



**HEALTH ANNUAL STATEMENT  
FOR THE YEAR ENDING DECEMBER 31, 2012  
OF THE CONDITION AND AFFAIRS OF THE**

**KAISER FOUNDATION HEALTH PLAN OF THE NORTHWEST**

NAIC Group Code 0601 , 0601 NAIC Company Code 95540 Employer's ID Number 93-0798039  
(Current Period) (Prior Period)

Organized under the Laws of Oregon , State of Domicile or Port of Entry Oregon

Country of Domicile United States

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

Incorporated/Organized 10/19/1981 Commenced Business 05/01/1942

Statutory Home Office 500 N.E. Multnomah Street, Suite 100 , Portland, OR, 97232-2099  
(Street and Number) (City or Town, State, Country and Zip Code)

Main Administrative Office 500 N.E. Multnomah Street, Suite 100  
Portland, OR, 97232-2099 503-813-2800  
(City or Town, State, Country and Zip Code) (Street and Number) (Area Code) (Telephone Number)

Mail Address 500 N.E. Multnomah Street, Suite 100 , Portland, OR, 97232-2099  
(Street and Number or P.O. Box) (City or Town, State, Country and Zip Code)

Primary Location of Books and Records 500 N.E. Multnomah Street, Suite 100  
Portland, OR, 97232-2099 503-813-2502  
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Statutory Statement Contact Holly Elizabeth Hower 503-813-2502  
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**OFFICERS**

Name	Title	Name	Title
<u>Andrew Raymond McCulloch</u>	<u>Regional President</u>	<u>William Netherton Wiechmann</u>	<u>Assistant Secretary - Regional V.P. &amp; Counsel</u>
<u>Karen Lee Schartman</u>	<u>Regional Vice President &amp; CFO</u>	<u>George Charles Halvorson</u>	<u>Chairman of the Board &amp; CEO</u>

**OTHER OFFICERS**

<u>Kathryn Lee Lancaster</u>	<u>Ex. V.P. &amp; Chief Financial Officer</u>	<u>Arthur Milton Southam M.D.</u>	<u>Ex. V.P.-Health Plan Operations</u>
<u>Bernard James Tyson</u>	<u>Chairman of the Board-Elect &amp; CEO-Elect, Pres.&amp;COO</u>	<u>Donna Lynne</u>	<u>Group President, Northwest Senior V.P. - National Facilities Services</u>
<u>Thomas Ralph Meier</u>	<u>Senior V.P. &amp; Treasurer</u>	<u>Don Hoyt Orndoff</u>	<u>Senior Vice President, General Counsel &amp; Secretary</u>
<u>Deborah Stokes</u>	<u>Senior V.P. - Corp. Controller &amp; CAO</u>	<u>Mark Steven Zelman</u>	

**DIRECTORS OR TRUSTEES**

<u>Margaret Effie Porfido JD</u>	<u>Edward Ying Wah Pei</u>	<u>Thomas William Chapman Ed D</u>	<u>Daniel Peter Garcia</u>
<u>George Charles Halvorson</u>	<u>Bernard James Tyson</u>	<u>Judith Ann Johansen JD</u>	<u>Jenny Jang Ming</u>
<u>Christine Karen Cassel MD</u>	<u>Jasper Neal Purcell</u>	<u>Cynthia Ann Telles Ph.D.</u>	<u>William Raymond Graber</u>
<u>Jefferson Eugene Grigsby III , PhD</u>	<u>Kim John Kaiser</u>	<u>Philip Albert Marineau</u>	

State of .....Oregon.....

**ss**

County of .....Multnomah.....

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.

Andrew Raymond McCulloch  
Regional President

William Netherton Wiechmann  
Assistant Secretary - Regional V.P. & Counsel

Karen Lee Schartman  
Regional V.P. & CFO

Subscribed and sworn to before me this  
day of \_\_\_\_\_,

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 \_\_\_\_\_

ANNUAL STATEMENT FOR THE YEAR 2012 OF THE KAISER FOUNDATION HEALTH PLAN OF THE NORTHWEST

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).....	795,431,895	0	795,431,895	611,188,935
2. Stocks (Schedule D):				
2.1 Preferred stocks .....	0	0	0	0
2.2 Common stocks .....	0	0	0	0
3. Mortgage loans on real estate (Schedule B):				
3.1 First liens .....	0	0	0	0
3.2 Other than first liens .....	0	0	0	0
4. Real estate (Schedule A):				
4.1 Properties occupied by the company (less \$ .....0 encumbrances).....	184,773,002	0	184,773,002	186,888,173
4.2 Properties held for the production of income (less \$ .....0 encumbrances) .....	3,978,416	0	3,978,416	3,951,771
4.3 Properties held for sale (less \$ .....0 encumbrances) .....	0	0	0	0
5. Cash (\$ .....132,536 , Schedule E - Part 1), cash equivalents (\$ .....0 , Schedule E - Part 2) and short-term investments (\$ .....27,748,334 , Schedule DA).....	27,880,870	0	27,880,870	183,192,981
6. Contract loans (including \$ .....0 premium notes).....	0	0	0	0
7. Derivatives (Schedule DB).....	0	0	0	0
8. Other invested assets (Schedule BA) .....	0	0	0	0
9. Receivables for securities .....	3,774,547	0	3,774,547	193,452
10. Securities lending reinvested collateral assets (Schedule DL).....	0	0	0	0
11. Aggregate write-ins for invested assets .....	0	0	0	0
12. Subtotals, cash and invested assets (Lines 1 to 11) .....	1,015,838,730	0	1,015,838,730	985,415,312
13. Title plants less \$ .....0 charged off (for Title insurers only).....	0	0	0	0
14. Investment income due and accrued .....	3,717,652	0	3,717,652	4,149,845
15. Premiums and considerations:				
15.1 Uncollected premiums and agents' balances in the course of collection .....	27,193,476	485,387	26,708,089	26,931,038
15.2 Deferred premiums, agents' balances and installments booked but deferred and not yet due (including \$ .....0 earned but unbilled premiums).....	0	0	0	0
15.3 Accrued retrospective premiums.....	0	0	0	0
16. Reinsurance:				
16.1 Amounts recoverable from reinsurers .....	0	0	0	0
16.2 Funds held by or deposited with reinsured companies .....	0	0	0	0
16.3 Other amounts receivable under reinsurance contracts .....	0	0	0	0
17. Amounts receivable relating to uninsured plans .....	0	0	0	0
18.1 Current federal and foreign income tax recoverable and interest thereon .....	0	0	0	0
18.2 Net deferred tax asset.....	0	0	0	0
19. Guaranty funds receivable or on deposit .....	0	0	0	0
20. Electronic data processing equipment and software.....	1,048,229	531,137	517,092	867,307
21. Furniture and equipment, including health care delivery assets (\$ .....56,628,518 ) .....	58,052,846	1,424,328	56,628,518	58,133,785
22. Net adjustment in assets and liabilities due to foreign exchange rates .....	0	0	0	0
23. Receivables from parent, subsidiaries and affiliates .....	24,387,668	0	24,387,668	1,002,900
24. Health care (\$ .....24,933,156 ) and other amounts receivable.....	26,386,139	1,452,983	24,933,156	21,382,879
25. Aggregate write-ins for other than invested assets .....	7,847,170	7,847,170	0	0
26. Total assets excluding Separate Accounts, Segregated Accounts and Protected Cell Accounts (Lines 12 to 25).....	1,164,471,910	11,741,005	1,152,730,905	1,097,883,066
27. From Separate Accounts, Segregated Accounts and Protected Cell Accounts.....	0	0	0	0
28. Total (Lines 26 and 27)	1,164,471,910	11,741,005	1,152,730,905	1,097,883,066
<b>DETAILS OF WRITE-INS</b>				
1101. ....				
1102. ....				
1103. ....				
1198. Summary of remaining write-ins for Line 11 from overflow page .....	0	0	0	0
1199. Totals (Lines 1101 through 1103 plus 1198)(Line 11 above) .....	0	0	0	0
2501. Other Non-Admitted Assets.....	7,847,170	7,847,170	0	0
2502. ....				
2503. ....				
2598. Summary of remaining write-ins for Line 25 from overflow page .....	0	0	0	0
2599. Totals (Lines 2501 through 2503 plus 2598)(Line 25 above) .....	7,847,170	7,847,170	0	0

LIABILITIES, CAPITAL AND SURPLUS

	Current Year			Prior Year
	1 Covered	2 Uncovered	3 Total	4 Total
1. Claims unpaid (less \$ .....0 reinsurance ceded)	44,040,755	0	44,040,755	38,460,319
2. Accrued medical incentive pool and bonus amounts	0	0	0	0
3. Unpaid claims adjustment expenses	941,000	0	941,000	697,000
4. Aggregate health policy reserves, including the liability of \$ .....0 for medical loss ratio rebate per the Public Health Service Act	0	0	0	0
5. Aggregate life policy reserves	0	0	0	0
6. Property/casualty unearned premium reserves	0	0	0	0
7. Aggregate health claim reserves	0	0	0	0
8. Premiums received in advance	31,279,379	0	31,279,379	24,363,019
9. General expenses due or accrued	20,124,717	0	20,124,717	33,489,705
10.1 Current federal and foreign income tax payable and interest thereon (including \$ .....0 on realized capital gains (losses))	0	0	0	0
10.2 Net deferred tax liability	0	0	0	0
11. Ceded reinsurance premiums payable	0	0	0	0
12. Amounts withheld or retained for the account of others	65,033,786	0	65,033,786	47,828,540
13. Remittances and items not allocated	0	0	0	0
14. Borrowed money (including \$ .....0 current) and interest thereon \$ .....0 (including \$ .....0 current)	0	0	0	0
15. Amounts due to parent, subsidiaries and affiliates	33,907,854	0	33,907,854	41,358,745
16. Derivatives	0	0	0	0
17. Payable for securities	3,793,396	0	3,793,396	8,301,093
18. Payable for securities lending	0	0	0	0
19. Funds held under reinsurance treaties (with \$ .....0 authorized reinsurers, \$ .....0 unauthorized reinsurers and \$ .....0 certified reinsurers)	0	0	0	0
20. Reinsurance in unauthorized and certified (\$ .....0 ) companies	0	0	0	0
21. Net adjustments in assets and liabilities due to foreign exchange rates	0	0	0	0
22. Liability for amounts held under uninsured plans	0	0	0	0
23. Aggregate write-ins for other liabilities (including \$ .....0 current)	481,899,648	0	481,899,648	412,814,097
24. Total liabilities (Lines 1 to 23)	681,020,535	0	681,020,535	607,312,518
25. Aggregate write-ins for special surplus funds	XXX	XXX	0	0
26. Common capital stock	XXX	XXX	0	0
27. Preferred capital stock	XXX	XXX	0	0
28. Gross paid in and contributed surplus	XXX	XXX	2,753,051	2,753,051
29. Surplus notes	XXX	XXX	0	0
30. Aggregate write-ins for other than special surplus funds	XXX	XXX	0	0
31. Unassigned funds (surplus)	XXX	XXX	468,957,319	487,817,497
32. Less treasury stock, at cost:				
32.1 .....0 shares common (value included in Line 26 \$ .....0 )	XXX	XXX	0	0
32.2 .....0 shares preferred (value included in Line 27 \$ .....0 )	XXX	XXX	0	0
33. Total capital and surplus (Lines 25 to 31 minus Line 32)	XXX	XXX	471,710,370	490,570,548
34. Total liabilities, capital and surplus (Lines 24 and 33)	XXX	XXX	1,152,730,905	1,097,883,066
<b>DETAILS OF WRITE-INS</b>				
2301. Post Retirement	234,912,002		234,912,002	200,086,363
2302. SSAP 89 Minimum Liability- Pension	140,252,376		140,252,376	98,624,487
2303. Pension	78,897,977		78,897,977	79,976,201
2398. Summary of remaining write-ins for Line 23 from overflow page	27,837,293	0	27,837,293	34,127,046
2399. Totals (Lines 2301 through 2303 plus 2398) (Line 23 above)	481,899,648	0	481,899,648	412,814,097
2501. ....	XXX	XXX		
2502. ....	XXX	XXX		
2503. ....	XXX	XXX		
2598. Summary of remaining write-ins for Line 25 from overflow page	XXX	XXX	0	0
2599. Totals (Lines 2501 through 2503 plus 2598) (Line 25 above)	XXX	XXX	0	0
3001. ....	XXX	XXX		
3002. ....	XXX	XXX		
3003. ....	XXX	XXX		
3098. Summary of remaining write-ins for Line 30 from overflow page	XXX	XXX	0	0
3099. Totals (Lines 3001 through 3003 plus 3098) (Line 30 above)	XXX	XXX	0	0

**STATEMENT OF REVENUE AND EXPENSES**

	Current Year		Prior Year
	1 Uncovered	2 Total	3 Total
1. Member Months.....	XXX	5,660,168	5,680,792
2. Net premium income (including \$ .....0 non-health premium income).....	XXX	2,784,779,044	2,636,683,493
3. Change in unearned premium reserves and reserve for rate credits .....	XXX	0	0
4. Fee-for-service (net of \$ .....0 medical expenses) .....	XXX	51,566,989	44,635,343
5. Risk revenue .....	XXX	10,917,094	0
6. Aggregate write-ins for other health care related revenues .....	XXX	15,308,235	17,432,101
7. Aggregate write-ins for other non-health revenues .....	XXX	0	0
8. Total revenues (Lines 2 to 7) .....	XXX	2,862,571,362	2,698,750,937
<b>Hospital and Medical:</b>			
9. Hospital/medical benefits .....		1,205,717,466	1,140,756,760
10. Other professional services .....		246,907,826	231,291,123
11. Outside referrals .....		140,314,397	152,016,858
12. Emergency room and out-of-area .....		99,245,594	92,893,217
13. Prescription drugs .....		270,835,246	257,682,374
14. Aggregate write-ins for other hospital and medical.....	0	693,409,858	631,893,079
15. Incentive pool, withhold adjustments and bonus amounts.....		0	0
16. Subtotal (Lines 9 to 15) .....	0	2,656,430,387	2,506,533,411
<b>Less:</b>			
17. Net reinsurance recoveries .....		0	0
18. Total hospital and medical (Lines 16 minus 17) .....	0	2,656,430,387	2,506,533,411
19. Non-health claims (net).....		0	0
20. Claims adjustment expenses, including \$ .....20,980,289 cost containment expenses.....		41,147,911	34,566,889
21. General administrative expenses.....		164,200,601	146,337,443
22. Increase in reserves for life and accident and health contracts (including \$ .....0 increase in reserves for life only).....		0	0
23. Total underwriting deductions (Lines 18 through 22) .....	0	2,861,778,899	2,687,437,743
24. Net underwriting gain or (loss) (Lines 8 minus 23) .....	XXX	792,463	11,313,194
25. Net investment income earned (Exhibit of Net Investment Income, Line 17).....		12,405,644	16,179,816
26. Net realized capital gains (losses) less capital gains tax of \$ .....0 .....		6,220,882	2,394,727
27. Net investment gains (losses) (Lines 25 plus 26) .....	0	18,626,526	18,574,543
28. Net gain or (loss) from agents' or premium balances charged off [(amount recovered \$ .....0 ) (amount charged off \$ .....0 )].....		0	0
29. Aggregate write-ins for other income or expenses .....	0	2,575,678	3,116,690
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	21,994,667	33,004,427
31. Federal and foreign income taxes incurred .....	XXX	0	0
32. Net income (loss) (Lines 30 minus 31) .....	XXX	21,994,667	33,004,427
<b>DETAILS OF WRITE-INS</b>			
0601. Meaningful Use Grant Revenue.....	XXX	10,410,463	12,372,470
0602. Other Health Care Revenue.....	XXX	4,897,772	5,059,631
0603. ....	XXX		
0698. Summary of remaining write-ins for Line 6 from overflow page .....	XXX	0	0
0699. Totals (Lines 0601 through 0603 plus 0698) (Line 6 above) .....	XXX	15,308,235	17,432,101
0701. ....	XXX		
0702. ....	XXX		
0703. ....	XXX		
0798. Summary of remaining write-ins for Line 7 from overflow page .....	XXX	0	0
0799. Totals (Lines 0701 through 0703 plus 0798) (Line 7 above) .....	XXX	0	0
1401. Medical Office Operation.....		676,600,888	617,873,405
1402. Public & Professional Liability.....		16,808,970	14,019,674
1403. ....			
1498. Summary of remaining write-ins for Line 14 from overflow page .....	0	0	0
1499. Totals (Lines 1401 through 1403 plus 1498) (Line 14 above) .....	0	693,409,858	631,893,079
2901. Other Revenue.....		2,575,678	3,116,690
2902. ....			
2903. ....			
2998. Summary of remaining write-ins for Line 29 from overflow page .....	0	0	0
2999. Totals (Lines 2901 through 2903 plus 2998) (Line 29 above) .....	0	2,575,678	3,116,690

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

	1 Current Year	2 Prior Year
<b>CAPITAL AND SURPLUS ACCOUNT:</b>		
33. Capital and surplus prior reporting year .....	490,570,548	499,991,024
34. Net income or (loss) from Line 32 .....	21,994,667	33,004,427
35. Change in valuation basis of aggregate policy and claim reserves .....	0	0
36. Change in net unrealized capital gains (losses) less capital gains tax of \$ .....	0	0
37. Change in net unrealized foreign exchange capital gain or (loss) .....	0	0
38. Change in net deferred income tax .....	0	0
39. Change in nonadmitted assets .....	773,044	1,172,682
40. Change in unauthorized and certified reinsurance .....	0	0
41. Change in treasury stock .....	0	0
42. Change in surplus notes .....	0	0
43. Cumulative effect of changes in accounting principles .....	0	0
44. Capital Changes:		
44.1 Paid in .....	0	0
44.2 Transferred from surplus (Stock Dividend) .....	0	0
44.3 Transferred to surplus .....	0	0
45. Surplus adjustments:		
45.1 Paid in .....	0	0
45.2 Transferred to capital (Stock Dividend) .....	0	0
45.3 Transferred from capital .....	0	0
46. Dividends to stockholders .....	0	0
47. Aggregate write-ins for gains or (losses) in surplus .....	(41,627,889)	(43,597,585)
48. Net change in capital and surplus (Lines 34 to 47) .....	(18,860,178)	(9,420,476)
49. Capital and surplus end of reporting year (Line 33 plus 48)	471,710,370	490,570,548
<b>DETAILS OF WRITE-INS</b>		
4701. SSAP 89 Additional Minimum Liability Pension.....	(41,627,889)	(43,597,585)
4702. ....		
4703. ....		
4798. Summary of remaining write-ins for Line 47 from overflow page .....	0	0
4799. Totals (Lines 4701 through 4703 plus 4798) (Line 47 above)	(41,627,889)	(43,597,585)

