



# ANNUAL STATEMENT

For the Year Ended December 31, 2012

of the Condition and Affairs of the

## PROVIDENCE HEALTH PLAN

NAIC Group Code..... , (Current Period) (Prior Period) NAIC Company Code..... 95005 Employer's ID Number..... 93-0863097

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

Licensed as Business Type.....Hospital, Medical & Dental Service or Is HMO Federally Qualified? Yes [ ] No [ X ]

Indemnity

Incorporated/Organized..... February 1, 1984 Commenced Business..... January 1, 1985

Statutory Home Office 4400 N.E. Halsey Bldg # 2. Ste. # 690..... Portland ..... OR ..... 97213-1545  
(Street and Number) (City or Town, State and Zip Code)

Main Administrative Office 3601 S.W. Murray Blvd. Suite # 10..... Beaverton ..... OR ..... 97005 503-574-7500-  
(Street and Number) (City or Town, State and Zip Code) (Area Code) (Telephone Number)

Mail Address P.O. Box 4327..... Portland ..... OR ..... 97208  
(Street and Number or P. O. Box) (City or Town, State and Zip Code)

Primary Location of Books and Records 4400 N.E. Halsey Bldg # 2. Ste. # 690..... Portland ..... OR ..... 97213-1545 503-574-6330-  
(Street and Number) (City or Town, State and Zip Code) (Area Code) (Telephone Number)

Internet Web Site Address http://phpworld/

Statutory Statement Contact DEBRA ANN LARSON 503-574-6330-  
(Name) (Area Code) (Telephone Number) (Extension)  
debbie.larson@providence.org 503-574-8657-  
(E-Mail Address) (Fax Number)

### OFFICERS

Name	Title	Name	Title
1. JACK ARTHUR FRIEDMAN	CHIEF EXECUTIVE OFFICER	2. JEFFREY WILLIAM ROGERS	SECRETARY
3. JEFFREY ALLYN BUTCHER	CHIEF FINANCIAL OFFICER	4. MICHAEL GORDON WHITE	CHIEF OPERATING OFFICER

### OTHER

BARBARA LEE CHRISTENSEN	CHIEF SALES & MARKETING OFFICER	ROBERT ALLEN GLUCKMAN	CHIEF MEDICAL OFFICER
ALISON SARAH SCHRUPP	CHIEF SERVICE OFFICER	BRUCE WADE WILKINSON	CHIEF INFORMATION OFFICER

### DIRECTORS OR TRUSTEES

ISIAAH CRAWFORD	LUCILLE MARIE DEAN	MARTHA DIAZ ASZKENAZY	MARY CORITA HEID
MICHAEL ROBERT HOLCOMB	SALLYE ANN LINER	KIRBY BRYON MCDONALD	DAVID MARTIN OLSEN
DANA ARDIS RASMUSSEN	JAMES SHELTON ROBERTS	OWEN BROOKS ROBINSON	CHERYL MARION SCOTT
PETER JOHN SNOW	MICHAEL ALAN STEIN	CHARLES MCDONALD WATTS	ELLEN LEE WOLF

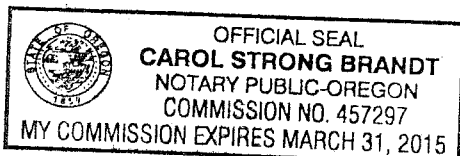
State of..... Oregon  
County of..... Multnomah

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

(Signature)	(Signature)	(Signature)
JACK ARTHUR FRIEDMAN	JEFFREY WILLIAM ROGERS	JEFFREY ALLYN BUTCHER
1. (Printed Name)	2. (Printed Name)	3. (Printed Name)
CHIEF EXECUTIVE OFFICER	SECRETARY	CHIEF FINANCIAL OFFICER
(Title)	(Title)	(Title)

