



ANNUAL STATEMENT

For the Year Ending December 31, 2012

OF THE CONDITION AND AFFAIRS OF THE

PACIFICSOURCE HEALTH PLANS

NAIC Group Code	4704 <small>(Current Period)</small>	4704 <small>(Prior Period)</small>	NAIC Company Code	54976	Employer's ID Number	93-0245545
Organized under the Laws of	Oregon		State of Domicile or Port of Entry	Oregon		
Country of Domicile	United States of America					
Licensed as business type:	Life, Accident & Health[X] Dental Service Corporation[] Other[]		Property/Casualty[] Vision Service Corporation[] Is HMO Federally Qualified? Yes[] No[] N/A[X]		Hospital, Medical & Dental Service or Indemnity[] Health Maintenance Organization[]	
Incorporated/Organized	03/31/1933		Commenced Business	07/01/1939		
Statutory Home Office	110 INTERNATIONAL WAY <small>(Street and Number)</small>		SPRINGFIELD, OR, US 97477 <small>(City or Town, State, Country and Zip Code)</small>			
Main Administrative Office	110 INTERNATIONAL WAY <small>(Street and Number)</small>					
	SPRINGFIELD, OR, US 97477 <small>(City or Town, State, Country and Zip Code)</small>		(541)686-1242 <small>(Area Code) (Telephone Number)</small>			
Mail Address	110 INTERNATIONAL WAY <small>(Street and Number or P.O. Box)</small>		SPRINGFIELD, OR, US 97477 <small>(City or Town, State, Country and Zip Code)</small>			
Primary Location of Books and Records	110 INTERNATIONAL WAY <small>(Street and Number)</small>					
	SPRINGFIELD, OR, US 97477 <small>(City or Town, State, Country and Zip Code)</small>		(541)686-1242 <small>(Area Code) (Telephone Number)</small>			
Internet Website Address	www.pacificsource.com					
Statutory Statement Contact	PETER F DAVIDSON <small>(Name)</small>		(541)684-5212 <small>(Area Code)(Telephone Number)(Extension)</small>			
	PDAVIDSON@PACIFICSOURCE.COM <small>(E-Mail Address)</small>		(541)225-3627 <small>(Fax Number)</small>			

OFFICERS

Name	Title
KENNETH P PROVENCHER	President/CEO
KRISTIN E KERNUTT	Secretary
SUJATA S SANGHVI	Chief Operating Officer
PETER F DAVIDSON	Chief Financial Officer
PATRICIA BUCHANAN MD	Chairwoman
DAVID SHUTE MD	Chair-elect #
TOM EWING MD	Chief Medical Officer #

OTHERS

DIRECTORS OR TRUSTEES

VERN KATZ MD	CHARLES ZACHEM III DO
GRETCHEN PIERCE	DAVID SHUTE MD
PATRICIA BUCHANAN MD	JEFFREY HOUCK MD
JOHN DEWENTER	STEPHEN LYNCH
PRISCILLA GOULD	EDWIN DAHLBERG
RICHARD WRIGHT	HAL BROWN
DIVYA SHARMA MD #	

State of Oregon
County of Lane ss

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

(Signature) KENNETH P PROVENCHER	(Signature) PETER F DAVIDSON	(Signature)
(Printed Name) 1. President/CEO	(Printed Name) 2. Chief Financial Officer	(Printed Name) 3.
(Title)	(Title)	(Title)

Subscribed and sworn to before me this _____ day of _____, 2013

- a. Is this an original filing?
b. If no, 1. State the amendment number
2. Date filed
3. Number of pages attached

Yes[X] No[]

(Notary Public Signature)

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)	94,199,415		94,199,415	88,492,622
2. Stocks (Schedule D)				
2.1 Preferred stocks				
2.2 Common Stocks	84,270,710		84,270,710	79,933,599
3. Mortgage loans on real estate (Schedule B):				
3.1 First liens				
3.2 Other than first liens				
4. Real estate (Schedule A):				
4.1 Properties occupied by the company (less \$.....0 encumbrances)	7,354,259		7,354,259	7,623,398
4.2 Properties held for the production of income (less \$.....0 encumbrances)				
4.3 Properties held for sale (less \$.....0 encumbrances)				
5. Cash (\$.....(9,022,924) Schedule E Part 1), cash equivalents (\$.....0 Schedule E Part 2) and short-term investments (\$.....90,493 Schedule DA)	(8,932,431)		(8,932,431)	623,372
6. Contract loans (including \$.....0 premium notes)				
7. Derivatives (Schedule DB)				
8. Other invested assets (Schedule BA)	5,891,035	112,501	5,778,534	6,381,674
9. Receivables for securities	320		320	
10. Securities Lending Reinvested Collateral Assets (Schedule DL)				
11. Aggregate write-ins for invested assets				
12. Subtotals, cash and invested assets (Lines 1 to 11)	182,783,308	112,501	182,670,808	183,054,665
13. Title plants less \$.....0 charged off (for Title insurers only)				
14. Investment income due and accrued	616,504		616,504	698,126
15. Premiums and considerations:				
15.1 Uncollected premiums and agents' balances in the course of collection	4,119,102	1,226	4,117,876	3,503,905
15.2 Deferred premiums, agents' balances and installments booked but deferred and not yet due (Including \$.....0 earned but unbilled premiums)				
15.3 Accrued retrospective premiums	63,408		63,408	
16. Reinsurance:				
16.1 Amounts recoverable from reinsurers	4,838,727		4,838,727	656,712
16.2 Funds held by or deposited with reinsured companies				
16.3 Other amounts receivable under reinsurance contracts				
17. Amounts receivable relating to uninsured plans	1,790,998		1,790,998	1,064,979
18.1 Current federal and foreign income tax recoverable and interest thereon	418,000		418,000	
18.2 Net deferred tax asset	14,900,000	9,300,000	5,600,000	5,900,000
19. Guaranty funds receivable or on deposit				
20. Electronic data processing equipment and software	17,612,689	15,270,694	2,341,995	2,861,277
21. Furniture and equipment, including health care delivery assets (\$.....0)	1,634,707	1,634,707		
22. Net adjustment in assets and liabilities due to foreign exchange rates				
23. Receivables from parent, subsidiaries and affiliates	2,198,307		2,198,307	1,173,841
24. Health care (\$.....1,723,793) and other amounts receivable	4,534,192	2,810,399	1,723,793	1,948,543
25. Aggregate write-ins for other than invested assets	13,653,470	10,817,736	2,835,734	2,600,558
26. Total assets excluding Separate Accounts, Segregated Accounts and Protected Cell Accounts (Lines 12 to 25)	249,163,411	39,947,262	209,216,149	203,462,605
27. From Separate Accounts, Segregated Accounts and Protected Cell Accounts				
28. Total (Lines 26 and 27)	249,163,411	39,947,262	209,216,149	203,462,605
DETAILS OF WRITE-INS				
1101.				
1102.				
1103.				
1198. Summary of remaining write-ins for Line 11 from overflow page				
1199. TOTALS (Lines 1101 through 1103 plus 1198) (Line 11 above)				
2501. INTANGIBLE ASSETS	7,886,404	7,886,404		
2502. AUTOMOBILES	94,074	94,074		
2503. PREPAIDS AND EMPLOYEE RECEIVABLES	2,978,124	2,837,258	140,866	
2598. Summary of remaining write-ins for Line 25 from overflow page	2,694,868		2,694,868	2,600,558
2599. TOTALS (Lines 2501 through 2503 plus 2598) (Line 25 above)	13,653,470	10,817,736	2,835,734	2,600,558

LIABILITIES, CAPITAL AND SURPLUS

	Current Year			Prior Year
	1 Covered	2 Uncovered	3 Total	4 Total
1. Claims unpaid (less \$.....0 reinsurance ceded)	67,068,751	168,092	67,236,843	51,946,409
2. Accrued medical incentive pool and bonus amounts	63,117		63,117	12,589
3. Unpaid claims adjustment expenses	1,783,713		1,783,713	1,550,816
4. Aggregate health policy reserves, including the liability of \$.....0 for medical loss ratio rebate per the Public Health Service Act	2,789,265		2,789,265	1,290,224
5. Aggregate life policy reserves				
6. Property/casualty unearned premium reserves				
7. Aggregate health claim reserves				
8. Premiums received in advance	6,899,186		6,899,186	6,989,802
9. General expenses due or accrued	9,601,288		9,601,288	8,144,221
10.1 Current federal and foreign income tax payable and interest thereon (including \$.....0 on realized capital gains (losses))				66,571
10.2 Net deferred tax liability				
11. Ceded reinsurance premiums payable	247,512		247,512	41,770
12. Amounts withheld or retained for the account of others	355,558		355,558	297,086
13. Remittances and items not allocated				
14. Borrowed money (including \$.....0 current) and interest thereon \$.....4,492 (including \$.....0 current)	8,091,920		8,091,920	4,260,014
15. Amounts due to parent, subsidiaries and affiliates				864,279
16. Derivatives				
17. Payable for securities				
18. Payable for securities lending				
19. Funds held under reinsurance treaties (with \$.....0 authorized reinsurers, \$.....0 unauthorized reinsurers and \$.....0 certified reinsurers)				
20. Reinsurance in unauthorized and certified (\$.....0) companies				
21. Net adjustments in assets and liabilities due to foreign exchange rates				
22. Liability for amounts held under uninsured plans				
23. Aggregate write-ins for other liabilities (including \$.....0 current)	2,370,921		2,370,921	2,280,774
24. TOTAL Liabilities (Lines 1 to 23)	99,271,233	168,092	99,439,325	77,744,555
25. Aggregate write-ins for special surplus funds	X X X	X X X		
26. Common capital stock	X X X	X X X		
27. Preferred capital stock	X X X	X X X		
28. Gross paid in and contributed surplus	X X X	X X X	(2,833,784)	(2,833,784)
29. Surplus notes	X X X	X X X		
30. Aggregate write-ins for other than special surplus funds	X X X	X X X		
31. Unassigned funds (surplus)	X X X	X X X	112,610,609	128,551,834
32. Less treasury stock, at cost:				
32.10 shares common (value included in Line 26 \$.....0)	X X X	X X X		
32.20 shares preferred (value included in Line 27 \$.....0)	X X X	X X X		
33. TOTAL Capital and Surplus (Lines 25 to 31 minus Line 32)	X X X	X X X	109,776,825	125,718,050
34. TOTAL Liabilities, Capital and Surplus (Lines 24 and 33)	X X X	X X X	209,216,150	203,462,605
DETAILS OF WRITE-INS				
2301. DEFERRED COMPENSATION	2,360,542		2,360,542	2,268,411
2302. POST RETIREMENT BENEFITS	10,379		10,379	12,363
2303.				
2398. Summary of remaining write-ins for Line 23 from overflow page				
2399. TOTALS (Lines 2301 through 2303 plus 2398) (Line 23 above)	2,370,921		2,370,921	2,280,774
2501.	X X X	X X X		
2502.	X X X	X X X		
2503.	X X X	X X X		
2598. Summary of remaining write-ins for Line 25 from overflow page	X X X	X X X		
2599. TOTALS (Lines 2501 through 2503 plus 2598) (Line 25 above)	X X X	X X X		
3001.	X X X	X X X		
3002.	X X X	X X X		
3003.	X X X	X X X		
3098. Summary of remaining write-ins for Line 30 from overflow page	X X X	X X X		
3099. TOTALS (Lines 3001 through 3003 plus 3098) (Line 30 above)	X X X	X X X		

STATEMENT OF REVENUE AND EXPENSES

	Current Year		Prior Year
	1 Uncovered	2 Total	3 Total
1. Member Months	X X X	2,609,007	2,325,529
2. Net premium income (including \$.....0 non-health premium income)	X X X	725,033,930	644,264,736
3. Change in unearned premium reserves and reserve for rate credits	X X X	(2,789,265)	
4. Fee-for-service (net of \$.....0 medical expenses)	X X X		
5. Risk revenue	X X X		
6. Aggregate write-ins for other health care related revenues	X X X		
7. Aggregate write-ins for other non-health revenues	X X X	(11,906)	(27,551)
8. TOTAL Revenues (Lines 2 to 7)	X X X	722,232,759	644,237,184
Hospital and Medical:			
9. Hospital/medical benefits	976,899	390,759,414	342,366,826
10. Other professional services	105,176	42,070,558	41,385,267
11. Outside referrals	76,959	30,783,788	19,360,202
12. Emergency room and out-of-area	289,286	115,714,281	84,109,443
13. Prescription drugs	199,755	79,902,136	60,730,064
14. Aggregate write-ins for other hospital and medical			
15. Incentive pool, withhold adjustments and bonus amounts		103,466	8,997
16. Subtotal (Lines 9 to 15)	1,648,075	659,333,643	547,960,799
Less:			
17. Net reinsurance recoveries		8,803,134	2,407,720
18. TOTAL Hospital and Medical (Lines 16 minus 17)	1,648,075	650,530,509	545,553,079
19. Non-health claims (net)			
20. Claims adjustment expenses, including \$.....9,605,670 cost containment expenses		23,427,963	17,184,804
21. General administrative expenses		81,337,927	72,191,308
22. Increase in reserves for life and accident and health contracts (including \$.....0 increase in reserves for life only)			
23. TOTAL Underwriting Deductions (Lines 18 through 22)	1,648,075	755,296,399	634,929,190
24. Net underwriting gain or (loss) (Lines 8 minus 23)	X X X	(33,063,640)	9,307,994
25. Net investment income earned (Exhibit of Net Investment Income, Line 17)		5,155,499	4,400,846
26. Net realized capital gains (losses) less capital gains tax of \$.....710,030		2,840,120	1,030,006
27. Net investment gains (losses) (Lines 25 plus 26)		7,995,619	5,430,852
28. Net gain or (loss) from agents' or premium balances charged off [(amount recovered \$.....0) (amount charged off \$.....20,681)]		(20,681)	(25,687)
29. Aggregate write-ins for other income or expenses		(1,740,164)	(1,103,809)
30. Net income or (loss) after capital gains tax and before all other federal income taxes (Lines 24 plus 27 plus 28 plus 29)	X X X	(26,828,866)	13,609,350
31. Federal and foreign income taxes incurred	X X X	(892,911)	2,689,683
32. Net income (loss) (Lines 30 minus 31)	X X X	(25,935,955)	10,919,667
DETAILS OF WRITE-INS			
0601.	X X X		
0602.	X X X		
0603.	X X X		
0698. Summary of remaining write-ins for Line 6 from overflow page	X X X		
0699. TOTALS (Lines 0601 through 0603 plus 0698) (Line 6 above)	X X X		
0701. LOSS ON SALE OF FIXED ASSETS	X X X	(11,906)	(27,551)
0702.	X X X		
0703.	X X X		
0798. Summary of remaining write-ins for Line 7 from overflow page	X X X		
0799. TOTALS (Line 0701 through 0703 plus 0798) (Line 7 above)	X X X	(11,906)	(27,551)
1401.			
1402.			
1403.			
1498. Summary of remaining write-ins for Line 14 from overflow page			
1499. TOTALS (Lines 1401 through 1403 plus 1498) (Line 14 above)			
2901. MISCELLANEOUS		6,796	4,924
2902. CHARITABLE CONTRIBUTIONS		(1,746,960)	(1,108,733)
2903.			
2998. Summary of remaining write-ins for Line 29 from overflow page			
2999. TOTALS (Line 2901 through 2903 plus 2998) (Line 29 above)		(1,740,164)	(1,103,809)

STATEMENT OF REVENUE AND EXPENSES (Continued)