## CASH FLOW

	1 Current Year	2 Prior Year
<b>Cash from Operations</b>		
1. Premiums collected net of reinsurance.....	2,791,481,677	2,635,087,235
2. Net investment income.....	28,231,803	33,277,277
3. Miscellaneous income.....	74,245,954	41,682,833
4. Total (Lines 1 through 3).....	2,893,959,434	2,710,047,345
5. Benefit and loss related payments.....	2,650,849,951	2,499,325,796
6. Net transfers to Separate Accounts, Segregated Accounts and Protected Cell Accounts.....	0	0
7. Commissions, expenses paid and aggregate write-ins for deductions.....	212,204,139	163,452,169
8. Dividends paid to policyholders.....	0	0
9. Federal and foreign income taxes paid (recovered) net of \$ .....0 tax on capital gains (losses).....	0	0
10. Total (Lines 5 through 9).....	2,863,054,090	2,662,777,965
11. Net cash from operations (Line 4 minus Line 10).....	30,905,344	47,269,380
<b>Cash from Investments</b>		
12. Proceeds from investments sold, matured or repaid:		
12.1 Bonds.....	423,360,779	327,223,806
12.2 Stocks.....	0	0
12.3 Mortgage loans.....	0	0
12.4 Real estate.....	0	0
12.5 Other invested assets.....	0	500,000
12.6 Net gains or (losses) on cash, cash equivalents and short-term investments.....	667	0
12.7 Miscellaneous proceeds.....	0	10,653,293
12.8 Total investment proceeds (Lines 12.1 to 12.7).....	423,361,446	338,377,099
13. Cost of investments acquired (long-term only):		
13.1 Bonds.....	603,442,722	383,614,409
13.2 Stocks.....	0	0
13.3 Mortgage loans.....	0	0
13.4 Real estate.....	14,669,454	23,422,631
13.5 Other invested assets.....	0	0
13.6 Miscellaneous applications.....	8,093,565	2,550,943
13.7 Total investments acquired (Lines 13.1 to 13.6).....	626,205,741	409,587,983
14. Net increase (decrease) in contract loans and premium notes.....	0	0
15. Net cash from investments (Line 12.8 minus Line 13.7 minus Line 14).....	(202,844,295)	(71,210,884)
<b>Cash from Financing and Miscellaneous Sources</b>		
16. Cash provided (applied):		
16.1 Surplus notes, capital notes.....	0	0
16.2 Capital and paid in surplus, less treasury stock.....	0	0
16.3 Borrowed funds.....	0	0
16.4 Net deposits on deposit-type contracts and other insurance liabilities.....	0	0
16.5 Dividends to stockholders.....	0	0
16.6 Other cash provided (applied).....	16,626,840	112,497,202
17. Net cash from financing and miscellaneous sources (Lines 16.1 to 16.4 minus Line 16.5 plus Line 16.6).....	16,626,840	112,497,202
<b>RECONCILIATION OF CASH, CASH EQUIVALENTS AND SHORT-TERM INVESTMENTS</b>		
18. Net change in cash, cash equivalents and short-term investments (Line 11, plus Lines 15 and 17).....	(155,312,111)	88,555,698
19. Cash, cash equivalents and short-term investments:		
19.1 Beginning of year.....	183,192,981	94,637,283
19.2 End of year (Line 18 plus Line 19.1).....	27,880,870	183,192,981

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

20.0001. Change in general expense due or accrued related to real estate, property, and equipment transactions.....	2,326,179	0
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**ANNUAL STATEMENT FOR THE YEAR 2012 OF THE KAISER FOUNDATION HEALTH PLAN OF THE NORTHWEST**

**ANALYSIS OF OPERATIONS BY LINES OF BUSINESS**

	1	2	3	4	5	6	7	8	9	10
	Total	Comprehensive (Hospital & Medical)	Medicare Supplement	Dental Only	Vision Only	Federal Employees Health Benefit Plan	Title XVIII Medicare	Title XIX Medicaid	Other Health	Other Non-Health
1. Net premium income	2,784,779,044	1,722,783,817	0	104,658,525	0	146,417,796	794,500,936	16,417,970	0	0
2. Change in unearned premium reserves and reserve for rate credit	0	0	0	0	0	0	0	0	0	0
3. Fee-for-service (net of \$ .....0 medical expenses)	51,566,989	31,531,276	0	0	0	2,369,349	2,979,739	2,143,208	12,543,417	XXX
4. Risk revenue	10,917,094	0	0	0	0	0	0	0	10,917,094	XXX
5. Aggregate write-ins for other health care related revenues	15,308,235	3,941,974	0	0	0	296,199	10,752,018	267,928	50,116	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)	2,862,571,362	1,758,257,067	0	104,658,525	0	149,083,344	808,232,693	18,829,106	23,510,627	0
8. Hospital/medical benefits	1,205,717,466	734,675,806	0	0	0	61,433,054	380,574,927	13,299,512	15,734,167	XXX
9. Other professional services	246,907,826	128,353,543	0	36,259,664	0	10,732,829	66,489,382	2,323,527	2,748,881	XXX
10. Outside referrals	140,314,397	85,854,036	0	0	0	7,179,052	44,473,893	1,554,178	1,253,238	XXX
11. Emergency room and out-of-area	99,245,594	60,725,307	0	0	0	5,077,806	31,456,772	1,099,283	886,426	XXX
12. Prescription drugs	270,835,246	167,202,397	0	0	0	14,076,434	81,587,559	3,630,526	4,338,330	XXX
13. Aggregate write-ins for other hospital and medical	693,409,858	398,570,204	0	62,007,930	0	33,008,705	184,227,149	7,287,235	8,308,635	XXX
14. Incentive pool, withhold adjustments and bonus amounts	0	0	0	0	0	0	0	0	0	XXX
15. Subtotal (Lines 8 to 14)	2,656,430,387	1,575,381,293	0	98,267,594	0	131,507,880	788,809,682	29,194,261	33,269,677	XXX
16. Net reinsurance recoveries	0	0	0	0	0	0	0	0	0	XXX
17. Total hospital and medical (Lines 15 minus 16)	2,656,430,387	1,575,381,293	0	98,267,594	0	131,507,880	788,809,682	29,194,261	33,269,677	XXX
18. Non-health claims (net)	0	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	0
19. Claims adjustment expenses including \$ .....20,980,289 cost containment expenses	41,147,911	26,976,220	0	0	0	2,153,855	11,156,480	483,188	378,168	0
20. General administrative expenses	164,200,601	127,162,014	0	1,865,087	0	5,799,080	25,975,786	1,078,355	2,320,279	0
21. Increase in reserves for accident and health contracts	0	0	0	0	0	0	0	0	0	XXX
22. Increase in reserves for life contracts	0	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	0
23. Total underwriting deductions (Lines 17 to 22)	2,861,778,899	1,729,519,527	0	100,132,681	0	139,460,815	825,941,948	30,755,804	35,968,124	0
24. Net underwriting gain or (loss) (Line 7 minus Line 23)	792,463	28,737,540	0	4,525,844	0	9,622,529	(17,709,255)	(11,926,698)	(12,457,497)	0
<b>DETAILS OF WRITE-INS</b>										
0501. Meaningful Use Grant Revenue	10,410,463	164	0	0	0	0	10,379,513	0	30,786	XXX
0502. Other Health Care Revenue	4,897,772	3,941,810	0	0	0	296,199	372,505	267,928	19,330	XXX
0503.										XXX
0598. Summary of remaining write-ins for Line 5 from overflow page	0	0	0	0	0	0	0	0	0	XXX
0599. Totals (Lines 0501 through 0503 plus 0598) (Line 5 above)	15,308,235	3,941,974	0	0	0	296,199	10,752,018	267,928	50,116	XXX
0601.		XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	0
0602.		XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	0
0603.		XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	0
0698. Summary of remaining write-ins for Line 6 from overflow page	0	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	0
0699. Totals (Lines 0601 through 0603 plus 0698) (Line 6 above)	0	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	0
1301. Medical Office Operation	676,600,888	387,638,507	0	62,007,930	0	32,113,843	179,801,171	7,044,034	7,995,403	XXX
1302. Public & Professional Liability	16,808,970	10,931,697	0	0	0	894,862	4,425,978	243,201	313,232	XXX
1303.										XXX
1398. Summary of remaining write-ins for Line 13 from overflow page	0	0	0	0	0	0	0	0	0	XXX
1399. Totals (Lines 1301 through 1303 plus 1398) (Line 13 above)	693,409,858	398,570,204	0	62,007,930	0	33,008,705	184,227,149	7,287,235	8,308,635	XXX

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STATEMENT AS OF ANNUAL STATEMENT FOR THE YEAR 2012 OF THE KAISER FOUNDATION HEALTH PLAN OF THE NORTHWEST

**UNDERWRITING AND INVESTMENT EXHIBIT**  
PART 1 - PREMIUMS

Line of Business	1 Direct Business	2 Reinsurance Assumed	3 Reinsurance Ceded	4 Net Premium Income (Cols. 1+2-3)
1. Comprehensive (hospital and medical) .....	1,722,783,817	.0	.0	1,722,783,817
2. Medicare Supplement .....	.0	.0	.0	.0
3. Dental only.....	104,658,525	.0	.0	104,658,525
4. Vision only.....	.0	.0	.0	.0
5. Federal Employees Health Benefits Plan .....	146,417,796	.0	.0	146,417,796
6. Title XVIII - Medicare.....	794,500,936	.0	.0	794,500,936
7. Title XIX - Medicaid.....	16,417,970	.0	.0	16,417,970
8. Other health.....	.0	.0	.0	.0
9. Health subtotal (Lines 1 through 8) .....	2,784,779,044	.0	.0	2,784,779,044
10. Life .....	.0	.0	.0	.0
11. Property/casualty.....	.0	.0	.0	.0
12. Totals (Lines 9 to 11)	2,784,779,044	0	0	2,784,779,044



STATEMENT AS OF ANNUAL STATEMENT FOR THE YEAR 2012 OF THE KAISER FOUNDATION HEALTH PLAN OF THE NORTHWEST

**UNDERWRITING AND INVESTMENT EXHIBIT**

**PART 2 - CLAIMS INCURRED DURING THE YEAR**

	1	2	3	4	5	6	7	8	9	10
	Total	Comprehensive (Hospital & Medical)	Medicare Supplement	Dental Only	Vision Only	Federal Employees Health Benefits Plan	Title XVIII Medicare	Title XIX Medicaid	Other Health	Other Non-Health
1. Payments during the year:										
1.1 Direct .....	2,654,396,377	1,573,456,870	0	98,237,819	0	131,693,008	789,513,868	29,521,594	31,973,218	0
1.2 Reinsurance assumed .....	0	0	0	0	0	0	0	0	0	0
1.3 Reinsurance ceded .....	0	0	0	0	0	0	0	0	0	0
1.4 Net .....	2,654,396,377	1,573,456,870	0	98,237,819	0	131,693,008	789,513,868	29,521,594	31,973,218	0
2. Paid medical incentive pools and bonuses .....	0	0	0	0	0	0	0	0	0	0
3. Claim liability December 31, current year from Part 2A:										
3.1 Direct .....	44,040,755	27,503,268	0	3,179,721	0	531,830	11,164,414	223,385	1,438,137	0
3.2 Reinsurance assumed .....	0	0	0	0	0	0	0	0	0	0
3.3 Reinsurance ceded .....	0	0	0	0	0	0	0	0	0	0
3.4 Net .....	44,040,755	27,503,268	0	3,179,721	0	531,830	11,164,414	223,385	1,438,137	0
4. Claim reserve December 31, current year from Part 2D:										
4.1 Direct .....	0	0	0	0	0	0	0	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 .....	0	0	0	0	0	0	0	0	0	0
5. Accrued medical incentive pools and bonuses, current year .....	0	0	0	0	0	0	0	0	0	0
6. Net healthcare receivables (a) .....	3,546,426	1,526,387	0	0	0	153,521	1,854,335	(2,476)	14,659	0
7. Amounts recoverable from reinsurers December 31, current year .....	0	0	0	0	0	0	0	0	0	0
8. Claim liability December 31, prior year from Part 2A:										
8.1 Direct .....	38,460,319	24,052,458	0	3,149,946	0	563,437	10,014,265	553,194	127,019	0
8.2 Reinsurance assumed .....	0	0	0	0	0	0	0	0	0	0
8.3 Reinsurance ceded .....	0	0	0	0	0	0	0	0	0	0
8.4 Net .....	38,460,319	24,052,458	0	3,149,946	0	563,437	10,014,265	553,194	127,019	0
9. Claim reserve December 31, prior year from Part 2D:										
9.1 Direct .....	0	0	0	0	0	0	0	0	0	0
9.2 Reinsurance assumed .....	0	0	0	0	0	0	0	0	0	0
9.3 Reinsurance ceded .....	0	0	0	0	0	0	0	0	0	0
9.4 Net .....	0	0	0	0	0	0	0	0	0	0
10. Accrued medical incentive pools and bonuses, prior year .....	0	0	0	0	0	0	0	0	0	0
11. Amounts recoverable from reinsurers December 31, prior year .....	0	0	0	0	0	0	0	0	0	0
12. Incurred benefits:										
12.1 Direct .....	2,656,430,387	1,575,381,293	0	98,267,594	0	131,507,880	788,809,682	29,194,261	33,269,677	0
12.2 Reinsurance assumed .....	0	0	0	0	0	0	0	0	0	0
12.3 Reinsurance ceded .....	0	0	0	0	0	0	0	0	0	0
12.4 Net .....	2,656,430,387	1,575,381,293	0	98,267,594	0	131,507,880	788,809,682	29,194,261	33,269,677	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.

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STATEMENT AS OF ANNUAL STATEMENT FOR THE YEAR 2012 OF THE KAISER FOUNDATION HEALTH PLAN OF THE NORTHWEST

**UNDERWRITING AND INVESTMENT EXHIBIT**

**PART 2A - CLAIMS LIABILITY END OF CURRENT YEAR**

	1	2	3	4	5	6	7	8	9	10
	Total	Comprehensive (Hospital & Medical)	Medicare Supplement	Dental Only	Vision Only	Federal Employees Health Benefits Plan Premium	Title XVIII Medicare	Title XIX Medicaid	Other Health	Other Non-Health
1. Reported in Process of Adjustment:										
1.1 Direct .....	(8,264,930)	(4,088,727)	0	0	0	(1,761,964)	(2,253,829)	(76,751)	(83,659)	0
1.2 Reinsurance assumed .....	0	0	0	0	0	0	0	0	0	0
1.3 Reinsurance ceded .....	0	0	0	0	0	0	0	0	0	0
1.4 Net .....	(8,264,930)	(4,088,727)	0	0	0	(1,761,964)	(2,253,829)	(76,751)	(83,659)	0
2. Incurred but Unreported:										
2.1 Direct .....	52,305,685	31,591,995	0	3,179,721	0	2,293,794	13,418,243	300,136	1,521,796	0
2.2 Reinsurance assumed .....	0	0	0	0	0	0	0	0	0	0
2.3 Reinsurance ceded .....	0	0	0	0	0	0	0	0	0	0
2.4 Net .....	52,305,685	31,591,995	0	3,179,721	0	2,293,794	13,418,243	300,136	1,521,796	0
3. Amounts Withheld from Paid Claims and Capitations:										
3.1 Direct .....	0	0	0	0	0	0	0	0	0	0
3.2 Reinsurance assumed .....	0	0	0	0	0	0	0	0	0	0
3.3 Reinsurance ceded .....	0	0	0	0	0	0	0	0	0	0
3.4 Net .....	0	0	0	0	0	0	0	0	0	0
4. TOTALS:										
4.1 Direct .....	44,040,755	27,503,268	0	3,179,721	0	531,830	11,164,414	223,385	1,438,137	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 .....	44,040,755	27,503,268	0	3,179,721	0	531,830	11,164,414	223,385	1,438,137	0

STATEMENT AS OF ANNUAL STATEMENT FOR THE YEAR 2012 OF THE KAISER FOUNDATION HEALTH PLAN OF THE NORTHWEST

**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 Dec. 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) .....	20,733,312	1,552,723,558	(845,710)	28,348,977	19,887,602	24,052,458
2. Medicare Supplement .....	0	0	0	0	0	0
3. Dental Only.....	3,149,946	95,087,873	0	3,179,721	3,149,946	3,149,946
4. Vision Only.....	0	0	0	0	0	0
5. Federal Employees Health Benefits Plan .....	809,950	130,883,058	(368,676)	900,505	441,274	563,437
6. Title XVIII - Medicare .....	(2,187,431)	791,701,298	(468,093)	11,632,507	(2,655,524)	10,014,265
7. Title XIX - Medicaid.....	527,731	28,993,863	(16,048)	239,433	511,683	553,194
8. Other health .....	106,264	31,866,955	(16,867)	1,455,003	89,397	127,019
9. Health subtotal (Lines 1 to 8).....	23,139,772	2,631,256,605	(1,715,394)	45,756,146	21,424,378	38,460,319
10. Healthcare receivables (a).....	(17,968,227)	21,514,651	0	0	(17,968,227)	0
11. Other non-health.....	0	0	0	0	0	0
12. Medical incentive pools and bonus amounts .....	0	0	0	0	0	0
13. Totals (Lines 9 - 10 + 11 + 12)	41,107,999	2,609,741,954	(1,715,394)	45,756,146	39,392,605	38,460,319

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

STATEMENT AS OF ANNUAL STATEMENT FOR THE YEAR 2012 OF THE KAISER FOUNDATION HEALTH PLAN OF THE NORTHWEST

**UNDERWRITING AND INVESTMENT EXHIBIT**  
**PART 2C - DEVELOPMENT OF PAID AND INCURRED HEALTH 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 .....	27,133	26,180	26,180	26,180	26,180
2. 2008 .....	1,428,794	1,457,208	1,456,927	1,456,581	1,456,581
3. 2009 .....	XXX	1,502,701	1,521,960	1,521,100	1,521,069
4. 2010 .....	XXX	XXX	1,451,460	1,472,474	1,472,474
5. 2011 .....	XXX	XXX	XXX	1,519,260	1,544,491
6. 2012 .....	XXX	XXX	XXX	XXX	1,547,364

**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 .....	27,133	26,180	26,180	26,180	26,180
2. 2008 .....	1,428,794	1,457,208	1,456,927	1,456,581	1,456,581
3. 2009 .....	XXX	1,502,701	1,521,960	1,521,000	1,521,069
4. 2010 .....	XXX	XXX	1,451,460	1,472,474	1,472,885
5. 2011 .....	XXX	XXX	XXX	1,519,260	1,518,548
6. 2012 .....	XXX	XXX	XXX	XXX	1,575,713

**Section C – Incurred Year Health Claims and Claims Adjustment Expense Ratio – Hospital and Medical**

Years in which Premiums were Earned and Claims were Incurred	1 Premiums Earned	2 Claims Payments	3 Claim Adjustment Expense Payments	4 Col. (3/2) Percent	5 Claim and Claim Adjustment Expense Payments (Col. 2+3)	6 Col. (5/1) Percent	7 Claims Unpaid	8 Unpaid Claims Adjustment Expenses	9 Total Claims and Claims Adjustment Expense Incurred (Col. 5+7+8)	10 Col. (9/1) Percent
1. 2008 .....	1,516,935	1,456,581	15,426	1.1	1,472,007	97.0	0	0	1,472,007	97.0
2. 2009 .....	1,578,981	1,521,069	15,974	1.1	1,537,043	97.3	0	0	1,537,043	97.3
3. 2010 .....	1,544,130	1,472,474	17,697	1.2	1,490,171	96.5	0	0	1,490,171	96.5
4. 2011 .....	1,649,980	1,544,491	23,264	1.5	1,567,755	95.0	(846)	0	1,566,909	95.0
5. 2012 .....	1,722,784	1,547,364	23,996	1.6	1,571,360	91.2	28,349	609	1,600,318	92.9

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STATEMENT AS OF ANNUAL STATEMENT FOR THE YEAR 2012 OF THE KAISER FOUNDATION HEALTH PLAN OF THE NORTHWEST

