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ANNUAL STATEMENT

For the Year Ended December 31, 2012

of the Condition and Affairs of the

HEALTH NET HEALTH PLAN OF OREGON, INC.

NAIC Group Code.....0623, 0623 (Current Period) (Prior Period) NAIC Company Code..... 95800 Employer's ID Number..... 93-1004034

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

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

Incorporated/Organized..... June 1, 1989 Commenced Business..... September 1, 1989

Statutory Home Office	13221 SW 68th Parkway, Suite 200….. Tigard ..... OR ..... US ..... 97223-8328 *(Street and Number) (City or Town, State, Country and Zip Code)*	
Main Administrative Office	13221 SW 68th Parkway, Suite 200….. Tigard ..... OR ..... US ..... 97223-8328 *(Street and Number) (City or Town, State, Country and Zip Code)*	888-802-7001 *(Area Code) (Telephone Number)*
Mail Address	13221 SW 68th Parkway, Suite 200….. Tigard ..... OR ..... US ..... 97223-8328 *(Street and Number or P. O. Box) (City or Town, State, Country and Zip Code)*	
Primary Location of Books and Records	13221 SW 68th Parkway, Suite 200….. Tigard ..... OR ..... US ..... 97223-8328 *(Street and Number) (City or Town, State, Country and Zip Code)*	888-802-7001 *(Area Code) (Telephone Number)*
Internet Web Site Address	www.healthnet.com	
Statutory Statement Contact	Roupen (NMN) Berberian *(Name)*	818-676-8256 *(Area Code) (Telephone Number) (Extension)*
	roupen.berberian@healthnet.com *(E-Mail Address)*	818-676-6521 *(Fax Number)*

OFFICERS

Name	Title	Name	Title
Steven Jackson Sell	Chairman	Christian David Ellertson	President
Marie (NMN) Montgomery	Vice President, CFO & Treasurer	Steven Daniel Sickle	Secretary

OTHER

Angelee Fox Bouchard	Assistant Secretary	Roupen (NMN) Berberian #	Vice President

DIRECTORS OR TRUSTEES

Christian David Ellertson Kenneth Leslie Leander Steven Jackson Sell

State of........ California
County of..... Los Angeles

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

(Signature)	(Signature)	(Signature)
Steven Jackson Sell	Christian David Ellertson	Marie (NMN) Montgomery
(Printed Name)	(Printed Name)	(Printed Name)
Chairman	President	Vice President, CFO & Treasurer
(Title)	(Title)	(Title)

Subscribed and sworn to before me
This ______ day of ______ 2013

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

ASSETS

	Current Year 1 Assets	Current Year 2 Nonadmitted Assets	Current Year 3 Net Admitted Assets (Cols. 1 - 2)	Prior Year 4 Net Admitted Assets
1. Bonds (Schedule D)	109,445,966		109,445,966	103,153,601
2. Stocks (Schedule D):				
2.1 Preferred stocks			0	
2.2 Common stocks			0	
3. Mortgage loans on real estate (Schedule B):				
3.1 First liens			0	
3.2 Other than first liens			0	
4. Real estate (Schedule A):				
4.1 Properties occupied by the company (less $..........0 encumbrances)			0	
4.2 Properties held for the production of income (less $..........0 encumbrances)			0	
4.3 Properties held for sale (less $..........0 encumbrances)			0	
5. Cash ($.....65,106, Schedule E-Part 1), cash equivalents ($..........0, Schedule E-Part 2) and short-term investments ($.....3,736,732, Schedule DA)	3,801,838		3,801,838	2,303,219
6. Contract loans (including $..........0 premium notes)			0	
7. Derivatives (Schedule DB)			0	
8. Other invested assets (Schedule BA)			0	
9. Receivables for securities			0	
10. Securities lending reinvested collateral assets (Schedule DL)			0	
11. Aggregate write-ins for invested assets	0	0	0	0
12. Subtotals, cash and invested assets (Lines 1 to 11)	113,247,804	0	113,247,804	105,456,820
13. Title plants less $..........0 charged off (for Title insurers only)			0	
14. Investment income due and accrued	926,646		926,646	716,489
15. Premiums and considerations:				
15.1 Uncollected premiums and agents' balances in the course of collection	1,702,429	175,688	1,526,741	1,780,965
15.2 Deferred premiums, agents' balances and installments booked but deferred and not yet due (including $..........0 earned but unbilled premiums)			0	
15.3 Accrued retrospective premiums			0	
16. Reinsurance:				
16.1 Amounts recoverable from reinsurers			0	
16.2 Funds held by or deposited with reinsured companies			0	
16.3 Other amounts receivable under reinsurance contracts			0	
17. Amounts receivable relating to uninsured plans			0	
18.1 Current federal and foreign income tax recoverable and interest thereon	1,449,099		1,449,099	484,704
18.2 Net deferred tax asset	1,433,859	183,075	1,250,784	646,815
19. Guaranty funds receivable or on deposit			0	
20. Electronic data processing equipment and software			0	
21. Furniture and equipment, including health care delivery assets ($..........0)			0	
22. Net adjustment in assets and liabilities due to foreign exchange rates			0	
23. Receivables from parent, subsidiaries and affiliates	1,477,895		1,477,895	2,177,251
24. Health care ($.....1,558,401) and other amounts receivable	2,333,532	775,131	1,558,401	1,905,818
25. Aggregate write-ins for other than invested assets	229,872	229,872	0	81,719
26. Total assets excluding Separate Accounts, Segregated Accounts and Protected Cell Accounts (Lines 12 to 25)	122,801,136	1,363,766	121,437,370	113,250,581
27. From Separate Accounts, Segregated Accounts and Protected Cell Accounts			0	
28. TOTALS (Lines 26 and 27)	122,801,136	1,363,766	121,437,370	113,250,581

DETAILS OF WRITE-INS

1101.			0	
1102.			0	
1103.			0	
1198. Summary of remaining write-ins for Line 11 from overflow page	0	0	0	0
1199. Totals (Lines 1101 thru 1103 plus 1198) (Line 11 above)	0	0	0	0
2501. Other Assets Nonadmitted	229,872	229,872	0	
2502. State Premium Tax Assessment Receivable			0	80,037
2503. Receivable from UnitedHealth Group Incorporated and or its affiliates			0	1,682
2598. Summary of remaining write-ins for Line 25 from overflow page	0	0	0	0
2599. Totals (Lines 2501 thru 2503 plus 2598) (Line 25 above)	229,872	229,872	0	81,719

LIABILITIES, CAPITAL AND SURPLUS

		Current Period			Prior Year
		1 Covered	2 Uncovered	3 Total	4 Total
1.	Claims unpaid (less $..........0 reinsurance ceded)	31,068,394	6,694,020	37,762,414	29,499,166
2.	Accrued medical incentive pool and bonus amounts			0	
3.	Unpaid claims adjustment expenses	1,000,972	215,670	1,216,642	974,749
4.	Aggregate health policy reserves, including the liability of $..........0 for medical loss ratio rebate per the Public Health Service Act	2,288,447		2,288,447	1,388,510
5.	Aggregate life policy reserves			0	
6.	Property/casualty unearned premium reserve			0	
7.	Aggregate health claim reserves			0	
8.	Premiums received in advance	4,114,428		4,114,428	4,713,943
9.	General expenses due or accrued	4,504,758		4,504,758	3,697,483
10.1	Current federal and foreign income tax payable and interest thereon (including $.....1,160,440 on realized capital gains (losses))			0	
10.2	Net deferred tax liability			0	
11.	Ceded reinsurance premiums payable			0	
12.	Amounts withheld or retained for the account of others			0	
13.	Remittances and items not allocated	1,047,967		1,047,967	1,078,183
14.	Borrowed money (including $..........0 current) and interest thereon $..........0 (including $..........0 current)			0	
15.	Amounts due to parent, subsidiaries and affiliates	2,143,860		2,143,860	175,837
16.	Derivatives			0	
17.	Payable for securities			0	
18.	Payable for securities lending			0	
19.	Funds held under reinsurance treaties with ($..........0 authorized reinsurers, $..........0 unauthorized and $..........0 certified reinsurers)			0	
20.	Reinsurance in unauthorized and certified ($..........0) companies			0	
21.	Net adjustments in assets and liabilities due to foreign exchange rates			0	
22.	Liability for amounts held under uninsured plans	13,824		13,824	19,217
23.	Aggregate write-ins for other liabilities (including $.....1,334,081 current)	1,618,858	0	1,618,858	1,712,513
24.	Total liabilities (Lines 1 to 23)	47,801,508	6,909,690	54,711,198	43,259,601
25.	Aggregate write-ins for special surplus funds	XXX	XXX	0	0
26.	Common capital stock	XXX	XXX	10	10
27.	Preferred capital stock	XXX	XXX		
28.	Gross paid in and contributed surplus	XXX	XXX	16,892,197	16,766,532
29.	Surplus notes	XXX	XXX		
30.	Aggregate write-ins for other than special surplus funds	XXX	XXX	0	0
31.	Unassigned funds (surplus)	XXX	XXX	49,833,965	53,224,438
32.	Less treasury stock at cost:				
	32.1 .....0.000 shares common (value included in Line 26 $..........0)	XXX	XXX		
	32.2 .....0.000 shares preferred (value included in Line 27 $..........0)	XXX	XXX		
33.	Total capital and surplus (Lines 25 to 31 minus Line 32)	XXX	XXX	66,726,172	69,990,980
34.	Total liabilities, capital and surplus (Lines 24 and 33)	XXX	XXX	121,437,370	113,250,581

DETAILS OF WRITE-INS

		1	2	3	4
2301.	Payroll and Other Liabilities	1,196,638		1,196,638	1,261,845
2302.	Post Retirement Benefit Cost	245,146		245,146	284,096
2303.	Unclaimed Property	137,443		137,443	111,380
2398.	Summary of remaining write-ins for Line 23 from overflow page	39,631	0	39,631	55,192
2399.	Totals (Lines 2301 thru 2303 plus 2398) (Line 23 above)	1,618,858	0	1,618,858	1,712,513
2501.		XXX	XXX		
2502.		XXX	XXX		
2503.		XXX	XXX		
2598.	Summary of remaining write-ins for Line 25 from overflow page	XXX	XXX	0	0
2599.	Totals (Lines 2501 thru 2503 plus 2598) (Line 25 above)	XXX	XXX	0	0
3001.		XXX	XXX		
3002.		XXX	XXX		
3003.		XXX	XXX		
3098.	Summary of remaining write-ins for Line 30 from overflow page	XXX	XXX	0	0
3099.	Totals (Lines 3001 thru 3003 plus 3098) (Line 30 above)	XXX	XXX	0	0

STATEMENT OF REVENUE AND EXPENSES

	Current Year 1 Uncovered	Current Year 2 Total	Prior Year 3 Total
1. Member months	XXX	1,059,764	1,025,498
2. Net premium income (including $..........0 non-health premium income)	XXX	368,844,420	354,288,983
3. Change in unearned premium reserves and reserve for rate credits	XXX	(59,267)	181,785
4. Fee-for-service (net of $..........0 medical expenses)	XXX		
5. Risk revenue	XXX		
6. Aggregate write-ins for other health care related revenues	XXX	0	0
7. Aggregate write-ins for other non-health revenues	XXX	0	0
8. Total revenues (Lines 2 to 7)	XXX	368,785,153	354,470,768
Hospital and Medical:			
9. Hospital/medical benefits	25,134,969	200,465,458	188,087,448
10. Other professional services	7,960,779	37,921,898	38,318,588
11. Outside referrals	18,132,763	18,132,763	7,643,683
12. Emergency room and out-of-area	2,919,546	13,416,333	10,896,832
13. Prescription drugs	202,442	36,666,458	34,192,908
14. Aggregate write-ins for other hospital and medical	0	0	0
15. Incentive pool, withhold adjustments and bonus amounts			
16. Subtotal (Lines 9 to 15)	54,350,499	306,602,910	279,139,459
Less:			
17. Net reinsurance recoveries			
18. Total hospital and medical (Lines 16 minus 17)	54,350,499	306,602,910	279,139,459
19. Non-health claims (net)			
20. Claims adjustment expenses, including $.....7,108,028 cost containment expenses	1,861,264	10,499,790	11,772,068
21. General administrative expenses		40,567,495	36,134,004
22. Increase in reserves for life and accident and health contracts including $..........0 increase in reserves for life only)		840,670	49,050
23. Total underwriting deductions (Lines 18 through 22)	56,211,763	358,510,865	327,094,581
24. Net underwriting gain or (loss) (Lines 8 minus 23)	XXX	10,274,288	27,376,187
25. Net investment income earned (Exhibit of Net Investment Income, Line 17)		3,182,164	2,718,748
26. Net realized capital gains or (losses) less capital gains tax of $.....1,160,440		2,155,104	1,563,701
27. Net investment gains or (losses) (Lines 25 plus 26)	0	5,337,268	4,282,449
28. Net gain or (loss) from agents' or premium balances charged off [(amount recovered $..........0) (amount charged off $..........0)]			
29. Aggregate write-ins for other income or expenses	0	(82,638)	(4,746)
30. Net income or (loss) after capital gains tax and before all other federal income taxes (Lines 24 plus 27 plus 28 plus 29)	XXX	15,528,918	31,653,890
31. Federal and foreign income taxes incurred	XXX	4,939,664	10,167,687
32. Net income (loss) (Lines 30 minus 31)	XXX	10,589,254	21,486,203

DETAILS OF WRITE-INS

0601.	XXX		
0602.	XXX		
0603.	XXX		
0698. Summary of remaining write-ins for Line 6 from overflow page	XXX	0	0
0699. Totals (Lines 0601 thru 0603 plus 0698) (Line 6 above)	XXX	0	0
0701.	XXX		
0702.	XXX		
0703.	XXX		
0798. Summary of remaining write-ins for Line 7 from overflow page	XXX	0	0
0799. Totals (Lines 0701 thru 0703 plus 0798) (Line 7 above)	XXX	0	0
1401.			
1402.			
1403.			
1498. Summary of remaining write-ins for Line 14 from overflow page	0	0	0
1499. Totals (Lines 1401 thru 1403 plus 1498) (Line 14 above)	0	0	0
2901. Fines and Penalties		(82,750)	(5,000)
2902. Other Income		112	254
2903.			
2998. Summary of remaining write-ins for Line 29 from overflow page	0	0	0
2999. Totals (Lines 2901 thru 2903 plus 2998) (Line 29 above)	0	(82,638)	(4,746)

STATEMENT OF REVENUE AND EXPENSES (Continued)

CAPITAL AND SURPLUS ACCOUNT	1 Current Year	2 Prior Year
33. Capital and surplus prior reporting period	69,990,980	63,307,359
34. Net income or (loss) from Line 32	10,589,254	21,486,203
35. Change in valuation basis of aggregate policy and claim reserves		
36. Change in net unrealized capital gains and (losses) less capital gains tax of $.........0		
37. Change in net unrealized foreign exchange capital gain or (loss)		
38. Change in net deferred income tax	509,048	(524,088)
39. Change in nonadmitted assets	499,886	633,922
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	125,665	
45.2 Transferred to capital (Stock Dividend)		
45.3 Transferred from capital		
46. Dividends to stockholders	(15,000,000)	(15,000,000)
47. Aggregate write-ins for gains or (losses) in surplus	11,339	87,584
48. Net change in capital and surplus (Lines 34 to 47)	(3,264,808)	6,683,621
49. Capital and surplus end of reporting period (Line 33 plus 48)	66,726,172	69,990,980

DETAILS OF WRITE-INS

4701. Prior Period Adjustment for Post Retirement Benefits Net of Tax	11,339	87,584
4702.		
4703.		
4798. Summary of remaining write-ins for Line 47 from overflow page	0	0
4799. Totals (Lines 4701 thru 4703 plus 4798) (Line 47 above)	11,339	87,584