	1 Current Year	2 Prior Year
CAPITAL & SURPLUS ACCOUNT		
33. Capital and surplus prior reporting year	125,718,050	114,107,602
34. Net income or (loss) from Line 32	(25,935,955)	10,919,667
35. Change in valuation basis of aggregate policy and claim reserves		
36. Change in net unrealized capital gains (losses) less capital gains tax of \$.....(1,200,000) ..	2,391,232	(5,972,826)
37. Change in net unrealized foreign exchange capital gain or (loss)		
38. Change in net deferred income tax	2,900,000	(37,000)
39. Change in nonadmitted assets	3,985,450	14,982,994
40. Change in unauthorized and certified reinsurance		
41. Change in treasury stock		
42. Change in surplus notes		
43. Cumulative effect of changes in accounting principles		
44. Capital Changes:		
44.1 Paid in		
44.2 Transferred from surplus (Stock Dividend)		
44.3 Transferred to surplus		
45. Surplus adjustments:		
45.1 Paid in		
45.2 Transferred to capital (Stock Dividend)		
45.3 Transferred from capital		
46. Dividends to stockholders		
47. Aggregate write-ins for gains or (losses) in surplus	718,050	(8,282,388)
48. Net change in capital and surplus (Lines 34 to 47)	(15,941,223)	11,610,447
49. Capital and surplus end of reporting year (Line 33 plus 48)	109,776,827	125,718,049
DETAILS OF WRITE-INS		
4701. ADDITIONAL MIN LIABILITY FOR PENSION COSTS	718,050	(8,282,388)
4702.		
4703.		
4798. Summary of remaining write-ins for Line 47 from overflow page		
4799. TOTALS (Lines 4701 through 4703 plus 4798) (Line 47 above)	718,050	(8,282,388)

CASH FLOW

		1	2
		Current Year	Prior Year
Cash from Operations			
1.	Premiums collected net of reinsurance	723,185,419	646,380,394
2.	Net investment income	5,539,888	4,670,124
3.	Miscellaneous income	(11,906)	(27,551)
4.	Total (Lines 1 through 3)	728,713,401	651,022,966
5.	Benefit and loss related payments	636,424,653	538,186,150
6.	Net transfers to Separate Accounts, Segregated Accounts and Protected Cell Accounts		
7.	Commissions, expenses paid and aggregate write-ins for deductions	105,562,790	91,631,885
8.	Dividends paid to policyholders		
9.	Federal and foreign income taxes paid (recovered) net of \$.....0 tax on capital gains (losses)	301,690	2,052,473
10.	Total (Lines 5 through 9)	742,289,132	631,870,508
11.	Net cash from operations (Line 4 minus Line 10)	(13,575,731)	19,152,459
Cash from Investments			
12.	Proceeds from investments sold, matured or repaid:		
12.1	Bonds	175,036,041	99,083,725
12.2	Stocks	1,962,493	98,178,421
12.3	Mortgage loans		
12.4	Real estate		
12.5	Other invested assets	453,812	1,279,124
12.6	Net gains or (losses) on cash, cash equivalents and short-term investments		
12.7	Miscellaneous proceeds	277,337	5,566
12.8	Total investment proceeds (Lines 12.1 to 12.7)	177,729,684	198,546,836
13.	Cost of investments acquired (long-term only):		
13.1	Bonds	177,635,356	125,578,478
13.2	Stocks	4,631,610	102,321,923
13.3	Mortgage loans		
13.4	Real estate	8,229	15,758
13.5	Other invested assets		300,000
13.6	Miscellaneous applications	320	0
13.7	Total investments acquired (Lines 13.1 to 13.6)	182,275,515	228,216,160
14.	Net increase (decrease) in contract loans and premium notes		
15.	Net cash from investments (Line 12.8 minus Line 13.7 minus Line 14)	(4,545,832)	(29,669,323)
Cash from Financing and Miscellaneous Sources			
16.	Cash provided (applied):		
16.1	Surplus notes, capital notes		
16.2	Capital and paid in surplus, less treasury stock		
16.3	Borrowed funds	3,831,906	(14,336,062)
16.4	Net deposits on deposit-type contracts and other insurance liabilities		
16.5	Dividends to stockholders		
16.6	Other cash provided (applied)	4,733,853	3,323,637
17.	Net cash from financing and miscellaneous sources (Lines 16.1 to 16.4 minus Line 16.5 plus Line 16.6)	8,565,759	(11,012,426)
RECONCILIATION OF CASH, CASH EQUIVALENTS AND SHORT-TERM INVESTMENTS			
18.	Net change in cash, cash equivalents and short-term investments (Line 11, plus Lines 15 and 17)	(9,555,804)	(21,529,291)
19.	Cash, cash equivalents and short-term investments:		
19.1	Beginning of year	623,372	22,152,663
19.2	End of year (Line 18 plus Line 19.1)	(8,932,431)	623,372

Note: Supplemental Disclosures of Cash Flow Information for Non-Cash Transactions:

20.0001		
20.0002		
20.0003		
20.0004		

ANALYSIS OF OPERATIONS BY LINES OF BUSINESS

	1	2 Comprehensive (Hospital & Medical)	3 Medicare Supplement	4 Dental Only	5 Vision Only	6 Federal Employees Health Benefit Plan	7 Title XVIII Medicare	8 Title XIX Medicaid	9 Other Health	10 Other Non-Health
1. Net premium income	725,033,930	717,443,210	105,614	6,259,670					1,225,436	
2. Change in unearned premium reserves and reserve for rate credit	(2,789,265)	(2,789,265)								
3. Fee-for-service (net of \$.....0 medical expenses)										X X X
4. Risk revenue										X X X
5. Aggregate write-ins for other health care related revenues										X X X
6. Aggregate write-ins for other non-health care related revenues	(11,906)	X X X	X X X	X X X	X X X	X X X	X X X	X X X	X X X	(11,906)
7. TOTAL Revenues (Lines 1 to 6)	722,232,759	714,653,944	105,614	6,259,670					1,225,436	(11,906)
8. Hospital/medical benefits	390,759,414	390,031,698	50,195						677,521	X X X
9. Other professional services	42,070,558	36,503,220	647	5,566,691						X X X
10. Outside referrals	30,783,788	30,781,771	2,017							X X X
11. Emergency room and out-of-area	115,714,281	115,402,913	5,433	305,935						X X X
12. Prescription drugs	79,902,136	79,902,136								X X X
13. Aggregate write-ins for other hospital and medical										X X X
14. Incentive pool, withhold adjustments and bonus amounts	103,466	103,466								X X X
15. Subtotal (Lines 8 to 14)	659,333,643	652,725,204	58,292	5,872,626					677,521	X X X
16. Net reinsurance recoveries	8,803,134	8,501,823							301,311	X X X
17. TOTAL Hospital and Medical (Lines 15 minus 16)	650,530,509	644,223,381	58,292	5,872,626					376,210	X X X
18. Non-health claims (net)		X X X	X X X	X X X	X X X	X X X	X X X	X X X	X X X	
19. Claims adjustment expenses including \$.....9,605,670 cost containment expenses	23,427,963	23,181,737	3,426	203,049					39,750	
20. General administrative expenses	81,337,927	80,483,073	11,894	704,953					138,006	
21. Increase in reserves for accident and health contracts										X X X
22. Increase in reserves for life contracts		X X X	X X X	X X X	X X X	X X X	X X X	X X X	X X X	
23. TOTAL Underwriting Deductions (Lines 17 to 22)	755,296,399	747,888,192	73,612	6,780,628					553,967	
24. Net underwriting gain or (loss) (Line 7 minus Line 23)	(33,063,640)	(33,234,248)	32,002	(520,958)					671,469	(11,906)
DETAILS OF WRITE-INS										
0501.										X X X
0502.										X X X
0503.										X X X
0598. Summary of remaining write-ins for Line 5 from overflow page										X X X
0599. TOTALS (Lines 0501 through 0503 plus 0598) (Line 5 above)										X X X
0601. Loss on Sale of Fixed Asset	(11,906)	X X X	X X X	X X X	X X X	X X X	X X X	X X X	X X X	(11,906)
0602.		X X X	X X X	X X X	X X X	X X X	X X X	X X X	X X X	
0603.		X X X	X X X	X X X	X X X	X X X	X X X	X X X	X X X	
0698. Summary of remaining write-ins for Line 6 from overflow page		X X X	X X X	X X X	X X X	X X X	X X X	X X X	X X X	
0699. TOTALS (Lines 0601 through 0603 plus 0698) (Line 6 above)	(11,906)	X X X	X X X	X X X	X X X	X X X	X X X	X X X	X X X	(11,906)
1301.										X X X
1302.										X X X
1303.										X X X
1398. Summary of remaining write-ins for Line 13 from overflow page										X X X
1399. TOTALS (Lines 1301 through 1303 plus 1398) (Line 13 above)										X X X

UNDERWRITING AND INVESTMENT EXHIBIT

PART 1 - PREMIUMS

Line of Business	1 Direct Business	2 Reinsurance Assumed	3 Reinsurance Ceded	4 Net Premium Income (Columns 1 + 2 - 3)
1. Comprehensive (hospital and medical)	721,689,713		4,246,503	717,443,210
2. Medicare Supplement	105,614			105,614
3. Dental only	6,259,670			6,259,670
4. Vision only				
5. Federal Employees Health Benefits Plan				
6. Title XVIII - Medicare				
7. Title XIX - Medicaid				
8. Other health	1,664,648		439,212	1,225,436
9. Health subtotal (Lines 1 through 8)	729,719,646		4,685,716	725,033,930
10. Life				
11. Property/casualty				
12. TOTALS (Lines 9 to 11)	729,719,646		4,685,716	725,033,930

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	640,992,833	634,755,092	54,507	5,930,713					252,521	
1.2 Reinsurance assumed										
1.3 Reinsurance ceded	4,621,119	4,319,808							301,311	
1.4 Net	636,371,714	630,435,284	54,507	5,930,713					(48,790)	
2. Paid medical incentive pools and bonuses	52,938	52,938								
3. Claim liability December 31, current year from Part 2A:										
3.1 Direct	67,236,844	66,518,204	27,464	256,176					435,000	
3.2 Reinsurance assumed										
3.3 Reinsurance ceded										
3.4 Net	67,236,844	66,518,204	27,464	256,176					435,000	
4. Claim reserve December 31, current year from Part 2D:										
4.1 Direct										
4.2 Reinsurance assumed										
4.3 Reinsurance ceded										
4.4 Net										
5. Accrued medical incentive pools and bonuses, current year	63,117	63,117								
6. Net healthcare receivables (a)	(2,946,909)	(2,946,909)								
7. Amounts recoverable from reinsurers December 31, current year	4,838,727	4,838,727								
8. Claim liability December 31, prior year from Part 2A:										
8.1 Direct	51,946,408	51,598,466	23,679	314,263					10,000	
8.2 Reinsurance assumed										
8.3 Reinsurance ceded										
8.4 Net	51,946,408	51,598,466	23,679	314,263					10,000	
9. Claim reserve December 31, prior year from Part 2D:										
9.1 Direct										
9.2 Reinsurance assumed										
9.3 Reinsurance ceded										
9.4 Net										
10. Accrued medical incentive pools and bonuses, prior year	12,589	12,589								
11. Amounts recoverable from reinsurers December 31, prior year	656,712	656,712								
12. Incurred benefits:										
12.1 Direct	659,230,178	652,621,739	58,292	5,872,626					677,521	
12.2 Reinsurance assumed										
12.3 Reinsurance ceded	8,803,134	8,501,823							301,311	
12.4 Net	650,427,044	644,119,916	58,292	5,872,626					376,210	
13. Incurred medical incentive pools and bonuses	103,466	103,466								

(a) Excludes \$.....1,000,000 loans or advances to providers not yet expensed.

UNDERWRITING AND INVESTMENT EXHIBIT

PART 2A - CLAIMS LIABILITY END OF CURRENT YEAR

	1	2	3	4	5	6	7	8	9	10
	Total	Compre- hensive (Hospital & Medical)	Medicare Supplement	Dental Only	Vision Only	Federal Employees Health Benefits Plan	Title XVIII Medicare	Title XIX Medicaid	Other Health	Other Non-Health
1. Reported in Process of Adjustment:										
1.1 Direct	12,930,622	12,889,022	766	40,834						
1.2 Reinsurance assumed										
1.3 Reinsurance ceded										
1.4 Net	12,930,622	12,889,022	766	40,834						
2. Incurred but Unreported:										
2.1 Direct	54,189,589	53,512,549	26,698	215,342				435,000		
2.2 Reinsurance assumed										
2.3 Reinsurance ceded										
2.4 Net	54,189,589	53,512,549	26,698	215,342				435,000		
3. Amounts Withheld from Paid Claims and Capitations:										
3.1 Direct	116,633	116,633								
3.2 Reinsurance assumed										
3.3 Reinsurance ceded										
3.4 Net	116,633	116,633								
4. TOTALS										
4.1 Direct	67,236,844	66,518,204	27,464	256,176				435,000		
4.2 Reinsurance assumed										
4.3 Reinsurance ceded										
4.4 Net	67,236,844	66,518,204	27,464	256,176				435,000		

UNDERWRITING AND INVESTMENT EXHIBIT

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

	Line of Business	Claims Paid During the Year		Claim Reserve and Claim Liability December 31 of Current Year		5	6
		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	Claims Incurred in Prior Years (Columns 1 + 3)	Estimated Claim Reserve and Claim Liability December 31 of Prior Year
1.	Comprehensive (hospital and medical)	56,901,451	569,351,818		66,518,204	56,901,451	51,598,466
2.	Medicare Supplement	10,719	43,788		27,464	10,719	23,679
3.	Dental only	348,702	5,582,011		256,176	348,702	314,263
4.	Vision only						
5.	Federal Employees Health Benefits Plan						
6.	Title XVIII - Medicare						
7.	Title XIX - Medicaid						
8.	Other health	(288,637)	239,847		435,000	(288,637)	10,000
9.	Health subtotal (Lines 1 to 8)	56,972,234	575,217,464		67,236,844	56,972,234	51,946,408
10.	Healthcare receivables (a)	260,387	3,273,805			260,387	6,481,101
11.	Other non-health						
12.	Medical incentive pool and bonus amounts	52,938		13,489	49,628	66,427	12,589
13.	TOTALS (Lines 9 - 10 + 11 + 12)	56,764,785	571,943,659	13,489	67,286,472	56,778,274	45,477,896

(a) Excludes \$.....1,000,000 loans or advances to providers not yet expensed.

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

Grand Total

Section A - Paid Health Claims

Year in Which Losses Were Incurred		Cumulative Net Amounts Paid				
		1 2008	2 2009	3 2010	4 2011	5 2012
1.	Prior	128,921	128,996	129,066	129,076	129,076
2.	2008	407,308	444,659	444,875	444,888	444,888
3.	2009	X X X	400,264	444,537	444,467	444,440
4.	2010	X X X	X X X	451,758	495,017	495,209
5.	2011	X X X	X X X	X X X	493,467	550,326
6.	2012	X X X	X X X	X X X	X X X	578,165

Section B - Incurred Health Claims

Year in Which Losses Were Incurred		Sum of Cumulative Net Amount Paid and Claim Liability, Claim Reserve and Medical Incentive Pool and Bonuses Outstanding at End of Year				
		1 2008	2 2009	3 2010	4 2011	5 2012
1.	Prior	164,599	128,996	129,066	129,076	129,076
2.	2008	450,014	444,760	444,875	444,888	444,888
3.	2009	X X X	444,855	444,115	444,467	444,440
4.	2010	X X X	X X X	495,264	495,017	495,209
5.	2011	X X X	X X X	X X X	545,426	550,326
6.	2012	X X X	X X X	X X X	X X X	645,464

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

Years in Which Premiums were Earned and Claims were Incurred	1	2	3	4	5	6	7	8	9	10
	Premiums Earned	Claims Payments	Claim Adjustment Expense Payments	(Col. 3/2) Percent	Claim and Claim Adjustment Expense Payments (Col. 2 + 3)	(Col. 5/1) Percent	Claims Unpaid	Unpaid Claims Adjustment Expenses	Total Claims and Claims Adjustment Expense Incurred (Col. 5 + 7 + 8)	(Col. 9/1) Percent
1. 2008	512,923	444,888	14,469	3.252	459,357	89.557			459,357	89.557
2. 2009	521,915	444,440	15,606	3.511	460,046	88.146			460,046	88.146
3. 2010	585,768	495,209	17,283	3.490	512,492	87.491			512,492	87.491
4. 2011	644,265	550,326	17,809	3.236	568,135	88.183			568,135	88.183
5. 2012	722,245	578,165	19,948	3.450	598,113	82.813	67,299	1,783	667,195	92.378

12 Total

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

Hospital and Medical
Section A - Paid Health Claims

Year in Which Losses Were Incurred		Cumulative Net Amounts Paid				
		1 2008	2 2009	3 2010	4 2011	5 2012
1.	Prior	128,834	128,909	128,979	128,989	128,989
2.	2008	403,039	440,190	440,405	440,418	440,418
3.	2009	X X X	395,305	438,898	438,828	438,801
4.	2010	X X X	X X X	444,246	486,906	487,098
5.	2011	X X X	X X X	X X X	487,494	544,283
6.	2012	X X X	X X X	X X X	X X X	572,299