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

**Section A – Paid Health Claims - Dental Only**

Year in Which Losses Were Incurred	Cumulative Net Amounts Paid				
	1 2008	2 2009	3 2010	4 2011	5 2012
1. Prior .....	6,460	6,460	6,460	6,460	6,460
2. 2008 .....	65,069	69,542	69,542	69,542	69,542
3. 2009 .....	XXX	69,081	74,290	74,290	74,290
4. 2010 .....	XXX	XXX	82,510	86,420	86,420
5. 2011 .....	XXX	XXX	XXX	93,291	96,441
6. 2012 .....	XXX	XXX	XXX	XXX	95,088

**Section B – Incurred Health Claims - Dental Only**

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 .....	6,460	6,460	6,460	6,460	6,460
2. 2008 .....	65,069	69,542	69,542	69,542	69,542
3. 2009 .....	XXX	69,081	74,290	74,290	74,290
4. 2010 .....	XXX	XXX	82,510	86,420	86,420
5. 2011 .....	XXX	XXX	XXX	93,291	93,291
6. 2012 .....	XXX	XXX	XXX	XXX	98,268

**Section C – Incurred Year Health Claims and Claims Adjustment Expense Ratio – Dental Only**

Years in which Premiums were Earned and Claims were Incurred	1 Premiums Earned	2 Claims Payments	3 Claim Adjustment Expense Payments	4 Col. (3/2) Percent	5 Claim and Claim Adjustment Expense Payments (Col. 2+3)	6 Col. (5/1) Percent	7 Claims Unpaid	8 Unpaid Claims Adjustment Expenses	9 Total Claims and Claims Adjustment Expense Incurred (Col. 5+7+8)	10 Col. (9/1) Percent
1. 2008 .....	79,995	69,542	0	0.0	69,542	86.9	0	0	69,542	86.9
2. 2009 .....	82,004	74,290	0	0.0	74,290	90.6	0	0	74,290	90.6
3. 2010 .....	93,945	86,420	0	0.0	86,420	92.0	0	0	86,420	92.0
4. 2011 .....	100,045	96,441	0	0.0	96,441	96.4	0	0	96,441	96.4
5. 2012 .....	104,658	95,088	0	0.0	95,088	90.9	3,180	0	98,268	93.9

STATEMENT AS OF ANNUAL STATEMENT FOR THE YEAR 2012 OF THE KAISER FOUNDATION HEALTH PLAN OF THE NORTHWEST

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

**Section A – Paid Health Claims - Vision Only**

Year in Which Losses Were Incurred	Cumulative Net Amounts Paid				
	1 2008	2 2009	3 2010	4 2011	5 2012
1. Prior .....	.0	.0	.0	.0	.0
2. 2008 .....	9,421	9,421	9,421	9,421	9,421
3. 2009 .....	XXX	9,616	9,616	9,616	9,616
4. 2010 .....	XXX	XXX	10,992	10,992	10,992
5. 2011 .....	XXX	XXX	XXX	.0	.0
6. 2012 .....	XXX	XXX	XXX	XXX	0

**Section B - Incurred Health Claims - Vision Only**

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 .....	.0	.0	.0	.0	.0
2. 2008 .....	9,421	9,421	9,421	9,421	9,421
3. 2009 .....	XXX	9,616	9,616	9,616	9,616
4. 2010 .....	XXX	XXX	10,992	10,992	10,992
5. 2011 .....	XXX	XXX	XXX	.0	.0
6. 2012 .....	XXX	XXX	XXX	XXX	0

**Section C – Incurred Year Health Claims and Claims Adjustment Expense Ratio – Vision Only**

Years in which Premiums were Earned and Claims were Incurred	1 Premiums Earned	2 Claims Payments	3 Claim Adjustment Expense Payments	4 Col. (3/2) Percent	5 Claim and Claim Adjustment Expense Payments (Col. 2+3)	6 Col. (5/1) Percent	7 Claims Unpaid	8 Unpaid Claims Adjustment Expenses	9 Total Claims and Claims Adjustment Expense Incurred (Col. 5+7+8)	10 Col. (9/1) Percent
1. 2008 .....	13,335	9,421	.0	0.0	9,421	70.6	.0	.0	9,421	70.6
2. 2009 .....	12,770	9,616	.0	0.0	9,616	75.3	.0	.0	9,616	75.3
3. 2010 .....	12,773	10,992	.0	0.0	10,992	86.1	.0	.0	10,992	86.1
4. 2011 .....	.0	.0	.0	0.0	.0	0.0	.0	.0	.0	0.0
5. 2012 .....	0	0	0	0.0	0	0.0	0	0	0	0.0

STATEMENT AS OF ANNUAL STATEMENT FOR THE YEAR 2012 OF THE KAISER FOUNDATION HEALTH PLAN OF THE NORTHWEST

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

**Section A – Paid Health Claims - Federal Employees Health Benefits Plan Premium**

Year in Which Losses Were Incurred	Cumulative Net Amounts Paid				
	1 2008	2 2009	3 2010	4 2011	5 2012
1. Prior .....	2,484	2,397	2,397	2,397	2,397
2. 2008 .....	130,780	133,371	133,347	133,317	133,317
3. 2009 .....	XXX	136,988	138,614	138,539	138,538
4. 2010 .....	XXX	XXX	122,552	124,385	124,354
5. 2011 .....	XXX	XXX	XXX	134,313	135,546
6. 2012 .....	XXX	XXX	XXX	XXX	130,339

**Section B - Incurred Health Claims - Federal Employees Health Benefits Plan Premium**

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 .....	2,484	2,397	2,397	2,397	2,397
2. 2008 .....	130,780	133,371	133,347	133,317	133,317
3. 2009 .....	XXX	136,988	138,614	138,539	138,538
4. 2010 .....	XXX	XXX	122,552	124,385	124,469
5. 2011 .....	XXX	XXX	XXX	134,313	134,499
6. 2012 .....	XXX	XXX	XXX	XXX	131,240

**Section C – Incurred Year Health Claims and Claims Adjustment Expense Ratio – Federal Employees Health Benefits Plan Premium**

Years in which Premiums were Earned and Claims were Incurred	1 Premiums Earned	2 Claims Payments	3 Claim Adjustment Expense Payments	4 Col. (3/2) Percent	5 Claim and Claim Adjustment Expense Payments (Col. 2+3)	6 Col. (5/1) Percent	7 Claims Unpaid	8 Unpaid Claims Adjustment Expenses	9 Total Claims and Claims Adjustment Expense Incurred (Col. 5+7+8)	10 Col. (9/1) Percent
1. 2008 .....	139,485	133,317	1,342	1.0	134,659	96.5	.0	.0	134,659	96.5
2. 2009 .....	145,471	138,538	1,433	1.0	139,971	96.2	.0	.0	139,971	96.2
3. 2010 .....	136,007	124,354	1,392	1.1	125,746	92.5	.0	.0	125,746	92.5
4. 2011 .....	142,004	135,546	1,883	1.4	137,429	96.8	(368)	.0	137,061	96.5
5. 2012 .....	146,418	130,339	1,916	1.5	132,255	90.3	900	30	133,185	91.0

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STATEMENT AS OF ANNUAL STATEMENT FOR THE YEAR 2012 OF THE KAISER FOUNDATION HEALTH PLAN OF THE NORTHWEST

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

**Section A - Paid Health Claims - Medicare**

Year in Which Losses Were Incurred	Cumulative Net Amounts Paid				
	1 2008	2 2009	3 2010	4 2011	5 2012
1. Prior .....	9,418	9,080	9,080	9,080	9,080
2. 2008 .....	495,901	505,986	505,865	505,725	505,725
3. 2009 .....	XXX	533,358	541,665	541,317	541,303
4. 2010 .....	XXX	XXX	626,068	634,566	634,270
5. 2011 .....	XXX	XXX	XXX	677,639	689,429
6. 2012 .....	XXX	XXX	XXX	XXX	776,180

**Section B - Incurred Health Claims - 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 .....	9,418	9,080	9,080	9,080	9,080
2. 2008 .....	495,901	505,986	505,865	505,725	505,725
3. 2009 .....	XXX	533,358	541,665	541,317	541,303
4. 2010 .....	XXX	XXX	626,068	634,566	634,558
5. 2011 .....	XXX	XXX	XXX	677,639	678,658
6. 2012 .....	XXX	XXX	XXX	XXX	787,813

**Section C - Incurred Year Health Claims and Claims Adjustment Expense Ratio - Medicare**

Years in which Premiums were Earned and Claims were Incurred	1 Premiums Earned	2 Claims Payments	3 Claim Adjustment Expense Payments	4 Col. (3/2) Percent	5 Claim and Claim Adjustment Expense Payments (Col. 2+3)	6 Col. (5/1) Percent	7 Claims Unpaid	8 Unpaid Claims Adjustment Expenses	9 Total Claims and Claims Adjustment Expense Incurred (Col. 5+7+8)	10 Col. (9/1) Percent
1. 2008 .....	526,146	505,725	5,364	1.1	511,089	97.1	.0	.0	511,089	97.1
2. 2009 .....	559,093	541,303	5,757	1.1	547,060	97.8	.0	.0	547,060	97.8
3. 2010 .....	681,295	634,270	7,082	1.1	641,352	94.1	.0	.0	641,352	94.1
4. 2011 .....	726,257	689,429	9,164	1.3	698,593	96.2	(468)	.0	698,125	96.1
5. 2012 .....	794,501	776,180	9,929	1.3	786,109	98.9	11,633	285	798,027	100.4

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STATEMENT AS OF ANNUAL STATEMENT FOR THE YEAR 2012 OF THE KAISER FOUNDATION HEALTH PLAN OF THE NORTHWEST

**UNDERWRITING AND INVESTMENT EXHIBIT**  
**PART 2C - DEVELOPMENT OF PAID AND INCURRED HEALTH 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 .....	.71	.68	.68	.68	.68
2. 2008 .....	3,718	3,795	3,786	3,780	3,780
3. 2009 .....	XXX	4,056	4,625	4,608	4,607
4. 2010 .....	XXX	XXX	42,889	43,303	43,290
5. 2011 .....	XXX	XXX	XXX	29,914	30,449
6. 2012 .....	XXX	XXX	XXX	XXX	29,002

**Section B – Incurred Health Claims - Title XIX Medicaid**

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 .....	.71	.68	.68	.68	.68
2. 2008 .....	3,718	3,795	3,786	3,780	3,780
3. 2009 .....	XXX	4,056	4,625	4,608	4,607
4. 2010 .....	XXX	XXX	42,889	43,303	43,308
5. 2011 .....	XXX	XXX	XXX	29,914	29,862
6. 2012 .....	XXX	XXX	XXX	XXX	29,241

**Section C – Incurred Year Health Claims and Claims Adjustment Expense Ratio – Title XIX Medicaid**

Years in which Premiums were Earned and Claims were Incurred	1 Premiums Earned	2 Claims Payments	3 Claim Adjustment Expense Payments	4 Col. (3/2) Percent	5 Claim and Claim Adjustment Expense Payments (Col. 2+3)	6 Col. (5/1) Percent	7 Claims Unpaid	8 Unpaid Claims Adjustment Expenses	9 Total Claims and Claims Adjustment Expense Incurred (Col. 5+7+8)	10 Col. (9/1) Percent
1. 2008 .....	1,381	3,780	39	1.0	3,819	276.5	.0	.0	3,819	276.5
2. 2009 .....	1,274	4,607	39	0.8	4,646	364.7	.0	.0	4,646	364.7
3. 2010 .....	1,001	43,290	83	0.2	43,373	4,333.0	.0	.0	43,373	4,333.0
4. 2011 .....	18,397	30,449	560	1.8	31,009	168.6	(16)	.0	30,993	168.5
5. 2012 .....	16,418	29,002	430	1.5	29,432	179.3	239	13	29,684	180.8

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STATEMENT AS OF ANNUAL STATEMENT FOR THE YEAR 2012 OF THE KAISER FOUNDATION HEALTH PLAN OF THE NORTHWEST

**UNDERWRITING AND INVESTMENT EXHIBIT**  
**PART 2C - DEVELOPMENT OF PAID AND INCURRED HEALTH 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	.0	.0	.0	.0	.0
2. 2008	.0	.0	(1)	(1)	(1)
3. 2009	XXX	.0	54	55	56
4. 2010	XXX	XXX	4,097	4,088	4,083
5. 2011	XXX	XXX	XXX	11,071	11,265
6. 2012	XXX	XXX	XXX	XXX	31,770

**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	.0	.0	.0	.0	.0
2. 2008	.0	.0	(1)	(1)	(1)
3. 2009	XXX	.0	54	55	55
4. 2010	XXX	XXX	4,097	(9)	(14)
5. 2011	XXX	XXX	XXX	11,071	11,122
6. 2012	XXX	XXX	XXX	XXX	33,223

**Section C – Incurred Year Health Claims and Claims Adjustment Expense Ratio – Other**

Years in which Premiums were Earned and Claims were Incurred	1 Premiums Earned	2 Claims Payments	3 Claim Adjustment Expense Payments	4 Col. (3/2) Percent	5 Claim and Claim Adjustment Expense Payments (Col. 2+3)	6 Col. (5/1) Percent	7 Claims Unpaid	8 Unpaid Claims Adjustment Expenses	9 Total Claims and Claims Adjustment Expense Incurred (Col. 5+7+8)	10 Col. (9/1) Percent
1. 2008	.0	(1)	.0	.0	(1)	.0	.0	.0	(1)	.0
2. 2009	.0	56	.6	10.7	62	.0	.0	.0	62	.0
3. 2010	.0	4,083	.85	2.1	4,168	.0	.0	.0	4,168	.0
4. 2011	.0	11,265	.316	2.8	11,581	.0	(17)	.0	11,564	.0
5. 2012	0	31,770	.338	1.1	32,108	0.0	1,455	4	33,567	0.0

STATEMENT AS OF ANNUAL STATEMENT FOR THE YEAR 2012 OF THE KAISER FOUNDATION HEALTH PLAN OF THE NORTHWEST

**UNDERWRITING AND INVESTMENT EXHIBIT**  
**PART 2C - DEVELOPMENT OF PAID AND INCURRED HEALTH 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 .....	45,566	44,185	44,185	44,185	44,185
2. 2008 .....	2,133,683	2,179,323	2,178,887	2,178,365	2,178,365
3. 2009 .....	XXX	2,255,800	2,290,824	2,289,525	2,289,479
4. 2010 .....	XXX	XXX	2,340,568	2,376,228	2,375,883
5. 2011 .....	XXX	XXX	XXX	2,465,488	2,507,621
6. 2012 .....	XXX	XXX	XXX	XXX	2,609,743

**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 .....	45,566	44,185	44,185	44,185	44,185
2. 2008 .....	2,133,683	2,179,323	2,178,887	2,178,365	2,178,365
3. 2009 .....	XXX	2,255,800	2,290,824	2,289,425	2,289,478
4. 2010 .....	XXX	XXX	2,340,568	2,372,131	2,372,618
5. 2011 .....	XXX	XXX	XXX	2,465,488	2,465,980
6. 2012 .....	XXX	XXX	XXX	XXX	2,655,498

**Section C - Incurred Year Health Claims and Claims Adjustment Expense Ratio - Grand Total**

Years in which Premiums were Earned and Claims were Incurred	1 Premiums Earned	2 Claims Payments	3 Claim Adjustment Expense Payments	4 Col. (3/2) Percent	5 Claim and Claim Adjustment Expense Payments (Col. 2+3)	6 Col. (5/1) Percent	7 Claims Unpaid	8 Unpaid Claims Adjustment Expenses	9 Total Claims and Claims Adjustment Expense Incurred (Col. 5+7+8)	10 Col. (9/1) Percent
1. 2008 .....	2,277,277	2,178,365	22,171	1.0	2,200,536	96.6	0	0	2,200,536	96.6
2. 2009 .....	2,379,593	2,289,479	23,209	1.0	2,312,688	97.2	0	0	2,312,688	97.2
3. 2010 .....	2,469,151	2,375,883	26,339	1.1	2,402,222	97.3	0	0	2,402,222	97.3
4. 2011 .....	2,636,683	2,507,621	35,187	1.4	2,542,808	96.4	(1,715)	0	2,541,093	96.4
5. 2012 .....	2,784,779	2,609,743	36,609	1.4	2,646,352	95.0	45,756	941	2,693,049	96.7

ANNUAL STATEMENT FOR THE YEAR 2012 OF THE KAISER FOUNDATION HEALTH PLAN OF THE NORTHWEST

**UNDERWRITING AND INVESTMENT EXHIBIT**

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

	1	2	3	4	5	6	7	8	9
	Total	Comprehensive (Hospital & Medical)	Medicare Supplement	Dental Only	Vision Only	Federal Employees Health Benefit Plan	Title XVIII Medicare	Title XIX Medicaid	Other
1. Unearned premium reserves .....	.0								
2. Additional policy reserves (a) .....	.0								
3. Reserve for future contingent benefits .....	.0								
4. Reserve for rate credits or experience rating refunds (including \$ ..... for investment income) .....	.0								
5. Aggregate write-ins for other policy reserves .....	.0	.0	.0	.0	.0	.0	.0	.0	.0
6. Totals (gross) .....	.0	.0	.0	.0	.0	.0	.0	.0	.0
7. Reinsurance ceded .....	.0								
8. Totals (Net) (Page 3, Line 4) .....	.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
<b>DETAILS OF WRITE-INS</b>									
0501. ....									
0502. ....									
0503. ....									
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 through 0503 plus 0598) (Line 5 above) .....	0	0	0	0	0	0	0	0	0
1101. ....									
1102. ....									
1103. ....									
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 through 1103 plus 1198) (Line 11 above) .....	.0	.0	.0	.0	.0	.0	.0	.0	.0

