred claims .....
    - 1.63 Number of covered lives .....
  - All years prior to most current three years:
    - 1.64 Total premium earned .....
    - 1.65 Total incurred claims .....
    - 1.66 Number of covered lives .....
- 1.7 Group policies:
  - Most current three years:
    - 1.71 Total premium earned .....
    - 1.72 Total incurred claims .....
    - 1.73 Number of covered lives .....
  - All years prior to most current three years:
    - 1.74 Total premium earned .....
    - 1.75 Total incurred claims .....
    - 1.76 Number of covered lives .....

2. Health test:

	1 Current Year	2 Prior Year
2.1 Premium Numerator.....	305,148,735	301,925,936
2.2 Premium Denominator.....	305,148,735	301,925,936
2.3 Premium Ratio (2.1/2.2).....	100.0	100.0
2.4 Reserve Numerator.....	24,907,559	26,572,957
2.5 Reserve Denominator.....	24,907,559	26,572,957
2.6 Reserve Ratio (2.4/2.5).....	100.0	100.0

- 3.1 Has the reporting entity received any endowment or gift from contracting hospitals, physicians, dentists, or others that is agreed will be returned when, and if the earnings of the reporting entity permits? Yes [ ] No [X]
- 3.2 If yes, give particulars: .....

- 4.1 Have copies of all agreements stating the period and nature of hospitals', physicians', and dentists' care offered to subscribers and dependents been filed with the appropriate regulatory agency? Yes [X] No [ ]
- 4.2 If not previously filed, furnish herewith a copy(ies) of such agreement(s). Do these agreements include additional benefits offered? Yes [ ] No [X]
- 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 \$.....360,500
  - 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:  
Hold harmless clause in provider contracts; participation in any applicable State of Florida Guaranty Fund; agreements with providers to continue rendering services

- 7.1 Does the reporting entity set up its claim liability for provider services on a service date basis? Yes [X] No [ ]
- 7.2 If no, give details: .....

- 8. Provide the following information regarding participating providers:
  - 8.1 Number of providers at start of reporting year .....600
  - 8.2 Number of providers at end of reporting year .....596
- 9.1 Does the reporting entity have business subject to premium rate guarantees? Yes [X] No [ ]
- 9.2 If yes, direct premium earned:
  - 9.21 Business with rate guarantees between 15-36 months \$.....0
  - 9.22 Business with rate guarantees over 36 months \$.....0
- 10.1 Does the reporting entity have Incentive Pool, Withhold or Bonus arrangements in its provider contracts? Yes [ ] No [X]
- 10.2 If yes:
  - 10.21 Maximum amount payable bonuses .....
  - 10.22 Amount actually paid for year bonuses .....
  - 10.23 Maximum amount payable withholds .....
  - 10.24 Amount actually paid for year withholds .....

**GENERAL INTERROGATORIES**

**PART 2 - HEALTH INTERROGATORIES**

- 11.1. Is the reporting entity organized as:
  - 11.12 A Medical Group/Staff Model, Yes [ ] No [X]
  - 11.13 An Individual Practice Association (IPA), or Yes [ ] No [X]
  - 11.14 A Mixed Model (combination of above)? Yes [X] No [ ]
- 11.2. Is the reporting entity subject to Minimum Net Worth Requirements? Yes [X] No [ ]
- 11.3. If yes, show the name of the state requiring such net worth. Florida
- 11.4. If yes, show the amount required. \$.....6,133,695
- 11.5. Is this amount included as part of a contingency reserve in stockholder's equity? Yes [ ] No [X]
- 11.6. If the amount is calculated, show the calculation:  
2% of total annualized premium of \$306,684,739.78

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

1 Name of Service Area
Volusia County, Florida
Flagler County, Florida
Seminole County, Florida
Collier County, Florida

- 13.1. Do you act as a custodian for health savings account? Yes [ ] No [X]
- 13.2. If yes, please provide the amount of custodial funds held as of the reporting date. .....
- 13.3. Do you act as an administrator for health savings accounts? Yes [ ] No [X]
- 13.4. If yes, please provide the balance of the funds administered as of the reporting date. .....