Section B - Incurred Health Claims

Year in Which Losses Were Incurred		Sum of Cumulative Net Amount Paid and Claim Liability, Claim Reserve and Medical Incentive Pool and Bonuses Outstanding at End of Year				
		1 2008	2 2009	3 2010	4 2011	5 2012
1.	Prior	164,065	128,909	128,979	128,989	128,989
2.	2008	445,518	440,291	440,405	440,418	440,418
3.	2009	X X X	439,236	438,977	438,828	438,801
4.	2010	X X X	X X X	486,658	486,906	487,098
5.	2011	X X X	X X X	X X X	539,105	544,283
6.	2012	X X X	X X X	X X X	X X X	638,880

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

Years in Which Premiums were Earned and Claims were Incurred		1 Premiums Earned	2 Claims Payments	3 Claim Adjustment Expense Payments	4 (Col. 3/2) Percent	5 Claim and Claim Adjustment Expense Payments (Col. 2 + 3)	6 (Col. 5/1) Percent	7 Claims Unpaid	8 Unpaid Claims Adjustment Expenses	9 Total Claims and Claims Adjustment Expense Incurred (Col. 5 + 7 + 8)	10 (Col. 9/1) Percent
1.	2008	508,130	440,418	14,333	3.254	454,751	89.495			454,751	89.495
2.	2009	515,347	438,801	15,408	3.511	454,209	88.136			454,209	88.136
3.	2010	576,237	487,098	17,000	3.490	504,098	87.481			504,098	87.481
4.	2011	636,687	544,283	17,518	3.219	561,801	88.238			561,801	88.238
5.	2012	714,654	572,299	19,824	3.464	592,123	82.855	66,581	1,765	660,469	92.418

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

Medicare Supplement
Section A - Paid Health Claims

Year in Which Losses Were Incurred	Cumulative Net Amounts Paid				
	1 2008	2 2009	3 2010	4 2011	5 2012
1. Prior	(276)	(276)	(276)	(276)	(276)
2. 2008	66	88	88	88	88
3. 2009	X X X	67	88	88	88
4. 2010	X X X	X X X	46	55	55
5. 2011	X X X	X X X	X X X	56	66
6. 2012	X X X	X X X	X X X	X X X	44

Section B - Incurred Health Claims

Year in Which Losses Were Incurred	Sum of Cumulative Net Amount Paid and Claim Liability, Claim Reserve and Medical Incentive Pool and Bonuses Outstanding at End of Year				
	1 2008	2 2009	3 2010	4 2011	5 2012
1. Prior	(162)	(276)	(276)	(276)	(276)
2. 2008	75	88	88	88	88
3. 2009	X X X	89	88	88	88
4. 2010	X X X	X X X	63	55	55
5. 2011	X X X	X X X	X X X	80	66
6. 2012	X X X	X X X	X X X	X X X	71

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

Years in Which Premiums were Earned and Claims were Incurred	1 Premiums Earned	2 Claims Payments	3 Claim Adjustment Expense Payments	4 (Col. 3/2) Percent	5 Claim and Claim Adjustment Expense Payments (Col. 2 + 3)	6 (Col. 5/1) Percent	7 Claims Unpaid	8 Unpaid Claims Adjustment Expenses	9 Total Claims and Claims Adjustment Expense Incurred (Col. 5 + 7 + 8)	10 (Col. 9/1) Percent
1. 2008	199	88	3	3.409	91	45.729			91	45.729
2. 2009	176	88	3	3.409	91	51.705			91	51.705
3. 2010	151	55	3	5.049	58	38.263			58	38.263
4. 2011	138	66	5	7.190	71	51.265			71	51.265
5. 2012	106	44	2	5.631	46	43.847	27		73	69.319

12 Medicare Supplement

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

Dental Only

Section A - Paid Health Claims

Year in Which Losses Were Incurred	Cumulative Net Amounts Paid				
	1 2008	2 2009	3 2010	4 2011	5 2012
1. Prior	288	288	288	288	288
2. 2008	3,929	4,107	4,108	4,108	4,108
3. 2009	X X X	4,817	5,476	5,476	5,476
4. 2010	X X X	X X X	7,196	7,628	7,628
5. 2011	X X X	X X X	X X X	5,852	6,201
6. 2012	X X X	X X X	X X X	X X X	5,582

Section B - Incurred Health Claims

Year in Which Losses Were Incurred	Sum of Cumulative Net Amount Paid and Claim Liability, Claim Reserve and Medical Incentive Pool and Bonuses Outstanding at End of Year				
	1 2008	2 2009	3 2010	4 2011	5 2012
1. Prior	610	288	288	288	288
2. 2008	4,097	4,107	4,108	4,108	4,108
3. 2009	X X X	5,454	4,975	5,476	5,476
4. 2010	X X X	X X X	8,122	7,628	7,628
5. 2011	X X X	X X X	X X X	6,166	6,201
6. 2012	X X X	X X X	X X X	X X X	5,838

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

Years in Which Premiums were Earned and Claims were Incurred	1 Premiums Earned	2 Claims Payments	3 Claim Adjustment Expense Payments	4 (Col. 3/2) Percent	5 Claim and Claim Adjustment Expense Payments (Col. 2 + 3)	6 (Col. 5/1) Percent	7 Claims Unpaid	8 Unpaid Claims Adjustment Expenses	9 Total Claims and Claims Adjustment Expense Incurred (Col. 5 + 7 + 8)	10 (Col. 9/1) Percent
1. 2008	4,422	4,108	125	3.043	4,233	95.726			4,233	95.726
2. 2009	6,187	5,476	192	3.506	5,668	91.611			5,668	91.611
3. 2010	8,822	7,628	262	3.434	7,890	89.435			7,890	89.435
4. 2011	6,633	6,201	175	2.827	6,376	96.130			6,376	96.130
5. 2012	6,260	5,582	179	3.203	5,761	92.026	256	15	6,032	96.355

12 Dental Only

- 12 Underwriting Invest Exh Pt 2C Sn A - Paid Claims - Vision Only NONE

- 12 Underwriting Invest Exh Pt 2C Sn B - Incur. Claims - Vision Only NONE

- 12 Underwriting Invest Exh Pt 2C Sn C - Expns Ratios - Vision Only NONE

- 12 Underwriting Invest Exh Pt 2C Sn A - Paid Claims - Fed Emp HBPP NONE

- 12 Underwriting Invest Exh Pt 2C Sn B - Incur. Claims - Fed Emp HBPP NONE

- 12 Underwriting Invest Exh Pt 2C Sn C - Expns Ratios - Fed Emp HBPP NONE

- 12 Underwriting Invest Exh Pt 2C Sn A - Paid Claims - Title XVIII-Medicare NONE

- 12 Underwriting Invest Exh Pt 2C Sn B - Incur. Claims - Title XVIII-Medicare NONE

- 12 Underwriting Invest Exh Pt 2C Sn C - Expns Ratios - Title XVIII-Medicare NONE

- 12 Underwriting Invest Exh Pt 2C Sn A - Paid Claims - Title XIX-Medicaid NONE

- 12 Underwriting Invest Exh Pt 2C Sn B - Incur. Claims - Title XIX-Medicaid NONE

- 12 Underwriting Invest Exh Pt 2C Sn C - Expns Ratios - Title XIX-Medicaid NONE

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

Other

Section A - Paid Health Claims

Year in Which Losses Were Incurred		Cumulative Net Amounts Paid				
		1 2008	2 2009	3 2010	4 2011	5 2012
1.	Prior	75	75	75	75	75
2.	2008	274	274	274	274	274
3.	2009	X X X	75	75	75	75
4.	2010	X X X	X X X	270	428	428
5.	2011	X X X	X X X	X X X	65	(224)
6.	2012	X X X	X X X	X X X	X X X	240

Section B - Incurred Health Claims

Year in Which Losses Were Incurred		Sum of Cumulative Net Amount Paid and Claim Liability, Claim Reserve and Medical Incentive Pool and Bonuses Outstanding at End of Year				
		1 2008	2 2009	3 2010	4 2011	5 2012
1.	Prior	86	75	75	75	75
2.	2008	324	274	274	274	274
3.	2009	X X X	76	75	75	75
4.	2010	X X X	X X X	421	428	428
5.	2011	X X X	X X X	X X X	75	(224)
6.	2012	X X X	X X X	X X X	X X X	675

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

Years in Which Premiums were Earned and Claims were Incurred	1	2	3	4	5	6	7	8	9	10
	Premiums Earned	Claims Payments	Claim Adjustment Expense Payments	(Col. 3/2) Percent	Claim and Claim Adjustment Expense Payments (Col. 2 + 3)	(Col. 5/1) Percent	Claims Unpaid	Unpaid Claims Adjustment Expenses	Total Claims and Claims Adjustment Expense Incurred (Col. 5 + 7 + 8)	(Col. 9/1) Percent
1. 2008	172	274	8	2.920	282	163.953			282	163.953
2. 2009	205	75	3	4.000	78	38.049			78	38.049
3. 2010	558	428	18	4.253	446	79.964			446	79.964
4. 2011	807	(224)	111	(49.422)	(113)	(14.039)			(113)	(14.039)
5. 2012	1,225	240	(57)	(23.712)	183	14.946	435	3	621	50.701

12 Other

UNDERWRITING AND INVESTMENT EXHIBIT

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

	1	2	3	4	5	6	7	8	9
	Total	Compre- hensive (Hospital & Medical)	Medicare Supplement	Dental Only	Vision Only	Federal Employees Health Benefits Plan	Title XVIII Medicare	Title XIX Medicaid	Other
1. Unearned premium reserves									
2. Additional policy reserves (a)									
3. Reserve for future contingent benefits									
4. Reserve for rate credits or experience rating refunds (including \$.....0 for investment income)	2,789,265	2,789,265							
5. Aggregate write-ins for other policy reserves									
6. TOTALS (Gross)	2,789,265	2,789,265							
7. Reinsurance ceded									
8. TOTALS (Net) (Page 3, Line 4)	2,789,265	2,789,265							
9. Present value of amounts not yet due on claims									
10. Reserve for future contingent benefits									
11. Aggregate write-ins for other claim reserves									
12. TOTALS (Gross)									
13. Reinsurance ceded									
14. TOTALS (Net) (Page 3, Line 7)									
DETAILS OF WRITE-INS									
0501.									
0502.									
0503.									
0598. Summary of remaining write-ins for Line 5 from overflow page									
0599. TOTALS (Lines 0501 through 0503 plus 0598) (Line 5 above)									
1101.									
1102.									
1103.									
1198. Summary of remaining write-ins for Line 11 from overflow page									
1199. TOTALS (Lines 1101 through 1103 plus 1198) (Line 11 above)									

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

UNDERWRITING AND INVESTMENT EXHIBIT

PART 3 - ANALYSIS OF EXPENSES

	Claim Adjustment Expenses		3 General Administrative Expenses	4 Investment Expenses	5 Total
	1 Cost Containment Expenses	2 Other Claim Adjustment Expenses			
1. Rent (\$.....1,334,880 for occupancy of own building)	331,945	331,945	1,625,388		2,289,278
2. Salaries, wages and other benefits	4,648,984	9,028,447	22,573,799		36,251,230
3. Commissions (less \$.....0 ceded plus \$.....0 assumed)			21,074,947		21,074,947
4. Legal fees and expenses			191,526		191,526
5. Certifications and accreditation fees					
6. Auditing, actuarial and other consulting services			2,658,699		2,658,699
7. Traveling expenses	50,159	105,150	730,803		886,112
8. Marketing and advertising			2,820,383		2,820,383
9. Postage, express and telephone	3,486	667,457	1,234,525		1,905,468
10. Printing and office supplies	69,325	491,655	1,155,552		1,716,532
11. Occupancy, depreciation and amortization	112,092	112,092	548,863		773,047
12. Equipment	16,772	16,922	82,122		115,816
13. Cost or depreciation of EDP equipment and software	1,850,395	1,849,463	8,766,896		12,466,754
14. Outsourced services including EDP, claims, and other services	2,093,994	424,877	6,670,782		9,189,653
15. Boards, bureaus and association fees			217,566		217,566
16. Insurance, except on real estate	72,606	72,606	355,521		500,733
17. Collection and bank service charges				209,594	209,594
18. Group service and administration fees					
19. Reimbursements by uninsured plans			(1,205,538)		(1,205,538)
20. Reimbursements from fiscal intermediaries					
21. Real estate expenses	29,498	29,498	144,441		203,437
22. Real estate taxes			210,342		210,342
23. Taxes, licenses and fees:					
23.1 State and local insurance taxes			110,989		110,989
23.2 State premium taxes			7,420,185		7,420,185
23.3 Regulatory authority licenses and fees			33,919		33,919
23.4 Payroll taxes	323,220	692,091	3,633,939		4,649,250
23.5 Other (excluding federal income and real estate taxes)	3,194	90	282,278		285,562
24. Investment expenses not included elsewhere				349,353	349,353
25. Aggregate write-ins for expenses					
26. TOTAL Expenses Incurred (Lines 1 to 25)	9,605,670	13,822,293	81,337,927	558,947	(a) 105,324,837
27. Less expenses unpaid December 31, current year		1,783,713	9,601,288		11,385,001
28. Add expenses unpaid December 31, prior year		1,550,816	8,144,221		9,695,037
29. Amounts receivable relating to uninsured plans, prior year			1,228		1,228
30. Amounts receivable relating to uninsured plans, current year			5,820		5,820
31. TOTAL Expenses Paid (Lines 26 minus 27 plus 28 minus 29 plus 30)	9,605,670	13,589,396	79,885,452	558,947	103,639,465
DETAILS OF WRITE-INS					
2501.					
2502.					
2503.					
2598. Summary of remaining write-ins for Line 25 from overflow page					
2599. TOTALS (Lines 2501 through 2503 plus 2598) (Line 25 above)					

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

EXHIBIT OF NET INVESTMENT INCOME

		1 Collected During Year	2 Earned During Year
1.	U.S. Government bonds	(a) 32,590	31,966
1.1	Bonds exempt from U.S. tax	(a)	
1.2	Other bonds (unaffiliated)	(a) 3,785,868	3,709,176
1.3	Bonds of affiliates	(a)	
2.1	Preferred stocks (unaffiliated)	(b) 2,083	2,083
2.11	Preferred stocks of affiliates	(b)	
2.2	Common stocks (unaffiliated)	932,056	932,302
2.21	Common stocks of affiliates		
3.	Mortgage loans	(c)	
4.	Real estate	(d) 1,334,880	1,334,880
5.	Contract loans		
6.	Cash, cash equivalents and short-term investments	(e) 10,797	9,380
7.	Derivative instruments	(f)	
8.	Other invested assets	64,418	64,418
9.	Aggregate write-ins for investment income		
10.	Total gross investment income	6,162,692	6,084,205
11.	Investment expenses		(g) 558,947
12.	Investment taxes, licenses and fees, excluding federal income taxes		(g)
13.	Interest expense		(h) 92,392
14.	Depreciation on real estate and other invested assets		(i) 277,367
15.	Aggregate write-ins for deductions from investment income		
16.	Total deductions (Lines 11 through 15)		928,706
17.	Net Investment income (Line 10 minus Line 16)		5,155,499

DETAILS OF WRITE-INS

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

- (a) Includes \$.....194,482 accrual of discount less \$.....497,248 amortization of premium and less \$.....226,400 paid for accrued interest on purchases.
(b) Includes \$.....0 accrual of discount less \$.....0 amortization of premium and less \$.....0 paid for accrued dividends on purchases.
(c) Includes \$.....0 accrual of discount less \$.....0 amortization of premium and less \$.....0 paid for accrued interest on purchases.
(d) Includes \$.....1,334,880 for company's occupancy of its own buildings; and excludes \$.....0 interest on encumbrances.
(e) Includes \$.....0 accrual of discount less \$.....0 amortization of premium and less \$.....0 paid for accrued interest on purchases.
(f) Includes \$.....0 accrual of discount less \$.....0 amortization of premium.
(g) Includes \$.....0 investment expenses and \$.....0 investment taxes, licenses and fees, excluding federal income taxes, attributable to segregated and Separate Accounts.
(h) Includes \$.....0 interest on surplus notes and \$.....0 interest on capital notes.
(i) Includes \$.....277,367 depreciation on real estate and \$.....0 depreciation on other invested assets.