**NONE**

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

**STATEMENT AS OF ANNUAL STATEMENT FOR THE YEAR 2012 OF THE KAISER FOUNDATION HEALTH PLAN OF THE NORTHWEST**

**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 (\$ .....2,950,122 for occupancy of own building).....	0	0	2,950,122		2,950,122
2. Salaries, wages and other benefits.....	16,759,039	12,574,183	82,718,225		112,051,447
3. Commissions (less \$ .....ceded plus \$ .....assumed).....	0	0	18,017,371		18,017,371
4. Legal fees and expenses.....	0	0	1,884,476		1,884,476
5. Certifications and accreditation fees.....	0	0	0		0
6. Auditing, actuarial and other consulting services.....	1,036	0	619,130	0	620,166
7. Traveling expenses.....	62,100	28,842	435,173	0	526,115
8. Marketing and advertising.....	803	0	4,595,564	0	4,596,367
9. Postage, express and telephone.....	442,435	33,431	704,526	0	1,180,392
10. Printing and office supplies.....	600,614	32,512	305,534	0	938,660
11. Occupancy, depreciation and amortization.....	1,053	533	121,121	6,038,692	6,161,399
12. Equipment.....	43,305	3,239	81,233	0	127,777
13. Cost or depreciation of EDP equipment and software.....	78,354	0	10,228	0	88,582
14. Outsourced services including EDP, claims, and other services.....	1,363,709	5,757,736	1,816,611	0	8,938,056
15. Boards, bureaus and association fees.....	344	445	97,973	0	98,762
16. Insurance, except on real estate.....	0	0	278,919	0	278,919
17. Collection and bank service charges.....	0	0	540,658	0	540,658
18. Group service and administration fees.....	0	0	0	0	0
19. Reimbursements by uninsured plans.....	0	0	(135,730)	0	(135,730)
20. Reimbursements from fiscal intermediaries.....	0	0	0	0	0
21. Real estate expenses.....	262	0	224,829	183,932	409,023
22. Real estate taxes.....	0	0	0	0	0
23. Taxes, licenses and fees:					
23.1 State and local insurance taxes.....	0	0	157,289	0	157,289
23.2 State premium taxes.....	0	0	19,030,720	0	19,030,720
23.3 Regulatory authority licenses and fees.....	0	0	989,771	0	989,771
23.4 Payroll taxes.....	1,615,085	1,211,787	8,018,229	0	10,845,101
23.5 Other (excluding federal income and real estate taxes).....	0	0	18,459	0	18,459
24. Investment expenses not included elsewhere.....	0	0	0	491,112	491,112
25. Aggregate write-ins for expenses.....	12,150	524,914	20,720,170	0	21,257,234
26. Total expenses incurred (Lines 1 to 25).....	20,980,289	20,167,622	164,200,601	6,713,736	(a) 212,062,248
27. Less expenses unpaid December 31, current year.....		941,000	13,793,800	6,330,917	21,065,717
28. Add expenses unpaid December 31, prior year.....	0	697,000	31,799,863	1,689,842	34,186,705
29. Amounts receivable relating to uninsured plans, prior year.....	0	0	0	0	0
30. Amounts receivable relating to uninsured plans, current year.....	0	0	0	0	0
31. Total expenses paid (Lines 26 minus 27 plus 28 minus 29 plus 30)	20,980,289	19,923,622	182,206,664	2,072,661	225,183,236
<b>DETAILS OF WRITE-INS</b>					
2501. Miscellaneous.....	12,150	280,914	990,231	0	1,283,295
2502. Unpaid claims adjustment expense.....	0	244,000	0	0	244,000
2503. State Insurance Pools.....	0	0	19,729,939	0	19,729,939
2598. Summary of remaining write-ins for Line 25 from overflow page.....	0	0	0	0	0
2599. Totals (Line 2501 through 2503 + 2598)(Line 25 above)	12,150	524,914	20,720,170	0	21,257,234

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

**EXHIBIT OF NET INVESTMENT INCOME**

	1 Collected During Year	2 Earned During Year
1. U.S. Government bonds	(a) 2,336,400	2,013,774
1.1 Bonds exempt from U.S. tax	(a)	
1.2 Other bonds (unaffiliated)	(a) 13,252,461	13,223,854
1.3 Bonds of affiliates	(a) 0	
2.1 Preferred stocks (unaffiliated)	(b) 0	
2.11 Preferred stocks of affiliates	(b)	
2.2 Common stocks (unaffiliated)	(b) 0	
2.21 Common stocks of affiliates	(b)	
3. Mortgage loans	(c)	
4. Real estate	(d) 23,929,575	23,915,200
5. Contract loans	(d)	
6. Cash, cash equivalents and short-term investments	(e) 224,362	157,773
7. Derivative instruments	(f)	
8. Other invested assets	(f)	
9. Aggregate write-ins for investment income	310,257	310,257
10. Total gross investment income	40,053,055	39,620,858
11. Investment expenses		(g) 6,713,736
12. Investment taxes, licenses and fees, excluding federal income taxes		(g)
13. Interest expense		(h)
14. Depreciation on real estate and other invested assets		(i) 16,760,295
15. Aggregate write-ins for deductions from investment income		3,741,183
16. Total deductions (Lines 11 through 15)		27,215,214
17. Net investment income (Line 10 minus Line 16)		12,405,644
<b>DETAILS OF WRITE-INS</b>		
0901. Kaiser Foundation Hospital - Interest Income	310,257	310,257
0902.		
0903.		
0998. Summary of remaining write-ins for Line 9 from overflow page	0	0
0999. Totals (Lines 0901 through 0903) plus 0998 (Line 9 above)	310,257	310,257
1501. Interest to Kaiser Foundation Hospitals		3,741,183
1502.		
1503.		
1598. Summary of remaining write-ins for Line 15 from overflow page		0
1599. Totals (Lines 1501 through 1503) plus 1598 (Line 15 above)		3,741,183

- (a) Includes \$ 1,230,020 accrual of discount less \$ 3,293,991 amortization of premium and less \$ 1,026,623 paid for accrued interest on purchases.
- (b) Includes \$ accrual of discount less \$ 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 \$ paid for accrued interest on purchases.
- (d) Includes \$ 22,865,510 for company's occupancy of its own buildings; and excludes \$ interest on encumbrances.
- (e) Includes \$ 6,843 accrual of discount less \$ 60,239 amortization of premium and less \$ 9,512 paid for accrued interest on purchases.
- (f) Includes \$ accrual of discount less \$ amortization of premium.
- (g) Includes \$ 6,713,736 investment expenses and \$ investment taxes, licenses and fees, excluding federal income taxes, attributable to segregated and Separate Accounts.
- (h) Includes \$ interest on surplus notes and \$ interest on capital notes.
- (i) Includes \$ 16,760,295 depreciation on real estate and \$ 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	1,493,821	(498,004)	995,817		
1.1 Bonds exempt from U.S. tax			0		
1.2 Other bonds (unaffiliated)	5,828,222	(599,051)	5,229,171		
1.3 Bonds of affiliates	0	0	0	0	0
2.1 Preferred stocks (unaffiliated)	0	0	0	0	0
2.11 Preferred stocks of affiliates	0	0	0	0	0
2.2 Common stocks (unaffiliated)	0	0	0	0	0
2.21 Common stocks of affiliates	0	0	0	0	0
3. Mortgage loans	0	0	0	0	0
4. Real estate	0	0	0	0	0
5. Contract loans	0	0	0	0	0
6. Cash, cash equivalents and short-term investments	0	(4,105)	(4,105)	0	0
7. Derivative instruments	0	0	0	0	0
8. Other invested assets	0	0	0	0	0
9. Aggregate write-ins for capital gains (losses)	0	0	0	0	0
10. Total capital gains (losses)	7,322,043	(1,101,160)	6,220,883	0	0
<b>DETAILS OF WRITE-INS</b>					
0901. Rounding			0		
0902.					
0903.					
0998. Summary of remaining write-ins for Line 9 from overflow page	0	0	0	0	0
0999. Totals (Lines 0901 through 0903) plus 0998 (Line 9 above)	0	0	0	0	0

**EXHIBIT OF NONADMITTED ASSETS**

	1	2	3
	Current Year Total Nonadmitted Assets	Prior Year Nonadmitted Assets	Change in Total Nonadmitted Assets (Col. 2 - Col. 1)
1. Bonds (Schedule D).....	0	0	0
2. Stocks (Schedule D):			
2.1 Preferred stocks .....	0	0	0
2.2 Common stocks .....	0	0	0
3. Mortgage loans on real estate (Schedule B):			
3.1 First liens .....	0	0	0
3.2 Other than first liens .....	0	0	0
4. Real estate (Schedule A):			
4.1 Properties occupied by the company .....	0	0	0
4.2 Properties held for the production of income.....	0	0	0
4.3 Properties held for sale .....	0	0	0
5. Cash (Schedule E - Part 1), cash equivalents (Schedule E - Part 2) and short-term investments (Schedule DA).....	0	0	0
6. Contract loans .....	0	0	0
7. Derivatives (Schedule DB).....	0	0	0
8. Other invested assets (Schedule BA) .....	0	0	0
9. Receivables for securities .....	0	0	0
10. Securities lending reinvested collateral assets (Schedule DL).....	0	0	0
11. Aggregate write-ins for invested assets .....	0	0	0
12. Subtotals, cash and invested assets (Lines 1 to 11) .....	0	0	0
13. Title plants (for Title insurers only).....	0	0	0
14. Investment income due and accrued .....	0	0	0
15. Premiums and considerations:			
15.1 Uncollected premiums and agents' balances in the course of collection .....	485,387	48,711	(436,676)
15.2 Deferred premiums, agents' balances and installments booked but deferred and not yet due.....	0	0	0
15.3 Accrued retrospective premiums.....	0	0	0
16. Reinsurance:			
16.1 Amounts recoverable from reinsurers .....	0	0	0
16.2 Funds held by or deposited with reinsured companies .....	0	0	0
16.3 Other amounts receivable under reinsurance contracts .....	0	0	0
17. Amounts receivable relating to uninsured plans .....	0	0	0
18.1 Current federal and foreign income tax recoverable and interest thereon .....	0	0	0
18.2 Net deferred tax asset.....	0	0	0
19. Guaranty funds receivable or on deposit .....	0	0	0
20. Electronic data processing equipment and software.....	531,137	47,192	(483,945)
21. Furniture and equipment, including health care delivery assets.....	1,424,328	1,900,273	475,945
22. Net adjustment in assets and liabilities due to foreign exchange rates .....	0	0	0
23. Receivables from parent, subsidiaries and affiliates .....	0	0	0
24. Health care and other amounts receivable.....	1,452,983	1,456,896	3,913
25. Aggregate write-ins for other than invested assets .....	7,847,170	9,060,977	1,213,807
26. Total assets excluding Separate Accounts, Segregated Accounts and Protected Cell Accounts (Lines 12 to 25).....	11,741,005	12,514,049	773,044
27. From Separate Accounts, Segregated Accounts and Protected Cell Accounts.....	0	0	0
28. Total (Lines 26 and 27)	11,741,005	12,514,049	773,044
<b>DETAILS OF WRITE-INS</b>			
1101. ....			
1102. ....			
1103. ....			
1198. Summary of remaining write-ins for Line 11 from overflow page .....	0	0	0
1199. Totals (Lines 1101 through 1103 plus 1198)(Line 11 above)	0	0	0
2501. Other Non-Admitted Assets.....	7,847,170	9,060,977	1,213,807
2502. ....			
2503. ....			
2598. Summary of remaining write-ins for Line 25 from overflow page .....	0	0	0
2599. Totals (Lines 2501 through 2503 plus 2598)(Line 25 above)	7,847,170	9,060,977	1,213,807

ANNUAL STATEMENT FOR THE YEAR 2012 OF THE KAISER FOUNDATION HEALTH PLAN OF THE NORTHWEST

**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.....	457,734	458,702	457,926	446,000	448,030	5,464,793
2. Provider Service Organizations.....	.0	.0	.0	.0	.0	.0
3. Preferred Provider Organizations.....	.0	.0	.0	.0	.0	.0
4. Point of Service.....	17,175	16,575	15,713	16,796	16,607	195,375
5. Indemnity Only.....	.0	.0	.0	.0	.0	.0
6. Aggregate write-ins for other lines of business	0	0	0	0	0	0
7. Total	474,909	475,277	473,639	462,796	464,637	5,660,168
<b>DETAILS OF WRITE-INS</b>						
0601. ....	.0					
0602. ....						
0603. ....						
0698. Summary of remaining write-ins for Line 6 from overflow page.....	.0	.0	.0	.0	.0	.0
0699. Totals (Lines 0601 through 0603 plus 0698) (Line 6 above)	0	0	0	0	0	0



**NOTES TO FINANCIAL STATEMENTS**

1) Summary of Significant Accounting Policies

A. Accounting Practices

The statutory financial statements of Kaiser Foundation Health Plan of the Northwest (Health Plan) have been prepared in conformity with the National Association of Insurance Commissioners' (NAIC) *Accounting Practices and Procedures Manual* (NAIC SAP), the NAIC Annual Statement Instructions, and other accounting practices, as prescribed or permitted by the Oregon Department of Consumer and Business Services Insurance Division (State of Oregon). For the years ended December 31, 2012 and 2011, there were no differences between the NAIC SAP and the practices prescribed by or permitted by the State of Oregon that impacted Health Plan's statutory net income or capital and surplus. As noted in the schedule below (in thousands):

	2012	2011
Net Income, State Basis	\$ 21,995	\$ 33,004
Net Income, NAIC SAP	\$ 21,995	\$ 33,004
Statutory Surplus, State Basis	\$ 471,710	\$ 490,571
Statutory Surplus, NAIC SAP	\$ 471,710	\$ 490,571

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

The preparation of the financial statements in conformity with NAIC SAP, the NAIC Annual Statement Instructions, and other accounting practices as prescribed or permitted by the State of Oregon requires management to make estimates and assumptions that affect the reported amounts. Allowance for uncollectible premiums and other receivables; estimated fair value of investments; Medicare revenue accruals; Medicare reserves; reserves for unpaid claims and claims adjustment expense; pension and other retirement liabilities; self-insured workers' compensation liabilities; real estate, property and equipment impairment and useful lives; and investment impairment represent significant estimates. Actual results could differ materially from those estimates. With respect to employee benefit plans, as occurs from time to time, negotiations with labor partners may result in changes to compensation and benefits. These changes are reflected in the statutory financial statements as appropriate when agreements are finalized.

C. Accounting Policies

Cash (overdraft), cash equivalents and short-term investments include interest-bearing deposits purchased with an original or remaining maturity of twelve months or less.

At December 31, cash (overdraft) and short-term investments were as follows (in thousands):

	2012	2011
Cash (overdraft)	\$ 133	\$ (10,316)
Short-term investments	27,748	193,509
Cash (overdraft) and short-term investments	\$ 27,881	\$ 183,193

Premiums and health care receivables exclude nonadmitted balances. Certain receivables are not admissible in accordance with the NAIC SAP. Nonadmitted amounts include all nongovernmental premiums and health care receivables greater than 90 days past due. In addition, when premiums and health care receivables greater than 90 days past due are more than a de minimus portion of the entire premiums and health care receivables balance, the entire premiums and health care receivables balance is nonadmitted.

Real estate, property and equipment which include land, buildings, equipment and software, are stated at cost less accumulated depreciation and amortization. Interest is capitalized on facilities construction in progress and is added to the cost of the underlying asset, in accordance with Statement of Statutory Accounting Principles (SSAP) No. 44 *Capitalization of Interest*. Depreciation begins when the project is substantially complete and ready for its intended use. Software is amortized on a straight-line basis over three years. Buildings and equipment are depreciated on a straight-line basis over the estimated useful lives of the various classes of assets, generally ranging from 3 to 33 years.

Management evaluates alternatives for delivering services that may affect the current and future utilization of existing and planned assets and could result in an adjustment to the carrying values of such land, buildings, equipment and software in the future. Management evaluates and records impairment losses, where applicable, based on expected utilization, projected cash flows, and recoverable values.

Maintenance and repairs are expensed as incurred. Major improvements that increase the estimated useful life of an asset are capitalized. Upon the sale or retirement of assets, recorded cost and related accumulated depreciation are removed from the accounts, and any gain or loss on disposal is reflected in operations.

Included in property and equipment are health care delivery assets representing pharmaceutical and optical inventories, as well as medical center furniture, fixtures, and equipment used in the direct delivery of care.

## NOTES TO FINANCIAL STATEMENTS

Pharmaceutical and optical inventories are included in the furniture and equipment category.

Pharmaceutical and optical inventories are not subject to depreciation. Medical center furniture, fixtures and equipment used in the direct delivery of care are depreciated over their estimated useful lives but for a period not to exceed three years.

Bonds and other invested assets include investments in money market funds, U.S. Treasury and government-sponsored agencies, U.S. political subdivisions, U.S. special revenue bonds, loan-backed and/or structured securities, industrial and miscellaneous bonds, and all other government bonds. Recognized gains and losses are recorded on the specific identification basis. Interest income is included in net investment and other income.

Bonds are reported in accordance with NAIC Annual Statement instructions (Statement Value). Accordingly, bonds that are designated highest quality, NAIC Designation 1 and 2, are reported at amortized cost using the effective interest method, and bonds that are classified as NAIC Designation 3 or lower are reported at lower of amortized cost or fair value.

Adjustments are made prospectively and repayment assumptions are obtained from a third party vendor data source for loan-backed and/or structured securities. The amortization method used is the scientific method.

Investments are regularly reviewed for impairment and a charge is recognized when the fair value is below cost basis and is judged to be other-than-temporary. Impairment is included in recognized gains on investment - net. In its review of assets for impairment that is deemed other-than-temporary, management generally follows the following guidelines:

- Substantially all investments are managed by outside investment managers who do not need Kaiser Foundation Health Plan, Inc. (KFHP) management preapproval for sales, therefore substantially all declines in value below amortized cost are recognized as impairment that is other-than-temporary.
- For other securities, losses are recognized for known matters, such as bankruptcies, regardless of ownership period, and investments that have been continuously below book value for an extended period of time are evaluated for impairment that is other-than-temporary.

Health Plan's investment transactions are recorded on a trade date basis.

Health Plan is required to keep investments on deposit in the States of Oregon and Washington, where it is licensed. At both December 31, 2012 and 2011, \$275 thousand in long-term government-sponsored agency securities were restricted to satisfy the states' regulatory requirements.

Receivables and payables for securities represent current amounts for unsettled securities sales or purchases.

Reserves for Unpaid Claims and Claims Adjustment Expense - The cost of health care services is recognized in the period in which services are provided. Reserves for unpaid claims and claims adjustment expense consist of unpaid health care expenses, which include an estimate of the cost of services provided to Health Plan's members by third-party providers that have been incurred but not reported. The estimate for incurred but not reported claims is based on actuarial projections of costs using historical paid claims and other relevant data. Estimates are monitored and reviewed and, as settlements are made or estimates are revised, adjustments are reflected in current operations. Such estimates are subject to the impact of changes in the regulatory environment and economic conditions. Given the inherent variability of such estimates, the actual liability could differ significantly from the amounts provided. While the ultimate amount of paid claims is dependent on future developments, management is of the opinion that the reserves for unpaid claims and claims adjustment expense are adequate to cover such claims.

Health Plan contracts with Kaiser Foundation Hospitals (Hospitals), Northwest Permanente, P. C. and Permanente Dental Associates (Medical Groups) to provide or arrange hospital, medical and dental services for members. Amounts due to associated medical groups are included in the reserves for unpaid claims and consists primarily of unpaid medical and dental expenses owed to the Medical Groups for the medical and dental services provided to members under medical and dental services agreements with Health Plan. The cost of medical and dental services is recognized by Health Plan in the period in which services are provided and is reflected as a component of medical and hospital expenses.

Insured and Self-Insured Risks - Health Plan purchases insurance including professional and general liabilities coverage. Certain insurance is purchased from affiliated organizations as discussed in the Information Concerning Parent, Subsidiaries, and Affiliates note. Health Plan self-insures other risks including workers' compensation and other legal liabilities. Costs associated with self-insured risks are charged to operations based upon actual and estimated claims. The estimate for incurred but not reported self-insured claims is based on actuarial projections of costs using historical claims and other relevant data. Estimates are monitored and reviewed and, as settlements are made or estimates are revised, adjustments are reflected in current operations. Given the inherent variability of such estimates, the actual liability could differ significantly from the amounts provided. While the ultimate payments for self-insured claims are dependent on future developments, management is of the opinion that the reserve for self-insured risks is adequate. Insurance coverage, in excess of the per occurrence self-insured retention, has been secured with affiliated and unaffiliated insurers and reinsurers for specified amounts for workers' compensation liabilities. Decisions relating to the limit and scope of the self-insured layer and the amounts of excess insurance purchased are reviewed each year, subject to management's analysis of actuarial loss projections and the price and availability of acceptable commercial insurance.