CASH FLOW

	1 Current Year	2 Prior Year
CASH FROM OPERATIONS		
1. Premiums collected net of reinsurance	368,399,939	352,920,631
2. Net investment income	4,178,222	4,273,190
3. Miscellaneous income	2,749,098	(1,708,726)
4. Total (Lines 1 through 3)	375,327,259	355,485,095
5. Benefit and loss related payments	297,797,847	277,113,559
6. Net transfers to Separate Accounts, Segregated Accounts and Protected Cell Accounts		
7. Commissions, expenses paid and aggregate write-ins for deductions	49,908,923	48,347,660
8. Dividends paid to policyholders		
9. Federal and foreign income taxes paid (recovered) net of $.....1,160,440 tax on capital gains (losses)	7,064,499	13,034,475
10. Total (Lines 5 through 9)	354,771,269	338,495,694
11. Net cash from operations (Line 4 minus Line 10)	20,555,990	16,989,401
CASH FROM INVESTMENTS		
12. Proceeds from investments sold, matured or repaid:		
12.1 Bonds	97,032,574	65,119,609
12.2 Stocks		
12.3 Mortgage loans		
12.4 Real estate		
12.5 Other invested assets		
12.6 Net gains or (losses) on cash, cash equivalents and short-term investments	1	(2,324)
12.7 Miscellaneous proceeds		
12.8 Total investment proceeds (Lines 12.1 to 12.7)	97,032,575	65,117,285
13. Cost of investments acquired (long-term only):		
13.1 Bonds	101,215,611	62,800,869
13.2 Stocks		
13.3 Mortgage loans		
13.4 Real estate		
13.5 Other invested assets		
13.6 Miscellaneous applications		
13.7 Total investments acquired (Lines 13.1 to 13.6)	101,215,611	62,800,869
14. Net increase (decrease) in contract loans and premium notes		
15. Net cash from investments (Line 12.8 minus Lines 13.7 minus Line 14)	(4,183,036)	2,316,416
CASH FROM FINANCING AND MISCELLANEOUS SOURCES		
16. Cash provided (applied):		
16.1 Surplus notes, capital notes		
16.2 Capital and paid in surplus, less treasury stock		
16.3 Borrowed funds		
16.4 Net deposits on deposit-type contracts and other insurance liabilities		
16.5 Dividends to stockholders	15,000,000	15,000,000
16.6 Other cash provided (applied)	125,665	
17. Net cash from financing and miscellaneous sources (Lines 16.1 to 16.4 minus Line 16.5 plus Line 16.6)	(14,874,335)	(15,000,000)
RECONCILIATION OF CASH, CASH EQUIVALENTS AND SHORT-TERM INVESTMENTS		
18. Net change in cash, cash equivalents and short-term investments (Line 11 plus Line 15 plus Line 17)	1,498,619	4,305,817
19. Cash, cash equivalents and short-term investments:		
19.1 Beginning of year	2,303,219	(2,002,598)
19.2 End of year (Line 18 plus Line 19.1)	3,801,838	2,303,219

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

20.0001		

ANALYSIS OF OPERATIONS BY LINES OF BUSINESS

	1 Total	2 Comprehensive (Hospital and Medical)	3 Medicare Supplement	4 Dental Only	5 Vision Only	6 Federal Employees Health Benefit Plans	7 Title XVIII Medicare	8 Title XIX Medicaid	9 Other Health	10 Other Non-Health
1. Net premium income	368,844,420	363,534,671	749,982	1,345,587	1,658,836		1,555,344			
2. Change in unearned premium reserves and reserve for rate credit	(59,267)	(36,217)					(23,050)			
3. Fee-for-service (net of $ 0 medical expenses)	0									XXX
4. Risk revenue	0									XXX
5. Aggregate write-ins for other health care related revenues	0	0	0	0	0	0	0	0	0	XXX
6. Aggregate write-ins for other non-health care related revenues	0	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	0
7. Total revenues (Lines 1 to 6)	368,785,153	363,498,454	749,982	1,345,587	1,658,836	0	1,532,294	0	0	0
8. Hospital/medical benefits	200,465,458	198,867,210	671,352				926,896			XXX
9. Other professional services	37,921,898	35,637,946	11,610	1,012,268	1,254,874		5,200			XXX
10. Outside referrals	18,132,763	18,004,788	71,966				56,009			XXX
11. Emergency room and out-of-area	13,416,333	13,322,855	31,469				62,009			XXX
12. Prescription drugs	36,666,458	36,541,911	112				124,435			XXX
13. Aggregate write-ins for other hospital and medical	0	0	0	0	0	0	0	0	0	XXX
14. Incentive pool, withhold adjustments and bonus amounts	0									XXX
15. Subtotal (Lines 8 to 14)	306,602,910	302,374,710	786,509	1,012,268	1,254,874	0	1,174,549	0	0	XXX
16. Net reinsurance recoveries	0									XXX
17. Total hospital and medical (Lines 15 minus 16)	306,602,910	302,374,710	786,509	1,012,268	1,254,874	0	1,174,549	0	0	XXX
18. Non-health claims (net)	0	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	
19. Claims adjustment expenses including $ 7,108,028 cost containment expenses	10,499,790	10,433,722	33,358	227	219		32,264			
20. General administrative expenses	40,567,495	40,271,850	215,784	7,013	5,910		66,938			
21. Increase in reserves for accident and health contracts	840,670	840,670								XXX
22. Increase in reserve for life contracts	0	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	
23. Total underwriting deductions (Lines 17 to 22)	358,510,865	353,920,952	1,035,651	1,019,508	1,261,003	0	1,273,751	0	0	0
24. Net underwriting gain or (loss) (Line 7 minus Line 23)	10,274,288	9,577,502	(285,669)	326,079	397,833	0	258,543	0	0	0
DETAILS OF WRITE-INS										
0501.	0									XXX
0502.	0									XXX
0503.	0									XXX
0598. Summary of remaining write-ins for Line 5 from overflow page	0	0	0	0	0	0	0	0	0	XXX
0599. Total (Lines 0501 thru 0503 plus 0598) (Line 5 above)	0	0	0	0	0	0	0	0	0	XXX
0601.	0	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	
0602.	0	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	
0603.	0	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	
0698. Summary of remaining write-ins for Line 6 from overflow page	0	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	0
0699. Total (Lines 0601 thru 0603 plus 0698) (Line 6 above)	0	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	0
1301.	0									XXX
1302.	0									XXX
1303.	0									XXX
1398. Summary of remaining write-ins for Line 13 from overflow page	0	0	0	0	0	0	0	0	0	XXX
1399. Total (Lines 1301 thru 1303 plus 1398) (Line 13 above)	0	0	0	0	0	0	0	0	0	XXX

UNDERWRITING AND INVESTMENT EXHIBIT

PART 1 - PREMIUMS

Line of Business	1 Direct Business	2 Reinsurance Assumed	3 Reinsurance Ceded	4 Net Premium Income (Cols. 1 + 2 - 3)
1. Comprehensive (hospital and medical)	363,534,671			363,534,671
2. Medicare supplement	749,982			749,982
3. Dental only	1,345,587			1,345,587
4. Vision only	1,658,836			1,658,836
5. Federal employees health benefits plan				0
6. Title XVIII - Medicare	1,555,344			1,555,344
7. Title XIX - Medicaid				0
8. Other health				0
9. Health subtotal (Lines 1 through 8)	368,844,420	0	0	368,844,420
10. Life				0
11. Property/casualty				0
12. Totals (Lines 9 to 11)	368,844,420	0	0	368,844,420

UNDERWRITING AND INVESTMENT EXHIBIT

PART 2 - CLAIMS INCURRED DURING THE YEAR

	1 Total	2 Comprehensive (Hospital and Medical)	3 Medicare Supplement	4 Dental Only	5 Vision Only	6 Federal Employees Health Benefits Plan	7 Title XVIII Medicare	8 Title XIX Medicaid	9 Other Health	10 Other Non-Health
1. Payments during the year:										
1.1 Direct	297,797,847	293,667,147	741,366	1,033,913	1,254,874		1,100,547			
1.2 Reinsurance assumed	0									
1.3 Reinsurance ceded	0									
1.4 Net	297,797,847	293,667,147	741,366	1,033,913	1,254,874	0	1,100,547	0	0	0
2. Paid medical incentive pools and bonuses	0									
3. Claim liability December 31, current year from Part 2A:										
3.1 Direct	37,762,414	37,447,181	113,878	48,822			152,533			
3.2 Reinsurance assumed	0									
3.3 Reinsurance ceded	0									
3.4 Net	37,762,414	37,447,181	113,878	48,822	0	0	152,533	0	0	0
4. Claim reserve December 31, current year from Part 2D:										
4.1 Direct	0									
4.2 Reinsurance assumed	0									
4.3 Reinsurance ceded	0									
4.4 Net	0	0	0	0	0	0	0	0	0	0
5. Accrued medical incentive pools and bonuses, current year	0									
6. Net healthcare receivables (a)	(541,815)	(559,266)	1,910				15,541			
7. Amounts recoverable from reinsurers December 31, current year	0									
8. Claim liability December 31, prior year from Part 2A:										
8.1 Direct	29,499,166	29,298,884	66,825	70,467			62,990			
8.2 Reinsurance assumed	0									
8.3 Reinsurance ceded	0									
8.4 Net	29,499,166	29,298,884	66,825	70,467	0	0	62,990	0	0	0
9. Claim reserve December 31, prior year from Part 2D:										
9.1 Direct	0									
9.2 Reinsurance assumed	0									
9.3 Reinsurance ceded	0									
9.4 Net	0	0	0	0	0	0	0	0	0	0
10. Accrued medical incentive pools and bonuses, prior year	0									
11. Amounts recoverable from reinsurers December 31, prior year	0									
12. Incurred benefits:										
12.1 Direct	306,602,910	302,374,710	786,509	1,012,268	1,254,874	0	1,174,549	0	0	0
12.2 Reinsurance assumed	0	0	0	0	0	0	0	0	0	0
12.3 Reinsurance ceded	0	0	0	0	0	0	0	0	0	0
12.4 Net	306,602,910	302,374,710	786,509	1,012,268	1,254,874	0	1,174,549	0	0	0
13. Incurred medical incentive pools and bonuses	0	0	0	0	0	0	0	0	0	0

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

UNDERWRITING AND INVESTMENT EXHIBIT

PART 2A - CLAIMS LIABILITY END OF CURRENT YEAR

	1 Total	2 Comprehensive (Medical and Hospital)	3 Medicare Supplement	4 Dental Only	5 Vision Only	6 Federal Employees Health Benefits Plan	7 Title XVIII Medicare	8 Title XIX Medicaid	9 Other Health	10 Other Non-Health
1. Reported in process of adjustment:										
1.1 Direct	4,908,054	4,886,597	8,122				13,335			
1.2 Reinsurance assumed	0									
1.3 Reinsurance ceded	0									
1.4 Net	4,908,054	4,886,597	8,122	0	0	0	13,335	0	0	0
2. Incurred but unreported:										
2.1 Direct	32,854,360	32,560,584	105,756	48,822			139,198			
2.2 Reinsurance assumed	0									
2.3 Reinsurance ceded	0									
2.4 Net	32,854,360	32,560,584	105,756	48,822	0	0	139,198	0	0	0
3. Amounts withheld from paid claims and capitations:										
3.1 Direct	0									
3.2 Reinsurance assumed	0									
3.3 Reinsurance ceded	0									
3.4 Net	0	0	0	0	0	0	0	0	0	0
4. Totals:										
4.1 Direct	37,762,414	37,447,181	113,878	48,822	0	0	152,533	0	0	0
4.2 Reinsurance assumed	0	0	0	0	0	0	0	0	0	0
4.3 Reinsurance ceded	0	0	0	0	0	0	0	0	0	0
4.4 Net	37,762,414	37,447,181	113,878	48,822	0	0	152,533	0	0	0

UNDERWRITING AND INVESTMENT EXHIBIT

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

Line of Business	Claims Paid During the Year 1 On Claims Incurred Prior to January 1 of Current Year	2 On Claims Incurred During the Year	Claim Reserve and Claim Liability December 31 of Current Year 3 On Claims Unpaid December 31 of Prior Year	4 On Claims Incurred During the Year	5 Claims Incurred in Prior Years (Columns 1 + 3)	6 Estimated Claim Reserve and Claim Liability December 31 of Prior Year
1. Comprehensive (hospital and medical)	29,170,423	264,496,724	608,289	36,838,892	29,778,712	29,320,309
2. Medicare supplement	36,739	704,627	25	113,853	36,764	49,164
3. Dental only	47,782	986,131		48,822	47,782	66,703
4. Vision only		1,254,874			0	
5. Federal employees health benefits plan					0	
6. Title XVIII - Medicare	84,484	1,016,063		152,533	84,484	62,990
7. Title XIX - Medicaid					0	
8. Other health					0	
9. Health subtotal (Lines 1 to 8)	29,339,428	268,458,419	608,314	37,154,100	29,947,742	29,499,166
10. Healthcare receivables (a)	111,485	1,020,097		1,201,950	111,485	2,875,347
11. Other non-health					0	
12. Medical incentive pools and bonus amounts					0	
13. Totals (Lines 9 - 10 + 11 + 12)	29,227,943	267,438,322	608,314	35,952,150	29,836,257	26,623,819

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

UNDERWRITING AND INVESTMENT EXHIBIT

PART 2C - DEVELOPMENT OF PAID AND INCURRED CLAIMS

(000 Omitted)

SECTION A - PAID HEALTH CLAIMS - GRAND TOTAL

Year in Which Losses Were Incurred	Cumulative Net Amounts Paid				
	1 2008	2 2009	3 2010	4 2011	5 2012
1. Prior	44,946	44,733	44,508	44,407	44,370
2. 2008	340,868	369,310	369,412	369,401	369,474
3. 2009	XXX	360,181	385,097	384,989	384,947
4. 2010	XXX	XXX	273,991	296,979	297,000
5. 2011	XXX	XXX	XXX	254,347	283,671
6. 2012	XXX	XXX	XXX	XXX	268,459

SECTION B - INCURRED HEALTH CLAIMS - GRAND TOTAL

Year in Which Losses Were Incurred	Sum of Cumulative Net Amount Paid and Claim Liability, Claim Reserve and Medical Incentive Pool and Bonuses Outstanding at End of Year				
	1 2008	2 2009	3 2010	4 2011	5 2012
1. Prior	45,389	45,731	44,508	44,407	44,370
2. 2008	371,437	369,581	369,520	369,401	369,475
3. 2009	XXX	390,824	387,256	384,992	384,951
4. 2010	XXX	XXX	298,969	297,291	297,005
5. 2011	XXX	XXX	XXX	283,301	284,270
6. 2012	XXX	XXX	XXX	XXX	305,925

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

Years in Which Premiums were Earned and Claims were Incurred	1 Premiums Earned	2 Claim Payments	3 Claim Adjustment Expense Payments	4 Percent (Col. 3/2)	5 Claim and Claim Adjustment Expense Payments (Col. 2 + 3)	6 Percent (Col. 5/1)	7 Claims Unpaid	8 Unpaid Claim Adjustment Expense	9 Total Claims and Claims Adjustment Expense Incurred (Col. 5 + 7 + 8)	10 Percent (Col. 9/1)
1. 2008	422,671	369,474	10,760	2.9	380,234	90.0	1		380,235	90.0
2. 2009	432,200	384,947	11,744	3.1	396,691	91.8	4		396,695	91.8
3. 2010	363,756	297,000	11,494	3.9	308,494	84.8	5		308,499	84.8
4. 2011	354,470	283,671	11,644	4.1	295,315	83.3	598	170	296,083	83.5
5. 2012	368,785	268,458	8,826	3.3	277,284	75.2	37,155	1,047	315,486	85.5

UNDERWRITING AND INVESTMENT EXHIBIT

PART 2C - DEVELOPMENT OF PAID AND INCURRED CLAIMS

(000 Omitted)

SECTION A - PAID HEALTH CLAIMS - HOSPITAL AND MEDICAL

Year in Which Losses Were Incurred	Cumulative Net Amounts Paid				
	1 2008	2 2009	3 2010	4 2011	5 2012
1. Prior	44,895	44,658	44,431	44,330	44,293
2. 2008	340,620	368,933	369,033	369,022	369,095
3. 2009	XXX	356,345	381,128	381,020	380,978
4. 2010	XXX	XXX	271,006	293,917	293,934
5. 2011	XXX	XXX	XXX	251,522	280,681
6. 2012	XXX	XXX	XXX	XXX	264,497

SECTION B - INCURRED HEALTH CLAIMS - HOSPITAL AND MEDICAL

Year in Which Losses Were Incurred	Sum of Cumulative Net Amount Paid and Claim Liability, Claim Reserve and Medical Incentive Pool and Bonuses Outstanding at End of Year				
	1 2008	2 2009	3 2010	4 2011	5 2012
1. Prior	45,337	45,656	44,431	44,330	44,293
2. 2008	371,115	369,204	369,141	369,022	369,096
3. 2009	XXX	386,922	383,287	381,023	380,982
4. 2010	XXX	XXX	295,939	294,229	293,939
5. 2011	XXX	XXX	XXX	280,299	281,280
6. 2012	XXX	XXX	XXX	XXX	301,688

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

Years in Which Premiums were Earned and Claims were Incurred	1 Premiums Earned	2 Claim Payments	3 Claim Adjustment Expense Payments	4 Percent (Col. 3/2)	5 Claim and Claim Adjustment Expense Payments (Col. 2 + 3)	6 Percent (Col. 5/1)	7 Claims Unpaid	8 Unpaid Claim Adjustment Expenses	9 Total Claims and Claims Adjustment Expense Incurred (Col. 5 + 7 + 8)	10 Percent (Col. 9/1)
1. 2008	422,202	369,095	10,737	2.9	379,832	90.0	1		379,833	90.0
2. 2009	426,873	380,978	11,621	3.1	392,599	92.0	4		392,603	92.0
3. 2010	359,678	293,934	11,487	3.9	305,421	84.9	5		305,426	84.9
4. 2011	349,360	280,681	11,629	4.1	292,310	83.7	598	169	293,077	83.9
5. 2012	363,498	264,497	8,771	3.3	273,268	75.2	36,839	1,038	311,145	85.6