**FIVE-YEAR HISTORICAL DATA**

	1 2012	2 2011	3 2010	4 2009	5 2008
<b>Balance Sheet Items (Pages 2 and 3)</b>					
1. Total admitted assets (Page 2, Line 28).....	101,259,676	99,137,477	81,422,428	64,858,681	67,110,172
2. Total liabilities (Page 3, Line 24).....	31,820,963	32,816,861	31,710,761	31,867,846	44,877,478
3. Statutory surplus.....	6,133,695	6,071,547	6,050,505	5,949,082	4,487,748
4. Total capital and surplus (Page 3, Line 33).....	69,438,712	66,320,616	49,711,667	32,990,835	22,232,695
<b>Income Statement Items (Page 4)</b>					
5. Total revenues (Line 8).....	306,015,514	302,787,674	301,817,955	296,598,719	
6. Total medical and hospital expenses (Line 18).....	258,892,731	250,545,434	240,190,625	247,983,858	
7. Claims adjustment expenses (Line 20).....	3,841,082	3,676,410	5,148,511	5,081,091	
8. Total administrative expenses (Line 21).....	26,055,284	26,688,148	33,081,538	31,091,049	
9. Net underwriting gain (loss) (Line 24).....	17,226,418	21,877,681	23,397,281	12,442,721	
10. Net investment gain (loss) (Line 27).....	1,316,372	491,473	615,016	66,434	
11. Total other income (Lines 28 plus 29).....	1,223,877	1,668,909	923,757	1,062,411	
12. Net income or (loss) (Line 32).....	13,802,066	18,148,701	18,070,108	10,854,059	
<b>Cash Flow (Page 6)</b>					
13. Net cash from operations (Line 11).....	16,222,555	22,257,329	20,721,437	178,275	
<b>Risk-Based Capital Analysis</b>					
14. Total adjusted capital.....	69,672,855	66,320,616	49,711,667	32,990,835	22,232,695
15. Authorized control level risk-based capital.....	9,156,783	8,487,797	8,447,982	10,450,904	
<b>Enrollment (Exhibit 1)</b>					
16. Total members at end of period (Column 5, Line 7).....	48,007	48,789	48,780	48,510	51,254
17. Total member months (Column 6, Line 7).....	579,775	589,052	589,928	587,609	
<b>Operating Percentage (Page 4) (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).....	84.8	83.0	79.9	83.9	
20. Cost containment expenses.....	0.8	0.7	1.1	1.1	
21. Other claims adjustment expenses.....	0.5	0.5	0.6	0.6	
22. Total underwriting deductions (Line 23).....	94.6	93.0	92.6	96.2	
23. Total underwriting gain (loss) (Line 24).....	5.6	7.2	7.8	4.2	
<b>Unpaid Claims Analysis (U&amp;I Exhibit, Part 2B)</b>					
24. Total claims incurred for prior years (Line 13 Col. 5).....	26,136,592	22,060,540	20,023,642	19,940,575	245,079
25. Estimated liability of unpaid claims - [prior year (Line 13, Col. 6)]	24,532,332	23,556,064	23,049,664	24,331,949	
<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).....	3,750	261,322	261,072	261,072	261,072
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.....	3,750	261,322	261,072	261,072	261,072
33. Total investment in parent included in Lines 26 to 31 above.....					

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

Yes [ ] No [ ]

If no, please explain:

**SCHEDULE T - PREMIUMS AND OTHER CONSIDERATIONS**

Allocated by States and Territories

State, Etc.	1 Active Status	Direct Business Only							
		2 Accident & Health Premiums	3 Medicare Title XVIII	4 Medicaid Title XIX	5 Federal Employees Health Benefits Program Premiums	6 Life & Annuity Premiums and Other Considerations	7 Property/Casualty Premiums	8 Total Columns 2 Through 7	9 Deposit-Type Contracts
1. Alabama.....AL	N								.0
2. Alaska.....AK	N								.0
3. Arizona.....AZ	N								.0
4. Arkansas.....AR	N								.0
5. California.....CA	N								.0
6. Colorado.....CO	N								.0
7. Connecticut.....CT	N								.0
8. Delaware.....DE	N								.0
9. District of Columbia.....DC	N								.0
10. Florida.....FL	L	150,062,665	150,630,344					300,693,009	
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	N								.0
55. U.S. Virgin Islands.....VI	N								.0
56. Northern Mariana Islands.....MP	N								.0
57. Canada.....CAN	N								.0
58. Aggregate Other alien.....OT	XXX	.0	.0	.0	.0	.0	.0	.0	.0
59. Subtotal.....XXX		150,062,665	150,630,344	.0	.0	.0	.0	300,693,009	.0
60. Reporting entity contributions for Employee Benefit Plans.....XXX		5,991,731						5,991,731	
61. Total (Direct Business).....(a)	1	156,054,396	150,630,344	.0	.0	.0	.0	306,684,740	.0