Subscribed and sworn to before me  
This 15th day of February 2013

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



**ASSETS**

	Current Year			Prior Year
	1 Assets	2 Nonadmitted Assets	3 Net Admitted Assets (Cols. 1 - 2)	4 Net Admitted Assets
1. Bonds (Schedule D).....	510,242,875		510,242,875	440,703,367
2. Stocks (Schedule D):				
2.1 Preferred stocks.....			0	
2.2 Common stocks.....	10,390,243		10,390,243	8,271,239
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).....	74,645,871		74,645,871	78,779,426
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 (\$....39,754,456, Schedule E-Part 1), cash equivalents (\$.....0, Schedule E-Part 2) and short-term investments (\$.....0, Schedule DA).....	39,754,456		39,754,456	37,730,688
6. Contract loans (including \$.....0 premium notes).....			0	
7. Derivatives (Schedule DB).....			0	
8. Other invested assets (Schedule BA).....			0	
9. Receivables for securities.....	1,613		1,613	2,375
10. Securities lending reinvested collateral assets (Schedule DL).....			0	
11. Aggregate write-ins for invested assets.....	14,371,717	14,371,717	0	0
12. Subtotals, cash and invested assets (Lines 1 to 11).....	649,406,775	14,371,717	635,035,058	565,487,095
13. Title plants less \$.....0 charged off (for Title insurers only).....			0	
14. Investment income due and accrued.....	2,942,333		2,942,333	2,665,980
15. Premiums and considerations:				
15.1 Uncollected premiums and agents' balances in the course of collection.....	5,189,232	1,690,116	3,499,116	3,012,405
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	10,933
16. Reinsurance:				
16.1 Amounts recoverable from reinsurers.....	380,347	380,347	0	542,508
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.....	2,264,486		2,264,486	
18.1 Current federal and foreign income tax recoverable and interest thereon.....			0	
18.2 Net deferred tax asset.....			0	
19. Guaranty funds receivable or on deposit.....			0	
20. Electronic data processing equipment and software.....	2,135,663	972,147	1,163,516	1,075,673
21. Furniture and equipment, including health care delivery assets (\$.....0).....	478,041	478,041	0	
22. Net adjustment in assets and liabilities due to foreign exchange rates.....			0	
23. Receivables from parent, subsidiaries and affiliates.....	6,917,277	5,971,318	945,959	2,547,014
24. Health care (\$....8,463,813) and other amounts receivable.....	11,161,080	2,601,567	8,559,513	7,598,195
25. Aggregate write-ins for other than invested assets.....	2,225	2,225	0	0
26. Total assets excluding Separate Accounts, Segregated Accounts and Protected Cell Accounts (Lines 12 to 25).....	680,877,459	26,467,478	654,409,981	582,939,803
27. From Separate Accounts, Segregated Accounts and Protected Cell Accounts.....			0	
28. TOTALS (Lines 26 and 27).....	680,877,459	26,467,478	654,409,981	582,939,803

**DETAILS OF WRITE-INS**

1101. Land Option & Put Agreement Escrow Account.....	14,371,717	14,371,717	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).....	14,371,717	14,371,717	0	0
2501. Leasehold Improvements.....	2,225	2,225	0	
2502.....			0	
2503.....			0	
2598. Summary of remaining write-ins for Line 25 from overflow page.....	0	0	0	0
2599. Totals (Lines 2501 thru 2503 plus 2598) (Line 25 above).....	2,225	2,225	0	0

**LIABILITIES, CAPITAL AND SURPLUS**

	Current Period			Prior Year
	1 Covered	2 Uncovered	3 Total	4 Total
1. Claims unpaid (less \$.....0 reinsurance ceded).....	80,883,668	6,566,315	87,449,983	75,023,953
2. Accrued medical incentive pool and bonus amounts.....	26,899,237		26,899,237	20,783,154
3. Unpaid claims adjustment expenses.....	2,489,593		2,489,593	1,902,620
4. Aggregate health policy reserves, including the liability of \$.....0 for medical loss ratio rebate per the Public Health Service Act.....	7,147,156		7,147,156	1,467,475
5. Aggregate life policy reserves.....			0	
6. Property/casualty unearned premium reserve.....			0	
7. Aggregate health claim reserves.....			0	
8. Premiums received in advance.....	12,420,166		12,420,166	13,622,288
9. General expenses due or accrued.....	2,494,031		2,494,031	850,836
10.1 Current federal and foreign income tax payable and interest thereon (including \$.....0 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.....			0	
14. Borrowed money (including \$.....0 current) and interest thereon \$.....0 (including \$.....0 current).....			0	
15. Amounts due to parent, subsidiaries and affiliates.....	259,622		259,622	24,426
16. Derivatives.....			0	
17. Payable for securities.....	29,752,519		29,752,519	16,610,848
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.....	6,095,643		6,095,643	4,787,618
23. Aggregate write-ins for other liabilities (including \$.....0 current).....	9,134,941	0	9,134,941	16,362,558
24. Total liabilities (Lines 1 to 23).....	177,576,576	6,566,315	184,142,891	151,435,776
25. Aggregate write-ins for special surplus funds.....	XXX	XXX	0	0
26. Common capital stock.....	XXX	XXX		
27. Preferred capital stock.....	XXX	XXX		
28. Gross paid in and contributed surplus.....	XXX	XXX		
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	470,267,090	431,504,027
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	470,267,090	431,504,027
34. Total liabilities, capital and surplus (Lines 24 and 33).....	XXX	XXX	654,409,981	582,939,803