Pension and Other Postretirement Benefits - Health Plan participates in defined benefit pension and other postretirement benefit plans that are administered by KFHP. The plans are accounted for within the framework of

## NOTES TO FINANCIAL STATEMENTS

SSAP No. 89 *Accounting for Pensions, A Replacement of SSAP No. 8* and SSAP No. 14 *Postretirement Benefits Other Than Pensions*, respectively. The plans are actuarially evaluated and involve various assumptions. Critical assumptions include the discount rate and the expected rate of return on plan assets (for pension), and the rate of increase for health care costs (for postretirement benefit plans other than pension), which are important elements of expense and/or liability measurement. Other assumptions involve demographic factors such as retirement age, mortality, turnover and the rate of compensation increases. KFHP evaluates assumptions annually or when significant plan amendments occur and modifies them as appropriate. Pension and other postretirement costs are allocated over the service period of the employees in the plans.

KFHP uses a discount rate to determine the present value of the future benefit obligations. The discount rate is established based on rates available for high-quality fixed-income debt securities at the measurement date whose maturity dates match the expected cash flows of the retirement plans.

Differences between actual and expected plan experience and changes in actuarial assumptions, in excess of a 10% corridor around the larger of plan assets or plan liabilities, are recognized into benefits expense over the expected average future service of active participants. Prior service costs and credits arise from plan amendments and are amortized into postretirement benefits expense over the expected average future service to full eligibility of active participants.

The defined benefit pension plan (Plan) administered by KFHP constitutes a single plan in which multiple employers who are related parties participate. The Employee Retirement Income Security Act provides for joint and several liability for all employers in the Health Plan's tax controlled group. The pension liability for Health Plan represents the estimated amount of liability for current and former employees of Health Plan only. Management believes it is remote that Health Plan would be required to pay benefits attributable to current or former employees of other controlled group members.

The other post-retirement benefits (primarily healthcare) are generally offered through a multiple-employer welfare plan (Health and Welfare Plan). Under the terms of the Health and Welfare Plan, each participating employer is legally liable for the benefits for their own employees and retirees, and the Employee Retirement Income Security Act does not specify joint and several liability for all employers participating in a multiple-employer welfare plan. Management believes it is remote that Health Plan would be required to pay benefits attributable to current or former employees of any other employers participating in the Health and Welfare Plan.

Premium deficiency reserves and the related expenses are recognized when it is probable that expected future health care and maintenance costs under a group of existing contracts will exceed anticipated future premiums and reinsurance recoveries over the contract period. Expected investment income and interest expense are included in the calculation of premium deficiency reserves, as appropriate. The level at which contracts are grouped for evaluation purposes is generally by geographic region. The methods for making such estimates and for establishing the resulting reserves are reviewed and updated, and any resulting adjustments are reflected in current operations. At December 31, 2012 and 2011, the need for premium deficiency reserves was assessed and management is of the opinion that no premium deficiency reserves were required. Given the inherent variability of such estimates, the actual liability could differ significantly from the calculated amount.

Revenue Recognition - Net premium revenue includes premiums from employer groups, individuals and Medicare. Net premium revenue is recognized over the period in which the members are entitled to health care services.

The majority of Health Plan's Medicare revenue is received from the Medicare Advantage Program (Part C). Revenues for Part C include capitated payments, which vary based on health status, demographic status and other factors. Medicare revenues also include accruals for estimates resulting from changes in health risk factor scores. Such accruals are recognized when the amounts become determinable and collection is reasonably assured. Part C revenue is finalized after all data is submitted to Medicare and the final settlement is made after the end of the year.

In addition, Medicare benefits include a voluntary prescription drug benefit (Part D). Revenues for Part D include capitated payments made from Medicare, adjusted for health risk factor scores. Revenues also include amounts to reflect a portion of the health care costs for low-income Medicare beneficiaries and a risk-sharing arrangement to limit the exposure to unexpected expenses. Related accruals are recognized monthly based on cumulative experience and membership data. Part D revenue is finalized after all data is submitted to Medicare and the final settlement is made after the end of the year.

Medicare Part C and D revenue is subject to governmental audits and potential payment adjustments. The Centers for Medicare & Medicaid Services (CMS) performs coding audits to validate the supporting documentation maintained by Health Plan and its care providers.

Estimates of retrospective adjustments resulting from coding audits, cost reports and other contractual adjustments are recorded in the time period in which members are entitled to health care services. Actual retroactive adjustments may differ from initial estimates.

The Health Information Technology for Economic and Clinical Health Act, part of the American Recovery and Reinvestment Act of 2009, created an incentive program, beginning in 2011, to promote the "meaningful use" of Electronic Health Records (EHR). To qualify, Medicare providers must attest to CMS that they are using certified EHR in a "meaningful" way by meeting objectives at established thresholds, as defined by CMS. Meaningful use revenues are recognized as grant revenue. Grant revenue is recognized when there is reasonable assurance that the grant will be received and that the organization will comply with the conditions attached to the grant. For the years ended December 31, 2012 and 2011, meaningful use revenues were \$10.4 million and \$12.4 million,

## NOTES TO FINANCIAL STATEMENTS

respectively, and were recognized in other revenue. The amount recognized is based on management's best estimate and is subject to audit and potential retrospective adjustments.

Premiums collected in advance are deferred and recorded as premiums received in advance. Revenue is adjusted to reflect estimates of collectability, including retroactive membership adjustment trends and economic conditions. Revenue and related receivables are exclusive of charity care. A portion of revenues derived under contracts with the United States Office of Personnel Management is subject to audit and possible retrospective adjustments.

The NAIC requires health care service contractors to report rental income and expense on the occupancy of owned buildings. For the years ended December 31, 2012 and 2011, rental income related to owned buildings used for administrative and health delivery functions was \$22.9 million and \$23.4 million, respectively.

Donations and Grants Made or Received - Donations and grants made are recognized at fair value in the period in which a commitment is made, provided the payment of the donation or grant is probable and the amount is determinable. Donations or grants received, are recognized at fair value in the period the donation or grant was committed unconditionally by the grantor or in the period the donation or grant requirements are met, if later.

### New Accounting Pronouncements

In 2011, the NAIC adopted revisions to SSAP No. 100 *Fair Value Measurements* (SSAP No. 100). The revisions require new disclosures of the fair value hierarchy, as well as the method used to obtain the fair value measurement. The revisions also require a gross presentation of purchases, sales, issues and settlement (each separately) within the reconciliation for fair value measurements categorized within Level 3 of the fair value hierarchy. The SSAP No. 100 revisions, adopted by Health Plan in 2012, did not have a material effect on Health Plan's statutory financial statements.

In March 2012, the NAIC adopted SSAP No. 92, *Accounting for Postretirement Benefits Other Than Pensions* and SSAP No. 102, *Accounting for Pensions*. These new statutory reporting standards are effective January 1, 2013. Companies may choose to recognize the effect of this guidance as of January 1, 2013 or adopt a phase in period of up to 10 years. Health Plan has elected a 10 year phase in period. Management has evaluated the effect of this guidance on Health Plan's financial statements for 2013. Effective January 1, 2013, Health Plans will record additional liability for statutory reporting for retirement benefits of \$28.5 million. Had Health Plan chosen to adopt immediate recognition of the impact, an additional liability of \$514.1 million would have been required for statutory reporting as of January 1, 2013. Retirement benefits expense for statutory reporting in 2013 will include accruals for both vested and unvested plan participants. Statutory accounting principles in effect prior to these new standards did not require expense accruals for unvested plan participants. Health Plan expects to continue to exceed minimum statutory net worth requirements in 2013.

In August 2012, the NAIC adopted revisions to SSAP No. 35R, *Guaranty Fund and Other Assessments*. The revisions incorporate a 2013 disclosure for entities subject to section 9010 of the Affordable Care Act. The required disclosure is consistent with guidance provided under SSAP No. 9 *Subsequent Events* as a Type II subsequent event. Management is evaluating the effect of the guidance on the statutory financial statements.

### 2) Accounting Changes and Corrections of Errors

There were no material accounting changes or material corrections of errors in the current years' statutory financial statements.

### 3) Business Combinations and Goodwill

There were no business combinations during the reporting periods. Health Plan does not carry goodwill in its financial statements.

### 4) Discontinued Operations

There were no discontinued operations during the reporting periods.

### 5) Investments

Health Plan has no investments in mortgage loans, restructured debt, reverse mortgages, repurchase agreements and/or securities lending transactions, real estate or low-income housing tax credits during the reporting periods.

Health Plan does have investments in loan-backed and/or structured securities and collateralized mortgage obligations. These securities are stated on the amortized cost basis and adjustments are made prospectively. Prepayment assumptions are obtained from a third party vendor data source.

**ANNUAL STATEMENT FOR THE YEAR 2012 OF THE KAISER FOUNDATION HEALTH PLAN OF THE NORTHWEST**

**NOTES TO FINANCIAL STATEMENTS**

During 2012, the aggregate other-than-temporary impairment (OTTI) recognized for certain loan-backed and/or structured securities, by quarter of the calendar year, was as follows (in thousands):

Classifications	Amortized cost		Recognized		Fair value
	before OTTI		OTTI		
Inability or lack of intent to retain - Q1	\$ 9,213		\$ (5)		\$ 9,208
Inability or lack of intent to retain - Q2	17,221		(27)		17,194
Inability or lack of intent to retain - Q3	9,464		(11)		9,453
Inability or lack of intent to retain - Q4	7,764		(39)		7,725
Total	\$ 43,662		\$ (82)		\$ 43,580

At December 31, 2012, each impairment recognized to date for loan-backed and/or structured securities held was as follows (in thousands):

CUSIP	Security description	Par/ shares	Amortized cost		Recognized OTTI	Amortized cost after		Fair value at impairment date	Current period final NAIC designation	Last quarter impaired
			before OTTI			OTTI				
3137ATRF1	Freddie Mac	3,371	\$ 3,529		\$ (26)	\$ 3,503	\$ 3,503	1	Q4 2012	
52108HXM1	LB-UBS Commercial Mortgage	1,771	1,814		(3)	1,811	1,811	IFM	Q4 2012	
31381QPH1	FNMA	880	926		(3)	923	923	1	Q4 2012	
3138MDS52	FNMA	1,419	1,495		(7)	1,488	1,488	1	Q4 2012	
3137AETT2	Freddie Mac	5,491	5,758		(10)	5,748	5,748	1	Q3 2012	
70659P AB7	Penarth Master Issuer	3,123	3,122		(1)	3,121	3,121	IFE	Q3 2012	
3137AETT2	Freddie Mac	5,689	5,981		(3)	5,978	5,978	1	Q2 2012	
34529VAD4	Ford Credit Auto Lease Trust	1,494	1,495		(1)	1,494	1,494	IFE	Q2 2012	
36828QHK5	GE Capital Commercial Mortgage	1,994	2,093		(12)	2,081	2,081	1	Q2 2012	
32057YAD2	First Investors Auto Owner Tru	851	861		(1)	860	860	IFE	Q2 2012	
34988WAF1	Fosse Master Issuer Plc	1,568	1,577		(3)	1,574	1,574	IFE	Q2 2012	
44924CAA2	Hyundai Capital Auto Funding	1,150	1,132		(1)	1,131	1,131	IFE	Q2 2012	
70659P AB7	Penarth Master Issuer	550	551		(1)	550	550	IFE	Q2 2012	
78444AAC1	SLM Student Loan Trust	2,000	1,992		(3)	1,989	1,989	IFE	Q2 2012	
36828QHK5	GE Capital Commercial Mortgage	1,994	2,108		(4)	2,104	2,104	IFM	Q1 2012	
07383FAT5	Bear Stearns Commercial Mtge	2,567	2,738		(5)	2,733	2,733	IFM	Q4 2011	
20047GBQ9	Commercial Mortgage Pass-Throu	3,138	3,382		(4)	3,378	3,378	IFM	Q4 2011	
36828QDN3	GE Capital Commercial Mortgage	5,334	5,573		(15)	5,558	5,558	IFM	Q3 2011	
20047GBQ9	Commercial Mortgage Pass-Throu	3,138	3,382		(4)	3,378	3,378	IFM	Q3 2011	
1253BEAF1	Citigroup/Deutsche Bank Comm	2,687	2,836		(10)	2,826	2,826	IFM	Q3 2011	
59023BAD6	Merrill Lynch Mortgage Trust	1,631	1,742		(12)	1,730	1,730	IFM	Q3 2011	
36828QRX6	GE Capital Commercial Mortgage	980	1,030		(14)	1,016	1,016	IFM	Q3 2011	
36828QRX6	GE Capital Commercial Mortgage	679	712		(8)	704	704	IFM	Q3 2011	
20047AAD2	Commercial Mortgage Pass-Throu	5,021	5,276		(19)	5,257	5,257	IFM	Q3 2011	
07383FAT5	Bear Stearns Commercial Mtge	2,567	2,767		(5)	2,762	2,762	IFM	Q3 2011	
07383FAT5	Bear Stearns Commercial Mtge	2,567	2,806		(14)	2,792	2,792	IFM	Q2 2011	
70659P AB7	Penarth Master Issuer	2,573	2,573		(1)	2,572	2,572	IFE	Q2 2011	
31394JL70	Freddie Mac	5,306	5,583		(5)	5,578	5,578	1	Q1 2011	
52108HUM4	LB-UBS Commercial Mortgage	2,586	2,742		(10)	2,732	2,732	IFM	Q1 2011	
16162WHE2	Chase Mortgage Finance Corp	1,225	1,270		(16)	1,254	1,254	IFM	Q4 2010	
31394JL70	Freddie Mac	5,306	5,610		(3)	5,607	5,607	1	Q4 2010	
31397MD46	Fannie Mae	8,272	8,697		(36)	8,661	8,660	1	Q4 2010	

6) Joint Ventures, Partnerships & Limited Liability Companies

Health Plan has no investments in Joint Ventures, Partnerships or Limited Liability Companies that exceed 10% of its admitted assets. Health Plan did not recognize any impairment write down for its investments in Joint Ventures, Partnerships and Limited Liability Companies during the reporting periods.

7) Investment Income

All investment income due and accrued is admitted for 2012 and 2011.

8) Derivative Instruments

Health Plan has no derivative instruments during the reporting periods.

9) Income Taxes

Health Plan is not subjected to income taxes.

10) Information Concerning Parent, Subsidiaries, Affiliates

Health Plan is a subsidiary of KFHP. KFHP is affiliated with Hospitals because their governing boards and management are substantially the same.

Medical Groups cooperate with Health Plan in conducting the Kaiser Permanente Medical Care Program. Health Plan contracts with Hospitals and the Medical Groups to provide or arrange hospital, medical and dental services for members. Contract payments to the Medical Groups represent a substantial portion of the expenses for medical and dental services reported in the statutory financial statements. Payments from Health Plan constitute substantially all of the revenues for Medical Groups. Because the Medical Groups are independent and not controlled by Health Plan, their operations are not included in the statutory financial statements. During 2012 and

## NOTES TO FINANCIAL STATEMENTS

2011, based upon the terms of the Hospital Service Agreement, Health Plan was charged \$653.8 million and \$639.3 million, respectively, by Hospitals. During 2012 and 2011, based upon the terms of the agreements with the Medical Groups, Health Plan incurred expenses of \$503.0 million and \$471.0 million, respectively.

Costs of services provided by KFHP and Hospitals to Health Plan were based on the actual cost incurred to provide those services. Services provided include, but are not limited to, the following: information technology, treasury, general management, administrative support and transaction processing. Additionally, Health Plan was charged for any amounts paid by KFHP or Hospitals on Health Plan's behalf. During 2012 and 2011, charges for costs of services provided by KFHP and Hospitals, and for amounts paid by KFHP and Hospitals on behalf of Health Plan, were \$835.0 million and \$503.4 million, respectively. In addition, during 2012 and 2011, Health Plan was charged interest expense of \$287.9 thousand and \$527.8 thousand, respectively, by KFHP and Hospitals with respect to amounts paid by KFHP and Hospitals on behalf of Health Plan.

Health Plan purchases professional liability and other insurance from affiliated organizations primarily Lokahi Assurance, Ltd. (Lokahi). During 2012 and 2011, Health Plan's premium expense under these arrangements was \$15.7 million and \$13.0 million, respectively.

Health Plan contracts with Kaiser Permanente Insurance Company, a subsidiary of KFHP, to provide administrative services including, but not limited to, product development, rating and underwriting, marketing and sales, advertising, claims adjudication, member services, utilization management, and premium billing and collection. For the years ended December 31, 2012 and 2011, pursuant to this contract, Health Plan recognized revenues of \$2.0 million and \$1.3 million, respectively.

Health Plan has also entered into reciprocal business relationships with KFHP whereby Health Plan and KFHP and its subsidiaries provide medical services to visiting members. During 2012 and 2011, net revenue recorded for services provided by Health Plan was \$9.3 million and \$7.7 million, respectively. During 2012 and 2011, net expense for services provided to Health Plan members was \$9.9 million and \$8.6 million, respectively.

Health Plan has a guaranty agreement with the parent, KFHP, and affiliates, in which the parent and Hospitals, without exception, guarantees all obligations of Health Plan, including a guarantee to provide health care services to Health Plan's subscribers, enrollees and dependents in the event that Health Plan is discontinued prior to the expiration of Health Plan's contracts.

Health Plan participates in an Investment Account Participation Agreement with Hospitals, KFHP, and another KFHP subsidiary.

Amounts due to and from affiliated organizations at December 31 (in thousands):

	2012	2011
Due to Affiliated Organizations:		
Camp Bowie Service Center	\$ 623	\$ 850
Kaiser Foundation Hospitals	0	2,644
Kaiser Foundation Health Plan-Georgia	41	37
Kaiser Foundation Health Plan-Colorado	27	0
Kaiser Foundation Health Plan-Mid-Atlantic	23	32
Kaiser Foundation Health Plan, Inc	33,194	37,796
Total Due to Related Parties	\$ 33,908	\$ 41,359
Due From Affiliated Organizations:		
Kaiser Foundation Hospitals	\$ 22,391	\$ 0
Kaiser Foundation Health Plan-Colorado	0	102
Kaiser Foundation Health Plan-Ohio	0	1
Kaiser Permanente Insurance Company	273	106
Lokahi Assuranace Ltd	1,724	794
Total Due from Related Parties	\$ 24,388	\$ 1,003

Due from (due to) Hospitals generally represents amounts held and invested by Hospitals for Health Plan in accordance with an agreement to manage excess funds and liability for payment of Hospitals' claims payable of \$17.9 million and \$ 23.4 million at December 31, 2012 and 2011, respectively. Hospital's claims expense is included in Health Plan's operating expenses, primarily hospital services.

### 11) Debt

As of December 31, 2012 and 2011 Health Plan has no borrowings.



## NOTES TO FINANCIAL STATEMENTS

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

Defined Benefit Plans

Health Plan participates with affiliated organizations in a defined benefit pension plan covering substantially all its employees. Benefits are based on age at retirement, years of credited service, and average compensation for a specified period prior to retirement. Contributions are intended to provide not only for benefits attributed to service to date but also for those expected to be earned in the future.

For financial reporting purposes, the projected unit credit method is used. At December 31, 2012 and 2011, substantially all pension fund assets were held in a group trust. At December 31, 2012 and 2011, the trust's assets are invested in fixed-income and equity securities, with approximately 11% and 9% of trust assets, net of liabilities, invested in alternative investments.

The pension plan is administered by KFHP. Plan assets for Health Plan are not segregated and, accordingly, are not disclosed below. However, KFHP separately accounts for Health Plan liability and expense, and KFHP allocates pension expense and related prepaid or accrued benefit costs to Health Plan based on participant demographics and plan provisions.