EXHIBIT OF CAPITAL GAINS (LOSSES)

		1 Realized Gain (Loss) on Sales or Maturity	2 Other Realized Adjustments	3 Total Realized Capital Gain (Loss) (Columns 1 + 2)	4 Change in Unrealized Capital Gain (Loss)	5 Change in Unrealized Foreign Exchange Capital Gain (Loss)
1.	U.S. Government bonds	(15,892)		(15,892)		
1.1	Bonds exempt from U.S. tax					
1.2	Other bonds (unaffiliated)	3,437,464		3,437,464	(11,327)	
1.3	Bonds of affiliates					
2.1	Preferred stocks (unaffiliated)	20,868		20,868		
2.11	Preferred stocks of affiliates					
2.2	Common stocks (unaffiliated)	107,710		107,710	3,573,273	
2.21	Common stocks of affiliates				(2,033,857)	
3.	Mortgage loans					
4.	Real estate					
5.	Contract loans					
6.	Cash, cash equivalents and short-term investments					
7.	Derivative instruments					
8.	Other invested assets				(336,827)	
9.	Aggregate write-ins for capital gains (losses)					
10.	Total capital gains (losses)	3,550,150		3,550,150	1,191,262	

DETAILS OF WRITE-INS

0901.					
0902.					
0903.					
0998.	Summary of remaining write-ins for Line 9 from overflow page				
0999.	TOTALS (Lines 0901 through 0903 plus 0998) (Line 9, above)				

EXHIBIT OF NONADMITTED ASSETS

	1	2	3
	Current Year Total Nonadmitted Assets	Prior Year Total Nonadmitted Assets	Change in Total Nonadmitted Assets (Col. 2 - Col. 1)
1. Bonds (Schedule D)			
2. Stocks (Schedule D):			
2.1 Preferred stocks			
2.2 Common stocks			
3. Mortgage loans on real estate (Schedule B):			
3.1 First liens			
3.2 Other than first liens			
4. Real estate (Schedule A):			
4.1 Properties occupied by the company			
4.2 Properties held for the production of income			
4.3 Properties held for sale			
5. Cash (Schedule E-Part 1), cash equivalents (Schedule E-Part 2) and short-term investments (Schedule DA)			
6. Contract loans			
7. Derivatives (Schedule DB)			
8. Other invested assets (Schedule BA)	112,501	300,000	187,499
9. Receivables for securities			
10. Securities lending reinvested collateral assets (Schedule DL)			
11. Aggregate write-ins for invested assets			
12. Subtotals, cash and invested assets (Lines 1 to 11)	112,501	300,000	187,499
13. Title plants (for Title insurers only)			
14. Invested income due and accrued			
15. Premium and considerations:			
15.1 Uncollected premiums and agents' balances in the course of collection	1,226	5,191	3,966
15.2 Deferred premiums, agents' balances and installments booked but deferred and not yet due			
15.3 Accrued retrospective premiums			
16. Reinsurance:			
16.1 Amounts recoverable from reinsurers			
16.2 Funds held by or deposited with reinsured companies			
16.3 Other amounts receivable under reinsurance contracts			
17. Amounts receivable relating to uninsured plans			
18.1 Current federal and foreign income tax recoverable and interest thereon			
18.2 Net deferred tax asset	9,300,000	4,900,000	(4,400,000)
19. Guaranty funds receivable or on deposit			
20. Electronic data processing equipment and software	15,270,694	20,511,020	5,240,326
21. Furniture and equipment, including health care delivery assets	1,634,707	1,682,786	48,079
22. Net adjustment in assets and liabilities due to foreign exchange rates			
23. Receivables from parent, subsidiaries and affiliates			
24. Health care and other amounts receivable	2,810,399	5,532,558	2,722,159
25. Aggregate write-ins for other than invested assets	10,817,736	11,001,157	183,421
26. Total assets excluding Separate Accounts, Segregated Accounts and Protected Cell Accounts (Lines 12 to 25)	39,947,262	43,932,712	3,985,450
27. From Separate Accounts, Segregated Accounts and Protected Cell Accounts			
28. Total (Lines 26 and 27)	39,947,262	43,932,712	3,985,450
DETAILS OF WRITE-INS			
1101.			
1102.			
1103.			
1198. Summary of remaining write-ins for Line 11 from overflow page			
1199. TOTALS (Lines 1101 through 1103 plus 1198) (Line 11 above)			
2501. Inangible Assets	7,886,404	7,831,070	(55,334)
2502. Automobiles	94,074	126,418	32,344
2503. Prepaid Expenses	2,837,258	3,043,669	206,411
2598. Summary of remaining write-ins for Line 25 from overflow page			
2599. TOTALS (Lines 2501 through 2503 plus 2598) (Line 25 above)	10,817,736	11,001,157	183,421

EXHIBIT 1 - ENROLLMENT BY PRODUCT TYPE FOR HEALTH BUSINESS ONLY

Source of Enrollment	Total Members at End of					6 Current Year Member Months
	1 Prior Year	2 First Quarter	3 Second Quarter	4 Third Quarter	5 Current Year	
1. Health Maintenance Organizations						
2. Provider Service Organizations						
3. Preferred Provider Organizations	203,612	216,231	218,941	219,756	224,418	2,608,224
4. Point of Service						
5. Indemnity Only	65	63	63	70	69	783
6. Aggregate write-ins for other lines of business						
7. TOTAL	203,677	216,294	219,004	219,826	224,487	2,609,007
DETAILS OF WRITE-INS						
0601.						
0602.						
0603.						
0698. Summary of remaining write-ins for Line 6 from overflow page						
0699. TOTALS (Lines 0601 through 0603 plus 0698) (Line 6 above)						

Notes to Financial Statements

1. Summary of Significant Accounting Policies

A. Accounting Practices

The accompanying financial statements of PacificSource Health Plans (the “Company” or “PacificSource”) have been prepared in conformity with accounting practices prescribed or permitted by the state of Oregon for determining and reporting the financial conditions and results of operations of an insurance company for determining its solvency under Oregon Insurance law. The National Association of Insurance Commissioners (“NAIC”) Accounting Practices and Procedures Manual, (“NAIC SAP”) has been adopted as a component of prescribed or permitted practices by the state of Oregon.

A reconciliation of the Company’s net income and capital and surplus between NAIC SAP and practices prescribed and permitted by the state of Oregon is shown below:

		<u>State of Domicile</u>	2012	2011
NET INCOME				
(1)	State basis (Page 4, Line 32, Columns 2 & 3)	OR	(25,935,955)	10,919,668
(2)	State Prescribed Practices that increase/(decrease) NAIC SAP:			
(201)				
(299)	Total		0	0
(3)	State Permitted Practices that increase/(decrease) NAIC SAP:			
(301)				
(399)	Total		0	0
(4)	NAIC SAP (1-2-3=4)		(25,935,955)	10,919,668
SURPLUS				
(5)	State basis (Page 3, Line 33, Columns 3 & 4)	OR	109,776,825	125,718,050
(6)	State Prescribed Practices that increase/(decrease) NAIC SAP:			
(601)				
(699)	Total		0	0
(7)	State Permitted Practices that increase/(decrease) NAIC SAP:			
(701)				
(799)	Total		0	0
(8)	NAIC SAP (5-6-7=8)		109,776,825	125,718,050

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

The preparation of financial statements in conformity with Statutory Accounting Principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities. It also requires disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the period. Actual results could differ from those estimates.

C. Accounting Policy

(1) Short-term investments are stated at amortized cost.

(2) Bonds are stated at amortized cost using the scientific interest method.

(3) Common stock is stated at market value except that investment in stocks of uncombined subsidiaries and affiliates in which PacificSource has an interest of 20% or more are carried on the equity basis.

(4) The Company had no preferred stock.

(5) The Company had no mortgage loans.

Notes to Financial Statements

(6) Loan-backed securities designated with a NAIC 1 or 2 are reported at amortized cost. Loan-backed securities with NAIC designations of 3 through 6 are reported at the lower of amortized cost or fair value.

(7) The Company carries the investment in PacificSource Community Health Plans, Inc. (PCHP) at statutory equity. The Company carries its non-insurance company subsidiaries, controlled and affiliated companies at GAAP equity in accordance with statutory accounting principles.

(8) The Company carries investments in joint ventures, partnership, and limited liability companies based on the underlying GAAP equity of the investee.

(9) The Company had no derivatives.

(10) The Company does not utilize anticipated investment income as a factor in the premium deficiency calculation.

(11) Unpaid losses and loss adjustment expenses include amounts determined from claims estimates and loss reports and an amount, based on past experience, for losses incurred but not reported. Such liabilities are necessarily based on assumptions and estimates and while management believes the amount is adequate, the ultimate liability may be in excess of or less than the amount provided. The methods for making such estimates and for establishing the resulting liability are continually reviewed and any adjustments are reflected in the period determined.

(12) The Company's capitalization policy has not changed.

(13) The Company's pharmaceutical rebate receivables are estimated based on a historical percentage of gross pharmaceutical claims methodology.

2. Accounting Changes and Corrections of Errors

None

3. Business Combinations and Goodwill

- A. Statutory Purchase Method - None
- B. Statutory Merger - None
- C. Assumption Reinsurance – None
- D. Impairment Loss – None

4. Discontinued Operations

None

5. Investments

- A. Mortgage Loans, including Mezzanine Real Estate Loans - None
- B. Debt Restructuring - None
- C. Reverse Mortgages - None
- D. Loan-Backed Securities

(1) Prepayment assumptions for single class and multi-class mortgage-backed/asset-backed securities were obtained from third party data source.

(2) There are no other-than-temporary impairments on any Loan-Backed Securities.

(3) There are no other-than-temporary impairments on any Loan-Backed Securities.

Notes to Financial Statements

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

a. The aggregate amount of unrealized losses:

1.	Less than 12 months	\$(24,002)
2.	12 Months or Longer	\$(342)

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

1.	Less than 12 months	\$426,030
2.	12 Months or Longer	\$124,111

(5) There are no impaired securities for which an other-than-temporary impairment was not recognized in earnings as a realized loss.

E. Repurchase Agreements and/or Securities Lending Transactions – None

F. Real Estate – None

G. Low-income housing tax credits (LIHTC) – None

6. Joint Ventures, Partnerships and Limited Liability Companies

A. The Company does not have any Joint Ventures, Partnerships and Limited Liability Companies that exceed 10% of the admitted assets.

B. The Company does not have any impaired Joint Ventures, Partnerships and Limited Liability Companies.

7. Investment Income

A. All investment income due and accrued with amounts that are over 90 days past due with the exception of mortgage loans in default are excluded from surplus.

B. The Company had no investment income due and accrued excluded from surplus.

8. Derivative Instruments

None

9. Income Taxes

A. The components of the net deferred tax asset/(liability) at December 31 are as follows:

1.

	Description	12/31/2012			12/31/2011			Change		
		1 Ordinary	2 Capital	3 (Col. 1 + 2) Total	4 Ordinary	5 Capital	6 (Col. 4 + 5) Total	7 (Col. 1 – 4) Ordinary	8 (Col. 2 – 5) Capital	9 (Col. 7 + 8) Total
a.	Gross Deferred Tax Assets	\$17,000,000	\$1,300,000	\$18,300,000	\$8,600,000	\$2,300,000	\$10,900,000	\$8,400,000	\$(1,000,000)	\$7,400,000
b.	Statutory Valuation Allowance Adjustments							\$-	\$-	\$-
c.	Adjusted Gross Deferred Tax Assets (1a – 1b)	\$17,000,000	\$1,300,000	\$18,300,000	\$8,600,000	\$2,300,000	\$10,900,000	\$8,400,000	\$(1,000,000)	\$7,400,000
d.	Deferred Tax Assets Non-admitted	\$9,200,000	100,000	\$9,300,000	1,500,000	2,300,000	\$3,800,000	\$7,700,000	\$(2,200,000)	\$5,500,000
e.	Subtotal Net Admitted Deferred Tax Asset (1e – 1d)	\$7,800,000	1,200,000	\$9,000,000	\$7,100,000		\$7,100,000	\$700,000	\$1,200,000	\$1,900,000
f.	Deferred Tax Liabilities	\$2,600,000	\$800,000	\$3,400,000	\$100,000	-	\$100,000	\$2,500,000	\$800,000	\$3,300,000
g.	Net Admitted Deferred Tax Asset/(Net Deferred Tax Liability) (1e – 1f)	\$5,200,000	\$400,000	\$5,600,000	\$7,000,000	\$-	\$7,000,000	\$(1,800,000)	\$400,000	\$(1,400,000)

Notes to Financial Statements

2.

	Description	12/31/2012			12/31/2011			Change		
		1 Ordinary	2 Capital	3 (Col. 1 + 2) Total	4 Ordinary	5 Capital	6 (Col. 4 + 5) Total	7 (Col. 1 - 4) Ordinary	8 (Col. 2 - 5) Capital	9 (Col. 7 + 8) Total
a.	Federal Income Taxes Paid In Prior Years Recoverable Through Loss Carrybacks	\$2,400,000	\$200,000	\$2,600,000	\$2,700,000		\$2,700,000	\$(300,000)	\$200,000	\$(100,000)
b.	Adjusted Gross Deferred Tax Assets Expected To Be Realized (Excluding The Amount Of Deferred Tax Assets From 2a Above) After Application of the Threshold Limitation (The Lesser of 2b1 and 2b2 below)	\$2,800,000	\$200,000	\$3,000,000	\$4,300,000		\$4,300,000	\$(1,500,000)	\$200,000	\$(1,300,000)
b1.	Adjusted Gross Deferred Tax Assets Expected to be Realized Following the Balance Sheet Date	\$2,800,000	\$200,000	\$3,000,000	\$4,300,000		\$4,300,000	\$(1,500,000)	\$200,000	\$(1,300,000)
b2.	Adjusted Gross Deferred Tax Assets Allowed per Limitation Threshold	XXX	XXX		XXX	XXX		XXX	XXX	
c.	Adjusted Gross Deferred Tax Assets (Excluding The Amount Of Deferred Tax Assets From 2a and 2b Above) Offset by Gross Deferred Tax Liabilities	\$2,600,000	\$800,000	\$3,400,000	\$ 100,000		\$100,000	\$2,500,000	\$800,000	\$3,300,000
d.	Deferred Tax Assets Admitted as the result of application of SSAP No. 101 Total (2a + 2b - 2c)	\$7,800,000	\$1,200,000	\$9,000,000	\$7,100,000		\$7,100,000	\$700,000	\$1,200,000	\$1,900,000

3.

	Description	2012	2011
a.	Ratio Percentage Used To Determine Recovery Period And Threshold Limitation Amount	283%	391%
b.	Amount Of Adjusted Capital And Surplus Used To Determine Recovery Period And Threshold Limitation in 2(b)2 Above	\$100,613,830	\$116,956,773

4.