UNDERWRITING AND INVESTMENT EXHIBIT

PART 2C - DEVELOPMENT OF PAID AND INCURRED CLAIMS

(000 Omitted)

SECTION A - PAID HEALTH CLAIMS - MEDICARE SUPPLEMENT

Year in Which Losses Were Incurred	Cumulative Net Amounts Paid 1 2008	2 2009	3 2010	4 2011	5 2012
1. Prior	44	68	68	68	68
2. 2008	188	200	200	200	200
3. 2009	XXX	199	224	224	224
4. 2010	XXX	XXX	144	161	164
5. 2011	XXX	XXX	XXX	178	212
6. 2012	XXX	XXX	XXX	XXX	705

SECTION B - INCURRED HEALTH CLAIMS - MEDICARE SUPPLEMENT

Year in Which Losses Were Incurred	Sum of Cumulative Net Amount Paid and Claim Liability, Claim Reserve and Medical Incentive Pool and Bonuses Outstanding at End of Year 1 2008	2 2009	3 2010	4 2011	5 2012
1. Prior	45	68	68	68	68
2. 2008	251	200	200	200	200
3. 2009	XXX	257	224	224	224
4. 2010	XXX	XXX	179	161	164
5. 2011	XXX	XXX	XXX	225	212
6. 2012	XXX	XXX	XXX	XXX	796

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

Years in Which Premiums were Earned and Claims were Incurred	1 Premiums Earned	2 Claim Payments	3 Claim Adjustment Expense Payments	4 Percent (Col. 3/2)	5 Claim and Claim Adjustment Expense Payments (Col. 2 + 3)	6 Percent (Col. 5/1)	7 Claims Unpaid	8 Unpaid Claim Adjustment Expenses	9 Total Claims and Claims Adjustment Expense Incurred (Col. 5 + 7 + 8)	10 Percent (Col. 9/1)
1. 2008	349	200	6	3.0	206	59.0			206	59.0
2. 2009	324	224	6	2.7	230	71.0			230	71.0
3. 2010	249	164	7	4.3	171	68.7			171	68.7
4. 2011	314	212	14	6.6	226	72.0			226	72.0
5. 2012	750	705	28	4.0	733	97.7	114	4	851	113.5

UNDERWRITING AND INVESTMENT EXHIBIT

PART 2C - DEVELOPMENT OF PAID AND INCURRED CLAIMS

(000 Omitted)

SECTION A - PAID HEALTH CLAIMS - DENTAL ONLY

Year in Which Losses Were Incurred	Cumulative Net Amounts Paid 1 2008	2 2009	3 2010	4 2011	5 2012
1. Prior	7	7	9	9	9
2. 2008	60	177	179	179	179
3. 2009	XXX	1,858	1,966	1,966	1,966
4. 2010	XXX	XXX	1,346	1,406	1,407
5. 2011	XXX	XXX	XXX	1,016	1,063
6. 2012	XXX	XXX	XXX	XXX	986

SECTION B - INCURRED HEALTH CLAIMS - DENTAL ONLY

Year in Which Losses Were Incurred	Sum of Cumulative Net Amount Paid and Claim Liability, Claim Reserve and Medical Incentive Pool and Bonuses Outstanding at End of Year 1 2008	2 2009	3 2010	4 2011	5 2012
1. Prior	7	7	9	9	9
2. 2008	71	177	179	179	179
3. 2009	XXX	1,866	1,966	1,966	1,966
4. 2010	XXX	XXX	1,356	1,406	1,407
5. 2011	XXX	XXX	XXX	1,083	1,063
6. 2012	XXX	XXX	XXX	XXX	1,031

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

Years in Which Premiums were Earned and Claims were Incurred	1 Premiums Earned	2 Claim Payments	3 Claim Adjustment Expense Payments	4 Percent (Col. 3/2)	5 Claim and Claim Adjustment Expense Payments (Col. 2 + 3)	6 Percent (Col. 5/1)	7 Claims Unpaid	8 Unpaid Claim Adjustment Expenses	9 Total Claims and Claims Adjustment Expense Incurred (Col. 5 + 7 + 8)	10 Percent (Col. 9/1)
1. 2008	120	179	11	6.1	190	158.3			190	158.3
2. 2009	2,528	1,966	61	3.1	2,027	80.2			2,027	80.2
3. 2010	2,063	1,407		0.0	1,407	68.2			1,407	68.2
4. 2011	1,454	1,063	(2)	(0.2)	1,061	73.0			1,061	73.0
5. 2012	1,346	986	1	0.1	987	73.3	49	1	1,037	77.0

UNDERWRITING AND INVESTMENT EXHIBIT

PART 2C - DEVELOPMENT OF PAID AND INCURRED CLAIMS

(000 Omitted)

SECTION A - PAID HEALTH CLAIMS - VISION ONLY

Year in Which Losses Were Incurred	Cumulative Net Amounts Paid 1 2008	2 2009	3 2010	4 2011	5 2012
1. Prior					
2. 2008					
3. 2009	XXX	1,779	1,779	1,779	1,779
4. 2010	XXX	XXX	1,495	1,495	1,495
5. 2011	XXX	XXX	XXX	1,319	1,319
6. 2012	XXX	XXX	XXX	XXX	1,255

SECTION B - INCURRED HEALTH CLAIMS - VISION ONLY

Year in Which Losses Were Incurred	Sum of Cumulative Net Amount Paid and Claim Liability, Claim Reserve and Medical Incentive Pool and Bonuses Outstanding at End of Year 1 2008	2 2009	3 2010	4 2011	5 2012
1. Prior					
2. 2008					
3. 2009	XXX	1,779	1,779	1,779	1,779
4. 2010	XXX	XXX	1,495	1,495	1,495
5. 2011	XXX	XXX	XXX	1,319	1,319
6. 2012	XXX	XXX	XXX	XXX	1,255

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

Years in Which Premiums were Earned and Claims were Incurred	1 Premiums Earned	2 Claim Payments	3 Claim Adjustment Expense Payments	4 Percent (Col. 3/2)	5 Claim and Claim Adjustment Expense Payments (Col. 2 + 3)	6 Percent (Col. 5/1)	7 Claims Unpaid	8 Unpaid Claim Adjustment Expenses	9 Total Claims and Claims Adjustment Expense Incurred (Col. 5 + 7 + 8)	10 Percent (Col. 9/1)
1. 2008			6	0.0	6	0.0			6	0.0
2. 2009	2,475	1,779	56	3.1	1,835	74.1			1,835	74.1
3. 2010	1,766	1,495		0.0	1,495	84.7			1,495	84.7
4. 2011	2,766	1,319	1	0.1	1,320	47.7			1,320	47.7
5. 2012	1,659	1,255		0.0	1,255	75.6			1,255	75.6

UNDERWRITING AND INVESTMENT EXHIBIT

PART 2C - DEVELOPMENT OF PAID AND INCURRED CLAIMS

(000 Omitted)

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

NONE

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

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

NONE

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

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

NONE

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

UNDERWRITING AND INVESTMENT EXHIBIT

PART 2C - DEVELOPMENT OF PAID AND INCURRED CLAIMS

(000 Omitted)

SECTION A - PAID HEALTH CLAIMS - TITLE XVIII - MEDICARE

Year in Which Losses Were Incurred	Cumulative Net Amounts Paid 1 2008	2 2009	3 2010	4 2011	5 2012
1. Prior					
2. 2008					
3. 2009	XXX				
4. 2010	XXX	XXX			
5. 2011	XXX	XXX	XXX	312	396
6. 2012	XXX	XXX	XXX	XXX	1,016

SECTION B - INCURRED HEALTH CLAIMS - TITLE XVIII - MEDICARE

Year in Which Losses Were Incurred	Sum of Cumulative Net Amount Paid and Claim Liability, Claim Reserve and Medical Incentive Pool and Bonuses Outstanding at End of Year 1 2008	2 2009	3 2010	4 2011	5 2012
1. Prior					
2. 2008					
3. 2009	XXX				
4. 2010	XXX	XXX			
5. 2011	XXX	XXX	XXX	375	396
6. 2012	XXX	XXX	XXX	XXX	1,155

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

Years in Which Premiums were Earned and Claims were Incurred	1 Premiums Earned	2 Claim Payments	3 Claim Adjustment Expense Payments	4 Percent (Col. 3/2)	5 Claim and Claim Adjustment Expense Payments (Col. 2 + 3)	6 Percent (Col. 5/1)	7 Claims Unpaid	8 Unpaid Claim Adjustment Expenses	9 Total Claims and Claims Adjustment Expense Incurred (Col. 5 + 7 + 8)	10 Percent (Col. 9/1)
1. 2008				0.0	0	0.0			0	0.0
2. 2009				0.0	0	0.0			0	0.0
3. 2010				0.0	0	0.0			0	0.0
4. 2011	576	396	2	0.5	398	69.1		1	399	69.3
5. 2012	1,532	1,015	26	2.6	1,041	68.0	153	4	1,198	78.2

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

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

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

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

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

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

UNDERWRITING AND INVESTMENT EXHIBIT

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

	1 Total	2 Comprehensive (Hospital and Medical)	3 Medicare Supplement	4 Dental Only	5 Vision Only	6 Federal Employees Health Benefit Plan	7 Title XVIII Medicare	8 Title XIX Medicaid	9 Other
1. Unearned premium reserves	0								
2. Additional policy reserves (a)	2,265,324	2,265,397					(73)		
3. Reserve for future contingent benefits	0								
4. Reserve for rate credits or experience rating refunds (including $..........0) for investment income	23,123						23,123		
5. Aggregate write-ins for other policy reserves	0	0	0	0	0	0	0	0	0
6. Totals (gross)	2,288,447	2,265,397	0	0	0	0	23,050	0	0
7. Reinsurance ceded	0								
8. Totals (net) (Page 3, Line 4)	2,288,447	2,265,397	0	0	0	0	23,050	0	0
9. Present value of amounts not yet due on claims	0								
10. Reserve for future contingent benefits	0								
11. Aggregate write-ins for other claim reserves	0	0	0	0	0	0	0	0	0
12. Totals (gross)	0	0	0	0	0	0	0	0	0
13. Reinsurance ceded	0								
14. Totals (net) (Page 3, Line 7)	0	0	0	0	0	0	0	0	0

DETAILS OF WRITE-INS

	1	2	3	4	5	6	7	8	9
0501.	0								
0502.	0								
0503.	0								
0598. Summary of remaining write-ins for Line 5 from overflow page	0	0	0	0	0	0	0	0	0
0599. Totals (Lines 0501 thru 0503 plus 0598) (Line 5 above)	0	0	0	0	0	0	0	0	0
1101.	0								
1102.	0								
1103.	0								
1198. Summary of remaining write-ins for Line 11 from overflow page	0	0	0	0	0	0	0	0	0
1199. Totals (Lines 1101 thru 1103 plus 1198) (Line 11 above)	0	0	0	0	0	0	0	0	0

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

UNDERWRITING AND INVESTMENT EXHIBIT

PART 3 - ANALYSIS OF EXPENSES

	Claim Adjustment Expenses 1 Cost Containment Expenses	2 Other Claim Adjustment Expenses	3 General Administrative Expenses	4 Investment Expenses	5 Total
1. Rent ($..........0 for occupancy of own building)	293,565	64,786	1,005,367		1,363,718
2. Salaries, wages and other benefits	4,254,649	1,153,244	12,877,736		18,285,629
3. Commissions (less $..........0 ceded plus $..........0 assumed)			10,258,984		10,258,984
4. Legal fees and expenses					0
5. Certifications and accreditation fees	33,659				33,659
6. Auditing, actuarial and other consulting services	171,118	2,523	2,262,501		2,436,142
7. Traveling expenses	43,341	5,451	183,851		232,643
8. Marketing and advertising	9,398	257	808,308		817,963
9. Postage, express and telephone	22,638	2,336	636,937		661,911
10. Printing and office supplies	23,547	28,836	1,025,190		1,077,573
11. Occupancy, depreciation and amortization	12,594	1,387	191,000		204,981
12. Equipment	302	53	147,651		148,006
13. Cost or depreciation of EDP equipment and software	166,061	14,144	1,750,796		1,931,001
14. Outsourced services including EDP, claims, and other services	1,787,770	1,980,863	1,507,355		5,275,988
15. Boards, bureaus and association fees					0
16. Insurance, except on real estate		416	293,186		293,602
17. Collection and bank service charges			72,397		72,397
18. Group service and administration fees					0
19. Reimbursements by uninsured plans					0
20. Reimbursements from fiscal intermediaries					0
21. Real estate expenses					0
22. Real estate taxes	2,577		5,917		8,494
23. Taxes, licenses and fees:					
23.1 State and local insurance taxes	(1,869)	50	1,654,619		1,652,800
23.2 State premium taxes			4,183,410		4,183,410
23.3 Regulatory authority licenses and fees	3,881	336	301,918		306,135
23.4 Payroll taxes	284,251	77,133	855,778		1,217,162
23.5 Other (excluding federal income and real estate taxes)					0
24. Investment expenses not included elsewhere				8,973	8,973
25. Aggregate write-ins for expenses	546	59,947	544,594	0	605,087
26. Total expenses incurred (Lines 1 to 25)	7,108,028	3,391,762	40,567,495	8,973	(a)......51,076,258
27. Less expenses unpaid December 31, current year		1,216,642	4,504,758		5,721,400
28. Add expenses unpaid December 31, prior year		974,749	3,697,483		4,672,232
29. Amounts receivable relating to uninsured plans, prior year					0
30. Amounts receivable relating to uninsured plans, current year					0
31. Total expenses paid (Lines 26 minus 27 plus 28 minus 29 plus 30)	7,108,028	3,149,869	39,760,220	8,973	50,027,090

DETAILS OF WRITE-INS

	1	2	3	4	5
2501. Miscellaneous Expenses	546	2	90,862		91,410
2502. Interest paid to providers		59,945			59,945
2503. Severance and other costs related to employee reductions			453,732		453,732
2598. Summary of remaining write-ins for Line 25 from overflow page	0	0	0	0	0
2599. TOTALS (Lines 2501 thru 2503 plus 2598) (Line 25 above)	546	59,947	544,594	0	605,087

(a) Includes management fees of $.....21,880,509 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) 46,805	48,003
1.1	Bonds exempt from U.S. tax	(a)	
1.2	Other bonds (unaffiliated)	(a) 2,931,338	3,140,245
1.3	Bonds of affiliates	(a)	
2.1	Preferred stocks (unaffiliated)	(b)	
2.11	Preferred stocks of affiliates	(b)	
2.2	Common stocks (unaffiliated)		
2.21	Common stocks of affiliates		
3.	Mortgage loans	(c)	
4.	Real estate	(d)	
5.	Contract loans		
6.	Cash, cash equivalents and short-term investments	(e) 2,837	2,889
7.	Derivative instruments	(f)	
8.	Other invested assets		
9.	Aggregate write-ins for investment income	0	0
10.	Total gross investment income	2,980,980	3,191,137
11.	Investment expenses		(g) 8,973
12.	Investment taxes, licenses and fees, excluding federal income taxes		(g)
13.	Interest expense		(h)
14.	Depreciation on real estate and other invested assets		(i) 0
15.	Aggregate write-ins for deductions from investment income		0
16.	Total deductions (Lines 11 through 15)		8,973
17.	Net investment income (Line 10 minus Line 16)		3,182,164

DETAILS OF WRITE-INS

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

(a) Includes $.....7,899 accrual of discount less $.....(1,214,114) amortization of premium and less $.....331,443 paid for accrued interest on purchases.
(b) Includes $..........0 accrual of discount less $..........0 amortization of premium and less $..........0 paid for accrued dividends on purchases.
(c) Includes $..........0 accrual of discount less $..........0 amortization of premium and less $..........0 paid for accrued interest on purchases.
(d) Includes $..........0 for company's occupancy of its own buildings; and excludes $..........0 interest on encumbrances.
(e) Includes $.....1,566 accrual of discount less $..........0 amortization of premium and less $..........0 paid for accrued interest on purchases.
(f) Includes $..........0 accrual of discount less $..........0 amortization of premium.
(g) Includes $..........0 investment expenses and $..........0 investment taxes, licenses and fees, excluding federal income taxes, attributable to Segregated and Separate Accounts.
(h) Includes $..........0 interest on surplus notes and $..........0 interest on capital notes.
(i) Includes $..........0 depreciation on real estate and $..........0 depreciation on other invested assets.