**DETAILS OF WRITE-INS**

2301. Other Liabilities.....	215,193		215,193	149,927
2302. PERS Deferred Revenue.....	1,534,317		1,534,317	268,953
2303. Claims Refunds in Process.....	996,321		996,321	1,494,883
2398. Summary of remaining write-ins for Line 23 from overflow page.....	6,389,110	0	6,389,110	14,448,795
2399. Totals (Lines 2301 thru 2303 plus 2398) (Line 23 above).....	9,134,941	0	9,134,941	16,362,558
2501. ....	XXX	XXX		
2502. ....	XXX	XXX		
2503. ....	XXX	XXX		
2598. Summary of remaining write-ins for Line 25 from overflow page.....	XXX	XXX	0	0
2599. Totals (Lines 2501 thru 2503 plus 2598) (Line 25 above).....	XXX	XXX	0	0
3001. ....	XXX	XXX		
3002. ....	XXX	XXX		
3003. ....	XXX	XXX		
3098. Summary of remaining write-ins for Line 30 from overflow page.....	XXX	XXX	0	0
3099. Totals (Lines 3001 thru 3003 plus 3098) (Line 30 above).....	XXX	XXX	0	0

**STATEMENT OF REVENUE AND EXPENSES**

	Current Year		Prior Year
	1 Uncovered	2 Total	3 Total
1. Member months.....	XXX	2,220,328	2,264,339
2. Net premium income (including \$.....0 non-health premium income).....	XXX	1,057,563,082	1,035,581,800
3. Change in unearned premium reserves and reserve for rate credits.....	XXX		
4. Fee-for-service (net of \$.....0 medical expenses).....	XXX		
5. Risk revenue.....	XXX		
6. Aggregate write-ins for other health care related revenues.....	XXX	.0	.58,481
7. Aggregate write-ins for other non-health revenues.....	XXX	.0	.0
8. Total revenues (Lines 2 to 7).....	XXX	1,057,563,082	1,035,640,281
<b>Hospital and Medical:</b>			
9. Hospital/medical benefits.....		663,626,822	632,269,977
10. Other professional services.....	9,813,988	89,832,101	81,255,924
11. Outside referrals.....	38,512,995	38,512,995	38,522,660
12. Emergency room and out-of-area.....	12,324,997	42,710,048	40,081,712
13. Prescription drugs.....	7,512,466	80,514,693	101,967,021
14. Aggregate write-ins for other hospital and medical.....	601,429	2,088,701	2,085,786
15. Incentive pool, withhold adjustments and bonus amounts.....		21,851,549	20,471,125
16. Subtotal (Lines 9 to 15).....	68,765,875	939,136,909	916,654,205
<b>Less:</b>			
17. Net reinsurance recoveries.....		2,607,599	4,054,744
18. Total hospital and medical (Lines 16 minus 17).....	68,765,875	936,529,310	912,599,461
19. Non-health claims (net).....			
20. Claims adjustment expenses, including \$.....16,257,605 cost containment expenses.....		40,574,939	33,088,265
21. General administrative expenses.....		48,841,870	47,030,726
22. Increase in reserves for life and accident and health contracts including \$.....0 increase in reserves for life only).....		5,679,681	704,828
23. Total underwriting deductions (Lines 18 through 22).....	68,765,875	1,031,625,800	993,423,280
24. Net underwriting gain or (loss) (Lines 8 minus 23).....	XXX	25,937,282	42,217,001
25. Net investment income earned (Exhibit of Net Investment Income, Line 17).....		14,989,458	16,998,055
26. Net realized capital gains or (losses) less capital gains tax of \$.....0.....		8,641,829	9,593,478
27. Net investment gains or (losses) (Lines 25 plus 26).....	.0	23,631,287	26,591,533
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	268,826	147,710
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	49,837,395	68,956,244
31. Federal and foreign income taxes incurred.....	XXX		
32. Net income (loss) (Lines 30 minus 31).....	XXX	49,837,395	68,956,244