At December 31, the funded status of the plan was as follows (in millions):

	2012	2011
Change in projected benefit obligation (PBO):		
Benefit obligation at beginning of year	\$ 10,446	\$ 8,307
Service cost	897	727
Interest cost	535	466
Plan amendments	1	(27)
Net actuarial loss	1,990	1,203
Benefits paid	(288)	(230)
Benefit obligation at end of year	\$ 13,581	\$ 10,446
Accumulated benefit obligation (ABO) at end of year	\$ 10,184	\$ 7,838
Nonvested PBO at end of year	\$ 291	\$ 246
Nonvested ABO at end of year	\$ 164	\$ 139
Change in KFHP's, Hospitals' and their subsidiaries' share of trust assets:		
Fair value of plan assets at beginning of year	\$ 5,452	\$ 4,779
Actual return on plan assets	782	208
Contributions	1,383	695
Benefits paid	(288)	(230)
Fair value of plan assets at end of year	\$ 7,329	\$ 5,452
Reconciliation of pension liability:		
Funded status	\$ (6,252)	\$ (4,994)
Unrecognized net loss since transition	5,592	4,202
Unrecognized prior service cost – net	38	52
Unrecognized incremental asset	(37)	(102)
Pension liability	(659)	(842)
Additional minimum pension liability	(2,195)	(1,544)
Net amount recognized at end of year	\$ (2,854)	\$ (2,386)

The measurement date used to determine pension valuations was December 31.

For the years ended December 31, pension expense was as follows (in millions):

	2012	2011
Service cost	\$ 897	\$ 727
Interest cost	535	466
Expected return on plan assets	(461)	(401)
Amortization of net actuarial loss	279	172
Amortization of prior service cost	15	17
Amortization of incremental asset	(65)	(37)
Net pension expense	\$ 1,200	\$ 944

## NOTES TO FINANCIAL STATEMENTS

Actuarial assumptions used were as follows:

	<b>2012</b>	<b>2011</b>
Weighted average discount rate at January 1 for calculating pension expense	5.10%	5.60%
Weighted average discount rate for calculating December 31 PBO	4.35%	5.10%
Weighted average salary scale for calculating pension expense and December 31 PBO	4.60%	4.60%
Expected long-term rate of return on plan assets for calculating pension expense	7.75%	7.75%

During 2013, KFHP, Hospitals and their subsidiaries expect to contribute approximately \$852 million to their pension plan.

The following benefit payments, which reflect expected future service, are expected to be paid (in millions):

2013	\$	394
2014		438
2015		482
2016		533
2017		579
2018-2022		3,390

Explanation of Investment Strategies and Policies:

A total return investment approach is employed for the defined benefit pension plan whereby the plan invests in a mix of equity, fixed-income and alternative asset classes to maximize the long-term return of plan assets for a prudent level of risk. The intent of this strategy is to minimize plan expenses by outperforming plan liabilities over the long run. Risk tolerance is established through consideration of plan liabilities, plan funded status, and corporate financial condition. The investment portfolio will consist over time of a varying but diversified blend of equity, fixed-income and alternative investments. Diversification includes such factors as geographic location, equity capitalization size and style, placement in the capital structure, and security type. Investment risk is measured and monitored on an ongoing basis through annual liability measurements, periodic asset/liability studies, and quarterly investment portfolio reviews. The Plan's investment policy has restrictions relating to credit quality, industry/sector concentration, duration, concentration of ownership and use of derivatives.

Capital Market Assumption Methodology:

To determine the long-term rate of return assumption for plan assets, management incorporates historical relationships among the various asset classes and subclasses to be accessed over the investment horizon. Management's intent is to maximize portfolio efficiency. This will be accomplished by seeking the highest returns prudently available among the available asset classes. Overall portfolio volatility is managed through diversification among asset classes. Current market factors such as inflation and interest rates are evaluated before long-term capital market assumptions are determined. From time to time, management reviews its long-term investment strategy and reconciles that strategy with the long-term liabilities of the pension plan. This asset-liability study produces a range of expected returns over medium and long-term time periods. Those intermediate and long-term investment projections form the basis for the expected long-term rate of return on assets.



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NORTHWEST**

**NOTES TO FINANCIAL STATEMENTS**

At December 31, 2012, the estimated fair value of total pension trust assets - net by level was as follows (in millions):

	Quoted prices in active markets for identical assets level 1	Significant other observable inputs level 2	Significant unobservable inputs level 3	Total
<b>Assets:</b>				
Cash and cash equivalents	\$ 69	\$ 367	\$ —	\$ 436
Broker receivables	—	689	—	689
Securities lending collateral	—	1,496	—	1,496
<b>Equity:</b>				
U.S. large capitalization	1,962	348	—	2,310
U.S. small-medium capitalization	747	—	—	747
International developed markets	2,567	675	—	3,242
Global developed markets	650	340	2	992
Emerging markets	518	786	—	1,304
Debt securities issued by the U.S. and U.S. government corporations and agencies	—	1,586	—	1,586
Debt securities issued by U.S. states and political subdivisions of states	—	160	—	160
Foreign government debt securities	—	351	1	352
Corporate debt securities	—	3,001	1	3,002
Residential mortgage-backed securities, including Fannie Mae and Freddie Mac	—	762	—	762
Commercial mortgage-backed securities	—	135	—	135
Emerging market debt	—	353	—	353
Other	1	700	—	701
<b>Alternative investments:</b>				
Absolute return	—	658	716	1,374
Private equity	—	—	624	624
<b>Total assets</b>	<b>6,514</b>	<b>12,407</b>	<b>1,344</b>	<b>20,265</b>
<b>Liabilities:</b>				
Broker payables	—	951	—	951
Securities lending payable	—	1,496	—	1,496
Other liabilities	33	329	—	362
<b>Total liabilities</b>	<b>33</b>	<b>2,776</b>	<b>—</b>	<b>2,809</b>
<b>Fair value of pension trust assets - net</b>	<b>\$ 6,481</b>	<b>\$ 9,631</b>	<b>\$ 1,344</b>	<b>\$ 17,456</b>

At December 31, 2012, KFHP's, Hospitals' and their subsidiaries' share of pension trust assets was 42.0%, or \$7.3 billion. The remaining share of pension trust assets is for Medical Groups and a related party associated with Medical Groups.

## NOTES TO FINANCIAL STATEMENTS

At December 31, 2011, the estimated fair value of total pension trust assets - net by level was as follows (in millions):

	Quoted prices in active markets for identical assets level 1	Significant other observable inputs level 2	Significant unobservable inputs level 3	Total
<b>Assets:</b>				
Cash and cash equivalents	\$ 3	\$ 610	\$ —	\$ 613
Broker receivables	—	1,315	—	1,315
Securities lending collateral	—	1,442	—	1,442
<b>Equity:</b>				
U.S. large capitalization	1,784	299	—	2,083
U.S. small-medium capitalization	895	—	—	895
International developed markets	1,527	577	—	2,104
Global developed markets	343	326	—	669
Emerging markets	217	449	—	666
<b>Debt securities issued by the U.S. and U.S. government corporations and agencies</b>				
	—	1,601	—	1,601
<b>Debt securities issued by U.S. states and political subdivisions of states</b>				
	—	140	—	140
<b>Foreign government debt securities</b>				
	—	154	—	154
<b>Corporate debt securities</b>				
	—	2,587	—	2,587
<b>Residential mortgage-backed securities including Fannie Mae and Freddie Mac</b>				
	—	781	—	781
<b>Commercial mortgage-backed securities</b>				
	—	225	—	225
<b>Emerging market debt</b>				
	—	112	—	112
<b>Other</b>				
	—	529	—	529
<b>Alternative investments:</b>				
Absolute return	—	494	420	914
Private equity	—	—	299	299
<b>Total assets</b>	<b>4,769</b>	<b>11,641</b>	<b>719</b>	<b>17,129</b>
<b>Liabilities:</b>				
Broker payables	—	1,413	—	1,413
Securities lending payable	—	1,442	—	1,442
Other liabilities	—	427	—	427
<b>Total liabilities</b>	<b>—</b>	<b>3,282</b>	<b>—</b>	<b>3,282</b>
<b>Fair value of plan assets – net</b>	<b>\$ 4,769</b>	<b>\$ 8,359</b>	<b>\$ 719</b>	<b>\$ 13,847</b>

At December 31, 2011, KFHP's, Hospitals' and their subsidiaries' share of pension trust assets was 39.4%, or \$5.5 billion. The remaining share of pension trust assets is for Medical Groups and a related party associated with Medical Groups.

For the year ended December 31, 2012, the reconciliation of assets with fair value measurements using significant unobservable inputs (level 3) was as follows (in millions):

	Equity securities	Debt securities	Alternative investments	Total
Beginning balance	\$ —	\$ —	\$ 719	\$ 719
Transfers into level 3	—	—	—	—
Changes related to actual return on plan assets	1	—	76	77
Purchases, sales and settlements – net	1	2	545	548
<b>Ending balance</b>	<b>\$ 2</b>	<b>\$ 2</b>	<b>\$ 1,340</b>	<b>\$ 1,344</b>
<b>Total year-to-date net gains related to assets held at December 31, 2012</b>				
	<b>\$ 1</b>	<b>\$ —</b>	<b>\$ 76</b>	<b>\$ 77</b>

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**NOTES TO FINANCIAL STATEMENTS**

For the year ended December 31, 2011, reconciliation of assets with fair value measurements using significant unobservable inputs (level 3) was as follows (in millions):

	Equity securities	Debt securities	Alternative investments	Total
Beginning balance	\$ —	\$ —	\$ 91	\$ 91
Transfers into level 3	—	—	162	162
Changes related to actual return on plan assets	—	—	15	15
Purchases, sales and settlements – net	—	—	451	451
Ending balance	\$ —	\$ —	\$ 719	\$ 719
Total year-to-date net gains related to assets held at December 31, 2011	\$ —	\$ —	\$ 15	\$ 15

During the years ended December 31, 2012 and 2011, there were no significant transfers of assets with inputs with quoted prices in active markets for identical assets (level 1) and assets with inputs with significant other observable inputs (level 2).

The target asset allocations and expected long-term rate of return on assets (ELTRA) for calculating pension expense were as follows:

	2012 and 2011 Target Range	2012 and 2011 ELTRA
Cash and cash equivalents	0% -3%	3.00%
Equity securities	45% -55%	9.35%
Debt securities	30% -45%	5.75%
Alternative investments	10% -20%	8.00%
Total	100%	7.75%

Alternative investments, which include absolute return and private equity, held in the pension trust are reported at net asset value as a practical expedient for fair value. Absolute return investments use advanced investment strategies, including derivatives, to generate positive long-term risk adjusted returns. Private equity investments consist of funds that make direct investments in private companies. At December 31, 2012, the trust had original commitments related to alternative investments of \$1.3 billion, of which \$598 million was invested, leaving \$730 million of remaining commitments. At December 31, 2011, the trust had original commitments related to alternative investments of \$1.0 billion, of which \$297 million was invested, leaving \$721 million of remaining commitments.

Absolute return and private equity investments include redemption restrictions. Absolute return investments require 10 to 90 day written notice of intent to withdraw and are often subject to the approval and capital requirements of the fund manager. Absolute return investments of \$100 million are subject to a 24 month lock-up period. Private equity agreements do not include provisions for redemption. Distributions will be received as the underlying investments of the funds are liquidated, which is expected over the next 11 years.

Health Plan Allocations

Health Plan's 2012 contributions made, allocation of pension expense, total accrued liability and total additional minimum liability from KFHP were \$69.5 million, \$68.4 million, \$78.9 million and \$140.3 million, respectively. Health Plan's 2011 contributions made, allocation of pension expense, total accrued liability and total additional minimum liability from KFHP were \$35.8 million, \$55.8 million, \$80.0 million and \$98.6 million, respectively.

Defined Contribution Plans

KFHP administers defined contribution plans for eligible employees of Health Plan. Employer contributions and costs are based on a percentage of covered employees' eligible compensation. During 2012 and 2011, there were no required employee contributions. For the years ended December 31, 2012 and 2011, plan expense allocated to Health Plan, primarily employer contributions, was \$11.6 million and \$10.6 million, respectively.

Multi-Employer Plans

Health Plan participates in two multi-employer defined benefit pension plans under the terms of collective bargaining agreements that cover some union-represented employees. Some risks of participating in these multi-employer plans that differ from single-employer plans include:

- Assets contributed to the multi-employer plan by one employer may be used to provide benefits to employees of other participating employers.
- If a participating employer stops contributing to the plan, the unfunded obligations of the plan may

**ANNUAL STATEMENT FOR THE YEAR 2012 OF THE KAISER FOUNDATION HEALTH PLAN OF THE NORTHWEST**

**NOTES TO FINANCIAL STATEMENTS**

be borne by the remaining participating employers.

- Employers that choose to stop participating in a multi-employer plan may be required to pay the plan an amount based on the under funded status of the plan, referred to as a withdrawal liability.

Health Plan's participation in these plans for the annual period ended December 31, 2012 is outlined in the table below. The "EIN/PN" column provides the Employee Identification Number (EIN) and the three-digit plan number (PN). Unless otherwise noted, the most recent Pension Protection Act (PPA) zone status available in 2012 and 2011 is for the plan's year-end at December 31, 2011 and 2010, respectively. The zone status is based on information that Health Plan obtained from publicly available information provided by the United States Department of Labor. Among other factors, plans in the red zone are generally less than 65% funded, plans in the yellow zone are between 65% and 80% funded, and plans in the green zone are at least 80% funded. The "FIP/RP Status Pending/Implemented" column indicates plans for which a financial improvement plan (FIP) or a rehabilitation plan (RP) is either pending or has been implemented. The "Contributions to Plan Exceeded More Than 5% of Total Contributions" columns represent those plans where Health Plan was listed in the plans' Forms 5500 as providing more than 5% of the total contributions for the plan years listed. The last column lists the expiration dates of the collective bargaining agreements to which the plans are subject. There have been no significant changes that affect the comparability of 2012 and 2011 employer expense.

Pension Fund	EIN/PN	Pension Protection Act Zone Status		FIP/RP Status Pending/Implemented	(in thousands) Health Plan's Contributions December 31,		Surcharge Imposed	Contributions to Plan Exceeded More Than 5% of Total Contributions <sup>(1)</sup>			Expiration Date of Collective Bargaining Agreement
		2012	2011		2012	2011		2011 and 2010			
Oregon Retail Employees Pension Plan	936074377-001	Red	Red	Implemented	\$2,327	\$2,058	Yes	Yes	Yes		9/30/2015
Defined Benefit Pension Plan Of AGC-LUOE Local 701 Pension Trust Fund	936075580-001	Green	Green <sup>(1)</sup>	N/A	376	358	No	No	No		7/31/2015
Total Expense					\$2,703	\$2,416					

(1) At the date the financial statements were issued, Forms 5500 were not available for plan years ended during 2012.

Postretirement Benefits Other than Pensions

Certain employees may become eligible for postretirement health care and life insurance benefits while working for Health Plan. Benefits available to retirees, through both affiliated and unaffiliated provider networks, vary by employee group. Postretirement health care benefits available to retirees include subsidized Medicare premiums, medical and prescription drug benefits, dental benefits and vision benefits.

During 2012, various Health Plan postretirement and health care and life insurance benefit plans were modified for certain union-represented employees. Under the terms of these agreements, Health Plan's retiree medical cost in future periods for affected participants will be based on a fixed maximum amount of employer funding toward the costs for retiree medical coverage. These agreements have been accounted for as negative plan amendments and resulted in a reduction in liability for postretirement benefits other than pension of \$56.3 million. On June 30, 2012, Health Plan's postretirement health care and life insurance liability was remeasured as a result of many of these agreements, and actuarial assumptions were updated, leading to different assumptions for discount rate and health care trend rates for the six months ended June 30, 2012 versus the six months ended December 31, 2012.

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**NOTES TO FINANCIAL STATEMENTS**

At December 31, Health Plan's accrued liability for postretirement benefits was as follows (in thousands):

	<b>2012</b>	<b>2011</b>
Change in benefit obligation:		
Benefit obligation at beginning of year	\$ 396,059	\$ 317,382
Service cost	19,514	21,178
Interest cost	18,894	21,535
Plan amendments	(56,253)	1,784
Benefits paid or provided	(9,839)	(9,864)
Net actuarial loss	45,910	44,044
Benefit obligation at end of year	\$ 414,285	\$ 396,059
Nonvested postretirement benefit obligation at end of year	\$ 146,281	\$ 275,975
Change in plan assets:		
Fair value of plan assets at beginning of year	\$ —	\$ —
Contributions	9,839	9,864
Benefits paid or provided	(9,839)	(9,864)
Fair value of plan assets at end of year	\$ —	\$ —
Reconciliation of funded status:		
Unfunded accumulated postretirement benefit obligation	\$ 414,285	\$ 396,059
Unrecognized prior service credit	55,358	1,284
Unrecognized net actuarial loss	(193,855)	(156,381)
Accrued benefit liability before transfer to KFHP	275,788	240,962
Liability transferred to KFHP	(40,876)	(40,876)
Accrued benefit liability	\$ 234,912	\$ 200,086

The measurement date used to determine postretirement benefits valuations was December 31.

In prior years, a portion of Health Plan's postretirement benefits liability totaling \$40.9 million was transferred to KFHP.

For the years ended December 31, postretirement benefits expense was as follows (in thousands):

	<b>2012</b>	<b>2011</b>
Service cost	\$ 19,514	\$ 21,178
Interest cost	18,894	21,535
Amortization of prior service credit	(2,179)	(291)
Amortization of net actuarial loss	8,436	8,415
Postretirement benefits expense	<u>\$ 44,665</u>	<u>\$ 50,837</u>

During 2012 and 2011, the employer contributions and benefits paid or provided were \$9.8 million and \$9.9 million, respectively. During 2012 and 2011, there were no participant contributions from active employees.

Actuarial assumptions used were as follows:

	<b>2012</b>	<b>2011</b>
Weighted average discount rate for calculating postretirement benefits expense from January 1 to June 30	5.25%	6.00%
Weighted average discount rate for calculating postretirement benefits expense from July 1 to December 31	4.90%	6.00%
Weighted average discount rate for calculating December 31 accumulated postretirement benefit obligation	4.60%	5.25%

For the six months ended June 30, 2012, the assumed health care cost trend rates used to determine postretirement benefits expense were as follows:

	<b>Basic and supplemental medical</b>	<b>Prescription drug</b>	<b>Medicare Part D</b>	<b>Dental</b>	<b>Medicare Part B premium</b>	<b>Medicare Part C</b>
	<b>Pre-65/Post-65</b>	<b>Pre-65/Post-65</b>	<b>Part D</b>	<b>Dental</b>	<b>Part B premium</b>	<b>Part C</b>
Initial trend rate - 2012	7.50% / 7.00%	7.50% / 7.50%	11.50%	5.00%	7.00%	1.00%
Ultimate trend rate	5.00% / 5.00%	5.00% / 5.00%	5.00%	5.00%	5.00%	5.00%
First year at ultimate trend rate	2017 / 2017	2022 / 2022	2019	2011	2017	2019

## NOTES TO FINANCIAL STATEMENTS

The following were the assumed health care cost trend rates used to determine the December 31, 2012 benefit obligation and postretirement benefits expense for the six months ended December 31, 2012:

	<b>Basic medical</b>	<b>Prescription drug</b>	<b>Medicare Part D</b>	<b>Dental</b>	<b>Medicare Part A &amp; B</b>	<b>Medicare Part C</b>	<b>Supplemental medical</b>
	<b>Pre-65/Post-65</b>	<b>Pre-65/Post-65</b>					
Initial trend rate - 2012	7.50% / 6.75%	6.50% / 6.50%	8.10%	4.50%	6.25%	1.00%	7.50%
Initial trend rate - 2013	7.50% / 6.75%	6.50% / 6.50%	6.70%	4.50%	6.25%	4.00%	7.50%
Ultimate trend rate	4.50% / 4.50%	4.50% / 4.50%	4.50%	4.50%	4.50%	4.50%	4.50%
First year at ultimate trend rate	2026 / 2022	2025 / 2025	2025	2012	2020	2026	2026

A 1% increase in the health care medical trend rate would increase the benefit obligation by \$57.1 million and the service cost plus interest by \$2.6 million. A decrease of 1% in the health care medical trend rate would decrease the benefit obligation by \$47.7 million and the service cost plus interest by \$2.2 million.