EXHIBIT OF CAPITAL GAINS (LOSSES)

		1 Realized Gain (Loss) on Sales or Maturity	2 Other Realized Adjustments	3 Total Realized Capital Gain (Loss) (Columns 1 + 2)	4 Change in Unrealized Capital Gain (Loss)	5 Change in Unrealized Foreign Exchange Capital Gain (Loss)
1.	U.S. government bonds	34,760		34,760		
1.1	Bonds exempt from U.S. tax			0		
1.2	Other bonds (unaffiliated)	3,280,783		3,280,783		
1.3	Bonds of affiliates			0		
2.1	Preferred stocks (unaffiliated)			0		
2.11	Preferred stocks of affiliates			0		
2.2	Common stocks (unaffiliated)			0		
2.21	Common stocks of affiliates			0		
3.	Mortgage loans			0		
4.	Real estate			0		
5.	Contract loans			0		
6.	Cash, cash equivalents and short-term investments	1		1		
7.	Derivative instruments			0		
8.	Other invested assets			0		
9.	Aggregate write-ins for capital gains (losses)	0	0	0	0	0
10.	Total capital gains (losses)	3,315,544	0	3,315,544	0	0

DETAILS OF WRITE-INS

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

EXHIBIT OF NONADMITTED ASSETS

	1 Current Year Total Nonadmitted Assets	2 Prior Year Total Nonadmitted Assets	3 Change in Total Nonadmitted Assets (Col. 2 - Col. 1)
1. Bonds (Schedule D)			0
2. Stocks (Schedule D):			
2.1 Preferred stocks			0
2.2 Common stocks			0
3. Mortgage loans on real estate (Schedule B):			
3.1 First liens			0
3.2 Other than first liens			0
4. Real estate (Schedule A):			
4.1 Properties occupied by the company			0
4.2 Properties held for the production of income			0
4.3 Properties held for sale			0
5. Cash (Schedule E-Part 1), cash equivalents (Schedule E-Part 2) and short-term investments (Schedule DA)			0
6. Contract loans			0
7. Derivatives (Schedule DB)			0
8. Other invested assets (Schedule BA)			0
9. Receivables for securities			0
10. Securities lending reinvested collateral assets (Schedule DL)			0
11. Aggregate write-ins for invested assets	0	0	0
12. Subtotals, cash and invested assets (Lines 1 to 11)	0	0	0
13. Title plants (for Title insurers only)			0
14. Investment income due and accrued			0
15. Premiums and considerations:			
15.1 Uncollected premiums and agents' balances in the course of collection	175,688	106,714	(68,974)
15.2 Deferred premiums, agents' balances and installments booked but deferred and not yet due			0
15.3 Accrued retrospective premiums			0
16. Reinsurance:			
16.1 Amounts recoverable from reinsurers			0
16.2 Funds held by or deposited with reinsured companies			0
16.3 Other amounts receivable under reinsurance contracts			0
17. Amounts receivable relating to uninsured plans			0
18.1 Current federal and foreign income tax recoverable and interest thereon			0
18.2 Net deferred tax asset	183,075	277,996	94,921
19. Guaranty funds receivable or on deposit			0
20. Electronic data processing equipment and software			0
21. Furniture and equipment, including health care delivery assets			0
22. Net adjustment in assets and liabilities due to foreign exchange rates			0
23. Receivables from parent, subsidiaries and affiliates			0
24. Health care and other amounts receivable	775,131	969,529	194,398
25. Aggregate write-ins for other than invested assets	229,872	509,413	279,541
26. Total assets excluding Separate Accounts, Segregated Accounts and Protected Cell Accounts (Lines 12 through 25)	1,363,766	1,863,652	499,886
27. From Separate Accounts, Segregated Accounts and Protected Cell Accounts			0
28. TOTALS (Lines 26 and 27)	1,363,766	1,863,652	499,886

DETAILS OF WRITE-INS

1101.			0
1102.			0
1103.			0
1198. Summary of remaining write-ins for Line 11 from overflow page	0	0	0
1199. Totals (Lines 1101 thru 1103 plus 1198) (Line 11 above)	0	0	0
2501. Other Assets Nonadmitted	229,872	509,413	279,541
2502.			0
2503.			0
2598. Summary of remaining write-ins for Line 25 from overflow page	0	0	0
2599. Totals (Lines 2501 thru 2503 plus 2598) (Line 25 above)	229,872	509,413	279,541

EXHIBIT 1 - ENROLLMENT BY PRODUCT TYPE FOR HEALTH BUSINESS ONLY

Source of Enrollment	Total Members at End of 1 Prior Year	2 First Quarter	3 Second Quarter	4 Third Quarter	5 Current Year	6 Current Year Member Months
1. Health maintenance organizations	3,880	2,251	1,998	2,200	2,383	26,716
2. Provider service organizations						
3. Preferred provider organizations	79,061	84,675	82,315	81,314	77,183	986,778
4. Point of service	2,896	3,151	3,320	3,370	3,739	39,990
5. Indemnity only	373	417	489	599	695	6,280
6. Aggregate write-ins for other lines of business	0	0	0	0	0	0
7. Total	86,210	90,494	88,122	87,483	84,000	1,059,764

DETAILS OF WRITE-INS

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

NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Accounting Practices

Health Net Health Plan of Oregon, Inc. (The Company) prepares its statutory financial statements in conformity with accounting practices prescribed or permitted by the Oregon Department of Consumer and Business Services (the Department). The Department requires that insurance companies domiciled in the State of Oregon prepare their statutory basis financial statements in accordance with the *NAIC Accounting Practices and Procedures Manual* subject to any deviations prescribed or permitted by the State of Oregon insurance commissioner.

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

The preparation of financial statements in conformity with Statutory Accounting Principles (SAP) requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities. It also requires disclosure 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 Policies

Bonds—Bonds are carried at amortized cost. Premiums and discounts are amortized or accreted to net investment income using the effective yield method over the contractual lives of the bonds, or in the case of mortgage-backed bonds, over the estimated life of the bond based upon anticipated prepayments at the date of purchase. Bonds containing call provisions are amortized to yield the lowest asset value (yield to worst method). Significant changes in prepayment assumptions are accounted for using the prospective adjustment method, based upon prepayment assumptions obtained from independent publishers of such financial data, which are consistent with the current interest rate and economic environment.

Realized gains and losses on the sale of bonds are determined using the specific cost identification method. NAIC fair value is determined by the NAIC's Securities Valuation Office ("SVO") or by Interactive Data Pricing and Reference Data, Inc. The Company periodically assesses whether a decline in the fair value of a bond is other-than-temporary, and therefore impaired.

In accordance with Statement of Statutory Accounting Principles (SSAP) No. 99 – *Accounting for Certain Securities Subsequent to an Other-Than-Temporary Impairment*, the Company recognizes an other-than-temporary impairment when it is probable that the Company will be unable to collect all amounts due according to the contractual terms of a bond in effect at the date of acquisition. For any such other-than-temporary impairment, the cost basis of a bond is written down to fair value, as the new cost basis, and the amount of the write-down is accounted for as a realized loss. The new cost basis is not adjusted for any subsequent recoveries in fair value. Future declines in fair value, which are determined to be other-than-temporary, are also recorded as realized losses. The discount or reduced premium recorded for a bond, based on the new cost basis, is amortized over the remaining life of a bond in a prospective manner based on the amount and timing of future estimated cash flows.

In accordance with the guidance provided in the Interpretation of the Emerging Accounting Issues Working Group (INT) 06-07: *Definition of Phrase "Other-Than-Temporary"*, other-than-temporary impairment is based on factors, including the length of time and extent to which fair value has been less than cost, the financial condition and short-term prospects of the issuer, and the intent and ability of the Company to retain its investment in the issuer for a period of time sufficient to allow for any anticipated recovery in value.

In accordance with SSAP No. 43R – *Loan-backed and Structured Securities*, if the fair value of a loan-backed or structured security is less than its amortized cost basis, then the Company will record an other-than-temporary impairment, if it intends to sell the security; if the Company does not intend to sell the security but it does not have the intent nor the ability to retain the security for the time sufficient to recover the amortized cost basis; and if the present value of the cash flows expected to be collected from the security are less than its amortized cost basis.

Short-term investments – Short-term investments include securities with maturities of one year or less at the date of acquisition. Securities maturing within 90 days of acquisition are classified as cash equivalents. Short-term investments are carried at amortized cost, which approximates market. Premiums and discounts on short-term investments are amortized or accreted to net investment income using the effective yield method over the contractual lives of the short-term investments.

Other Investments and other assets– The Company has no investments in preferred stock, common stock, mortgage loans, real estate, derivative financial instruments, or investments in subsidiaries, controlled or affiliated companies. In addition, the Company does not have an ownership interest in joint ventures, partnerships or limited liability companies. The Company has not modified its capitalization policy from the prior period.

Health Care Receivables – Health care receivables are generally comprised of overpayments to providers and pharmaceutical rebates. These balances have been evaluated for admissibility pursuant to SSAP 84. – Certain Health Care Receivables and Receivables Under Government Insured Plans. In accordance with SSAP No. 84, the Company records both estimated and billed pharmaceutical rebates receivable. Pharmacy rebate receivables are estimated based on actual pharmacy claim payments multiplied by anticipated rebate rates. Estimated rebates receivable are admitted if they represent actual prescriptions filled during the three months immediately preceding the reporting date, and if the rebates are actually invoiced within the two months following the reporting date. Billed rebates receivable are admitted if they are not outstanding longer than 90 days as of the reporting date.

Furniture and Equipment – Furniture and equipment are recorded at cost. Depreciation is computed using the straight-line method over estimated useful lives ranging principally from five to seven years.

EDP Equipment and Software – EDP equipment consists of computer equipment, less accumulated depreciation, with an original cost greater than $5,000 and is recorded at cost. Computer equipment is depreciated using the straight-line method over a useful life of three years. All capitalized software, none of which is operating software, has been nonadmitted in accordance with SAP.

Premium Revenue – Premiums from subscribers are reflected in operations as earned on a pro-rata basis over the period of coverage. Premiums received in advance are reported as Advance Premiums in the accompanying financial statements. Premiums are reported net of reinsurance.

Health Care Costs - The cost of health care services is recognized in the period in which services are provided and includes an estimate of the cost of services which have been incurred but not yet reported. Such costs include payments to primary care physicians, specialists, hospitals, and outpatient care facilities. The Company estimates the amount of the provision for service costs incurred but not reported using standard actuarial methodologies based upon historical data including the period between the date services are rendered and the date claims are received and paid, denied claim activity, expected medical cost inflation, seasonality patterns and changes in membership. The estimates for service costs incurred but not reported are made on an accrual basis and adjusted in future periods as required. Any adjustments to the prior period estimates are included in the current period.

The Company contracts with various medical groups to provide professional care to its members on a fee-for-service basis. The Company assesses the profitability of contracts for providing health care services when operating results or forecasts indicate probable future losses. Contracts are grouped in a manner consistent with the method of determining premium rates. Losses are determined by comparing anticipated premiums to the total of health care related costs less reinsurance recoveries, if any, and the cost of maintaining the contracts. Losses, if any, are recognized in the period the loss is determined. The Company anticipates investment income as a factor in the premium deficiency calculation, in accordance with SSAP No. 54, Individual and Group Accident and Health Contracts. As of December 31, 2012 and 2011, respectively, the Company reported $1,037,813 and $0 premium deficiency reserves.

Heath care costs are recorded net of reinsurance.

Policy Reserves – The Company carries individual product policy reserves equal to the present value of the estimated future policy benefits, less estimated future net premiums, over the current and expected renewal periods of the contracts. The Company reported policy reserves of $1,170,100 and $1,367,736 as of December 31, 2012 and December 31, 2011, respectively.

Claims Adjustment Expenses – Claims adjustment expenses are expenses associated with case management activities, utilization review, disease management programs (collectively cost containment expenses) and other claims adjustment expenses that are not cost containment expenses.

Stock options - The tax benefit resulting from exercised stock options expense allocated to the Company by its parent is reported as a change in paid in surplus. This treatment is consistent with Paragraph 11C of SSAP No. 13, "Stock Options and Stock Purchase Plans".

2. ACCOUNTING CHANGES AND CORRECTIONS OF ERRORS

None

3. BUSINESS COMBINATIONS AND GOODWILL

None

NOTES TO FINANCIAL STATEMENTS

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) Significant changes in prepayment assumptions are accounted for using the prospective method, based upon prepayment assumptions obtained from independent publishers of such financial data, which are consistent with the current interest rate and economic environment.

(2) No other-than temporary impairments were recognized in 2012.

(3) No other-than temporary impairments were recognized in 2012

(4) The gross unrealized losses and fair value of the Company's loan-backed securities that were in a continuous loss position as of December 31, 2012 are as follows:

a. The aggregate amount of unrealized losses:

1. Less than 12 Months	$	0
2. 12 Months or Longer	$	(102)

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

1. Less than 12 Months	$	0
2. 12 Months or Longer	$	4,417

E. Repurchase Agreements and/or Securities Lending Transactions

None

F. Real Estate

None

G. Investments in Low-Income Housing Tax Credits (LIHTC)

None

6. JOINT VENTURES, PARTNERSHIPS AND LIMITED LIABILITY COMPANIES

The Company does not invest in joint ventures, partnerships, or limited liability companies.

7. INVESTMENT INCOME

All investment income due and accrued, on the accompanying financial statements, was treated as an admitted asset, because there were no collection uncertainties.

NOTES TO FINANCIAL STATEMENTS

8. DERIVATIVE INSTRUMENTS

The Company does not invest in derivative financial statements.

9. INCOME TAXES

A. Components of deferred tax assets (DTAs) and deferred tax liabilities (DTLs):

(1) DTA/DTL Components

	Description	2012 Ordinary	2012 Capital	2012 Total	2011 Ordinary	2011 Capital	2011 Total	Change Ordinary	Change Capital	Change Total
(a)	Gross deferred tax assets	1,433,859	0	1,433,859	963,070	0	963,070	470,789	0	470,789
(b)	Statutory valuation allowance adjustment	0	0	0	0	0	0	0	0	0
(c)	Adjusted gross deferred tax assets	1,433,859	0	1,433,859	963,070	0	963,070	470,789	0	470,789
(f)	Deferred tax assets nonadmitted	183,075	0	183,075	277,996	0	277,996	(94,921)	0	(94,921)
(e)	Subtotal net admitted deferred tax asset	1,250,784	0	1,250,784	685,074	0	685,074	565,710	0	565,710
(d)	Gross deferred tax liabilities	0	0	0	38,259	0	38,259	(38,259)	0	(38,259)
(g)	Net admitted deferred tax asset/(net deferred tax liability)	1,250,784	0	1,250,784	646,815	0	646,815	603,969	0	603,969

(2) Admission calculation components:

	Description	2012 Ordinary	2012 Capital	2012 Total	2011 Ordinary	2011 Capital	2011 Total	Change Ordinary	Change Capital	Change Total
	Admission calculation components SSAP No. 101 (¶11)									
(a)	Federal Income Taxes Paid In Prior Years Recoverable Through Loss Carrybacks.	1,250,784	0	1,250,784	685,074	0	685,074	565,710	0	565,710
(b)	Adjusted Gross Deferred Tax Assets Expected To Be Realized (Excluding The Amount Of Deferred Tax Assets From a, above) After Application of the Threshold Limitation. (The Lesser of b.i. and b.ii. Below)	0	0	0	0	0	0	0	0	0
(b)(i)	Adjusted Gross Deferred Tax Assets Expected to be Realized Following the Balance Sheet Date.	NA	NA	NA	NA	NA	NA	NA	NA	NA
(b)(ii)	Adjusted Gross Deferred Tax Assets Allowed per Limitation Threshold.	NA	NA	NA	NA	NA	NA	NA	NA	NA
(c)	Adjusted Gross Deferred Tax Assets (Excluding The Amount Of Deferred Tax Assets From a. and b. above) Offset by Gross Deferred Tax Liabilities.	0	0	0	0	0	0	0	0	0
(d)	Deferred Tax Assets Admitted as the result of application of SSAP No. 101.Total (a. + b. + c.)	**1,250,784**	**0**	**1,250,784**	**685,074**	**0**	**685,074**	**565,710**	**0**	**565,710**

(3) Used in ¶11b

		2012 Percentage	2011 Percentage
(a)	Ratio Percentage Used To Determine Recovery Period And Threshold Limitation Amount	456%	531%
(b)	Amount Of Adjusted Capital And Surplus Used To Determine Recovery Period And Threshold Limitation	65,475,388	69,344,165

(4) Impact of tax planning strategies on adjusted gross DTAs and net admitted DTAs:

	Description	2012 Ordinary	2012 Capital	2012 Total	2011 Ordinary	2011 Capital	2011 Total	Change Ordinary	Change Capital	Change Total
(a)	Adjusted Gross DTAs (% of Total Adjusted Gross DTAs)	0%	0%	0%	0%	0%	0%	0%	0%	0%
(b)	Net Admitted Adjusted Gross DTAs (% of Total Net Admitted Adjusted Gross DTAs)	0%	0%	0%	0%	0%	0%	0%	0%	0%