**DETAILS OF WRITE-INS**

0601. ElderPlace.....	XXX		.58,481
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	.58,481
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. Other Payments to Providers.....	601,429	2,088,701	2,085,786
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).....	601,429	2,088,701	2,085,786
2901. Other Revenue (Expense).....		17,985	3,272
2902. Rx rebates.....			(11,970)
2903. Met Life Commission Fees.....		15,919	16,066
2998. Summary of remaining write-ins for Line 29 from overflow page.....	.0	234,922	140,342
2999. Totals (Lines 2901 thru 2903 plus 2998) (Line 29 above).....	.0	268,826	147,710

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

CAPITAL AND SURPLUS ACCOUNT	1 Current Year	2 Prior Year
33. Capital and surplus prior reporting period.....	431,504,027	418,180,948
34. Net income or (loss) from Line 32.....	49,837,395	68,956,244
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.....	(4,808,952)	.916,813
37. Change in net unrealized foreign exchange capital gain or (loss).....		
38. Change in net deferred income tax.....		
39. Change in nonadmitted assets.....	(3,265,380)	(3,549,978)
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).....	(3,000,000)	(53,000,000)
44.3 Transferred to surplus.....		
45. Surplus adjustments:		
45.1 Paid in.....		
45.2 Transferred to capital (Stock Dividend).....		
45.3 Transferred from capital.....		
46. Dividends to stockholders.....		
47. Aggregate write-ins for gains or (losses) in surplus.....	0	0
48. Net change in capital and surplus (Lines 34 to 47).....	38,763,063	13,323,079
49. Capital and surplus end of reporting period (Line 33 plus 48).....	470,267,090	431,504,027

**DETAILS OF WRITE-INS**

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

## PROVIDENCE HEALTH PLAN CASH FLOW

	1 Current Year	2 Prior Year
<b>CASH FROM OPERATIONS</b>		
1. Premiums collected net of reinsurance.....	1,055,260,447	1,031,503,683
2. Net investment income.....	21,369,292	23,248,208
3. Miscellaneous income.....		58,481
4. Total (Lines 1 through 3).....	1,076,629,739	1,054,810,372
5. Benefit and loss related payments.....	919,143,491	908,133,794
6. Net transfers to Separate Accounts, Segregated Accounts and Protected Cell Accounts.....		
7. Commissions, expenses paid and aggregate write-ins for deductions.....	95,133,390	75,181,541
8. Dividends paid to policyholders.....		
9. Federal and foreign income taxes paid (recovered) net of \$.....0 tax on capital gains (losses).....		
10. Total (Lines 5 through 9).....	1,014,276,881	983,315,335
11. Net cash from operations (Line 4 minus Line 10).....	62,352,858	71,495,037
<b>CASH FROM INVESTMENTS</b>		
12. Proceeds from investments sold, matured or repaid:		
12.1 Bonds.....	637,515,220	648,085,458
12.2 Stocks.....		
12.3 Mortgage loans.....		
12.4 Real estate.....		35,825
12.5 Other invested assets.....		
12.6 Net gains or (losses) on cash, cash equivalents and short-term investments.....		9,859
12.7 Miscellaneous proceeds.....	13,142,433	16,610,691
12.8 Total investment proceeds (Lines 12.1 to 12.7).....	650,657,653	664,741,833
13. Cost of investments acquired (long-term only):		
13.1 Bonds.....	700,817,277	656,826,001
13.2 Stocks.....	7,200,000	
13.3 Mortgage loans.....		
13.4 Real estate.....		
13.5 Other invested assets.....		
13.6 Miscellaneous applications.....	16,717	53,001,709
13.7 Total investments acquired (Lines 13.1 to 13.6).....	708,033,994	709,827,710
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).....	(57,376,341)	(45,085,877)
<b>CASH FROM FINANCING AND MISCELLANEOUS SOURCES</b>		
16. Cash provided (applied):		
16.1 Surplus notes, capital notes.....		
16.2 Capital and paid in surplus, less treasury stock.....		
16.3 Borrowed funds.....		
16.4 Net deposits on deposit-type contracts and other insurance liabilities.....		
16.5 Dividends to stockholders.....		
16.6 Other cash provided (applied).....	(2,952,748)	(4,437,257)
17. Net cash from financing and miscellaneous sources (Lines 16.1 to 16.4 minus Line 16.5 plus Line 16.6).....	(2,952,748)	(4,437,257)
<b>RECONCILIATION OF CASH, CASH EQUIVALENTS AND SHORT-TERM INVESTMENTS</b>		
18. Net change in cash, cash equivalents and short-term investments (Line 11 plus Line 15 plus Line 17).....	2,023,768	21,971,903
19. Cash, cash equivalents and short-term investments:		
19.1 Beginning of year.....	37,730,688	15,758,785
19.2 End of year (Line 18 plus Line 19.1).....	39,754,456	37,730,688