**DETAILS OF WRITE-INS**

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

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

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

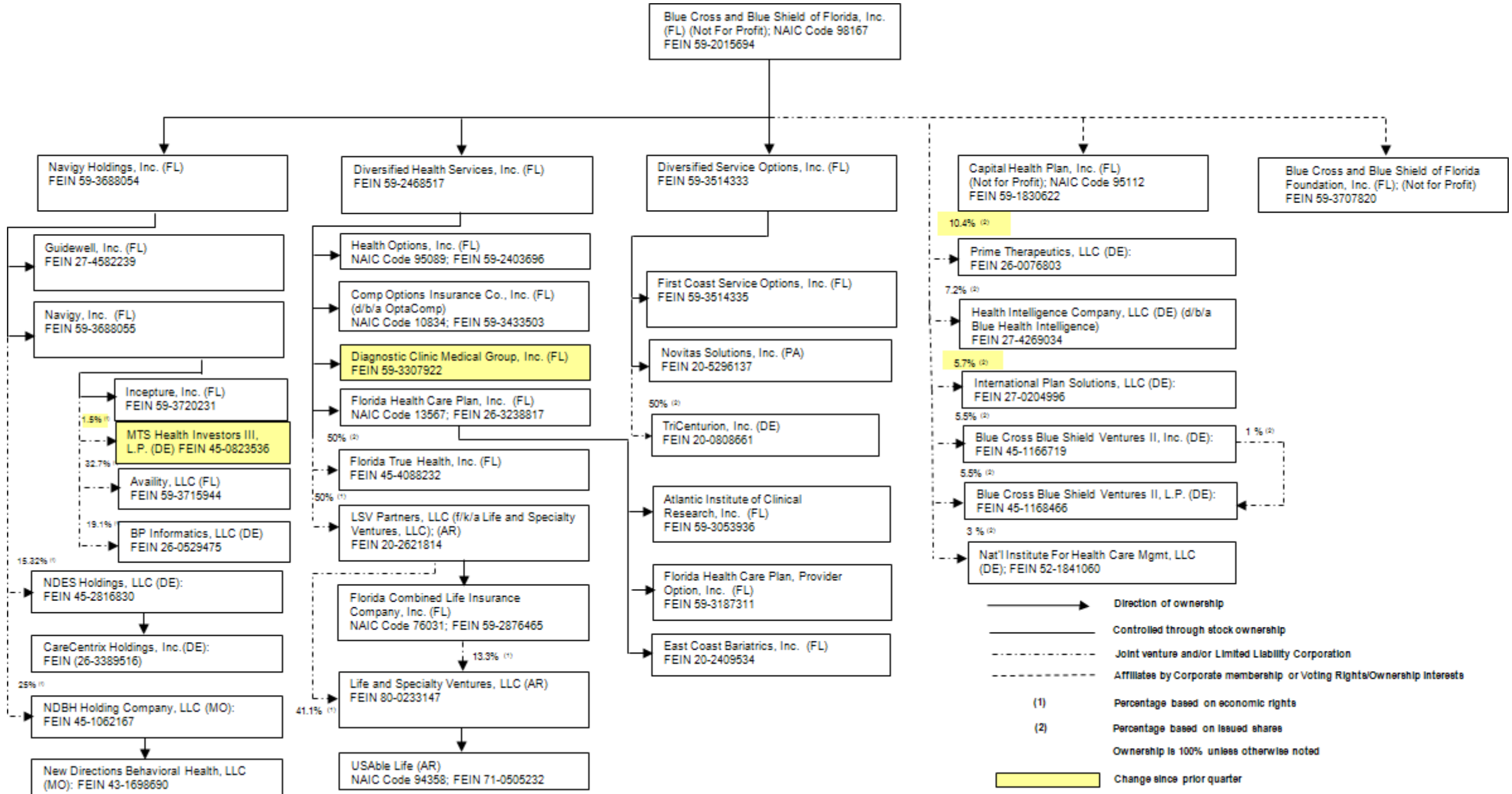
100% TO FLORIDA

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

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

PART 1 – ORGANIZATIONAL CHART

40



—————> Direction of ownership  
 —————> Controlled through stock ownership  
 - - - - -> Joint venture and/or Limited Liability Corporation  
 - - - - -> Affiliate by Corporate membership or Voting Rights/Ownership interests  
 (1) Percentage based on economic rights  
 (2) Percentage based on issued shares  
 Ownership is 100% unless otherwise noted  
 Change since prior quarter

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