(c) Does the company's tax-planning strategies include the use of reinsurance? Yes ___ No X

B. Deferred tax liabilities that are not recognized: None

C. Current tax and change in deferred tax:

(1) Current income taxes incurred consist of the following major components:

	Description	December 31, 2012	December 31, 2011	Change
(a)	Current federal income tax expense	4,939,664	10,167,687	(5,228,023)
(b)	Foreign taxes	0	0	0
(c)	Subtotal	4,939,664	10,167,687	(5,228,023)
(d)	Tax on capital gains/(losses)	1,160,440	328,384	832,056
(e)	Utilization of capital loss carryforwards	0	0	0
(f)	Other, including prior year underaccrual (overaccrual)	0	0	0
(g)	Federal and foreign income taxes incurred	6,100,104	10,496,071	(4,395,967)

The tax effects of temporary differences that give rise to significant portions of the deferred tax assets and liabilities are as follows:

NOTES TO FINANCIAL STATEMENTS

(2)	DTAs Resulting From Book/Tax Differences In	December 31, 2012	December 31, 2011	Change
(a)	**Ordinary**			
(1)	Discounting of unpaid losses and LAE	192,962	179,869	13,093
(2)	Unearned premiums	292,029	329,976	(37,947)
(3)	Policyholder reserves	0	0	0
(4)	Investments	0	0	0
(5)	Deferred acquisition costs	0	0	0
(6)	Policyholder dividends accrued	0	0	0
(7)	Fixed assets	0	0	0
(8)	Compensation and benefit accruals	391,598	433,908	(42,310)
(9)	Pension accruals	0	0	0
(10)	Nonadmitted assets	0	0	0
(11)	Net operating loss carryforward	0	0	0
(12)	Tax credit carryforward	0	0	0
(13)	Premium deficiency reserve	363,235	0	363,235
(13)	Other	194,035	19,317	174,718
	Gross ordinary DTAs	1,433,859	963,070	470,789
(b)	Statutory valuation adjustment - ordinary (-)	0	0	0
(c)	Nonadmitted ordinary DTAs (-)	(183,075)	(277,996)	94,921
(d)	Admitted ordinary DTAs	1,250,784	685,074	565,710
(e)	**Capital**			
(1)	Investments	0	0	0
(2)	Net capital loss carryforward	0	0	0
(3)	Real estate	0	0	0
(4)	Other	0	0	0
	Gross capital DTAs	0	0	0
(f)	Statutory valuation adjustment - capital (-)	0	0	0
(g)	Nonadmitted capital DTAs (-)	0	0	0
(h)	Admitted capital DTAs	0	0	0
(i)	**Admitted DTAs**	**1,250,784**	**685,074**	**565,710**

(3)	DTLs Resulting From Book/Tax Differences In	December 31, 2012	December 31, 2011	Change
(a)	**Ordinary**			
(1)	Investments	0	0	0
(2)	Fixed assets	0	(38,259)	38,259
(3)	Deferred and uncollected premiums	0	0	0
(4)	Policyholder reserves/salvage and subrogation	0	0	0
(5)	Other	0	0	0
	Ordinary DTLs	0	(38,259)	38,259
(b)	**Capital**			
(1)	Investments	0	0	0
(2)	Real estate	0	0	0
(3)	Other	0	0	0
	Capital DTLs	0	0	0
(c)	**DTLs**	**0**	**(38,259)**	**38,259**
(4)	**Net deferred tax assets/liabilities**	**1,250,784**	**646,815**	**603,969**

The change in net deferred income taxes is comprised of the following (this analysis is exclusive of nonadmitted assets as the Change in Nonadmitted Assets is reported separately from the Change in Net Deferred Income Taxes in the surplus section of the Annual Statement):

	December 31, 2012	December 31, 2011	Change
Total deferred tax assets	1,433,859	963,070	470,789
Total deferred tax liabilities	0	(38,259)	38,259
Net deferred tax assets/liabilities	1,433,859	924,811	509,048
Statutory valuation allowance adjustment (*see explanation below)	0	0	0
Net deferred tax assets/liabilities after SVA	1,433,859	924,811	509,048
Tax effect of unrealized gains/(losses)	0	0	0
Statutory valuation allowance adjustment allocated to unrealized (+)	0	0	0
Change in net deferred income tax [(charge)/benefit]	1,433,859	924,811	509,048

***Statutory valuation allowance**

No valuation allowance adjustment has been recognized at year end, as management believes all deferred tax assets are more likely than not realizable, based on the criteria established by SSAP 10R, paragraph 6.e.

NOTES TO FINANCIAL STATEMENTS

D. Reconciliation of federal income tax rate to actual effective rate:

The provision for federal income taxes incurred is different from that which would be obtained by applying the statutory federal income tax rate to income before income taxes. The significant items causing this difference are as follows:

Description	Amount	Tax Effect	Effective Tax Rate
Income Before Taxes	16,689,358	5,841,273	35.00%
Tax-Exempt Interest	(842,245)	(294,786)	-1.77%
Change in Valuation Allowance		0	0.00%
Share based compensation		0	0.00%
Meals and Entertainment	44,588	15,606	0.09%
Fines, Penalties, Other	82,750	28,963	0.17%
Total	15,974,452	5,591,056	33.50%
Federal income taxed incurred [expense/(benefit)]		4,939,664	29.60%
Tax on capital gains/(losses)		1,160,440	6.95%
Change in net deferred income tax [charge/(benefit)]		(509,048)	-3.05%
Total statutory income taxes		5,591,056	33.50%

E. Carryforwards, recoverable taxes, and IRC §6603 deposits:

At December 31, 2012, the Company had net operating loss carryforwards expiring through the year 2032 of: $0
At December 31, 2012, the Company had capital loss carryforwards expiring through the year 2017 of: $0
At December 31, 2012, the Company had an AMT credit carryforwards, which does not expire, in the amount of: $0

The following is income tax expense that is available for recoupment in the event of future net losses:

Year	Ordinary	Capital	Total
2010	N/A	0	0
2011	10,167,687	328,384	10,496,071
2012	4,939,664	1,160,440	6,100,104
Total	15,107,351	1,488,824	16,596,175

F. (1) The Company's Federal Income Tax return is consolidated with the following entities:

Foundation Health Facilities, Inc.
FH Assurance Company
FH Surgery Centers, Inc.
FH Surgery Limited, Inc.
Health Net of Arizona, Inc.
Health Net of Arizona Administrative Services, Inc
Health Net of California, Inc.
Health Net, Inc
Health Net Community Solutions, Inc.
Health Net of California Real Estate Holdings, Inc.
QualMed, Inc.
Qualmed Plans for Health of Colorado, Inc.
Health Net Life Insurance Company
Health Net Life Reinsurance Company
Health Net Health Plan of Oregon, Inc. (the company)
Health Net of the Northeast, Inc.
Qualmed Plans for Health of Pennsylvania, Inc.
National Pharmacy Services, Inc.
Integrated Pharmacy Systems, Inc.
HSI Advantage Health Holdings, Inc.
QualMed Plans For Health of Western Pennsylvania, Inc.
Pennsylvania Health Care Plan, Inc.
Managed Health Network, Inc.
MHN Services
Managed Health Network
MHN Services IPA, Inc.
Catalina Behavioral Health Services, Inc.
MHN Government Services, Inc.
Health Net Pharmaceutical Services
Health Net Services, Inc.
Health Net One Payment Services, Inc.
Mid Atlantic Management Services, Inc.
Pennsylvania Health Care Plan Insurance Agency
Preferred Health Plan, Inc.
MHN Global Services, Inc.
MHN Government Services - Belgium, Inc.
MHN Government Services - Djibouti, Inc.
MHN Government Services - Germany, Inc.

MHN Government Services - Guam, Inc.
MHN Government Services - Italy, Inc.
MHN Government Services - Japan, Inc.
MHN Government Services - Puerto Rico, Inc.
MHN Government Services - International, Inc.
MHN Government Services - Turkey, Inc.
MHN Government Services - United Kingdom, Inc.

(2) The method of allocation between the companies is subject to written agreement, approved by the Board of Directors. Allocation is based upon separate return calculations with current credit for net losses. Intercompany tax balances are settled monthly.

10. INFORMATION CONCERNING PARENT, SUBSIDIARIES, AFFILIATES AND OTHER RELATED PARTIES.

As of December 31, 2012, all outstanding shares of the Company are owned by QualMed, Inc., which is a wholly owned subsidiary of Health Net, Inc. (HNI), a corporation incorporated in the State of Delaware.

A-D, F. Transactions with Affiliates

The Company received administrative, financial, information systems, marketing, and operations services from its affiliates. In addition, the Company and certain of its affiliates purchase from each other health care coverage for the benefit of their employees. For the year ended December 31, 2012 and 2011, the Company incurred expenses of $21,880,509 and $18,778,992 respectively, including the claim adjustment expenses relating to pharmacy benefits and behavioral health services mentioned below. In addition, the Company charged affiliates $12,523,292 and $8,878,957 for the year ended December 31, 2012 and 2011, respectively, for services it provided. Balances associated with this agreement are settled within 30 days in the normal course of business.

Pursuant to an agreement with MHN Services, Inc (MHN), the Company receives behavioral health claim administration and processing services in exchange for an administrative fee. Balances associated with this agreement are settled within 30 days in the normal course of business. The following is a summary of the Company's transactions related to its agreement with MHN Services, Inc.:

	As of December 31, 2012	As of December, 31 2011
Claims Payable	$ 594,666	$ 763,195
Administrative Fees Payable	0	215,734

Pursuant to an affiliate agreement with Health Net Pharmaceutical Services, Inc. ("HNPS"), the Company receives prescription drug claims administration, formulary management and pharmaceutical rebate processing services, in exchange for an administrative fee. The administrative fee is settled within 30 days, in the normal course of business. Prior to the issuance of checks for pharmaceutical claim payments, the Company remits cash to HNPS to fund the claim payments. Pharmaceutical rebates are remitted by HNPS to the Company, as they are collected from the drug manufacturers. The following is a summary of the Company's transactions related to its agreement with HNPS:

	YTD December 31, 2012	YTD December 31, 2011
HNPS claim adjustment expenses	$ 733,034	$ 828,840
Funds transferred for claim payments	40,400,842	37,808,558
Pharmaceutical Rebates recognized	2,731,540	3,115,363

	As of December 31, 2012	As of December 31, 2011
Health care receivables (rebates)	$ 1,201,950	$ 1,367,149
Nonadmitted rebates receivable	33,524	62,352

On August 9, 2010, the Company entered into a $20 million affiliate loan agreement with Health Net, Inc. ("HNI"), after obtaining the permission of the Department of Consumer and Business Services. Under this agreement, HNI may loan amounts to the Company for working capital purposes. The loans bear interest at the prime rate of Bank of America, and are fully payable within forty-five days. There was no loan activity in 2012 or 2011.

After obtaining approval from the Department, the Company paid extraordinary cash dividends of $6,000,000 and $9,000,000 on December 19, 2011 and September 29, 2011, respectively.

In addition, on December 14, 2012 and June 26, 2012, the Company paid ordinary cash dividends of $9,000,000 and $6,000,000 to its Parent, respectively.

NOTES TO FINANCIAL STATEMENTS

The Company is a party to a tax allocation agreement with HNI. Please refer to Note 9 for further disclosure.

The following admitted inter-company balances existed as of December 31, 2012 and December 31, 2011:

	December 31, 2012	December 31, 2011
Receivable from affiliates:		
Health Net of California, Inc.	$ 0	$ 973,355
Health Net Life Insurance Company	1,395,333	1,087,890
Health Net Pharmaceutical Services	82,558	0
Other affiliates	4	116,006
Total Gross Receivables (Excluding Federal Taxes)	$ 1,477,895	$ 2,177,251
Total Non-admitted Receivables	0	0
Total Admitted Receivables	1,477,895	2,177,251
Federal income tax recoverable From Health Net, Inc.(current)	$ 1,449,099	$ 484,704
Net deferred tax asset	1,433,859	924,811
Non-admitted	(183,075)	(277,996)
Total Admitted Federal Income Tax Recoverable	$ 2,699,883	$ 1,131,519
Payable to affiliates:		
Health Net of California, Inc.	$ 1,246,004	$ 0
Health Net, Inc.	759,091	109,448
Health Net of Arizona, Inc.	46,732	46,945
Other affiliates	92,033	19,444
Total Gross Payables (Excluding Federal Taxes)	$ 2,143,860	$ 175,837
Federal income tax payable to Health Net, Inc.	$ 0	$ 0

E. Guarantees

On April 12, 2010, Health Net, Inc. ("HNI") signed a Parental Guarantee Agreement for the benefit of Health Net Health Plan of Oregon, Inc., as a Medicare Advantage contractor effective January 1, 2011. The Parental Guarantee Agreement expired on December 31, 2011. According to this agreement, HNI was willing to guarantee HNOR's payment of the Continuation of Benefits in the event that HNOR became insolvent, ceased operations or was unable to pay the Continuation of benefits, up to a maximum amount of $20,000,000 in the aggregate and subject to the conditions set forth in the agreement.

G-L. Investment in Parent, Subsidiaries or Affiliates

The Company does not hold any direct or indirect investment in its Parent, subsidiaries, controlled or affiliated companies and did not recognize any impairment write down for any investments in subsidiaries, controlled or related or liabilities.

11. DEBT

On August 9, 2010, the Company entered into a $20 million affiliate loan agreement with Health Net, Inc. ("HNI"), after obtaining the permission of the Department of Consumer and Business Services. Under this agreement, HNI may loan amounts to the Company for working capital purposes. The loans bear interest at the prime rate of Bank of America, and are fully payable within forty-five days. There was no loan activity in 2012 or 2011.

12. RETIREMENT PLANS, DEFERRED COMPENSATION, POSTEMPLOYMENT BENEFITS AND COMPENSATED ABSENCES AND OTHER POSTRETIREMENT BENEFIT PLANS

A. Defined Benefit Plans

None

B. Defined Contribution Plans

None

C. Multiemployer Plans

None

D. Consolidated/Holding Company Plans

The Company sponsors, through HNI, defined contribution retirement plans intended to qualify under Sections 401(a) and 401(k) of the Internal Revenue Code (the "Code") of 1986, as amended. Participation in the plans is available to substantially all employees who meet certain eligibility requirements and elect to participate. Employees may contribute up to the maximum limits allowed by Section 401(k) of the Code, with the Company's contributions based on matching or other formulas. The Company's expense under the plans totaled $331,949 and $331,210 for the years ended December 31, 2012 and 2011, respectively.

E. Postemployment Benefits and Compensated Absences

The Company sponsors a postretirement defined benefit plan (the "Plan") that provides postretirement medical benefits to key executives, employees, and dependents who meet certain eligibility requirements. The Plan is noncontributory for employees retired prior to December 1, 1995, who had attained the age of 62; employees retiring after December 1, 1995, who had attained age 62 contribute from 25% to 100% of the cost of coverage, depending upon years of service, for medical, dental, and prescription drug coverage. Under the Plan, the Company pays a percentage of the costs of medical, dental, and vision benefits during retirement. The Plan includes certain cost-sharing features such as deductibles, co-insurance and maximum annual benefit amounts that vary based principally on years of credited service.

The Plan obligations and funded status are as follows at December 31:

	2011	2012
Change in benefits obligation:		
Benefit obligation – beginning of year	475,868	$ 311,718
Interest cost	20,642	11,922
Benefit paid	(47,267)	(27,622)
Actuarial (gain) loss	(137,525)	(23,250)
Benefit obligation – end of year	$ 311,718	$ 272,768
Change in fair value of plan assets:		
Plan assets – beginning of year	$ 0	$ 0
Employer contribution	47,267	27,622
Benefits paid	(47,267)	(27,622)
Plan Assets – end of year	$ 0	$ 0
Underfunded status – end of year	$ (311,718)	$ (272,768)

Amounts recognized in the balance sheet within accrued expenses and other liabilities are as follows as of December 31:

	2011	2012
Noncurrent assets	$ 0	$ 0
Current liabilities	(27,622)	(27,622)
Noncurrent liabilities	(284,096)	(245,146)
Unrecognized prior year service cost		
Unrecognized loss		
Net amount recognized	$ (311,718)	$ (272,768)

NOTES TO FINANCIAL STATEMENTS

Amounts recognized in unassigned surplus are as follows as of December 31:

	2011	2012
Prior service benefit (cost)	$ 1,431	$ 0
Net gain (loss)	137,525	23,250
Amortization of Net Gain or (loss)	3,690	(4,784)
Change in unassigned surplus before tax expense (benefit)	142,646	18,466
Tax expense (benefit)	(55,062)	(7,127)
Change in unassigned surplus after tax expense (benefit)	$ 87,584	$ 11,339

The accumulated benefit obligation in excess of plan assets is as follows as of December 31:

	2011	2012
Projected benefit obligation	$ 311,718	$ 272,768
Accumulated benefit obligation	311,718	272,768
Fair value of plan assets	0	0

Components of net periodic benefit cost recognized as general and administrative expense are as follows for the years ended December 31:

	2011	2012
Service cost	$ 0	$ 0
Interest cost	20,642	11,922
Amortization of prior service cost	1,431	0
Amortization of net loss	3,690	(4,784)
Net periodic benefit cost	$ 25,763	$ 7,138

All of the Company's Plan benefits are unfunded. Employer contributions equal benefits paid during the year. Therefore, no return on assets is expected. The measurement date for the Plan was December 31, 2012 and 2011, for each of the years then ended.