	Description	12/31/2012			12/31/2011			Change		
		1 Ordinary Percent	2 Capital Percent	3 (Col. 1 + 2) Total Percent	4 Ordinary Percent	5 Capital Percent	6 (Col. 4 + 5) Total Percent	7 (Col. 1 - 4) Ordinary Percent	8 (Col. 2 - 5) Capital Percent	9 (Col. 7 + 8) Total Percent
Impact of Tax Planning Strategies										
a.	Adjusted Gross DTAs (% of Total Adjusted Gross DTAs)	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
b.	Net Admitted Adjusted Gross DTAs (% of Total Net Admitted Adjusted Gross DTAs)	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
c.	Does the Company's tax-planning strategies include the use of reinsurance? (Yes / No)	Nn								

B. Regarding deferred tax liabilities that are not recognized: Not Applicable

Notes to Financial Statements

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

	Description	1 12/31/2012	2 12/31/2011	3 (Col. 1 – 2) Change
1.	Current Income Tax			
a.	Federal	\$(882,881)	\$2,947,185	\$(3,830,066)
b.	Foreign			
c.	Subtotal	\$(882,881)	\$2,947,185	\$(3,830,066)
d.	Federal income tax on net capital gains	\$700,000		
e.	Utilization of capital loss carry-forwards			
f.	Other			
g.	Federal and foreign income taxes incurred	\$(182,881)	\$2,947,185	\$(3,830,066)
2.	Deferred Tax Assets:			
a.	Ordinary			
1.	Discounting of unpaid losses	\$300,000	300,000	
2.	Unearned premium reserve			
3.	Policyholder reserves			
4.	Investments			
5.	Deferred acquisition costs			
6.	Policyholder dividends accrual			
7.	Fixed assets	\$2,200,000	1,800,000	\$400,000
8.	Compensation and benefits accrual	\$800,000	1,000,000	\$(200,000)
9.	Pension accrual	\$3,500,000	900,000	\$2,600,000
10.	Receivables – nonadmitted	\$1,000,000	1,500,000	\$(500,000)
11.	Net operating loss carry-forward	\$2,500,000		\$2,500,000
12.	Tax credit carry-forward	\$4,900,000	1,600,000	\$3,300,000
13.	Other (including items < 5% of total ordinary tax assets)	\$1,800,000	1,500,000	300,000
99.	Subtotal	\$17,000,000	\$8,600,000	\$8,400,000
b.	Statutory valuation allowance adjustment			
c.	Nonadmitted	\$9,200,000	\$1,500,000	\$7,700,000
d.	Admitted ordinary deferred tax assets (2a99 – 2b – 2c)	\$7,800,000	\$7,100,000	\$700,000
e.	Capital:			
1.	Investments	\$1,300,000	2,100,000	\$(800,000)
2.	Net capital loss carry-forward		200,000	\$(200,000)
3.	Real estate			
4.	Other (including items < 5% of total capital tax assets)			
99.	Subtotal	\$1,300,000	\$2,300,000	\$(1,000,000)
f.	Statutory valuation allowance adjustment			
g.	Nonadmitted	\$100,000	\$2,300,000	\$(2,200,000)
h.	Admitted capital deferred tax assets (2e99 – 2f – 2g)	\$1,200,000		\$1,200,000
i.	Admitted deferred tax assets (2d + 2h)	\$9,000,000	\$7,100,000	\$1,900,000
3.	Deferred Tax Liabilities:			
a.	Ordinary			
1.	Investments			
2.	Fixed assets			
3.	Deferred and uncollected premium			
4.	Policyholder reserves			
5.	Other (including items < 5% of total ordinary tax liabilities)	\$2,600,000	\$100,000	\$2,500,000
99.	Subtotal	\$2,600,000	\$100,000	\$2,500,000
b.	Capital:			
1.	Investments	\$800,000		\$800,000
2.	Real estate			
3.	Other (including items < 5% of total capital tax liabilities)			
99.	Subtotal	\$800,000		\$800,000
c.	Deferred tax liabilities (3a99 + 3b99)	\$3,400,000	\$100,000	\$3,300,000
4.	Net deferred tax assets/liabilities (2i – 3c)	\$5,600,000	\$7,000,000	\$(1,400,000)

D. There is no significant difference in the provision for federal income taxes from that which would be obtained by applying the statutory federal income tax rate to income before income taxes.

Notes to Financial Statements

E. Operating Loss and Tax Credit Carryforwards and Protective Tax Deposits

(1)	NOL Carryovers	
a	NO NOL Carryover	\$7,300,000
b	Charitable contribution carryover is	3,200,000
c	AMT credit carryover is	4,900,000
d	Capital loss Carryover	0
(2)	Income tax available for recoupment in future years	\$2,920,007
(3)	Deposits admitted under Sec 6603 of IRC	\$0

F. Consolidated Federal Income Tax Return

- (1) The Company's federal income tax return is consolidated with the following entities: PacificSource Administrators, Inc. (PSA), Primary Health, Inc (PHI), PacificSource Community Solutions, Inc. (PCS), Primary Health, Inc.(PHI) and PacificSource Community Health Plans, Inc. (PCHP).
- (2) The Company will file a consolidated return with the entities noted above. The allocation methodology applies the projected consolidated group income tax rate to the entities based on Net Income Before Taxes.

G. Federal or Foreign Federal Income Tax Loss Contingencies

The Company does not have any tax loss contingencies for which it is reasonably possible that the total liability will significantly increase within twelve months of the reporting date.

10. Information Concerning Parent, Subsidiaries, Affiliates and Other Related Parties

A, B, & C

PacificSource owns 100% of the stock of three subsidiary corporations. These entities are PacificSource Administrators, Inc (PSA), Primary Health, Inc (PHI), and PacificSource Community Health Plans, Inc. (PCHP).

On November 30, 2011, PacificSource sold its 100% ownership interest in Trusteed Plans Services Corporation (TPSC). The sale was for \$1 million in cash and \$300,000 in Notes Receivable, for a total sale price of \$1.3 million.

The Company provides a range of management and administrative services to PSA through an administrative serves agreement (ASA). Total PSA expenses recognized through the ASA was \$3,685,923 during 2012 and \$4,287,600 during 2011.

The Company provides a range of management and administrative services to PCHP through an ASA. Total PCHP expenses recognized through the ASA was \$11,633,544 during 2012 and \$10,349,100 during 2011.

The Company provides a range of management and administrative services to Idaho Physicians Network, Inc. (IPN), a corporation 60% owned by PHI, through an ASA. Total IPN expenses recognized through the ASA was \$2,565,300 during 2012 and \$2,478,522 during 2011.

D. Amounts Due from or to Related Parties –

	12/31/2012	12/31/2011
Amounts Due to Affiliates:		
Primary Health, Inc		\$61,605
PacificSource Administrators, Inc		\$802,674
Amounts Due from Affiliates:		
Idaho Physicians Network, Inc.	\$359,436	\$194,994
PacificSource Administrators, Inc	\$738,217	
Primary Health, Inc	\$54,545	
PacificSource Community Health Plans, Inc.	\$1,046,109	\$978,847

PCHP issued a \$20,000,000 promissory note to the Company on October 25, 2010 with a 5 year term and 2.7% interest rate. The Company paid back the remaining balance of \$1,837,838 principal of the note and \$9,736 interest on the note in 2012. Total interest incurred on the Note in 2012 was \$8,270.

E. Guarantees - PacificSource guarantees to PSA a note payable with a 15 year amortization schedule, which had a balance of \$1,084,642 and \$1,249,862 at December 31, 2012 and 2011, respectively.

F. Material management contracts – See note a – c above for administrative services contracts that exist between PacificSource and subsidiary entities.

Notes to Financial Statements

G. Common Control - The Company owns 100% of the outstanding shares of PacificSource Community Health Plans, Inc., an Oregon domiciled stock insurance company and its wholly owned subsidiaries PacificSource Community Solutions, Inc., Clear One Life and Health, LLC, and Clear Choice Properties, LLC. In addition, the Company owns 100% of the shares of PSA and PHI. PHI owns 60% of the outstanding shares of IPN; an Idaho based for-profit non-insurance entity.

To the best of our knowledge, the existence of the control relationship and the related company transactions have not resulted in the operating results or the financial position of the reporting entity being significantly different from those that would have been obtained if the entities were autonomous.

H. Deductions in Value - There have been no deductions in value between affiliated companies.

I. SCA that exceed 10% of Admitted Assets - The investment in PCHP exceeds 10% of net admitted assets.

1. PacificSource owns 100% of the investment in PCHP, a US insurance corporation domiciled in Oregon. In accordance with SSAP No. 97 Section 8.b.ii, the investment is recorded based on the US statutory equity of the investee.

2. There is no quoted market price available for the investment in PCHP.

3. PCHP has total assets and liabilities of \$70,426,166 and \$26,417,247 respectively. Total equity in the entity is approximately \$44,008,919. Net loss for 2012 was \$(4,113,176).

4. None

5. None

J. Impaired SCAs - The Company did not recognize any impairment write down for its investments in Subsidiary, Controlled, or Affiliated Companies during the statement period.

K. Foreign Subsidiary - None

L. Downstream Noninsurance Holding Company - None

11. Debt

A. Debt

(1) The Company entered into a bank revolving line of credit agreement. The credit line is for an amount up to \$40,000,000. The Company has \$8,091,920 liability for borrowed money under this agreement as of December 31, 2012. Interest is computed at 1% above Daily One Month LIBOR. Accordingly, the loan currently accrues interest at an annualized rate of 1.25%. The outstanding principal balance of the loan is collateralized by an investment account held at Wells Capital Management. The outstanding principal balance, if any, of the Note is due and payable in full on August 1, 2013. Total interest expense as of December 31, 2012 is \$84,053.

(2) Effective October 25, 2010, PacificSource entered into a loan with PCHP in the amount of \$20,000,000, with a 5 year term and 2.7% interest rate. The Company paid back the remaining balance of \$1,837,838 principal of the note and \$9,736 interest on the note in 2012. Total interest incurred on the Note in 2012 was 8,270.

B. FHLB (Federal Home Loan Bank) Agreements - None

Notes to Financial Statements

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

A. Defined Benefit Plan

PacificSource sponsors a non-contributory defined benefit pension plan covering U.S. employees. As of December 31, 2012, PacificSource accrued expenses related to the plan in accordance with actuarially determined amounts with an offset to the pension cost accrual for the incremental asset amortization.

A summary of assets, obligations and assumptions of the Pension Plan is as follows at December 31, 2012 and 2011:

	Description	Pension Benefits		Other Benefits	
		2012	2011	2012	2011
1.	Change in benefit obligation				
A.	Benefit obligation at beginning of year	\$30,317,898	\$20,565,252	\$0	\$0
B.	Service cost	\$3,140,174	2,691,623	0	0
C.	Interest cost	\$1,387,128	1,254,709	0	0
D.	Contribution by plan participants		0	0	0
E.	Actuarial gain (loss)	6,538,224	6,162,073	0	0
F.	Foreign currency exchange rate changes		0	0	0
G.	Benefits paid	(1,001,370)	(355,759)	0	0
H.	Plan amendments	(8,090,897)	0	0	0
I.	Business combinations, divestitures, curtailments, settlements and special termination benefits		0	0	0
J.	Benefit obligation at end of year	\$32,291,157	\$30,317,898	\$0	\$0
2.	Change in plan assets				
A.	Fair value of plan assets at beginning of year	\$25,603,787	\$21,450,314	\$0	\$0
B.	Actual return on plan assets	3,043,607	9,232	0	0
C.	Foreign currency exchange rate changes		0	0	0
D.	Employer contribution	2,000,000	4,500,000	0	0
E.	Plan participants' contributions		0	0	0
F.	Benefits paid	(1,001,370)	(308,539)	0	0
G.	Business combinations, divestitures and settlements		(47,220)	0	0
H.	Fair value of plan assets at end of year	\$29,646,024	\$25,603,787	\$0	\$0
3.	Funded status				
A.	Unamortized prior service cost		\$(1,138,447)	\$0	\$0
B.	Unrecognized net gain or (loss)	10,209,471	14,134,946	\$0	\$0
C.	Remaining net obligation or net asset at initial date of application	\$0	\$0	\$0	\$0
D.	Prepaid assets or accrued liabilities	\$7,564,338	\$8,282,388	\$0	\$0
E.	Intangible asset	\$0	\$0	\$0	\$0
4.	Accumulated benefit obligation for vested employees and partially vested employees to the extent vested	\$28,352,972	\$21,866,597	\$0	\$0
5.	Benefit obligation for non-vested employees				
A.	Projected pension obligation	\$3,938,185	\$8,451,301	\$0	\$0
B.	Accumulated benefit obligation	\$3,938,185	\$8,451,301	\$0	\$0
6.	Components of net periodic benefit cost				
A.	Service cost	3,140,174	2,691,623	0	0
B.	Interest cost	1,387,128	1,254,709	0	0
C.	Expected return on plan assets	(1,905,861)	(1,612,260)	0	0
D.	Amortization of unrecognized transition obligation or transition asset	0	0	0	0
E.	Amount of recognized gains and losses	1,235,056	868,361	0	0
F.	Amount of prior service cost recognized	(165,472)	(165,472)	0	0
G.	Amount of gain or loss recognized due to a settlement or curtailment	(972,975)	0	0	0
H.	Total net periodic benefit cost	\$2,718,050	\$3,036,961	\$0	\$0

Notes to Financial Statements

	Description	Amount
7.	The amount included in unassigned funds (surplus) for the period arising from a change in the additional minimum pension liability recognized	\$718,050

	Description	2012 Amount	2011 Amount
8.	Weighted-average assumptions used to determine net period benefit cost as of Dec. 31:		
A.	Weighted average discount rate	4.20%	5.50%
B.	Expected long-term rate of return on plan assets	6.31%	7.25%
C.	Rate of compensation increase	0.00%	3.50%
	Weighted average assumptions used to determine projected benefit obligations as of Dec. 31:		
D.	Weighted average discount rate		
E.	Rate of compensation increase		

(9) PacificSource has an agreement to provide Medicare Supplement coverage for one of its retired officers for life. A liability in the amount of \$10,379 to cover this obligation has been included on Page 3, Line 23. The liability has been determined by applying IRS life expectancy tables to a combined annual premium of \$1,723.

(10) – (11) Post retirement benefits are limited to a Medicare supplement plan as described in the paragraph (9) above. Amounts are immaterial and no significant changes from prior year.

	Description	2012 %	2011 %	Target Allocation	
				Low %	High %
12.	The defined benefit pension plan asset allocation as of the measurement date, and the target asset allocation, presented as a percentage of total plan assets were as follows:				
A.	Debt Securities	38%	35%		38%
B.	Equity Securities	49%	45%		50%
C.	Real Estate	3%	13%		2%
D.	Other	10%	7%		10%
E.	TOTAL	100%	100%		100%

	Description	Amount
13.	The following estimated future payments, which reflect expected future service, as appropriate, are expected to be paid in the years indicated:	
A.	2013	873,375
B.	2014	1,145,438
C.	2015	2,448,194
D.	2016	820,626
E.	2017	1,056,425
F.	Thereafter Total	19,374,347

(14) The Company does not have any regulatory contribution requirements for 2012.

(15) – (19) Not applicable.

B. Defined Contribution Plans

PacificSource employees are offered the opportunity to participate in a 401(k) plan. The Company matches elective salary deferrals. The Company's contribution for this plan was \$809,602 and \$752,061 for 2012 and 2011, respectively. At December 31, 2012, the fair value of the plan assets was \$27,174,617.

C. Multi-Employer Plan – None

D. Consolidated/Holding Company Plans – None

E. Post-Employment Benefits and Compensated Absences – None

F. Impact of Medicare Modernization Act on Postretirement Benefits (INT 04-17) – None

13. Capital and Surplus, Dividend Restrictions and Quasi-Reorganizations

(1) The Company has no common stock issued or outstanding.

(2) The Company has no preferred stock issued or outstanding.

Notes to Financial Statements

- (3) Since the Company is not a stock company, this question is not applicable.
- (4) The Company does not issue dividends.
- (5) There were no restrictions placed on the Company's surplus.
- (6) There were no restrictions placed on the Company's surplus, including for whom the surplus is being paid.
- (7) The Company has no advances to surplus not repaid.
- (8) The Company held no stock.
- (9) There were no changes to the balances of any special surplus funds from the prior year.
- (10) Portion of unassigned funds represented or reduced by unrealized gains or losses is \$160,868.
- (11) The Company did not issue any surplus debentures or similar obligations.
- (12) and (13) There have been no quasi-reorganizations.

14. Contingencies

A. Contingent Commitments:

(1) Total SSAP No. 97, Investments in Subsidiary, Controlled and Affiliated Entities, A Replacement of SSAP No. 88, and SSAP No. 48, Joint Ventures, Partnerships and Limited Liability Company contingent liabilities: \$1,084,642.