The following benefit payments, which reflect expected future service, are expected to be paid or provided (in thousands):

2013	11,408
2014	13,209
2015	15,556
2016	18,103
2017	20,533
2018-2022	141,268

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

Health Plan is a nonprofit corporation and does not issue stock. KFHP is the sole corporate member of Health Plan and no individual or entity has any ownership interest in Health Plan.

Unassigned surplus represents or is decreased/(increased) by the following (in thousands):

	<b>2012</b>		<b>2011</b>	
Change in Nonadmitted Assets	\$ 773		\$ 1,173	

Health Plan did not undergo any quasi-reorganization in 2012 or 2011.

### 14) Contingencies

#### Assessments

Health Plan participates in State of Oregon Medical Insurance Pool and State of Washington Medical Insurance Pool. Both pools are designed to provide insurance coverage to those with higher than average probability of loss and/or who otherwise would be excluded from obtaining coverage. Health Plan had a liability of \$221 thousand and \$0, at December 31, 2012 and 2011, respectively.

The Patient Protection and Affordable Care Act (PPACA) imposed a new Patient-Centered Outcomes Research Institute (PCORI) fee on issuers of individual and group health insurance policies. Health Plan is subject to the PCORI fee and as of December 31, 2012 has accrued \$329 thousand for policies issued in 2012 with policy years ending after September 30, 2012.

#### All Other Contingencies

Health Plan is subject to regulation by certain state and federal agencies. Regulatory activity, whether initiated by the government or by voluntary disclosure by Health Plan, may result in changes to business practices and also may result in fines, taxes, penalties, or other sanctions. Where appropriate, reserves have been established for such sanctions in accordance with SSAP No. 5R *Liabilities, Contingencies and Impairment of Assets*. The outcome of legal and regulatory matters is inherently uncertain. However, it is possible that one or more of the legal or regulatory matters currently pending or threatened could have a material adverse effect.

Health Plan is involved in various legal proceedings arising, for the most part, in the ordinary course of business operations. Such litigation proceedings include professional liability, administrative litigation, employment litigation, breach of contract, and other commercial and tort litigation, consistent with the health care industry. In addition, Health Plan indemnifies the Medical Groups against various claims, including professional liability claims.

## NOTES TO FINANCIAL STATEMENTS

In the opinion of management, based upon current facts and circumstances, the resolution of these matters is not expected to have a material adverse effect on the financial position or results of operations of Health Plan. Where appropriate, reserves have been established in accordance with SSAP No. 5R. The outcome of litigation and other legal and regulatory matters is inherently uncertain. However, it is possible that one or more of the legal or regulatory matters currently pending or threatened could have a material adverse effect.

15) Leases

Health Plan leases primarily office space, medical facilities and equipment under various operating leases that expire through 2022. Certain leases contain rent escalation clauses and renewal options for additional periods.

At December 31, 2012, minimum commitments under noncancelable operating leases extending beyond one year were as follows (in thousands):

2013	\$ 4,548
2014	4,287
2015	3,181
2016	1,771
2017	1,132
Thereafter	<u>2,797</u>
Total	17,716

For the years ended December 31, total operating lease expense for all operating leases was as follows (in thousands):

	<u>2012</u>	<u>2011</u>
Minimum rentals	\$ 5,495	\$ 5,354
Imputed rent for owned and occupied medical and administrative buildings	22,866	23,429
Total	<u>\$ 28,361</u>	<u>\$ 28,783</u>

16) Information about Financial Instruments with Off-Balance Sheet Risk and Financial Instruments with Concentrations of Credit Risk

Financial instruments that potentially subject Health Plan to concentrations of credit risk consist primarily of investment securities and accounts receivable. All investments in securities are managed within guidelines established by Health Plan's management, which, as a matter of policy, limit the amounts that may be invested in each type of security, with any one issuer, and in various credit quality classifications. Concentration of credit risk with respect to accounts receivable is limited due to the large number of payers comprising Health Plan's customer base. Accordingly, at December 31, 2012 and 2011, Health Plan does not believe any significant concentration of credit risk existed.

17) Sale, Transfer and Servicing of Financial Assets and Extinguishment of Liabilities

SSAP No. 91R *Accounting for Transfers and Servicing of Financial Assets and Extinguishment of Liabilities* (SSAP No. 91R), paragraph 100 requires a reporting entity to disclose any wash sales involving securities with a NAIC designation of 3 or below. Health Plan's investment strategy does not include purchasing any securities with a NAIC designation of 3 or below. During 2012 and 2011, Health Plan did not participate in any wash sale as defined by SSAP No. 91R.

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

Health Plan does not have activity that constitutes uninsured business.

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

Health Plan had no direct premiums written/produced by managing general agents or third party administrators during the reporting period.



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**NOTES TO FINANCIAL STATEMENTS**

20) Fair Value Measurements

At December 31, investments at statement value and estimated fair value, derived using level 2 inputs, were as follows (in thousands):

	Statement value	Gross unrealized gains	Gross unrealized losses	Estimated fair value
<b>2012</b>				
Short-term investments:				
Money market funds	\$ 25,750	\$ —	\$ —	\$ 25,750
Industrial and miscellaneous bonds	1,998	2	—	2,000
Total short-term investments	27,748	2	—	27,750
Bonds and other invested assets:				
U.S. Treasury and government-sponsored agencies	279,599	3,973	—	283,572
All other government bonds	2,990	11	—	3,001
U.S. states, territories and possessions	9,753	192	—	9,945
U.S. political subdivisions of states	1,549	80	—	1,629
U.S. special revenue bonds	31,416	436	—	31,852
Loan-backed and/or structured securities	114,733	1,281	—	116,014
Industrial and miscellaneous bonds	355,392	8,539	—	363,931
Total bonds and other invested assets	795,432	14,512	—	809,944
Total investments	\$ 823,180	\$ 14,514	\$ —	\$ 837,694

	Statement value	Gross unrealized gains	Gross unrealized losses	Estimated fair value
<b>2011</b>				
Short-term investments:				
Money market funds	\$ 190,371	\$ —	\$ —	\$ 190,371
U.S. political subdivisions	3,138	—	—	3,138
Total short-term investments	193,509	—	—	193,509
Bonds and other invested assets:				
U.S. Treasury and government-sponsored agencies	208,147	5,925	—	214,072
All other government bonds	3,150	42	—	3,192
U.S. states, territories and possessions	9,901	170	—	10,071
U.S. political subdivisions of states	1,539	84	—	1,623
U.S. special revenue bonds	37,370	560	—	37,930
Loan-backed and/or structured securities	63,028	1,317	—	64,345
Industrial and miscellaneous bonds	288,054	7,236	—	295,290
Total bonds and other invested assets	611,189	15,334	—	626,523
Total investments	\$ 804,698	\$ 15,334	\$ —	\$ 820,032

Investments are measured at fair value on a recurring basis. This includes securities reported at the lower of cost or fair value based on NAIC designation regardless if the security was reported in the previous period at amortized cost. All investments are admitted assets in the accompanying financial statements.

The carrying amounts reported in the statutory statements of admitted assets, liabilities, capital, and surplus for cash (overdraft), cash equivalents, and short term investments, uncollected premiums, due from affiliated organizations, receivables for securities, other receivables, premiums received in advance, general expenses due or accrued, unpaid claims and claims adjustment expense, amounts withheld for the account of others, due to affiliated organizations, payable for securities, pension and other retirement liabilities, and other liabilities approximate fair value.

Investments are reported at lower of amortized cost or fair value, with impairment recorded if amortized cost is greater than fair value. The fair values of investments are based on quoted market prices, if available, or estimated using quoted market prices for similar investments. If listed prices or quotes are not available, fair value is based upon other observable inputs or models that primarily use market-based or independently sourced market parameters as inputs. In addition to market information, models also incorporate transaction details such as maturity. Fair value adjustments, including credit, liquidity, and other factors, are included, as appropriate, to arrive at a fair value measurement.

Health Plan utilizes a three-level valuation hierarchy for fair value measurements. An instrument's categorization within the hierarchy is based upon the lowest level of input that is significant to the fair value measurement. For instruments classified in level 1 of the hierarchy, valuation inputs are quoted prices for identical instruments in active markets at the measurement date. For instruments classified in level 2 of the hierarchy, valuation inputs are directly observable but do not qualify as level 1 inputs. Examples of level 2 inputs include: quoted prices for similar instruments in active markets; quoted prices for identical or similar instruments in inactive markets; other



## NOTES TO FINANCIAL STATEMENTS

observable inputs such as interest rates and yield curves observable at commonly quoted intervals, volatilities, prepayment speeds, loss severities, credit risks, and default rates; and market-correlated inputs that are derived principally from or corroborated by observable market data. For instruments classified in level 3 of the hierarchy, valuation inputs are unobservable inputs for the instrument. Level 3 inputs incorporate assumptions about the factors that market participants would use in pricing the instrument.

For properties occupied by the company, or held for the production of income, the "fair value" of the real estate is based on an annual internal fair value appraisal performed by Kaiser National Facilities Real Estate.

21) Other Items

Health Plan had no other items for the reporting periods.

22) Events Subsequent

Subsequent events have been considered through 2/28/2013 for the statutory statement issued on 3/1/2013.

There were no subsequent events as of the report date.

23) Reinsurance

Health Plan had no reinsurance for the reporting periods.

24) Retrospectively Rated Contracts and Contract Subject to Redetermination

Health Plan currently does not have any contracts that are subject to retrospective premium adjustments.

25) Change in Incurred Claims and Claims Adjustment Expenses

Unpaid claims and claims adjustment expense includes both reported and unreported medical claims, which have been partially reduced by estimated recoverables for salvage and subrogation. Unpaid claims incurred but not reported represents an estimate of claims incurred for or on behalf of Health Plan's members that had not yet been reported to the Health Plan in the statutory statements of admitted assets, liabilities, capital and surplus. Unpaid claims are based on a number of factors including hospital admission data and prior claims experience, as well as claim processing pattern; adjustments, if necessary, are made to medical expense in the period the actual claims costs are ultimately determined. During 2012 and 2011 the estimated salvage and subrogation included as a reduction to unpaid claims and claims adjustments expense was \$8.3 million and \$7.6 million, respectively.

Claims adjustment expense represents costs incurred related to the claim settlement process such as costs to record, process and adjust claims. These expenses are calculated using a percentage of current medical costs, which is based on historical cost experience.

For the years ended December 31, activity in the reserves for unpaid claims was as follows (in thousands):

	2012	2011
Unpaid Claims:		
Balance at beginning of year	\$ 38,460	\$ 31,253
Balance at end of year	\$ 44,041	\$ 38,460
Change in unpaid claims	\$ (5,581)	\$ (7,207)
Incurred claims:		
Insured events of current year	\$ 2,655,499	\$ 2,505,414
Increase/(decrease) insured events of prior year	\$ 932	\$ 1,119
Total incurred claims	\$ 2,656,431	\$ 2,506,533
Payment of claims:		
Claims incurred in prior years	\$ 41,107	\$ 33,839
Claims incurred in current year	\$ 2,609,743	\$ 2,465,487
Total claims paid	\$ 2,650,850	\$ 2,499,326

Amounts incurred related to prior years vary from previously estimated liabilities as the claims are ultimately adjudicated and paid. Liabilities are reviewed and revised as information regarding actual claims payments becomes known. Positive amounts reported for incurred related to prior years result from claims being adjudicated and paid for amounts more than originally estimated.

26) Intercompany Pooling Arrangements

Health Plan has no pooling arrangements.

## NOTES TO FINANCIAL STATEMENTS

27) Structured Settlements

Not applicable for Health Entities.

28) Health Care Receivables

The health care receivable of \$26.4 million consists of \$18.7 million due from CMS and \$7.7 million due from various individuals related to patient billings. Of the \$7.7 million, \$1.5 million is related to balances over 90 days past due and are therefore non-admitted.

Health plan received pharmacy rebates of \$7.5 million and \$5.9 million for 2012 and 2011, respectively.

Health Plan has no pharmacy rebate receivables or risk sharing receivables on its books.

29) Participating Policies

Health Plan has no participating policies.

30) Premium Deficiency Reserves

Health Plan has no premium deficiency reserves.

31) Anticipated Salvage and Subrogation

Health Plan reduced the unpaid claims liability in 2012 and 2011 by estimated coordination of benefits and third party liability recoverables of \$8.3 and \$7.6 million, respectively.

# 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 [ ] NA [ ]
- 1.3 State Regulating? Oregon.....
- 2.1 Has any change been made during the year of this statement in the charter, by-laws, articles of incorporation, or deed of settlement of the reporting entity? ..... Yes [ X ] No [ ]
- 2.2 If yes, date of change: .....12/06/2012
- 3.1 State as of what date the latest financial examination of the reporting entity was made or is being made. ....12/31/2010
- 3.2 State the as of date that the latest financial examination report became available from either the state of domicile or the reporting entity. This date should be the date of the examined balance sheet and not the date the report was completed or released. ....12/31/2010
- 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). ....02/28/2012
- 3.4 By what department or departments? State of Oregon Department of Consumer & Business Services.....
- 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 [ ] NA [ X ]
- 3.6 Have all of the recommendations within the latest financial examination report been complied with? ..... Yes [ X ] No [ ] NA [ ]
- 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 Company Code	3 State of Domicile
.....	.....	.....
.....	.....	.....
.....	.....	.....
.....	.....	.....

- 6.1 Has the reporting entity had any Certificates of Authority, licenses or registrations (including corporate registration, if applicable) suspended or revoked by any governmental entity during the reporting period? ..... Yes [ ] No [ X ]
- 6.2 If yes, give full information .....
- 7.1 Does any foreign (non-United States) person or entity directly or indirectly control 10% or more of the reporting entity? ..... Yes [ ] No [ X ]
- 7.2 If yes,
- 7.21 State the percentage of foreign control ..... ..
- 7.22 State the nationality(s) of the foreign person(s) or entity(s); or if the entity is a mutual or reciprocal, the nationality of its manager or attorney - in - fact and identify the type of entity(s) (e.g., individual, corporation, government, manager or attorney - in - fact).

1 Nationality	2 Type of Entity
.....	.....
.....	.....
.....	.....
.....	.....

## GENERAL INTERROGATORIES

- 8.1 Is the company a subsidiary of a bank holding company regulated by the Federal Reserve Board? ..... Yes [ ] No [ X ]
- 8.2 If response to 8.1 is yes, please identify the name of the bank holding company.
- 8.3 Is the company affiliated with one or more banks, thrifts or securities firms? ..... Yes [ ] No [ X ]
- 8.4 If response to 8.3 is yes, please provide the names and locations (city and state of the main office) of any affiliates regulated by a federal financial regulatory services agency [i.e. the Federal Reserve Board (FRB), the Office of the Comptroller of the Currency (OCC), the Federal Deposit Insurance Corporation (FDIC) and the Securities Exchange Commission (SEC)] and identify the affiliate's primary federal regulator.

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

9. What is the name and address of the independent certified public accountant or accounting firm retained to conduct the annual audit?  
 KPMG, LLP  
 Suite 900  
 801 Second Ave  
 Seattle, WA 98104.....
- 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 [ ] NA [ ]
- 10.6 If the response to 10.5 is no or n/a, please explain  
 .....
11. What is the name, address and affiliation (officer/employee of the reporting entity or actuary/consultant associated with an actuarial consulting firm) of the individual providing the statement of actuarial opinion/certification?.....  
 Craig Winkler ASA, MAAA  
 Actuarial and Analytics  
 500 NE Multnomah, 14th Fl  
 Portland, OR 97232.....
- 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 [ ] NA [ ]
- 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).  
 .....

## GENERAL INTERROGATORIES

- 15.1 Is the reporting entity the beneficiary of a Letter of Credit that is unrelated to reinsurance where the issuing or confirming bank is not on the SVO Bank List? ..... Yes [ ] No [ X ]
- 15.2 If the response to 15.1 is yes, indicate the American Bankers Association (ABA) Routing Number and the name of the issuing or confirming bank of the Letter of Credit and describe the circumstances in which the Letter of Credit is triggered.

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

### BOARD OF DIRECTORS

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

### FINANCIAL

19. Has this statement been prepared using a basis of accounting other than Statutory Accounting Principles (e.g., Generally Accepted Accounting Principles)? ..... Yes [ ] No [ X ]
- 20.1 Total amount loaned during the year (inclusive of Separate Accounts, exclusive of policy loans):
- 20.11 To directors or other officers .. \$ .....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 ..... \$ .....
  - 22.22 Amount paid as expenses ..... \$ .....19,160,499
  - 22.23 Other amounts paid ..... \$ .....
- 23.1 Does the reporting entity report any amounts due from parent, subsidiaries or affiliates on Page 2 of this statement? ..... Yes [ X ] No [ ]
- 23.2 If yes, indicate any amounts receivable from parent included in the Page 2 amount: ..... \$ .....0

### 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  
.....
- 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 [ ] NA [ 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 [ ] NA [ X ]
- 24.08 Does the reporting entity non-admit when the collateral received from the counterparty falls below 100%? ..... Yes [ ] No [ ] NA [ 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 [ ] NA [ 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 ..... \$ .....

## GENERAL INTERROGATORIES

- 25.1 Were any of the stocks, bonds or other assets of the reporting entity owned at December 31 of the current year not exclusively under the control of the reporting entity or has the reporting entity sold or transferred any assets subject to a put option contract that is currently in force? (Exclude securities subject to Interrogatory 21.1 and 24.03). ..... Yes [  ] No [  ]
- 25.2 If yes, state the amount thereof at December 31 of the current year:
- 25.21 Subject to repurchase agreements..... \$.....
  - 25.22 Subject to reverse repurchase agreements..... \$.....
  - 25.23 Subject to dollar repurchase agreements..... \$.....
  - 25.24 Subject to reverse dollar repurchase agreements..... \$.....
  - 25.25 Pledged as collateral..... \$.....
  - 25.26 Placed under option agreements..... \$.....
  - 25.27 Letter stock or securities restricted as to sale..... \$.....
  - 25.28 On deposit with state or other regulatory body..... \$.....
  - 25.29 Other..... \$.....