Additional information:

	2011	2012
Weighted-average assumptions used to determine benefit obligations at December 31:		
Discount rate	4.00%	2.85%
Weighted-average assumptions used to determine net cost for years ended December 31:		
Discount rate	4.60%	4.00%
Expected return on plan assets	N/A	N/A
Rate of compensation increase	0.00%	0.00%

Assumed health care cost trend rate at December 31:		
Health care cost trend cost assumed for next year	8.25%	8.00%
Rate to which the cost trend rate is assumed to decline (the ultimate trend rate)	5.00%	5.00%
Year that the rate reaches the ultimate trend rate	2021	2018

The Company expects to contribute $28,000 to the Plan in 2013. The entire amount expected to be contributed, in the form of cash, to the Plan during 2013 is expected to be paid out as benefits during the same year.

The following future service benefit payments are expected for the years ended December 31:

2013	$ 28,000
2014	27,000
2015	26,000
2016	25,000
2017	24,000
Years 2018-2022	104,000

Assumed health care cost trend rates have a significant effect on the amounts reported for the Plan. A one-percentage-point change in assumed health care cost trend rates would have the following effects for the year ended December 31, 2012:

	One Percentage Point Increase	**One Percentage Point Decrease**
Effect on total service and interest cost – December 31, 2012	$808	($736)
Effect on postretirement benefit obligation – December 31, 2012	17,242	(15,711)

F. Impact of Medicare Modernization Act on Postretirement Benefits.

None

13. CAPITAL AND SURPLUS, SHAREHOLDERS' DIVIDEND RESTRICTIONS AND QUASI-REORGANIZATIONS

1. The Company's authorized capital consists of 5,000 shares of no-par value common stock, of which 1,000 shares are issued and outstanding.

2. The Company has no preferred capital stock authorized and outstanding.

3. Under the Oregon Insurance Code, unless otherwise approved by the Director of the Department, dividends to shareholders may be declared and paid only from earned surplus. Aggregate dividends or other distributions in any consecutive twelve-month period may not exceed the greater of: (a) ten percent of capital and surplus as of the 31st day of December immediately preceding or (b) net income for the twelve-month period ending the 31st day of December immediately preceding. Based on the foregoing, ordinary dividends to shareholders in 2012 are limited to $13,173,622, however, in no event may a dividend be declared or paid that would reduce capital and surplus below the required minimum net worth set forth in the Oregon Insurance Code. Please refer to Note 10 for further disclosure regarding dividend payments for the years ended December 31, 2012 and 2011, respectively.

4. Within the limitations of the preceding paragraph, there are no restrictions placed on the portion of the Company's profits that may be paid as ordinary dividends to shareholders.

5. There were no restrictions placed on the Company's unassigned surplus, including for whom the surplus is being held.

6. The Company is not a mutual company. There were no advances to surplus.

7. The Company had no stock in affiliated companies.

8. No stocks of the Company or other affiliates are being held for special purposes, such as for conversions of preferred stock, employee stock options or stock purchase warrants.

9. The Company reported no special surplus funds as of December 31, 2012 and 2011, respectively.

10. No portion of the unassigned funds (surplus) were represented or reduced by cumulative unrealized gains and losses as of December 31, 2012 and 2011, respectively.

11. The Company had no surplus notes.

12. The Company did not undergo a restatement in a quasi reorganization.

13. The Company had no quasi-reorganization as of December 31, 2012 and 2011, respectively.

14. CONTINGENCIES

A. Contingent Commitments

None

B. Assessments

The Company is not subject to assessment by any guaranty association; however it is subject to assessment by a mandatory specific medical condition pool. The Oregon Medical Insurance Pool (OMIP) Board provides comprehensive medical benefit coverage for individuals who have been denied medical insurance coverage due to a medical condition and have no access to commercial portability coverage. The Company reported assessment expenses of $3,964,290 and $3,641,087 for the year ended December 31, 2012 and 2011, respectively. As of December 31, 2012 and December 31, 2011, respectively, the Company reported assessment liabilities of $0 for the OMIP.

C. Gain Contingencies

The Company has no gain contingencies to disclose as of December 31, 2012 and December 31, 2011, respectively.

D. Claims related extra contractual obligation and bad faith loses stemming from lawsuits.

None

E. All Other Contingencies

Overview**—**The Company records reserves and accrues costs for certain legal proceedings and regulatory matters to the extent that it determines an unfavorable outcome is probable and the amount of the loss can be reasonably estimated. While such reserves and accrued costs reflect the Company's best estimate of the probable loss for such matters, the Company's recorded amounts may differ materially from the actual amount of any such losses. In some cases, no estimate of the possible loss or range of loss in excess of amounts accrued, if any, can be made because of the inherently unpredictable nature of legal and regulatory proceedings, which may be exacerbated by various factors, including but not limited to that they may involve indeterminate claims for monetary damages or may involve fines, penalties or punitive damages; present novel legal theories or legal uncertainties; involve disputed facts; represent a shift in regulatory policy; involve a large number of parties, claimants or regulatory bodies; are in the early stages of the proceedings; involve a number of separate proceedings, each with a wide range of potential outcomes; or result in a change of business practices. Further, there may be various levels of judicial review available to the Company in connection with any such proceeding in the event damages are awarded or a fine or penalty is assessed. As of the date of this report, amounts accrued for legal proceedings and regulatory matters were not material. However, it is possible that in a particular quarter or annual period the Company's financial condition, results of operations, cash flow and/or liquidity could be materially adversely affected by an ultimate unfavorable resolution of or development in legal and/or regulatory proceedings, including those related to any matters in this Note 14 depending, in part, upon the Company's financial condition, results of operations, cash flow or liquidity in such period, and the Company's reputation may be adversely affected. However, management believes that the ultimate outcome of any of the regulatory and legal proceedings that are currently pending against the Company should not have a material adverse effect on the Company's financial condition, results of operations, cash flow and liquidity.

During the first quarter of 2011, HNI was notified by IBM, its vendor responsible for managing its information technology infrastructure, that it could not locate several server drives in HNI's data center located in Rancho Cordova, California. HNI subsequently commenced an investigation into this matter. After a forensic analysis, HNI determined that personal information of some former and current members, employees and health care providers is on the drives, and may include names, addresses, health information, Social Security numbers and/or financial information. Commencing on March 14, 2011, the Company provided written notification to the individuals whose information is on the drives. To help protect the personal information of affected individuals, the Company offered them two years of free credit monitoring services, in addition to identity theft insurance and fraud resolution and restoration of credit files services, if needed. As of December 31, 2012, the Company believes that the cost of providing such services would not have a material financial impact to the Company. It is possible that in a particular quarter or annual period the Company's financial condition, results of operations, cash flow and/or liquidity could be materially adversely affected by an unfavorable development in this matter, depending, in part, upon the Company's financial condition, results of operations, cash flow or liquidity in such period, and the Company's reputation may be adversely affected.

On July 26, 2012, the Company and Health Net Life Insurance Company ("HNL") received a proposed consent order (the "Consent Order") from the office of the insurance commissioner of the State of Washington (the "WA OIC") in connection with the WA OIC's determination that the Company and HNL had violated certain state regulations in connection with the transfer of certain health insurance policies from HNL to the Company and the offering of an unfiled "premium holiday." Pursuant to the terms of the Consent Order, the WA OIC agrees to resolve the matter without further administrative action and the Company and HNL agree to pay an aggregate fine of $250,000. As of December 31, 2012, the Company has accrued $82,750 and HNL has accrued $167,250 in connection with this matter.

***Miscellaneous Proceedings*—**In the ordinary course of its business operations, the Company is subject to periodic reviews, investigations and audits by various federal and state regulatory agencies, including, without limitation the Centers for Medicare and Medicaid Services, the Office of Civil Rights of the U.S. Department of Health and Human Services and the Oregon Insurance Division, with respect to its compliance with a wide variety of rules and regulations applicable to its business, including, without limitation, the Health Insurance Portability and Accountability Act of 1996, rules relating to pre-authorization penalties, payment of out-of-network claims, timely review of grievances and appeals, and timely and accurate payment of claims, any one of which may result in remediation of certain claims, contract termination, the loss of licensure or the right to participate in certain programs, and the assessment of regulatory fines or penalties, which could be substantial. From time to time, the Company receives subpoenas and other requests for information from, and is subject to investigations by, such regulatory agencies, as well as from state attorneys general. There also continues to be heightened review by regulatory authorities of, and increased litigation regarding, the health care industry's business practices, including, without limitation, information privacy, premium rate increases, utilization management, appeal and grievance processing, rescission of insurance coverage and claims payment practices.

In addition, in the ordinary course of its business operations, the Company is party to various other legal proceedings from time to time, which may include, without limitation, litigation arising out of its general business activities, such as contract disputes, employment litigation, wage and hour claims, including, without limitation, cases involving allegations of misclassification of employees and/or failure to pay for off-the-clock work, real estate and intellectual property claims, claims brought by members or providers seeking coverage or additional reimbursement for services allegedly rendered to its members, but which allegedly were denied, underpaid, not timely paid or not paid, and claims arising out of the acquisition or divestiture of various business units or other assets. From time to time, the Company is also subject to claims relating to the performance of contractual obligations to providers, members, employer groups and others, which may include, without limitation, the alleged failure to properly pay claims and challenges to the manner in which the Company processes claims, and claims alleging that the Company has engaged in unfair business practices. In addition, the Company from time to time is subject to claims relating to information security incidents and breaches, reinsurance agreements, rescission of coverage and other types of insurance coverage obligations and claims relating to the insurance industry in general. The Company is, or may be in the future, subject to class action lawsuits brought against various managed care organizations and other class action lawsuits.

The Company intends to vigorously defend itself against the miscellaneous legal and regulatory proceedings to which it is currently a party; however, these proceedings are subject to many uncertainties. In some of the cases pending against the Company, substantial non-economic or punitive damages are being sought.

***Potential Settlements*—**The Company regularly evaluates legal proceedings and regulatory matters pending against it, including those described above, to determine if settlement of such matters would be in the best interests of the Company and its stockholders. The costs associated with any settlement of the various legal proceedings and regulatory matters to which the Company is or may be subject from time to time, including those described above, could be substantial and, in certain cases, could result in a significant earnings charge in any particular quarter in which the Company enters into a settlement agreement and could have a material adverse effect on the Company's financial condition, results of operations, cash flow and/or liquidity and may affect its reputation.

15. LEASES

A. Lessee Operating Lease

1. The Company leases administrative facilities under an operating lease agreement that expires June 30, 2016. Rental expenses incurred totaled $1,101,319 and $1,101,319 for the years ended December 31, 2012 and 2011, respectively. Of these amounts, $350,362 and $367,984 were reported as claims adjustment expenses.

   The Company's operating lease does not provide for purchase options or escalation clauses. Additionally, it does not impose restrictions, such as those concerning dividends, additional debt or further leasing, on the Company's part.

2. As of December 31, 2012, the future minimum lease commitment for this noncancelable operating leases including computers is as follows:

Years Ended	Operating Lease
2013	$ 1,176,881
2014	1,212,186
2015	1,248,696
2016	633,626
2017	0
Thereafter	0
Total	$ 4,271,389

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

B. Lessor and Leveraged Leases

None

16. INFORMATION ABOUT FINANCIAL INSTRUMENTS WITH OFF-BALANCE SHEET RISK AND FINANCIAL INSTRUMENTS WITH CONCENTRATION OF CREDIT RISK

None

17. SALE, TRANSFER AND SERVICING OF FINANCIAL ASSETS AND EXTINGUISHMENT 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

None

C. Medicare or Other Similarly Structured Cost Based Reimbursement Contract

None

19. DIRECT PREMIUMS WRITTEN/PRODUCED BY MANAGING GENERAL AGENTS/THIRD PARTY ADMINISTRATORS

None

NOTES TO FINANCIAL STATEMENTS

20. FAIR VALUE MEASUREMENTS

The Company does not have assets measured and reported at fair value in the statement of financial position.

Type of Financial Instrument	Aggregate Fair Value	Admitted Assets	(Level 1)	(Level 2)	(Level 3)
Bonds	113,230,411	109,445,966	280,350	112,950,061	

As of December 31, 2012 the Company's long term bond investments are all reported at amortized cost. Estimated fair values are classified and disclosed in one of the following categories:

Level 1—Quoted prices are available in active markets for identical investments as of the reporting date. Investments included in Level 1 consist entirely of U.S. Treasury securities

Level 2—Most of the bond fair values fall in this category. For this pricing level inputs are other than quoted prices in active markets, which are either directly or indirectly observable as of the reporting date, and fair value is determined through the use of models and/or other valuation methodologies which are based on an income approach. Examples include, but are not limited to, multidimensional relational model, option adjusted spread model, and various matrices. Specific pricing inputs include quoted prices for similar securities in both active and non-active markets, other observable inputs such as interest rates, yield curve volatilities, default rates, and inputs that are derived principally from or corroborated by other observable market data.

Level 3— The Company have no bond fair values in this category. For this pricing level inputs are unobservable for the investment and include situations where there is little, if any, market activity for the investment. The inputs into the determination of fair value require significant management judgment or estimation using assumptions that market participants would use, including assumptions for risk.

21. OTHER ITEMS

A. Extraordinary Items

None

B. Troubled Debt Restructuring

None

C. Other Disclosures

A security and certificate of deposit in the amounts of $280,351 and $150,000, respectively, were on deposit as of December 31, 2012 as required by the Insurance Code of Oregon and Washington respectively.

Health Care Reform. During the first quarter of 2010, President Obama signed into law both the Patient Protection and Affordable Care Act and the Health Care and Education Reconciliation Act of 2010 (collectively, the "ACA"), which is causing and will continue to cause significant changes to the U.S. health care system and alter the dynamics of the health care insurance industry. The legislation includes provisions, which, among other things will impose a significant non-deductible tax (technically taking the form of a "fee") on health insurers, effective for calendar years beginning after December 31, 2013. This "health insurer fee" will be assessed at a total of $8 billion in 2014, will increase thereafter and will be allocated pro rata amongst industry participants based on net premiums written, subject to certain exceptions. Payment of the health insurer fee will not be due until 2014; however, it may impact the Company starting in 2013 since its premium rates are set a year in advance, and the tax amounts for 2014 depend on net premiums written in 2013. Additionally, regulations relating to the health insurer fee have not yet been issued by the Internal Revenue Service ("IRS"), making related payment procedures, timing and financial reporting requirements unclear. If the Company is not able to incorporate the costs of its pro rata portion of the health insurer fee when it sets its premium rates, or if the Company is unable to otherwise adjust its business to address this additional new cost, the Company's financial condition and results of operations may be materially adversely affected.

Other provisions of the ACA include, among other things, establishing a risk adjustment program to protect against adverse selection; requiring states to expand Medicaid eligibility to all individuals with incomes up to 133 percent of the federal poverty level, commonly referred to as "Medicaid expansion" (as discussed below, this provision was made optional for states under the Supreme Court's ruling on the ACA); imposing an excise tax on high premium insurance policies; requiring premium rate reviews in certain market segments; stipulating a minimum medical loss ratio (as adopted by the Secretary of the U.S. Department of Health and Human Services); limiting Medicare Advantage payment rates; increasing mandated "essential health benefits" in some market segments; specifying certain actuarial value and cost-sharing requirements; eliminating medical underwriting for medical insurance coverage decisions, or "guaranteed issue"; increasing restrictions on rescinding coverage; prohibiting some annual and all lifetime limits on amounts paid on behalf of or to the Company's members; limiting the ability of health plans to vary premiums based on assessments of underlying risk; limiting the tax-deductible amount of compensation paid to health insurance executives; requiring that most individuals obtain health care coverage or pay a penalty, commonly referred to as the "individual mandate"; creating state-based and federally facilitated "exchanges" where individuals and small business groups may purchase health coverage; imposing a sales tax on medical device manufacturers; increasing fees on pharmaceutical manufacturers; creating a transitional "risk corridor" program to help protect against rate-setting uncertainty in the initial years of the exchanges; and requiring contributions for a transitional reinsurance program.

Implementation of certain provisions of the ACA, including the health insurer fee described above, as well as other potentially significant provisions, will not become effective until 2014 or later.