(2)

1	2	3	4	5
Nature and circumstances of guarantee and key attributes, including date and duration of agreement.	Liability recognition of guarantee. (Include amount recognized at inception. If no initial recognition, document exception allowed under SSAP No. 5R.)	Ultimate financial statement impact if action under the guarantee is required.	Maximum potential amount of future payments (undiscounted) the guarantor could be required to make under the guarantee. If unable to develop an estimate, this should be specifically noted.	Current status of payment or performance risk of guarantee. Also provide additional discussion as warranted.
Guarantor the payment of a note of PacificSource Administrators, Inc.	SSAP 5R Paragraph 16f	Investment in SCA	\$1,084,642	PacificSource Administrators, Inc. is current with all payment terms.
Total			\$1,084,642	XXX

(3)

	Description	Amount
a.	Aggregate Maximum Potential of Future Payments of All Guarantees (undiscounted) the guarantor could be required to make under guarantees. (Should equal total of Column 4 for (2) above)	\$1,084,642
b.	Current Liability Recognized in F/S:	
1.	Noncontingent Liabilities	\$0
2.	Contingent Liabilities	\$0
c.	Ultimate Financial Statement Impact if action under the guarantee is required:	
1.	Investments in SCA	\$1,084,642
2.	Joint Ventures	\$0
3.	Dividends to Stockholders (capital contribution)	\$0
4.	Expense	\$0
5.	Other	\$0
6.	Total (Should equal (3)a.)	\$1,084,642

- B. Assessments - None
- C. Gain Contingencies – None
- D. Claims Related Extra Contractual Obligation and Bad Faith Losses Stemming from Lawsuits - None
- E. All Other Contingencies – None

Notes to Financial Statements

15. Leases

A. Lessee Operating Lease

- (1) a. The Company is committed under various non-cancellable operating leases for rental of office space. Total rental expense for 2012 and 2011 was \$909,378 and \$802,790, respectively.
- b. The Company has no contingent rental payments
- c. Certain rental commitments have renewal options extending through year 2018. Some of these renewals are subject to adjustments in future periods.
- d. The Company has no restrictions imposed by lease agreements.

(2) Leases having remaining non-cancellable lease terms in excess of one year:

- a. At January 1, 2012, the minimum aggregate rental commitments are as follows:

	Year Ending December 31	Operating Leases
1.	2013	\$1,162,227
2.	2014	\$1,243,030
3.	2015	\$1,409,956
4.	2016	\$1,431,152
5.	2017	\$590,165
6.	TOTAL	\$5,836,530

- b. The Company has no subleases.

- (3) The Company is not involved in any sales-leaseback transactions.

B. Lessor Leases - None

16. Information About Financial Instruments With Off-Balance-Sheet Risk And Financial Instruments With Concentrations of Credit Risk

None

17. Sale, Transfer and Servicing of Financial Assets and Extinguishments of Liabilities

- A. Transfers of Receivables reported as Sales – None
- B. Transfer and Servicing of Financial Assets – None
- C. Wash Sales – None

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

- A. ASO Plans - None
- B. ASC Plans

The gain from operations from Administrative Services Contract (ASC) uninsured plans and the uninsured portion of partially insured plans was as follows during 2012:

	Description	ASC Uninsured Plans	Uninsured Portion of Partially Insured Plans	Total ASC
a.	Gross reimbursement for medical cost incurred	\$14,052,909	\$22,012,371	\$36,065,280
b.	Gross administrative fees accrued	371,637	924,057	1,295,694
c.	Other income or expenses (including interest paid to or received from plans)			
d.	Gross expenses incurred (claims and administrative)	14,191,418	22,979,274	37,170,693
e.	Total net gain or (loss) from operations	\$233,128	\$(42,846)	\$190,282

- C. Medicare or Other Similarly Structured Cost Based Reimbursement Contract - None

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

None

Notes to Financial Statements

20. Fair Value Measurements

A.

(1) Fair Value Measurements at Reporting Date

	Description for each class of asset or liability	(Level 1)	(Level 2)	(Level 3)	Total
a.	Assets at fair value				
01	Bonds				
02	Industrial and Misc	\$550,141			\$550,141
03	Total Bonds	\$550,141			\$550,141
04	Common stock				
05	Mutual Funds	\$33,233,557			\$33,233,557
06	Total Common Stock	\$33,233,557			\$33,233,557
99	Subtotal – Assets at fair value	\$33,783,698			\$33,783,698
b.	Liabilities at fair value				
01					
02					
99	Subtotal – Liabilities at fair value				

(2) Fair Value Measurements in (Level 3) of the Fair Value Hierarchy - None

(3) The Company's policy for determining when transfers between levels are recognized is determined at the end of the reporting period.

(4) The Company has not valued any securities at a Level 3.

(5) Derivative assets and liabilities- None

B. Fair Value Information under SSAP No. 100 combined with Fair Value information Under Other Account Pronouncements – None

C. Aggregate Fair Value of All Financial Instruments

Type of Financial Instrument	Aggregate Fair Value	Admitted Assets	(Level 1)	(Level 2)	(Level 3)	Not Practicable (Carrying Value)
Bonds	\$98,530,430	\$94,199,415	\$98,530,430			
Common Stock	\$84,270,710	\$84,270,710	\$33,233,577		\$51,037,153	
Short-term Investments	\$90,493	\$90,493	\$90,493			
Real Estate	\$15,000,000	\$7,354,259			\$15,000,000	
Other Invested Assets	\$5,891,036	\$5,778,535		\$5,778,535	\$112,501	

D. Not Practicable to Estimate Fair Value - None

21. Other Items

A. Extraordinary Items – None

B. Troubled Debt Restructuring – None

C. Other Disclosures – None

D. There are no balances of assets covered by SSAP No. 6, Uncollected Premium Balances, Bills Receivable for Premiums, and Amounts Due From Agents and Brokers, SSAP No. 47, Uninsured Plans, or SSAP No. 66, Retrospectively Rated Contracts.

E. Business Interruption Insurance Recoveries - None

F. State Transferable and Non-transferable Tax Credits - None

G. Subprime Related Risk Exposure – None

H. Retained Assets - None

Notes to Financial Statements

22. Events Subsequent

Type I. – Recognized Subsequent Events

Subsequent events have been considered through February 25, 2013 for the statutory statement issued on December 31, 2012.

None

Type II. – Nonrecognized Subsequent Events

Subsequent events have been considered through February 25, 2013 for the statutory statement issued on December 31, 2012.

23. Reinsurance

A. Ceded Reinsurance Report

Section 1 – General Interrogatories

(1) Are any of the reinsurers, listed in Schedule S as non-affiliated, owned in excess of 10% or controlled, either directly or indirectly, by the company or by any representative, officer, trustee, or director of the company?

Yes () No (x)

(2) Have any policies issued by the company been reinsured with a company chartered in a country other than the United States (excluding U.S. Branches of such companies) that is owned in excess of 10% or controlled directly or indirectly by an insured, a beneficiary, a creditor or an insured or any other person not primarily engaged in the insurance business?

Yes () No (x)

Section 2 – Ceded Reinsurance Report – Part A

(1) Does the company have any reinsurance agreements in effect under which the reinsurer may unilaterally cancel any reinsurance for reasons other than for nonpayment of premium or other similar credit?

Yes () No (x)

(2) Does the reporting entity have any reinsurance agreements in effect such that the amount of losses paid or accrued through the statement date may result in a payment to the reinsurer of amounts that, in aggregate and allowing for offset of mutual credits from other reinsurance agreements with the same reinsurer, exceed the total direct premium collected under the reinsured policies?

Yes () No (x)

Section 3 – Ceded Reinsurance Report – Part B – None

B. Uncollectible Reinsurance – None

C. Commutation of Ceded Reinsurance – None

D. Certified Reinsurer Downgraded or Status Subject to Revocation – None

24. Retrospectively Rated Contracts & Contracts Subject to Redetermination

A. PacificSource estimates accrued retrospective premium adjustments for its group health insurance business based on the company's underwriting rules and experience rating practices.

B. The Company records accrued retrospective premium as an adjustment to earned premium.

C. The amount of net premiums written by the Company as of December 31, 2012 that are subject to retrospective rating features was \$49,617,8732 that represented 6.8% of total net premiums written for group health. No other net premiums written by the Company are subject to retrospective rating features.

Notes to Financial Statements

D. Medical loss ratio rebates required pursuant to the Public Health Service Act.

		1	2	3	4	5
	Description	Individual	Small Group Employer	Large Group Employer	Other Categories with rebates	Total
Prior Reporting Year						
1.	Medical Loss Ratio Rebates Incurred	\$0	\$0	\$0	\$0	\$0
2.	Medical Loss Ratio Rebates Paid	\$0	\$0	\$0	\$0	\$0
3.	Medical Loss Ratio Rebates Unpaid	\$0	\$0	\$0	\$0	\$0
4.	Plus reinsurance assumed amounts	XXX	XXX	XXX	XXX	\$0
5.	Less reinsurance ceded amounts	XXX	XXX	XXX	XXX	\$0
6.	Rebates Unpaid net of reinsurance	XXX	XXX	XXX	XXX	\$0
Current Reporting Year-to-Date						
7.	Medical Loss Ratio Rebates Incurred	\$0	\$0	\$0	\$0	\$0
8.	Medical Loss Ratio Rebates Paid	\$0	\$0	\$0	\$0	\$0
9.	Medical Loss Ratio Rebates Unpaid	\$0	\$0	\$0	\$0	\$0
10.	Plus reinsurance assumed amounts	XXX	XXX	XXX	XXX	\$0
11.	Less reinsurance ceded amounts	XXX	XXX	XXX	XXX	\$0
12.	Rebates Unpaid net of reinsurance	XXX	XXX	XXX	XXX	\$0

25. Changes in Incurred Losses and Loss Adjustment Expenses

Reserves as of December 31, 2011 were \$53,509,814. As of December 31, 2012, \$58,575,988 has been paid for incurred claims and claims adjustment expenses attributable to insured events of prior years. Reserves remaining for prior years are now \$0 as a result of re-estimation of unpaid claims and claim adjustment expenses. Therefore, there has been a \$5,066,174 unfavorable prior-year development since December 31, 2011 to December 31, 2012. The increase is generally the result of ongoing analysis of recent loss development trends. Original estimates are increased or decreased, as additional information becomes known regarding individual claims.

26. Intercompany Pooling Arrangements

None

27. Structured Settlements

None

28. Health Care Receivables

A. Pharmaceutical Rebate Receivables

Quarter	Estimated Pharmacy Rebates as Reported on Financial Statements	Pharmacy Rebates as Billed or Otherwise Confirmed	Actual Rebates Received Within 90 Days of Billing	Actual Rebates Received Within 91 to 180 Days of Billing	Actual Rebates Received More Than 180 Days After Billing
12/31/2012	\$2,232,010	\$1,426,540			
09/30/2012	\$4,261,699	\$1,338,466	\$1,311,921		
06/30/2012	\$4,322,205	\$1,287,194	\$1,058,181		
03/31/2012	\$4,449,393	\$1,264,256	\$1,033,010		
12/31/2011	\$5,826,042	\$1,523,797		\$1,064,939	\$342,336
09/30/2011	\$5,549,536	\$1,280,797		\$1,082,373	\$243,012
06/30/2011	\$5,342,552	\$1,280,846		\$244,327	\$1,033,219
03/31/2011	\$5,088,563	\$1,445,525		\$223,411	\$1,190,228
12/31/2010	\$4,582,683	\$1,426,540		\$211,315	\$820,975
09/30/2010	\$4,057,093	\$1,338,466		\$133,589	\$907,236
06/30/2010	\$3,745,111	\$1,287,194		\$237,122	\$847,037
03/31/2010	\$3,343,182	\$1,264,256		\$316,284	\$682,303

B. Risk Sharing Receivables - None

29. Participating Policies

None

30. Premium Deficiency Reserves

1. Liability carried for premium deficiency reserves	\$0
2. Date of the most recent evaluation of this liability	<u>12/31/2012</u>
3. Was anticipated investment income utilized in the calculation? (Yes / No)	<u>No</u>

Notes to Financial Statements

31. Anticipated Salvage and Subrogation

None

GENERAL INTERROGATORIES

PART 1 - COMMON INTERROGATORIES

GENERAL

- 1.1 Is the reporting entity a member of an Insurance Holding Company System consisting of two or more affiliated persons, one or more of which is an insurer? Yes[X] No[]
- 1.2 If yes, did the reporting entity register and file with its domiciliary State Insurance Commissioner, Director or Superintendent or with such regulatory official of the state of domicile of the principal insurer in the Holding Company System, a registration statement providing disclosure substantially similar to the standards adopted by the National Association of Insurance Commissioners (NAIC) in its Model Insurance Holding Company System Regulatory Act and model regulations pertaining thereto, or is the reporting entity subject to standards and disclosure requirements substantially similar to those required by such Act and regulations? Yes[X] No[] N/A[]
- 1.3 State Regulating? 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[] No[X]
- 2.2 If yes, date of change:
- 3.1 State as of what date the latest financial examination of the reporting entity was made or is being made. 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). 03/30/2012
- 3.4 By what department or departments?
State of Oregon Insurance Division
- 3.5 Have all financial statement adjustments within the latest financial examination report been accounted for in a subsequent financial statement filed with departments? Yes[] No[] N/A[X]
- 3.6 Have all of the recommendations within the latest financial examination report been complied with? Yes[X] No[] N/A[]
- 4.1 During the period covered by this statement, did any agent, broker, sales representative, non-affiliated sales/service organization or any combination thereof under common control (other than salaried employees of the reporting entity) receive credit or commissions for or control a substantial part (more than 20 percent of any major line of business measured on direct premiums) of:
- 4.11 sales of new business? Yes[] No[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, 0.000%
- 7.21 State the percentage of foreign control
- 7.22 State the nationality(s) of the foreign person(s) or entity(s); or if the entity is a mutual or reciprocal, the nationality of its manager or attorney-in-fact and identify the type of entity(s) (e.g., individual, corporation, government, manager or attorney-in-fact)

1 Nationality	2 Type of Entity
.....

- 8.1 Is the company a subsidiary of a bank holding company regulated by the Federal Reserve Board? Yes[] No[X]
- 8.2 If response to 8.1 is yes, please identify the name of the bank holding company.
- 8.3 Is the company affiliated with one or more banks, thrifts or securities firms? Yes[] No[X]
- 8.4 If response to 8.3 is yes, please provide the names and location (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
..... Yes[] No[X] Yes[] No[X] Yes[] No[X] Yes[] No[X] ...