25.3 For category (25.27) provide the following:

1 Nature of Restriction	2 Description	3 Amount

- 26.1 Does the reporting entity have any hedging transactions reported on Schedule DB? ..... Yes [  ] No [  ]
- 26.2 If yes, has a comprehensive description of the hedging program been made available to the domiciliary state? ..... Yes [  ] No [  ] NA [  ]  
If no, attach a description with this statement.
- 27.1 Were any preferred stocks or bonds owned as of December 31 of the current year mandatorily convertible into equity, or, at the option of the issuer, convertible into equity? ..... Yes [  ] No [  ]
- 27.2 If yes, state the amount thereof at December 31 of the current year. .... \$.....

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

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

1 Name of Custodian(s)	2 Custodian's Address
U.S. Bank National Association.....	800 Nicollet Mall, Minneapolis, MN 55402-7020.....
State Street Bank & Trust Company.....	444 South Flower St., 45th Floor, Los Angeles, CA 90071.....

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 [  ]

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
104973.....	Wells Capital Mangement.....	525 Market Street, 10th Floor, San Francisco, CA 94510.....
107160.....	Payden & Ryge!.....	333 S. Grand, Los Angeles, CA 90071.....

## GENERAL INTERROGATORIES

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

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.....	823,180,229	837,692,475	14,512,246
30.2 Preferred Stocks.....	0	0	0
30.3 Totals	823,180,229	837,692,475	14,512,246

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

## GENERAL INTERROGATORIES

### OTHER

33.1 Amount of payments to Trade associations, service organizations and statistical or rating bureaus, if any?.....\$ .....271,581

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
Oregon Assoc of Hospital Health Systems.....	124,500

34.1 Amount of payments for legal expenses, if any?.....\$ .....1,886,326

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
Stoel Rives.....	1,320,175

35.1 Amount of payments for expenditures in connection with matters before legislative bodies, officers or departments of government, if any?.....\$ .....135,242

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
Tonkin Torp.....	135,242



# GENERAL INTERROGATORIES

## PART 2 - HEALTH INTERROGATORIES

- 1.1 Does the reporting entity have any direct Medicare Supplement Insurance in force? ..... Yes [ ] No [ X ]  
 1.2 If yes, indicate premium earned on U. S. business only. .... \$ .....0  
 1.3 What portion of Item (1.2) is not reported on the Medicare Supplement Insurance Experience Exhibit? ..... \$ .....0  
     1.31 Reason for excluding .....

- 1.4 Indicate amount of earned premium attributable to Canadian and/or Other Alien not included in Item (1.2) above ..... \$ .....  
 1.5 Indicate total incurred claims on all Medicare Supplement insurance. .... \$ .....0  
 1.6 Individual policies:

- Most current three years:  
 1.61 Total premium earned ..... \$ .....0  
 1.62 Total incurred claims ..... \$ .....0  
 1.63 Number of covered lives .....0  
 All years prior to most current three years:  
 1.64 Total premium earned ..... \$ .....0  
 1.65 Total incurred claims ..... \$ .....0  
 1.66 Number of covered lives .....0

- 1.7 Group policies:

- Most current three years:  
 1.71 Total premium earned ..... \$ .....0  
 1.72 Total incurred claims ..... \$ .....0  
 1.73 Number of covered lives .....0  
 All years prior to most current three years:  
 1.74 Total premium earned ..... \$ .....0  
 1.75 Total incurred claims ..... \$ .....0  
 1.76 Number of covered lives .....0

2. Health Test:

	1 Current Year		2 Prior Year	
2.1 Premium Numerator	\$	2,784,779,044	\$	2,636,683,493
2.2 Premium Denominator	\$	2,784,779,044	\$	2,636,683,493
2.3 Premium Ratio (2.1/2.2)		1.000		1.000
2.4 Reserve Numerator	\$	44,040,755	\$	38,460,319
2.5 Reserve Denominator	\$	44,040,755	\$	38,460,319
2.6 Reserve Ratio (2.4/2.5)		1.000		1.000

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

- 4.1 Have copies of all agreements stating the period and nature of hospitals', physicians', and dentists' care offered to subscribers and dependents been filed with the appropriate regulatory agency? ..... Yes [ X ] No [ ]  
 4.2 If not previously filed, furnish herewith a copy(ies) of such agreement(s). Do these agreements include additional benefits offered? ..... Yes [ ] No [ ]  
 5.1 Does the reporting entity have stop-loss reinsurance? ..... Yes [ ] No [ X ]  
 5.2 If no, explain:

Kaiser Foundation Health Plan of the NW (HP) is self-insured and has a guarantee agreement (GA) with Kaiser Foundation Health Plan, Inc. (KFHP) and subsidiaries and Kaiser Foundation Hospital (HOS) - see footnotes 10 and 23 for further details.

- 5.3 Maximum retained risk (see instructions)
- |                                 |    |           |
|---------------------------------|----|-----------|
| 5.31 Comprehensive Medical      | \$ | 9,999,999 |
| 5.32 Medical Only               | \$ |           |
| 5.33 Medicare Supplement        | \$ |           |
| 5.34 Dental and Vision          | \$ |           |
| 5.35 Other Limited Benefit Plan | \$ |           |
| 5.36 Other                      | \$ |           |

6. Describe arrangement which the reporting entity may have to protect subscribers and their dependents against the risk of insolvency including hold harmless provisions, conversion privileges with other carriers, agreements with providers to continue rendering services, and any other agreements:  
 In accordance with state laws, provider contracts contain hold harmless provisions to protect subscribers in case of insolvency. Also, see Guaranty Agreement attached as pg 27a-27i.  
 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 .....1,118  
 8.2 Number of providers at end of reporting year .....1,176

- 9.1 Does the reporting entity have business subject to premium rate guarantees? ..... Yes [ ] No [ X ]  
 9.2 If yes, direct premium earned:  
 9.21 Business with rate guarantees between 15-36 months .....  
 9.22 Business with rate guarantees over 36 months .....

## GENERAL INTERROGATORIES

### PART 2 - HEALTH INTERROGATORIES

- 10.1 Does the reporting entity have Incentive Pool, Withhold or Bonus Arrangements in its provider contracts?..... Yes [ X ] No [ ]
- 10.2 If yes:
- |  |   |                 |
|--|---|-----------------|
|  | 10.21 Maximum amount payable bonuses .....          | \$ .....        |
|  | 10.22 Amount actually paid for year bonuses .....   | \$ .....        |
|  | 10.23 Maximum amount payable withholds .....        | \$ ..... 81,594 |
|  | 10.24 Amount actually paid for year withholds ..... | \$ ..... 0      |
- 11.1 Is the reporting entity organized as:
- |  |   |                  |
|--|---|------------------|
|  | 11.12 A Medical Group/Staff Model, .....                  | Yes [ X ] No [ ] |
|  | 11.13 An Individual Practice Association (IPA), or, ..... | Yes [ ] No [ X ] |
|  | 11.14 A Mixed Model (combination of above) ? .....        | Yes [ ] No [ X ] |
- 11.2 Is the reporting entity subject to Minimum Net Worth Requirements? ..... Yes [ X ] No [ ]
- 11.3 If yes, show the name of the state requiring such net worth.  
Oregon
- 11.4 If yes, show the amount required. .... \$ ..... 2,500,000
- 11.5 Is this amount included as part of a contingency reserve in stockholder's equity? ..... Yes [ ] No [ X ]
- 11.6 If the amount is calculated, show the calculation

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

1 Name of Service Area
Benton County - Oregon.....
Clackamas County - Oregon.....
Columbia County - Oregon.....
Hood River County - Oregon.....
Linn County - Oregon.....
Marion County - Oregon.....
Multnomah County - Oregon.....
Polk County - Oregon.....
Washington County - Oregon.....
Yamhill County - Oregon.....
Clark County - Washington.....
Cowlitz County - Washington.....
Lewis County - Washington.....
Skamania County - Washington.....
Wahkiakum County - Washington.....

- 13.1 Do you act as a custodian for health savings accounts?..... 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 (Pages 2 and 3)</b>					
1. Total admitted assets (Page 2, Line 28) .....	1,152,730,905	1,097,883,066	966,159,041	941,702,063	878,815,412
2. Total liabilities (Page 3, Line 24) .....	681,020,535	607,312,518	466,168,017	446,783,921	398,715,194
3. Statutory surplus .....	2,500,000	2,500,000	2,500,000	2,500,000	2,500,000
4. Total capital and surplus (Page 3, Line 33) .....	471,710,370	490,570,548	499,991,024	494,918,142	480,100,218
<b>Income Statement (Page 4)</b>					
5. Total revenues (Line 8) .....	2,862,571,362	2,698,750,937	2,528,786,611	2,430,952,550	2,320,950,407
6. Total medical and hospital expenses (Line 18) .....	2,656,430,387	2,506,533,411	2,371,608,502	2,286,443,404	2,179,078,617
7. Claims adjustment expenses (Line 20) .....	41,147,911	34,566,889	25,384,847	23,016,912	22,076,549
8. Total administrative expenses (Line 21) .....	164,200,601	146,337,443	115,569,671	108,076,316	101,672,224
9. Net underwriting gain (loss) (Line 24) .....	792,463	11,313,194	16,223,591	13,415,918	18,123,017
10. Net investment gain (loss) (Line 27) .....	18,626,526	18,574,543	25,786,054	25,458,806	12,762,803
11. Total other income (Lines 28 plus 29) .....	2,575,678	3,116,690	(2,522,862)	(2,582,953)	1,585,885
12. Net income or (loss) (Line 32) .....	21,994,667	33,004,427	39,486,783	36,291,771	32,592,472
<b>Cash Flow (Page 6)</b>					
13. Net cash from operations (Line 11) .....	30,905,344	47,269,380	49,737,001	30,791,481	61,712,330
<b>Risk - Based Capital Analysis</b>					
14. Total adjusted capital .....	471,710,370	490,570,548	499,991,024	494,918,142	480,100,218
15. Authorized control level risk-based capital .....	45,928,768	43,451,493	42,346,463	40,955,660	40,423,649
<b>Enrollment (Exhibit 1)</b>					
16. Total members at end of period (Column 5, Line 7) .....	464,637	474,909	461,373	466,598	467,624
17. Total members months (Column 6, Line 7) .....	5,660,168	5,680,792	5,515,932	5,602,763	5,633,547
<b>Operating Percentage (Page 4)</b>					
(Item divided by Page 4, sum of Lines 2, 3, and 5) x 100.0					
18. Premiums earned plus risk revenue (Line 2 plus Lines 3 and 5) .....	100.0	100.0	100.0	100.0	100.0
19. Total hospital and medical plus other non-health (Lines 18 plus Line 19) .....	95.0	95.1	95.4	95.5	95.2
20. Cost containment expenses .....	0.8	0.6	0.4	0.5	0.5
21. Other claims adjustment expenses .....	0.7	0.7	0.6	0.5	0.5
22. Total underwriting deductions (Line 23) .....	102.4	101.9	101.0	101.0	100.6
23. Total underwriting gain (loss) (Line 24) .....	0.0	0.4	0.7	0.6	0.8
<b>Unpaid Claims Analysis</b>					
(U&I Exhibit, Part 2B)					
24. Total claims incurred for prior years (Line 13, Col. 5) .....	39,392,605	32,372,034	33,439,982	43,325,823	44,875,741
25. Estimated liability of unpaid claims—[prior year (Line 13, Col. 6)] .....	38,460,319	31,252,704	34,801,931	48,416,384	48,584,400
<b>Investments In Parent, Subsidiaries and Affiliates</b>					
26. Affiliated bonds (Sch. D Summary, Line 12, Col. 1) .....	0	0	0	0	0
27. Affiliated preferred stocks (Sch. D Summary, Line 18, Col. 1) .....	0	0	0	0	0
28. Affiliated common stocks (Sch. D Summary, Line 24, Col. 1) .....	0	0	0	0	0
29. Affiliated short-term investments (subtotal included in Sch. DA Verification, Col. 5, Line 10) .....	0	0	0	0	0
30. Affiliated mortgage loans on real estate .....	0	0	0	0	0
31. All other affiliated .....	0	0	500,000	500,000	500,000
32. Total of above Lines 26 to 31 .....	0	0	500,000	500,000	500,000
33. Total investment in parent included in Lines 26 to 31 above	0	0	0	0	0

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

States, Etc.	1 Active Status	Direct Business Only							9 Deposit-Type Contracts	
		2 Accident & Health Premiums	3 Medicare Title XVIII	4 Medicaid Title XIX	5 Federal Employees Health Benefit Program Premiums	6 Life & Annuity Premiums & Other Considerations	7 Property/Casualty Premiums	8 Total Columns 2 Through 7		
1. Alabama	AL								0	0
2. Alaska	AK								0	0
3. Arizona	AZ								0	0
4. Arkansas	AR								0	0
5. California	CA								0	0
6. Colorado	CO								0	0
7. Connecticut	CT								0	0
8. Delaware	DE								0	0
9. Dist. of Columbia	DC								0	0
10. Florida	FL								0	0
11. Georgia	GA								0	0
12. Hawaii	HI								0	0
13. Idaho	ID								0	0
14. Illinois	IL								0	0
15. Indiana	IN								0	0
16. Iowa	IA								0	0
17. Kansas	KS								0	0
18. Kentucky	KY								0	0
19. Louisiana	LA								0	0
20. Maine	ME								0	0
21. Maryland	MD								0	0
22. Massachusetts	MA								0	0
23. Michigan	MI								0	0
24. Minnesota	MN								0	0
25. Mississippi	MS								0	0
26. Missouri	MO								0	0
27. Montana	MT								0	0
28. Nebraska	NE								0	0
29. Nevada	NV								0	0
30. New Hampshire	NH								0	0
31. New Jersey	NJ								0	0
32. New Mexico	NM								0	0
33. New York	NY								0	0
34. North Carolina	NC								0	0
35. North Dakota	ND								0	0
36. Ohio	OH								0	0
37. Oklahoma	OK								0	0
38. Oregon	OR	L	1,429,936,154	598,058,267	14,836,810	100,992,874	0	0	2,143,824,105	0
39. Pennsylvania	PA								0	0
40. Rhode Island	RI								0	0
41. South Carolina	SC								0	0
42. South Dakota	SD								0	0
43. Tennessee	TN								0	0
44. Texas	TX								0	0
45. Utah	UT								0	0
46. Vermont	VT								0	0
47. Virginia	VA								0	0
48. Washington	WA	L	274,512,871	196,442,669	1,581,160	45,424,922	0	0	517,961,622	0
49. West Virginia	WV								0	0
50. Wisconsin	WI								0	0
51. Wyoming	WY								0	0
52. American Samoa	AS								0	0
53. Guam	GU								0	0
54. Puerto Rico	PR								0	0
55. U.S. Virgin Islands	VI								0	0
56. Northern Mariana Islands	MP								0	0
57. Canada	CAN								0	0
58. Aggregate other alien	OT	XXX	0	0	0	0	0	0	0	0
59. Subtotal	XXX	1,704,449,025	794,500,936	16,417,970	146,417,796	0	0	0	2,661,785,727	0
60. Reporting entity contributions for Employee Benefit Plans	XXX	122,993,317							122,993,317	
61. Total (Direct Business)	(a) 2	1,827,442,342	794,500,936	16,417,970	146,417,796	0	0	0	2,784,779,044	0
DETAILS OF WRITE-INS										
58001	XXX									
58002	XXX									
58003	XXX									
58998 Summary of remaining write-ins for Line 58 from overflow page	XXX	0	0	0	0	0	0	0	0	0
58999 Totals (Lines 58001 through 58003 plus 58998) (Line 58 above)	XXX	0	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.**

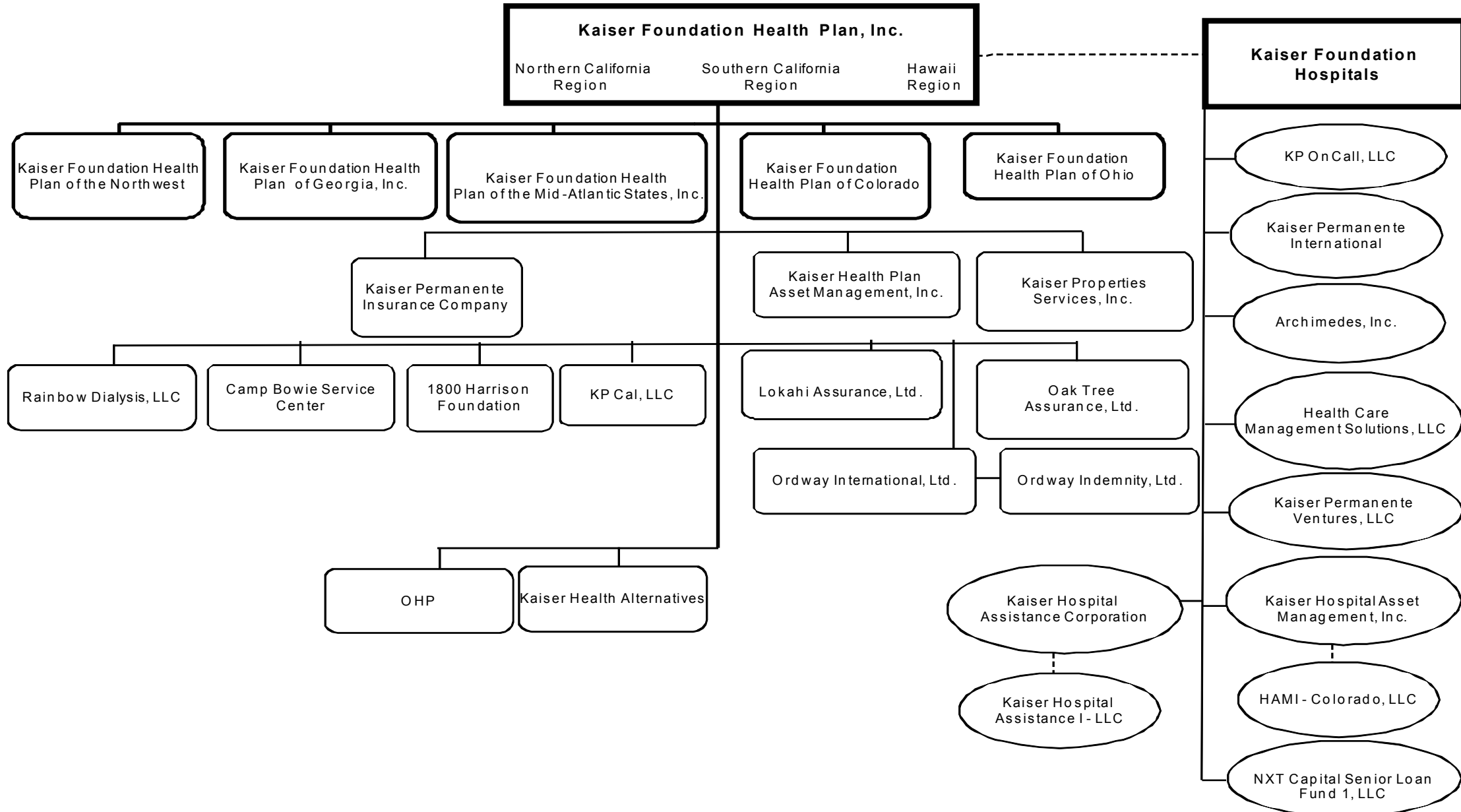
Premiums, Medicare Title XVIII and Medicaid XIX based on the State where the contract is written. Federal Employees Health Benefit Program Premiums are based on residency.

(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**

**KAISER FOUNDATION HEALTH PLAN, INC. AND KAISER FOUNDATION HOSPITALS  
SUBSIDIARIES AND AFFILIATED CORPORATIONS  
DECEMBER 31, 2012**



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