Various aspects of the ACA, including those referenced above, could have an adverse impact on the cost of operating the Company's business, and its revenues, enrollment and premium growth in certain products and market segments. For example, among other things, the ACA will require premium rate review in certain market segments and will require that premium rebates be paid to policyholders in the event certain specified minimum medical loss ratios are not met. The ACA may also make it more difficult for the Company to attract and retain members, and will increase the amount of certain taxes and fees the Company pays, the latter of which is expected to increase the Company's effective tax rate in future periods. The Company is unable to estimate the amount of these fees and taxes or the increase in its effective tax rate because material information and guidance regarding the calculations of these fees and taxes has not been issued. The sales tax on medical device manufacturers and increase in the amount of fees pharmaceutical manufacturers pay imposed by the ACA, could, in turn, also increase the Company's medical costs. Further, it is not yet clear how state regulators will respond to rate filings that include requests to increase premiums to cover increased costs resulting from the health insurer fee or any other portion of the ACA, particularly in light of recent heightened regulatory scrutiny of premium rates. In the event regulators take positions preventing or delaying health insurers from increasing premiums to reflect ACA-related costs, the Company's financial condition and results of operations may be adversely affected.

Because of the magnitude, scope and complexity of the ACA, the Company also needs to dedicate substantial resources and incur material expenses to implement the legislation. Any delay or failure by the Company to execute its operational and strategic initiatives with respect to health care reform or otherwise appropriately react to the legislation, implementing regulations and actions of the Company's competitors could result in operational disruptions, disputes with the Company's providers or members, increased exposure to litigation, regulatory issues, damage to the Company's existing or potential member relationships or other adverse consequences.

There is substantial uncertainty surrounding the implementation of the ACA, including with respect to clarifying regulations and other guidance that have yet to be issued or are subject to revision, potential legal and legislative challenges, changes in the competitive health care landscape resulting from the ACA as well as various state reform proposals and initiatives that in some cases enact benefit mandates that go beyond the provisions in the ACA.

Due to the unsettled nature of the ACA and the numerous steps required to implement it, the Company cannot predict how future regulations and laws, including state laws, implementing the ACA will impact its business. Depending in part on its ultimate requirements, the ACA could have a material adverse effect on the Company's business, financial condition and results of operations.

D. Uncollectible Balances

As of December 31, 2012 and 2011, respectively, the Company had admitted assets of $1,526,741 and $1,780,965, representing uncollected premium balances. The Company routinely assesses the collectibility of these receivables. Based upon Company experience, the potential loss from uncollectible balances is not material to the Company's financial condition.

E. Business Interruption Insurance Recoveries

None

F. State Transferable Tax Credits

None

G. Subprime Mortgage Related Risk Exposure.

None

H. Retained Assets

None

NOTES TO FINANCIAL STATEMENTS

22. EVENTS SUBSEQUENT

The Company has evaluated events through February 22, 2013, and has determined that there are no other subsequent events that require disclosure in these financial statements.

23. REINSURANCE

None

24. RETROSPECTIVELY RATED CONTRACTS AND CONTRACTS SUBJECT TO REDETERMINATION

A. The Company estimates accrued retrospective premium adjustments for its group health insurance business through a mathematical approach using an algorithm of the company's underwriting rules and experience rating practices.

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

C. Premiums related to the MAPD contracts with CMS, are subject to retrospective rating, and accounted for $1,532,294 and $576,175, or 0.4 % and 0.2 %, of total premiums for the years ended December 31, 2012 and 2011, respectively

.

Medicare Part D—The Company offers the Medicare Part D benefit as a fully insured product to existing and new Medicare members. The Part D benefit consists of pharmacy benefits for Medicare beneficiaries. Part D renewal occurs annually, but it is not a guaranteed renewable product.

Part D offers two types of plans: Prescription Drug Plan (“PDP”) and Medicare Advantage Plus Prescription Drug (“MAPD”). PDP covers only prescription drugs and can be combined with traditional Medicare, certain Medicare Advantage Plans or Medicare supplemental plans. MAPD covers both prescription drugs and medical care. The Company participates only in MAPD plans.

The Company has two primary contracts under Part D, one with the CMS and one with the Part D enrollees. The CMS contract covers the portions of the revenue and expenses that will be paid for by CMS. The enrollee contract covers the services to be performed by the Company for the premiums paid by the enrollees. The insurance contracts are directly underwritten with the enrollees, not CMS, and therefore, there is a direct insurance relationship with the enrollees. The premiums are received directly from the enrollees and from CMS for low-income subsidy members.

The recognition of the revenue and cost reimbursement components under Part D is described below:

CMS Premium Direct Subsidy—The Company receives a monthly premium from CMS based on an original bid amount. This payment for each individual is a fixed amount per member for the entire plan year and is based upon that individual’s risk score status. The CMS premium is recognized evenly over the contract period and reported as part of premiums.

Member Premium—The Company receives a monthly premium from members based on the original bid submitted to CMS. The member premium, which is fixed for the entire plan year is recognized evenly over the contract period and reported as part of premiums.

Low-Income Premium Subsidy—For qualifying low-income members, CMS will reimburse the Company, on the member’s behalf, some or all of the monthly member premium depending on the member’s income level in relation to the Federal Poverty Level. The low-income premium subsidy is recognized evenly over the contract period and reported as part of premiums.

Catastrophic Reinsurance Subsidy—CMS will reimburse the Company for 80% of the drug costs after a member reaches his or her out-of-pocket catastrophic threshold of $4,700 and $4,550 for the years ended December 31, 2012 and 2011, respectively. The CMS prospective payment (a flat PMPM cost reimbursement estimate) is received monthly based on the original CMS bid. After the year is complete, a settlement is made based on actual experience. The catastrophic reinsurance subsidy is accounted for as deposit accounting.

Low-Income Member Cost Sharing Subsidy—For qualifying low-income members, CMS will reimburse the Company, on the member’s behalf, some or all of a member’s cost sharing amounts (e.g. deductible, co-pay/coinsurance). The amount paid for the member by CMS is dependent on the member’s income level in relation to the Federal Poverty Level. The Company receives prospective payments on a monthly basis, and they represent a cost reimbursement that is finalized and settled after the end of the year. Low-income member cost sharing subsidy is accounted for as deposit accounting.

NOTES TO FINANCIAL STATEMENTS

Coverage Gap Discount—The Medicare Coverage Gap Discount is a program that began in 2011, under which drug manufacturers are required to provide a 50% discount on brand name drugs purchased in the Medicare Part D coverage gap by non-LIS (Low Income Subsidy) Part D members. The amount of the discount is included in the accumulation of the members' out-of-pocket costs. Under the Medicare Coverage Gap Discount Program, the Company receives monthly prospective payments from CMS for advancing the gap discounts at the point of sale. CMS coordinates the collection of discount payments from pharmaceutical manufacturers and payments to the Company based on prescription drug event data.

CMS Risk Share—Premiums from CMS are subject to risk corridor provisions which compare costs targeted in the Company's annual bids to actual prescription drug costs, limited to actual costs that would have been incurred under the standard coverage as defined by CMS. Variances of more than 5% above or below the original bid submitted by the Company may result in CMS making additional payments to the Company or require the Company to refund to CMS a portion of the premiums the Company received. The Company estimates and recognizes an adjustment to premium revenues related to the risk corridor payment settlement based upon pharmacy claims experience. The estimate of the settlement associated with these risk corridor provisions requires the Company to consider factors that may not be certain, including member eligibility status differences with CMS. The risk-share adjustment, if any, is recorded as an adjustment to premiums.

Health care costs and general insurance expenses associated with Part D are recognized as the costs and expenses are incurred.

CMS Risk Factor Adjustments—The Company has an arrangement with CMS for certain of the Company's Medicare products whereby periodic changes in the Company's risk factor adjustment scores for certain diagnostic codes result in changes to the Company's premiums. The Company recognizes such changes when the amounts become determinable, supportable, and the collectibility is reasonably assured. Because the recorded revenue is based on the Company's best estimate at the time, the actual payment the Company receives from CMS for risk adjustment reimbursement settlements may be different than the amounts the Company has initially recognized in the statutory-basis financial statements.

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

		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. CHANGE IN INCURRED CLAIMS AND CLAIM ADJUSTMENT EXPENSES

As a result of changes in estimates of insured events for claims incurred December 31, 2012 and prior, claim reserves increased by $448,576 as of December 31, 2012 as compared to December 31, 2011. This change is generally the result of re-estimation of unpaid claims principally on the Comprehensive line of business. Original estimates are increased or decreased as additional information becomes known regarding individual claims.

26. INTERCOMPANY POOLING ARRANGEMENTS

None

27. STRUCTURED SETTLEMENTS

None

NOTES TO FINANCIAL STATEMENTS

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
12/31/12	$ 725,930				
09/30/12	641,256	632,128	85,963		
06/30/12	763,150	653,939		626,826	
03/31/12	601,203	659,190		648,791	6,091
12/31/11	720,301	683,782		631,269	50,834
09/30/11	694,930	728,469		683,788	44,681
06/30/11	900,736	809,182		716,367	92,391
03/31/11	799,396	845,075	52,136	746,746	46,193
12/31/10	782,045	847,048		807,940	39,108
09/30/10	876,532	805,511		775,882	29,629
06/30/10	883,222	868,505	66,765	760,763	40,977
03/31/10	715,316	853,380	15,316	818,491	19,573

B. The Company reports no risk-sharing receivables on the accompanying financial statements. Health care receivables reported on the accompanying financial statements are generally comprised of overpayments to providers and pharmaceutical rebates receivable. These balances have been evaluated for admissibility pursuant to SSAP No. 84.

Premiums related to the MAPD contracts with CMS, are subject to retrospective rating, and accounted for $1,532,294 and $576,175 or 0.4 % and 0.2 %, of total premiums for the years ended December 31, 2012 and 2011, respectively.

29. PARTICIPATING POLICIES

None

30. PREMIUM DEFICIENCY RESERVES

1.	Liability carried for premium deficiency reserves	$ 1,037,813
2.	Date of the most recent evaluation of this liability	1/14/2013
3.	Was anticipated investment income utilized in the calculation?	YES

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. 12/31/2009

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. 12/31/2009

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). 10/07/2010

3.4 By what department or departments?

Oregon Department of Business and Consumer Services

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

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

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

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

4.12 renewals? Yes [ ] No [X]

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

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

4.22 renewals? Yes [ ] No [X]

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

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

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

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

6.2 If yes, give full information:

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

7.2 If yes,

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

7.22 State the nationality(ies) of the foreign person(s) or entity(ies); or if the entity is a mutual or reciprocal, the nationality of its manager or attorney-in-fact and identify the type of entity(ies) (e.g., individual, corporation, government, manager or attorney-in-fact)

1 Nationality	2 Type of Entity

8.1 Is the company a subsidiary of a bank holding company regulated by the Federal Reserve Board? Yes [ ] No [X]

8.2 If response to 8.1 is yes, please identify the name of the bank holding company.

8.3 Is the company affiliated with one or more banks, thrifts or securities firms? Yes [ ] No [X]

8.4 If response to 8.3 is yes, please provide the names and locations (city and state of the main office) of any affiliates regulated by a federal financial regulatory services agency [i.e. the Federal Reserve Board (FRB), the Office of the Comptroller of the Currency (OCC), the Federal Deposit Insurance Corporation (FDIC) and the Securities Exchange Commission (SEC)] and identify the affiliate's primary federal regulator.

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

9. What is the name and address of the independent certified public accountant or accounting firm retained to conduct the annual audit?
Khurram Siddiqui, CPA, Deloitte & Touche LLP, Suite 200 South Grand Avenue, Los Angeles, CA 90071-3462.

10.1 Has the insurer been granted any exemptions to the prohibited non-audit services provided by the certified independent public accountant requirements as allowed in Section 7H of the Annual Financial Reporting Model Regulation (Model Audit Rule), or substantially similar state law or regulation? Yes [ ] No [X]

10.2 If the response to 10.1 is yes, provide information related to this exemption:

10.3 Has the insurer been granted any exemptions related to the other requirements of the Annual Financial Reporting Model Regulation as allowed for in Section 17A of the Model Regulation, or substantially similar state law or regulation? Yes [ ] No [X]

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

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

10.6 If the answer to 10.5 is no or n/a, please explain.

11. What is the name, address and affiliation (officer/employee of the reporting entity or actuary/consultant associated with an actuarial consulting firm) of the individual providing the statement of actuarial opinion/certification?
David O. Thoen, FSA, MAAA. Deloitte & Touche LLP, 400 One Financial Plazza 120 South Street, Mineapolis, MN 55402.

GENERAL INTERROGATORIES

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

12.12 Number of parcels involved ....
12.13 Total book/adjusted carrying value ....
12.2 If yes, provide explanation.

13. FOR UNITED STATES BRANCHES OF ALIEN REPORTING ENTITIES ONLY:
13.1 What changes have been made during the year in the United States manager or the United States trustees of the reporting entity?

13.2 Does this statement contain all business transacted for the reporting entity through its United States Branch on risks wherever located? Yes [ ] No [ ]
13.3 Have there been any changes made to any of the trust indentures during the year? Yes [ ] No [ ]
13.4 If answer to (13.3) is yes, has the domiciliary or entry state approved the changes? Yes [ ] No [ ] N/A [ ]
14.1 Are the senior officers (principal executive officer, principal financial officer, principal accounting officer or controller, or persons performing similar functions) of the reporting entity subject to a code of ethics, which includes the following standards? Yes [X] No [ ]
a. Honest and ethical conduct, including the ethical handling of actual or apparent conflicts of interest between personal and professional relationships;
b. Full, fair, accurate, timely and understandable disclosure in the periodic reports required to be filed by the reporting entity;
c. Compliance with applicable governmental laws, rules and regulations;
d. The prompt internal reporting of violations to an appropriate person or persons identified in the code; and
e. Accountability for adherence to the code.
14.11 If the response to 14.1 is no, please explain:

14.2 Has the code of ethics for senior managers been amended? Yes [ ] No [X]
14.21 If the response to 14.2 is yes, provide information related to amendment(s).

14.3 Have any provisions of the code of ethics been waived for any of the specified officers? Yes [ ] No [X]
14.31 If the response to 14.3 is yes, provide the nature of any waiver(s).

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

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

PART 1 - COMMON INTERROGATORIES - BOARD OF DIRECTORS

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

PART 1 - COMMON INTERROGATORIES - FINANCIAL

19. Has this statement been prepared using a basis of accounting other than Statutory Accounting Principles (e.g., Generally Accepted Accounting Principles)? Yes [ ] No [X]
20.1 Total amount loaned during the year (inclusive of Separate Accounts, exclusive of policy loans):
20.11 To directors or other officers $..........0
20.12 To stockholders not officers $..........0
20.13 Trustees, supreme or grand (Fraternal only) $..........0
20.2 Total amount of loans outstanding at the end of year (inclusive of Separate Accounts, exclusive of policy loans):
20.21 To directors or other officers $..........0
20.22 To stockholders not officers $..........0
20.23 Trustees, supreme or grand (Fraternal only) $..........0
21.1 Were any assets reported in this statement subject to a contractual obligation to transfer to another party without the liability for such obligation being reported in the statement? Yes [ ] No [X]
21.2 If yes, state the amount thereof at December 31 of the current year:
21.21 Rented from others ....
21.22 Borrowed from others ....
21.23 Leased from others ....
21.24 Other ....
22.1 Does this statement include payments for assessments as described in the Annual Statement Instructions other than guaranty fund or guaranty association assessments? Yes [X] No [ ]
22.2 If answer is yes:
22.21 Amount paid as losses or risk adjustment $..........3,964,290
22.22 Amount paid as expenses $..........0
22.23 Other amounts paid $..........0
23.1 Does the reporting entity report any amounts due from parent, subsidiaries or affiliates on Page 2 of this statement? Yes [X] No [ ]
23.2 If yes, indicate any amounts receivable from parent included in the Page 2 amount. $..........0