9. What is the name and address of the independent certified public accountant or accounting firm retained to conduct the annual audit?
KERNUTT STOKES, 1600 EXECUTIVE PARKWAY, SUITE 110, EUGENE, OR 97401
- 10.1 Has the insurer been granted any exemptions to the prohibited non-audit services provided by the certified independent public accountant requirements as allowed in Section 7H of the Annual Financial Reporting Model Regulation (Model Audit Rule), or substantially similar state law or regulation? Yes[] No[X]
- 10.2 If response to 10.1 is "yes," provide information related to this exemption:
- 10.3 Has the insurer been granted any exemptions related to the other requirements of the Annual Financial Reporting Model Regulation as allowed for in Section 17A of the Model Regulation, or substantially similar state law or regulation? Yes[] No[X]
- 10.4 If response to 10.3 is "yes," provide information related to this exemption:
- 10.5 Has the reporting entity established an Audit Committee in compliance with the domiciliary state insurance laws? Yes[X] No[] N/A[]
- 10.6 If the 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?
VICTOR PAGUIA, CHIEF ACTUARY for PACIFCSOURCE HEALTH PLANS
- 12.1 Does the reporting entity own any securities of a real estate holding company or otherwise hold real estate indirectly? Yes[] No[X]

GENERAL INTERROGATORIES (Continued)

- 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
- 0
0
\$ 0
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?
 13.3 Have there been any changes made to any of the trust indentures during the year?
 13.4 If answer to (13.3) is yes, has the domiciliary or entry state approved the changes?
- Yes[] No[] N/A[X]
 Yes[] No[] N/A[X]
 Yes[] No[] N/A[X]
- 14.1 Are the senior officers (principal executive officer, principal financial officer, principal accounting officer or controller, or persons performing similar functions) of the reporting entity subject to a code of ethics, which includes the following standards?
 a. Honest and ethical conduct, including the ethical handling of actual or apparent conflicts of interest between personal and professional relationships;
 b. Full, fair, accurate, timely and understandable disclosure in the periodic reports required to be filed by the reporting entity;
 c. Compliance with applicable governmental laws, rules and regulations;
 d. The prompt internal reporting of violations to an appropriate person or persons identified in the code; and
 e. Accountability for adherence to the code.
- Yes[X] No[]
- 14.11 If the response to 14.1 is no, please explain:
 14.2 Has the code of ethics for senior managers been amended?
 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?
 14.31 If the response to 14.3 is yes, provide the nature of any waiver(s).
- Yes[] No[X]
 Yes[] No[X]
- 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?
 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.
- Yes[] No[X]

	1 American Bankers Association (ABA) Routing Number	2 Issuing or Confirming Bank Name	3 Circumstances That Can Trigger the Letter of Credit	4 Amount
15.2001

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?
 17. Does the reporting entity keep a complete permanent record of the proceedings of its Board of Directors and all subordinate committees thereof?
 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[]
 Yes[X] No[]
 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)?
 20.1 Total amount loaned during the year (inclusive of Separate Accounts, exclusive of policy loans):
 20.11 To directors or other officers
 20.12 To stockholders not officers
 20.13 Trustees, supreme or grand (Fraternal only)
 20.2 Total amount of loans outstanding at end of year (inclusive of Separate Accounts, exclusive of policy loans):
 20.21 To directors or other officers
 20.22 To stockholders not officers
 20.23 Trustees, supreme or grand (Fraternal only)
 21.1 Were any assets reported in this statement subject to a contractual obligation to transfer to another party without the liability for such obligation being reported in the statement?
 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?
 22.2 If answer is yes:
 22.21 Amount paid as losses or risk adjustment
 22.22 Amount paid as expenses
 22.23 Other amounts paid
 23.1 Does the reporting entity report any amounts due from parent, subsidiaries or affiliates on Page 2 of this statement?
 23.2 If yes, indicate any amounts receivable from parent included in the Page 2 amount:
- Yes[] No[X]
 \$ 0
 \$ 0
 \$ 0
 \$ 0
 Yes[] No[X]
 \$ 0
 \$ 0
 \$ 0
 \$ 0
 Yes[X] No[]
 \$ 9,104,574
 \$ 0
 \$ 0
 Yes[X] No[]
 \$ 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)
 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?
 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?
 24.08 Does the reporting entity non-admit when the collateral received from the counterparty falls below 100%?
- Yes[X] No[]
 Yes[] No[] N/A[X]
 \$ 0
 \$ 0
 Yes[] No[] N/A[X]
 Yes[] No[] N/A[X]

GENERAL INTERROGATORIES (Continued)

- 24.09 Does the reporting entity or the reporting entity's securities lending agent utilize the Master Securities Lending Agreement (MSLA) to conduct securities lending? Yes[] No[] N/A[X]
- 24.10 For the reporting entity's security lending program, state the amount of the following as of December 31 of the current year:
- 24.101 Total fair value of reinvested collateral assets reported on Schedule DL, Parts 1 and 2. \$ 0
- 24.102 Total book/adjusted carrying value of reinvested collateral assets reported on Schedule DL, Parts 1 and 2. \$ 0
- 24.103 Total payable for securities lending reported on the liability page. \$ 0

- 25.1 Were any of the stocks, bonds or other assets of the reporting entity owned at December 31 of the current year not exclusively under the control of the reporting entity, or has the reporting entity sold or transferred any assets subject to a put option contract that is currently in force? (Exclude securities subject to Interrogatory 21.1 and 24.03). Yes[X] No[]
- 25.2 If yes, state the amount thereof at December 31 of the current year:
- 25.21 Subject to repurchase agreements \$ 0
- 25.22 Subject to reverse repurchase agreements \$ 0
- 25.23 Subject to dollar repurchase agreements \$ 0
- 25.24 Subject to reverse dollar repurchase agreements \$ 0
- 25.25 Pledged as collateral \$ 0
- 25.26 Placed under option agreements \$ 0
- 25.27 Letter stock or securities restricted as to sale \$ 0
- 25.28 On deposit with state or other regulatory body \$ 1,340,335
- 25.29 Other \$ 0

25.3 For category (25.27) provide the following:

1 Nature of Restriction	2 Description	3 Amount

- 26.1 Does the reporting entity have any hedging transactions reported on Schedule DB? Yes[] No[X]
- 26.2 If yes, has a comprehensive description of the hedging program been made available to the domiciliary state? Yes[] No[] N/A[X]
If no, attach a description with this statement.

- 27.1 Were any preferred stocks or bonds owned as of December 31 of the current year mandatorily convertible into equity, or, at the option of the issuer, convertible into equity? Yes[] No[X]
- 27.2 If yes, state the amount thereof at December 31 of the current year. \$ 0

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

1 Name of Custodian(s)	2 Custodian's Address
US BANK	PO BOX 10948, EUGENE OR 97440
WELLS FARGO BANK	SAN FRANCISCO, CA 94105

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

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

- 28.03 Have there been any changes, including name changes, in the custodian(s) identified in 28.01 during the current year? Yes[] No[X]
- 28.04 If yes, give full and complete information relating thereto:

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

28.05 Identify all investment advisers, broker/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 MANAGEMENT	525 MARKET STREET, 10TH FLOOR, SAN FRANCISCO, CA 94105

- 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[X] No[]
- 29.2 If yes, complete the following schedule:

1 CUSIP #	2 Name of Mutual Fund	3 Book/Adjusted Carrying Value
22544R305	CREDIT SUISSE COMM RET ST-I	87,699
464287234	ISHARES MSCI EMERGING MKT IN	98,457
464287465	ISHARES MSCI EAFE INDEX FUND	4,028,986
464287473	ISHARES RUSSELL MIDCAP VALUE	2,503,208
464287481	ISHARES RUSSELL MIDCAP GRWTH	1,583,188
464287499	ISHARES RUSSELL MIDCAP INDEX	54,854

GENERAL INTERROGATORIES (Continued)

1 CUSIP #	2 Name of Mutual Fund	3 Book/Adjusted Carrying Value
464287598	ISHARES RUSSELL 1000 VALUE	4,944,842
464287614	ISHARES RUSSELL 1000 GROWTH	7,134,481
464287630	ISHARES RUSSELL 2000 VALUE	2,078,035
464287648	ISHARES RUSSELL 2000 GROWTH	1,953,378
464288687	ISHARES S&P PREF STK INDX FN	196,674
67065W639	NUVEEN SANTA BARB DVD GR-I	116,766
670678234	NUVEEN HIGH INCOME BOND-I	94,200
670678390	NUVEEN STRATEGIC INCOME-I	746,391
670678507	NUVEEN REAL ESTATE SECUR-I	183,361
670678879	NUVEEN DIVIDEND VALUE-I	62,844
670690387	NUVEEN INFLATION PROT SEC-I	241,861
693390700	PIMCO TOTAL RETURN FUND-INST	1,178,039
94975P538	WFA INTRINSIC VALUE FUND-ADM	2,780,806
94984B355	WFA EMERGING MARKETS EQ-ADM	1,634,751
949915359	WFA DISCOVERY FUND-ADM	1,530,737
29.2999 Total		33,233,557

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
CREDIT SUISSE COMM RET ST-I	Credi Suisse Cayman Commodity	14,391	01/23/2013
CREDIT SUISSE COMM RET ST-I	FFCB FRN	2,438	01/23/2013
CREDIT SUISSE COMM RET ST-I	FFCB FRN	2,254	01/23/2013
CREDIT SUISSE COMM RET ST-I	US Treasury Note 1.25%	2,052	01/23/2013
CREDIT SUISSE COMM RET ST-I	FFCB FRN	2,026	01/23/2013
ISHARES MSCI EMERGING MKT IN	Samsung Electronics	4,056	12/30/2012
ISHARES MSCI EMERGING MKT IN	Taiwan Semiconductor	1,979	12/30/2012
ISHARES MSCI EMERGING MKT IN	China Mobile	1,821	12/30/2012
ISHARES MSCI EMERGING MKT IN	China Construction Bank Corp H Shares	1,467	12/30/2012
ISHARES MSCI EMERGING MKT IN	Gazprom	1,270	12/30/2012
ISHARES MSCI EAFE INDEX FUND	Nestle SA	76,954	12/30/2012
ISHARES MSCI EAFE INDEX FUND	HSBC Holdings	70,507	12/30/2012
ISHARES MSCI EAFE INDEX FUND	Novartis	52,780	12/30/2012
ISHARES MSCI EAFE INDEX FUND	Roche Holding	51,571	12/30/2012
ISHARES MSCI EAFE INDEX FUND	BP	47,945	12/30/2012
ISHARES RUSSELL MIDCAP VALUE	Eaton Corporation	22,028	12/30/2012
ISHARES RUSSELL MIDCAP VALUE	HCP Inc	20,526	12/30/2012
ISHARES RUSSELL MIDCAP VALUE	Valero Energy	20,276	12/30/2012
ISHARES RUSSELL MIDCAP VALUE	Ventas	20,026	12/30/2012
ISHARES RUSSELL MIDCAP VALUE	International Paper	18,774	12/30/2012
ISHARES RUSSELL MIDCAP GRWTH	Crown Castle International	16,623	12/30/2012
ISHARES RUSSELL MIDCAP GRWTH	PPG Industries	16,307	12/30/2012
ISHARES RUSSELL MIDCAP GRWTH	Alexion Pharmaceuticals	14,249	12/30/2012
ISHARES RUSSELL MIDCAP GRWTH	Intuit	13,774	12/30/2012
ISHARES RUSSELL MIDCAP GRWTH	Whole Foods Market	13,299	12/30/2012
ISHARES RUSSELL MIDCAP INDEX	Eaton Corporation	318	12/30/2012
ISHARES RUSSELL MIDCAP INDEX	Marathon Petroleum	274	12/30/2012
ISHARES RUSSELL MIDCAP INDEX	Crown Castle International	269	12/30/2012
ISHARES RUSSELL MIDCAP INDEX	PPG Industries	263	12/30/2012
ISHARES RUSSELL MIDCAP INDEX	HCP Inc	258	12/30/2012
ISHARES RUSSELL 1000 VALUE	Eaton Mobil	267,516	12/30/2012
ISHARES RUSSELL 1000 VALUE	General Electric	146,862	12/30/2012
ISHARES RUSSELL 1000 VALUE	Chevron	140,928	12/30/2012
ISHARES RUSSELL 1000 VALUE	AT&T	130,544	12/30/2012
ISHARES RUSSELL 1000 VALUE	Pfizer	124,116	12/30/2012
ISHARES RUSSELL 1000 GROWTH	Apple	502,267	12/30/2012
ISHARES RUSSELL 1000 GROWTH	IBM	210,467	12/30/2012
ISHARES RUSSELL 1000 GROWTH	Microsoft	202,619	12/30/2012
ISHARES RUSSELL 1000 GROWTH	Google	184,783	12/30/2012
ISHARES RUSSELL 1000 GROWTH	Coco-Cola	141,976	12/30/2012
ISHARES RUSSELL 2000 VALUE	Ocwen Financial	11,637	12/30/2012
ISHARES RUSSELL 2000 VALUE	Two Harbors Investment	11,014	12/30/2012
ISHARES RUSSELL 2000 VALUE	Starwood Property Trust	10,390	12/30/2012
ISHARES RUSSELL 2000 VALUE	Louisiana-Pacific Corp	8,936	12/30/2012
ISHARES RUSSELL 2000 VALUE	Cleco Corporation	8,104	12/30/2012
ISHARES RUSSELL 2000 GROWTH	Genessee & Wyoming	11,330	12/30/2012
ISHARES RUSSELL 2000 GROWTH	Pharmacyclics	10,548	12/30/2012
ISHARES RUSSELL 2000 GROWTH	CommVault Shystems	10,548	12/30/2012
ISHARES RUSSELL 2000 GROWTH	Dril-Quip	9,962	12/30/2012
ISHARES RUSSELL 2000 GROWTH	WEX	9,767	12/30/2012
ISHARES S&P PREF STK INDX FN	General Mtrs	5,291	12/30/2012
ISHARES S&P PREF STK INDX FN	HSBC Holdings	4,760	12/30/2012
ISHARES S&P PREF STK INDX FN	GMAC Cap	3,245	12/30/2012
ISHARES S&P PREF STK INDX FN	Barclays Bank	3,068	12/30/2012
ISHARES S&P PREF STK INDX FN	Wells Fargo	2,871	12/30/2012
NUVEEN SANTA BARB DVD GR-I	Pfizer	3,643	01/23/2013
NUVEEN SANTA BARB DVD GR-I	Southern Copper	3,585	01/23/2013
NUVEEN SANTA BARB DVD GR-I	Time Warner Cable	3,398	01/23/2013
NUVEEN SANTA BARB DVD GR-I	JP Morgan Chase	3,386	01/23/2013
NUVEEN SANTA BARB DVD GR-I	Coco-Cola	3,386	01/23/2013
NUVEEN HIGH INCOME BOND-I	First Data	754	01/23/2013

GENERAL INTERROGATORIES (Continued)

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
NUVEEN HIGH INCOME BOND-I	Engy Future Hldgs	707	01/23/2013
NUVEEN HIGH INCOME BOND-I	Realogy	659	01/23/2013
NUVEEN HIGH INCOME BOND-I	Hexion	650	01/23/2013
NUVEEN HIGH INCOME BOND-I	Montell	641	01/23/2013
NUVEEN STRATEGIC INCOME-I	JP Morgan Chase	12,689	01/23/2013
NUVEEN STRATEGIC INCOME-I	Bk Amer	11,793	01/23/2013
NUVEEN STRATEGIC INCOME-I	Goldman Sachs	10,449	01/23/2013
NUVEEN STRATEGIC INCOME-I	Morgan Stanley	10,226	01/23/2013
NUVEEN STRATEGIC INCOME-I	FNMA	7,091	01/23/2013
NUVEEN REAL ESTATE SECUR-I	Simon Property	21,123	01/23/2013
NUVEEN REAL ESTATE SECUR-I	Boston Properties	10,140	01/23/2013
NUVEEN REAL ESTATE SECUR-I	Public Storage	9,938	01/23/2013
NUVEEN REAL ESTATE SECUR-I	Ventas	7,261	01/23/2013
NUVEEN REAL ESTATE SECUR-I	HCP Inc	7,004	01/23/2013
NUVEEN DIVIDEND VALUE-I	Pfizer	2,583	01/23/2013
NUVEEN DIVIDEND VALUE-I	General Electric	2,212	01/23/2013
NUVEEN DIVIDEND VALUE-I	Bank of America	2,156	01/23/2013
NUVEEN DIVIDEND VALUE-I	Citigroup	1,866	01/23/2013
NUVEEN DIVIDEND VALUE-I	Chevron	1,848	01/23/2013
NUVEEN INFLATION PROT SEC-I	US Treasury Note	14,391	01/23/2013
NUVEEN INFLATION PROT SEC-I	US Treasury Note	14,052	01/23/2013
NUVEEN INFLATION PROT SEC-I	US Treasury Note	13,423	01/23/2013
NUVEEN INFLATION PROT SEC-I	US Treasury Note	12,722	01/23/2013
NUVEEN INFLATION PROT SEC-I	US Treasury Note	12,166	01/23/2013
PIMCO TOTAL RETURN FUND-INST	Fin Fut Euro\$ CME 6/15/15	141,954	01/23/2013
PIMCO TOTAL RETURN FUND-INST	Fannie Mae Single Family TBA 3.5%	70,918	01/23/2013
PIMCO TOTAL RETURN FUND-INST	Fannie Mae Single Family TBA 4%	64,792	01/23/2013
PIMCO TOTAL RETURN FUND-INST	Fin Fut Euro\$ CME 3/16/15	56,899	01/23/2013
PIMCO TOTAL RETURN FUND-INST	CDX BP Ig18 5y Cme	40,289	01/23/2013
WFA INTRINSIC VALUE FUND-ADM	Home Depot	98,162	01/23/2013
WFA INTRINSIC VALUE FUND-ADM	Time Warner Cable	91,767	01/23/2013
WFA INTRINSIC VALUE FUND-ADM	NextEra Energy	86,205	01/23/2013
WFA INTRINSIC VALUE FUND-ADM	Abbott Laboratories	85,927	01/23/2013
WFA INTRINSIC VALUE FUND-ADM	Apple	80,087	01/23/2013
WFA EMERGING MARKETS EQ-ADM	Samsung Electronics	78,468	01/23/2013
WFA EMERGING MARKETS EQ-ADM	China Mobile	53,293	01/23/2013
WFA EMERGING MARKETS EQ-ADM	Taiwan Semiconductor	47,898	01/23/2013
WFA EMERGING MARKETS EQ-ADM	Bank Bradesco	41,850	01/23/2013
WFA EMERGING MARKETS EQ-ADM	Grupo Televisa	39,397	01/23/2013
WFA DISCOVERY FUND-ADM	Kansas City Southern	47,453	01/23/2013
WFA DISCOVERY FUND-ADM	SBA Communications	44,391	01/23/2013
WFA DISCOVERY FUND-ADM	Aspen Technology	30,768	01/23/2013
WFA DISCOVERY FUND-ADM	TransDigm Group	30,462	01/23/2013
WFA DISCOVERY FUND-ADM	Alliance Data Systems	29,849	01/23/2013

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	94,289,908	98,620,923	4,331,015
30.2 Preferred stocks			
30.3 Totals	94,289,908	98,620,923	4,331,015

30.4 Describe the sources or methods utilized in determining the fair values
THE FAIR VALUE IS EQUAL TO NAIC PRICING AND WELLS FARGO PUBLICATION

- 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[] N/A[]
- 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:

OTHER

- 33.1 Amount of payments to Trade Associations, Service Organizations and Statistical or Rating Bureaus, if any? \$ 43,594
- 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
AM Best	43,594

34.1 Amount of payments for legal expenses, if any? \$ 209,139

GENERAL INTERROGATORIES (Continued)

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

1 Name	2 Amount Paid

35.1 Amount of payments for expenditures in connection with matters before legislative bodies, officers or department of government, if any? \$..... 78,224

35.2 List the name of 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
PacificSource Health Plans Employee Lobbying	63,147

GENERAL INTERROGATORIES (Continued)

PART 2 - HEALTH INTERROGATORIES

- 1.1 Does the reporting entity have any direct Medicare Supplement Insurance in force? Yes[X] No[]
- 1.2 If yes, indicate premium earned on U.S. business only: \$ 105,614
- 1.3 What portion of Item (1.2) is not reported on the Medicare Supplement Insurance Experience Exhibit? \$ 0
- 1.31 Reason for excluding:
- 1.4 Indicate amount of earned premium attributable to Canadian and/or Other Alien not included in Item (1.2) above. \$ 0
- 1.5 Indicate total incurred claims on all Medicare Supplement insurance. \$ 58,292
- 1.6 Individual policies - Most current three years:
- 1.61 Total premium earned \$ 105,614
- 1.62 Total incurred claims \$ 58,292
- 1.63 Number of covered lives 69
- 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	725,033,930	644,264,736
2.2 Premium Denominator	725,033,930	644,264,736
2.3 Premium Ratio (2.1 / 2.2)	1.000	1.000
2.4 Reserve Numerator	70,089,226	53,249,222
2.5 Reserve Denominator	70,089,226	53,249,222
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[] N/A[X]
- 5.1 Does the reporting entity have stop-loss reinsurance? Yes[X] No[]
- 5.2 If no, explain:
- 5.3 Maximum retained risk (see instructions):
- 5.31 Comprehensive Medical \$ 724,000
- 5.32 Medical Only \$ 0
- 5.33 Medicare Supplement \$ 0
- 5.34 Dental & Vision \$ 0
- 5.35 Other Limited Benefit Plan \$ 0
- 5.36 Other \$ 0
- 6. Describe arrangement which the reporting entity may have to protect subscribers and their dependents against the risk of insolvency including hold harmless provisions, conversion privileges with other carriers, agreements with providers to continue rendering services, and any other agreements:
OUR PROVIDER CONTRACTS INCLUDE A MEMBER HOLD HARMLESS CLAUSE, AS WELL AS A CONTINUITY OF CARE PROVISION.
- 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 38,000
- 8.2 Number of providers at end of reporting year 44,328
- 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 0
- 9.22 Business with rate guarantees over 36 months 0
- 10.1 Does the reporting entity have Incentive Pool, Withhold or Bonus Arrangements in its provider contracts? Yes[X] No[]
- 10.2 If yes:
- 10.21 Maximum amount payable bonuses \$ 63,117
- 10.22 Amount actually paid for year bonuses \$ 52,938
- 10.23 Maximum amount payable withholds \$ 116,633
- 10.24 Amount actually paid for year withholds \$ 93,179
- 11.1 Is the reporting entity organized as:
- 11.12 A Medical Group/Staff Model, Yes[] No[X]
- 11.13 An Individual Practice Association (IPA), or, Yes[] No[X]
- 11.14 A Mixed Model (combination of above)? Yes[] No[X]
- 11.2 Is the reporting entity subject to Minimum Net Worth Requirements? Yes[X] No[]
- 11.3 If yes, show the name of the state requiring such net worth.
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 the reporting entity is licensed to operate:

1 Name of Service Area
STATE OF OREGON
STATE OF IDAHO
STATE OF WASHINGTON
STATE OF MONTANA

- 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: \$ 0
- 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: \$ 0

FIVE-YEAR HISTORICAL DATA

	1 2012	2 2011	3 2010	4 2009	5 2008
BALANCE SHEET (Pages 2 and 3)					
1. TOTAL Admitted Assets (Page 2, Line 28)	209,216,149	203,462,605	196,430,513	173,618,057	157,364,561
2. TOTAL Liabilities (Page 3, Line 24)	99,439,325	77,744,555	82,322,912	66,542,205	61,166,073
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)	109,776,825	125,718,050	114,107,602	107,075,852	96,198,488
INCOME STATEMENT (Page 4)					
5. TOTAL Revenues (Line 8)	722,232,759	644,237,184	582,966,063	520,645,087	512,341,466
6. TOTAL Medical and Hospital Expenses (Line 18)	650,530,509	545,553,079	493,099,186	439,202,187	442,124,461
7. Claims adjustment expenses (Line 20)	23,427,963	17,184,804	16,519,543	15,373,466	14,700,310
8. TOTAL Administrative Expenses (Line 21)	81,337,927	72,191,308	68,459,200	61,524,739	54,424,652
9. Net underwriting gain (loss) (Line 24)	(33,063,640)	9,307,994	4,888,134	4,544,695	1,092,043
10. Net investment gain (loss) (Line 27)	7,995,619	5,430,852	5,965,642	543,049	(7,772,852)
11. TOTAL Other Income (Lines 28 plus 29)	(1,760,845)	(1,129,496)	(2,333,539)	(505,962)	(464,664)
12. Net income or (loss) (Line 32)	(25,935,955)	10,919,667	8,134,728	4,290,283	(3,632,991)
Cash Flow (Page 6)					
13. Net cash from operations (Line 11)	(13,575,731)	19,152,459	3,968,386	14,389,850	(15,669,127)
RISK-BASED CAPITAL ANALYSIS					
14. TOTAL Adjusted Capital	109,776,825	125,718,050	114,107,602	107,075,852	96,198,488
15. Authorized control level risk-based capital	36,398,045	30,626,505	32,180,093	21,417,248	20,436,573
ENROLLMENT (Exhibit 1)					
16. TOTAL Members at End of Period (Column 5, Line 7)	224,487	203,677	183,233	183,494	151,451
17. TOTAL Members Months (Column 6, Line 7)	2,609,007	2,325,529	2,198,931	1,944,624	1,866,027
OPERATING PERCENTAGE (Page 4)					
(Item divided by Page 4, sum of Lines 2, 3 and 5) x 100.0					
18. Premiums earned plus risk revenue (Line 2 plus Lines 3 and 5)	100.0	100.0	100.0	100.0	100.0
19. TOTAL Hospital and Medical plus other non-health (Lines 18 plus Line 19)	90.1	84.7	84.6	84.4	86.7
20. Cost containment expenses	1.3	0.9	0.9	1.4	1.3
21. Other claims adjustment expenses	1.9	1.7	1.9	1.5	1.5
22. TOTAL Underwriting Deductions (Line 23)	104.6	98.6	99.2	99.1	99.7
23. TOTAL Underwriting Gain (Loss) (Line 24)	(4.6)	1.4	0.8	0.9	0.3
UNPAID CLAIMS ANALYSIS					
(U&I Exhibit, Part 2B)					
24. TOTAL Claims Incurred for Prior Years (Line 13, Column 5)	56,778,274	41,662,210	43,919,113	37,177,124	42,433,626
25. Estimated liability of unpaid claims-[prior year (Line 13, Column 6)]	45,477,896	37,709,093	44,691,986	42,707,198	50,325,376
INVESTMENTS IN PARENT, SUBSIDIARIES AND AFFILIATES					
26. Affiliated bonds (Sch. D Summary, Line 12, Column 1)					
27. Affiliated preferred stocks (Sch. D Summary, Line 18, Column 1)					
28. Affiliated common stocks (Sch. D Summary, Line 24, Column 1)	51,037,153	53,071,011	57,369,008	1,731,818	1,986,793
29. Affiliated short-term investments (subtotal included in Sch. DA Verification, Col. 5, Line 10)					
30. Affiliated mortgage loans on real estate					
31. All other affiliated					
32. TOTAL of Above Lines 26 to 31	51,037,153	53,071,011	57,369,008	1,731,818	1,986,793
33. TOTAL investment in parent included in Lines 26 to 31 above					

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

If no, please explain::

SCHEDULE T - PREMIUMS AND OTHER CONSIDERATIONS ALLOCATED BY STATES AND TERRITORIES

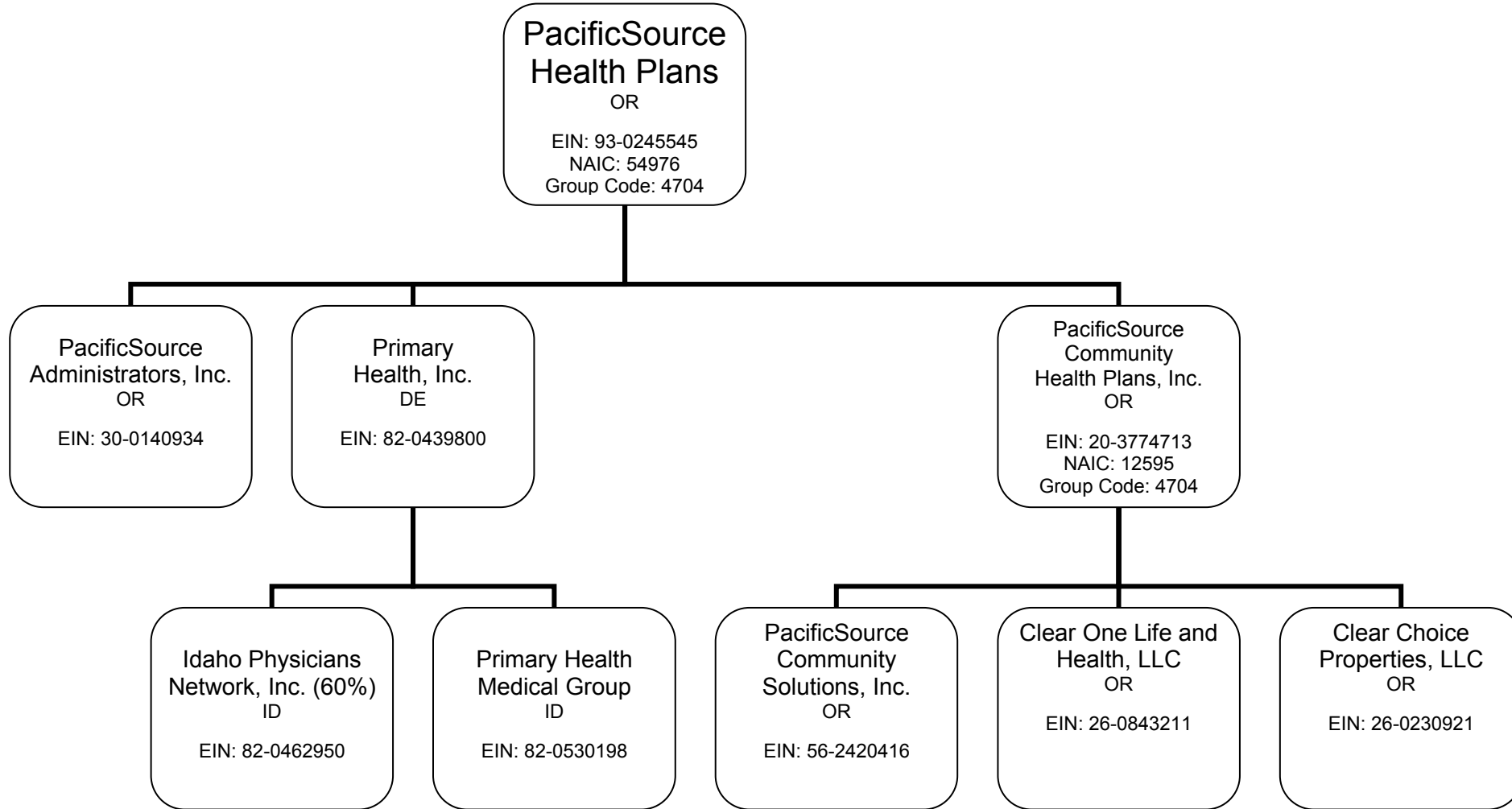
State, Etc.	1 Active Status	Direct Business Only							
		2 Accident & Health Premiums	3 Medicare Title XVIII	4 Medicaid Title XIX	5 Federal Employees Health Benefits Program Premiums	6 Life & Annuity Premiums & Other Considerations	7 Property/Casualty Premiums	8 Total Columns 2 Through 7	9 Deposit - Type Contracts
1. Alabama (AL)	N								
2. Alaska (AK)	N								
3. Arizona (AZ)	N								
4. Arkansas (AR)	N								
5. California (CA)	N								
6. Colorado (CO)	N								
7. Connecticut (CT)	N								
8. Delaware (DE)	N								
9. District of Columbia (DC)	N								
10. Florida (FL)	N								
11. Georgia (GA)	N								
12. Hawaii (HI)	N								
13. Idaho (ID)	L	99,298,992						99,298,992	
14. Illinois (IL)	N								
15. Indiana (IN)	N								
16. Iowa (IA)	N								
17. Kansas (KS)	N								
18. Kentucky (KY)	N								
19. Louisiana (LA)	N								
20. Maine (ME)	N								
21. Maryland (MD)	N								
22. Massachusetts (MA)	N								
23. Michigan (MI)	N								
24. Minnesota (MN)	N								
25. Mississippi (MS)	N								
26. Missouri (MO)	N								
27. Montana (MT)	L	27,986,419						27,986,419	
28. Nebraska (NE)	N								
29. Nevada (NV)	N								
30. New Hampshire (NH)	N								
31. New Jersey (NJ)	N								
32. New Mexico (NM)	N								
33. New York (NY)	N								
34. North Carolina (NC)	N								
35. North Dakota (ND)	N								
36. Ohio (OH)	N								
37. Oklahoma (OK)	N								
38. Oregon (OR)	L	602,427,459						602,427,459	
39. Pennsylvania (PA)	N								
40. Rhode Island (RI)	N								
41. South Carolina (SC)	N								
42. South Dakota (SD)	N								
43. Tennessee (TN)	N								
44. Texas (TX)	N								
45. Utah (UT)	N								
46. Vermont (VT)	N								
47. Virginia (VA)	N								
48. Washington (WA)	L	6,775						6,775	
49. West Virginia (WV)	N								
50. Wisconsin (WI)	N								
51. Wyoming (WY)	N								
52. American Samoa (AS)	N								
53. Guam (GU)	N								
54. Puerto Rico (PR)	N								
55. U.S. Virgin Islands (VI)	N								
56. Northern Marianas Islands (MP)	N								
57. Canada (CAN)	N								
58. Aggregate other alien (OT)	X X X								
59. Subtotal	X X X	729,719,645						729,719,645	
60. Reporting entity contributions for Employee Benefit Plans	X X X								
61. TOTAL (Direct Business)	(a) ... 4	729,719,645						729,719,645	
DETAILS OF WRITE-INS									
5801.	X X X								
5802.	X X X								
5803.	X X X								
5898. Summary of remaining write-ins for Line 58 from overflow page	X X X								
5899. TOTALS (Lines 5801 through 5803 plus 5898) (Line 58 above)	X X X								

(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.

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

Explanation of basis of allocation of premiums by states, etc.: If a member resides in the state of Idaho or Montana, their premium is reported there. All other premiums are reported to Oregon or Washington, based on where the contracts are written.

SCHEDULE Y - INFORMATION CONCERNING ACTIVITIES OF INSURER
MEMBERS OF A HOLDING COMPANY GROUP
PART 1 - ORGANIZATIONAL CHART



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