PART 1 - COMMON INTERROGATORIES - INVESTMENT

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

PART 1 - COMMON INTERROGATORIES - INVESTMENT

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

24.04 Does the company's security lending program meet the requirements for a conforming program as outlined in the Risk-Based Capital Instructions? Yes [ ] No [ ] N/A [X]
24.05 If answer to 24.04 is yes, report amount of collateral for conforming programs. ....
24.06 If answer to 24.04 is no, report amount of collateral for other programs. ....
24.07 Does your securities lending program require 102% (domestic securities) and 105% (foreign securities) from the counterparty at the outset of the contract? Yes [ ] No [ ] N/A [X]
24.08 Does the reporting entity non-admit when the collateral received from the counterparty falls below 100%? Yes [ ] No [ ] N/A [X]
24.09 Does the reporting entity or the reporting entity's securities lending agent utilize the Master Securities Lending Agreement (MSLA) to conduct securities lending? Yes [ ] No [ ] N/A [X]
24.10 For the reporting entity's security lending program, state the amount of the following as of December 31 of the current year:
24.101 Total fair value of reinvested collateral assets reported on Schedule DL, Parts 1 and 2. ....
24.102 Total book adjusted/carrying value of reinvested collateral assets reported on Schedule DL, Parts 1 and 2. ....
24.103 Total payable for securities lending reported on the liability page. ....
25.1 Were any of the stocks, bonds or other assets of the reporting entity owned at December 31 of the current year not exclusively under the control of the reporting entity or has the reporting entity sold or transferred any assets subject to a put option contract that is currently in force? (Exclude securities subject to Interrogatory 21.1 and 24.03) Yes [X] No [ ]
25.2 If yes, state the amount thereof at December 31 of the current year:
25.21 Subject to repurchase agreements $..............................0
25.22 Subject to reverse repurchase agreements $..............................0
25.23 Subject to dollar repurchase agreements $..............................0
25.24 Subject to reverse dollar repurchase agreements $..............................0
25.25 Pledged as collateral $..............................0
25.26 Placed under option agreements $..............................0
25.27 Letter stock or securities restricted as to sale $..............................0
25.28 On deposit with state or other regulatory body $...................430,351
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: ....
28. Excluding items in Schedule E-Part 3-Special Deposits, real estate, mortgage loans and investments held physically in the reporting entity's offices, vaults or safety deposit boxes, were all stocks, bonds and other securities, owned throughout the current year held pursuant to a custodial agreement with a qualified bank or trust company in accordance with Section 1, III - General Examination Considerations, F. Outsourcing of Critical Functions Custodial or Safekeeping Agreements of the NAIC Financial Condition Examiners Handbook? Yes [X] No [ ]
28.01 For agreements that comply with the requirements of the NAIC Financial Condition Examiners Handbook, complete the following:

1 Name of Custodian(s)	2 Custodian's Address
US Bank N A	555 S.W. Oak Street, Portland, OR 97204

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

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

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

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

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

1 Central Registration Depository Number(s)	2 Name	3 Address
105900	General Re-New England Asset Management	76 Batterson Park Road, Farmington, CT 06032

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

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

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

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

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

	1 Statement (Admitted) Value	2 Fair Value	3 Excess of Statement over Fair Value (-), or Fair Value over Statement (+)
30.1 Bonds	113,182,698	116,967,143	3,784,445
30.2 Preferred stocks	....	....	0
30.3 Totals	113,182,698	116,967,143	3,784,445

30.4 Describe the sources or methods utilized in determining the fair values:
Fair values reported on this schedule are based on prices obtained from Interactive Data Pricing and Reference Data, Inc., an independent pricing services provider

PART 1 - COMMON INTERROGATORIES - INVESTMENT

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

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

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

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

32.2 If no, list exceptions:

PART 1 - COMMON INTERROGATORIES - OTHER

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

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

1 Name	2 Amount Paid

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

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

1 Name	2 Amount Paid

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

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

1 Name	2 Amount Paid

NONE

GENERAL INTERROGATORIES

PART 2 - HEALTH INTERROGATORIES

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

1.2 If yes, indicate premium earned on U.S. business only $..........................749,982

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. $..........................786,507

1.6 Individual policies:

Most current three years:

1.61 Total premium earned $..........................511,352

1.62 Total incurred claims $..........................666,317

1.63 Number of covered lives 491

All years prior to most current three years:

1.64 Total premium earned $..........................238,630

1.65 Total incurred claims $..........................120,190

1.66 Number of covered lives 127

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	368,844,420	354,288,983
2.2 Premium Denominator	368,844,420	354,288,983
2.3 Premium Ratio (2.1/2.2)	...........................100.0	...............................100.0
2.4 Reserve Numerator	....	....
2.5 Reserve Denominator	40,050,861	30,887,676
2.6 Reserve Ratio (2.4/2.5)	................................0.0	....................................0.0

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

3.2 If yes, give particulars:

4.1 Have copies of all agreements stating the period and nature of hospitals', physicians', and dentists' care offered to subscribers and dependents been filed with the appropriate regulatory agency? Yes [X] No [ ]

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

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

5.2 If no, explain:

5.3 Maximum retained risk (see instructions):

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

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

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

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

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

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

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

Restricted investment, hold harmless clause.

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 32,337

8.2 Number of providers at end of reporting year 39,226

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

9.2 If yes, direct premium earned:

9.21 Business with rate guarantees between 15-36 months ....

9.22 Business with rate guarantees over 36 months ....

10.1 Does the reporting entity have Incentive Pool, Withhold or Bonus arrangements in its provider contracts? Yes [X] No [ ]

10.2 If yes:

10.21 Maximum amount payable bonuses $..........................222,000

10.22 Amount actually paid for year bonuses $..........................221,025

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

10.24 Amount actually paid for year withholds $............................12,762

GENERAL INTERROGATORIES

PART 2 - HEALTH INTERROGATORIES

11.1. Is the reporting entity organized as:

11.12 A Medical Group/Staff Model, Yes [ ] No [X]

11.13 An Individual Practice Association (IPA), or Yes [ ] No [X]

11.14 A Mixed Model (combination of above)? Yes [ ] No [X]

11.2. Is the reporting entity subject to Minimum Net Worth Requirements? Yes [X] No [ ]

11.3. If yes, show the name of the state requiring such net worth. Oregon

11.4. If yes, show the amount required. $.....................28,693,468

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:
Risk Based Capital requirement after covariance

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

1 Name of Service Area
State of Oregon
State of Washington

13.1. Do you act as a custodian for health savings account? Yes [ ] No [X]

13.2. If yes, please provide the amount of custodial funds held as of the reporting date. ....

13.3. Do you act as an administrator for health savings accounts? Yes [ ] No [X]

13.4. If yes, please provide the balance of the funds administered as of the reporting date. ....

FIVE-YEAR HISTORICAL DATA

	1 2012	2 2011	3 2010	4 2009	5 2008
Balance Sheet Items (Pages 2 and 3)					
1. Total admitted assets (Page 2, Line 28)	121,437,370	113,250,581	109,287,281	120,647,157	105,400,166
2. Total liabilities (Page 3, Line 24)	54,711,198	43,259,601	45,979,922	46,969,871	47,976,921
3. Statutory surplus	28,693,468	26,110,856	27,630,522	35,863,578	33,942,738
4. Total capital and surplus (Page 3, Line 33)	66,726,172	69,990,980	63,307,359	73,677,286	57,423,245
Income Statement Items (Page 4)					
5. Total revenues (Line 8)	368,785,153	354,470,768	363,730,731	434,200,265	421,386,987
6. Total medical and hospital expenses (Line 18)	306,602,910	279,139,459	295,109,630	388,310,325	366,164,556
7. Claims adjustment expenses (Line 20)	10,499,790	11,772,068	11,317,140	13,486,151	10,419,012
8. Total administrative expenses (Line 21)	40,567,495	36,134,004	36,930,716	38,411,992	38,050,711
9. Net underwriting gain (loss) (Line 24)	10,274,288	27,376,187	21,764,127	(6,536,533)	6,171,452
10. Net investment gain (loss) (Line 27)	5,337,268	4,282,449	3,213,056	1,496,961	964,835
11. Total other income (Lines 28 plus 29)	(82,638)	(4,746)	(4,059)	(5,123)	(2,908)
12. Net income or (loss) (Line 32)	10,589,254	21,486,203	16,606,808	(3,231,055)	3,838,442
Cash Flow (Page 6)					
13. Net cash from operations (Line 11)	20,555,990	16,989,401	15,766,675	469,554	7,046,694
Risk-Based Capital Analysis					
14. Total adjusted capital	66,726,172	69,990,980	63,307,359	73,677,286	57,423,245
15. Authorized control level risk-based capital	14,346,734	13,055,428	13,815,261	17,931,789	16,971,369
Enrollment (Exhibit 1)					
16. Total members at end of period (Column 5, Line 7)	84,000	86,210	88,786	110,887	123,494
17. Total member months (Column 6, Line 7)	1,059,764	1,025,498	1,113,060	1,452,758	1,516,441
Operating Percentage (Page 4) **(Item divided by Page 4, sum of Lines 2, 3, and 5) x 100 .0**					
18. Premiums earned plus risk revenue (Line 2 plus Lines 3 and 5)	100.0	100.0	100.0	100.0	100.0
19. Total hospital and medical plus other non-health (Line 18 plus Line 19)	83.1	78.7	81.1	89.4	86.9
20. Cost containment expenses	1.9	1.8	1.4	1.3	1.3
21. Other claims adjustment expenses	0.9	1.5	1.7	1.8	1.2
22. Total underwriting deductions (Line 23)	97.2	92.3	94.0	101.5	98.5
23. Total underwriting gain (loss) (Line 24)	2.8	7.7	6.0	(1.5)	1.5
Unpaid Claims Analysis (U&I Exhibit, Part 2B)					
24. Total claims incurred for prior years (Line 13 Col. 5)	29,836,257	22,958,651	25,234,172	28,502,692	25,390,287
25. Estimated liability of unpaid claims - [prior year (Line 13, Col. 6)]	26,623,819	24,597,920	28,268,319	31,016,343	30,662,680
Investments in Parent, Subsidiaries and Affiliates					
26. Affiliated bonds (Sch. D Summary, Line 12, Col. 1)					
27. Affiliated preferred stocks (Sch D. Summary, Line 18, Col. 1)					
28. Affiliated common stocks (Sch D. Summary, Line 24, Col. 1)					
29. Affiliated short-term investments (subtotal included in Sch. DA, Verification, Column 5, Line 10)					
30. Affiliated mortgage loans on real estate					
31. All other affiliated					
32. Total of above Lines 26 to 31	0	0	0	0	0
33. Total investment in parent included in Lines 26 to 31 above					

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

If no, please explain:

SCHEDULE T - PREMIUMS AND OTHER CONSIDERATIONS

Allocated by States and Territories

	1	Direct Business Only							
		2	3	4	5	6	7	8	9
State, Etc.	Active Status	Accident & Health Premiums	Medicare Title XVIII	Medicaid Title XIX	Federal Employees Health Benefits Program Premiums	Life & Annuity Premiums and Other Considerations	Property/ Casualty Premiums	Total Columns 2 Through 7	Deposit-Type Contracts
1. Alabama AL	N							0	
2. Alaska AK	N							0	
3. Arizona AZ	N							0	
4. Arkansas AR	N							0	
5. California CA	N							0	
6. Colorado CO	N							0	
7. Connecticut CT	N							0	
8. Delaware DE	N							0	
9. District of Columbia DC	N							0	
10. Florida FL	N							0	
11. Georgia GA	N							0	
12. Hawaii HI	N							0	
13. Idaho ID	N							0	
14. Illinois IL	N							0	
15. Indiana IN	N							0	
16. Iowa IA	N							0	
17. Kansas KS	N							0	
18. Kentucky KY	N							0	
19. Louisiana LA	N							0	
20. Maine ME	N							0	
21. Maryland MD	N							0	
22. Massachusetts MA	N							0	
23. Michigan MI	N							0	
24. Minnesota MN	N							0	
25. Mississippi MS	N							0	
26. Missouri MO	N							0	
27. Montana MT	N							0	
28. Nebraska NE	N							0	
29. Nevada NV	N							0	
30. New Hampshire NH	N							0	
31. New Jersey NJ	N							0	
32. New Mexico NM	N							0	
33. New York NY	N							0	
34. North Carolina NC	N							0	
35. North Dakota ND	N							0	
36. Ohio OH	N							0	
37. Oklahoma OK	N							0	
38. Oregon OR	L	311,849,342	1,555,344					313,404,686	
39. Pennsylvania PA	N							0	
40. Rhode Island RI	N							0	
41. South Carolina SC	N							0	
42. South Dakota SD	N							0	
43. Tennessee TN	N							0	
44. Texas TX	N							0	
45. Utah UT	N							0	
46. Vermont VT	N							0	
47. Virginia VA	N							0	
48. Washington WA	L	55,439,734						55,439,734	
49. West Virginia WV	N							0	
50. Wisconsin WI	N							0	
51. Wyoming WY	N							0	
52. American Samoa AS	N							0	
53. Guam GU	N							0	
54. Puerto Rico PR	N							0	
55. U.S. Virgin Islands VI	N							0	
56. Northern Mariana Islands MP	N							0	
57. Canada CAN	N							0	
58. Aggregate Other alien OT	XXX	0	0	0	0	0	0	0	0
59. Subtotal	XXX	367,289,076	1,555,344	0	0	0	0	368,844,420	0
60. Reporting entity contributions for Employee Benefit Plans	XXX							0	
61. Total (Direct Business)	(a) 2	367,289,076	1,555,344	0	0	0	0	368,844,420	0
DETAILS OF WRITE-INS									
58001.								0	
58002.								0	
58003.								0	
58998. Summary of remaining write-ins for line 58		0	0	0	0	0	0	0	0
58999. Total (Lines 58001 thru 58003 + 58998)		0	0	0	0	0	0	0	0

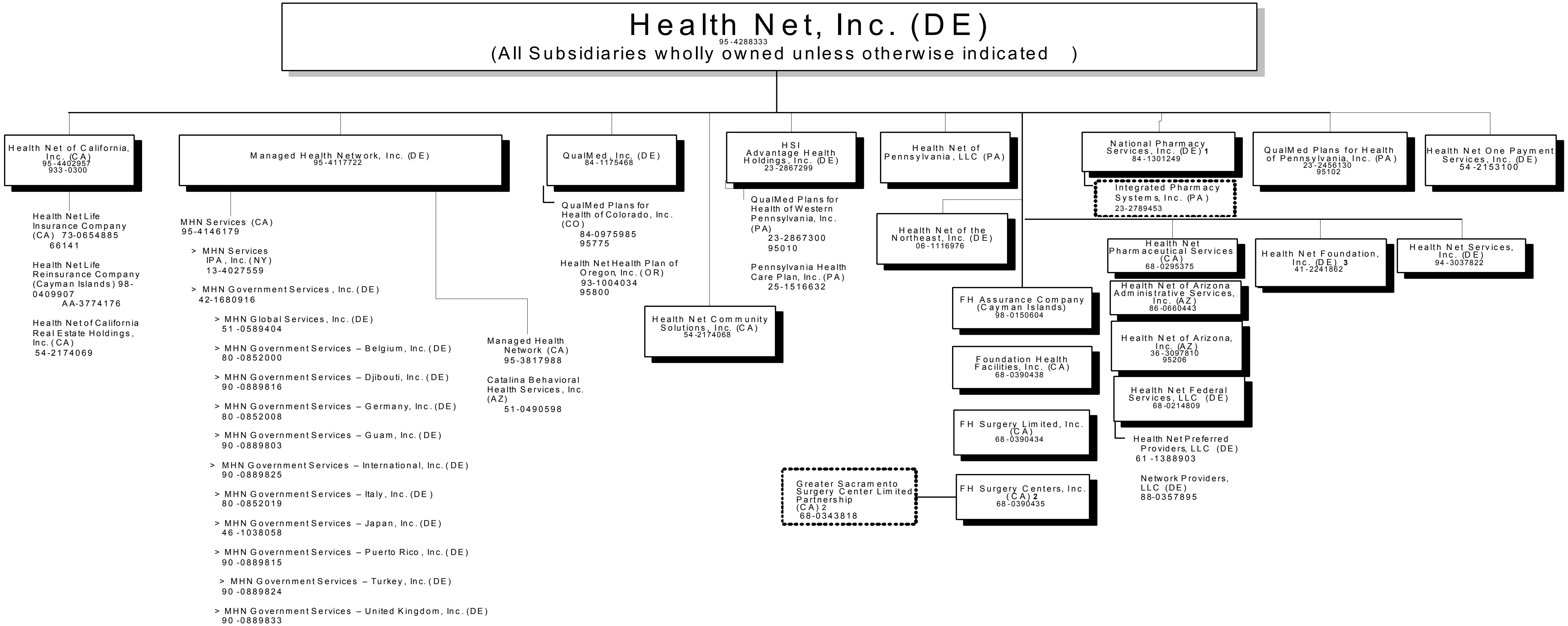
(L) - Licensed or Chartered - Licensed Insurance Carrier or Domicilied RRG; (R) - Registered - Non-domiciled RRGs; (Q) - Qualified - Qualified or Accredited Reinsurer;
(E) - Eligible - Reporting Entities eligible or approved to write Surplus Lines in the state; (N) - None of the above - Not allowed to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

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

Cash collected is allocated to the resident state of the individual or group contract holder.

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

As of 12/31/2012



1. National Pharmacy Service, Inc. owns approximately 90% of the outstanding common stock of Integrated Pharmacy Systems, Inc.
2. FH Surgery Centers, Inc. owns general and limited partnership units representing approximately 66% of the total equity of Greater Sacramento Surgery Center Limited Partnership (which specific percentage fluctuates from time to time)
3. Health Net Foundation, Inc. is a nonprofit, nonstock corporation exempt from federal income tax under section 501(c)(3) of the Internal Revenue Code.

2012 ALPHABETICAL INDEX
HEALTH ANNUAL STATEMENT BLANK