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

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

	1	2	3	4	5	6	7	8	9	10
	Total	Comprehensive (Hospital and Medical)	Medicare Supplement	Dental Only	Vision Only	Federal Employees Health Benefit Plans	Title XVIII Medicare	Title XIX Medicaid	Other Health	Other Non-Health
1. Net premium income.....	1,057,563,082	609,856,226	1,344,943		227,664		446,134,249			
2. Change in unearned premium reserves and reserve for rate credit.....	0									
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).....	1,057,563,082	609,856,226	1,344,943	0	227,664	0	446,134,249	0	0	0
8. Hospital/medical benefits.....	663,626,822	374,653,763	(519)				288,973,578			XXX
9. Other professional services.....	89,832,101	50,563,669	271,464		104,554		38,892,414			XXX
10. Outside referrals.....	38,512,995	29,903,359	550,148				8,059,488			XXX
11. Emergency room and out-of-area.....	42,710,048	27,539,423	40,963				15,129,662			XXX
12. Prescription drugs.....	80,514,693	55,124,495	306,025				25,084,173			XXX
13. Aggregate write-ins for other hospital and medical.....	2,088,701	1,274,800	6,225	0	0	0	807,676	0	0	XXX
14. Incentive pool, withhold adjustments and bonus amounts.....	21,851,549	645,937					21,205,612			XXX
15. Subtotal (Lines 8 to 14).....	939,136,909	539,705,446	1,174,306	0	104,554	0	398,152,603	0	0	XXX
16. Net reinsurance recoveries.....	2,607,599	2,200,196					407,403			XXX
17. Total hospital and medical (Lines 15 minus 16).....	936,529,310	537,505,250	1,174,306	0	104,554	0	397,745,200	0	0	XXX
18. Non-health claims (net).....	0	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	
19. Claims adjustment expenses including \$.....33,782,765 cost containment expenses.....	40,574,939	29,314,243	95,060		5,484		16,861,328		(5,701,176)	
20. General administrative expenses.....	48,841,870	38,224,234	70,949		6,646		12,340,981		(1,800,940)	
21. Increase in reserves for accident and health contracts.....	5,679,681	2,257,185					3,422,496			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).....	1,031,625,800	607,300,912	1,340,315	0	116,684	0	430,370,005	0	(7,502,116)	0
24. Net underwriting gain or (loss) (Line 7 minus Line 23).....	25,937,282	2,555,314	4,628	0	110,980	0	15,764,244	0	7,502,116	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. Aggregate Write-Ins.....	2,088,701	1,274,800	6,225				807,676			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).....	2,088,701	1,274,800	6,225	0	0	0	807,676	0	0	XXX

## UNDERWRITING AND INVESTMENT EXHIBIT

### PART 1 - PREMIUMS

	1	2	3	4
Line of Business	Direct Business	Reinsurance Assumed	Reinsurance Ceded	Net Premium Income (Cols. 1 + 2 - 3)
1. Comprehensive (hospital and medical).....	612,106,716		2,250,490	609,856,226
2. Medicare supplement.....	1,344,943			1,344,943
3. Dental only.....				0
4. Vision only.....	227,664			227,664
5. Federal employees health benefits plan.....				0
6. Title XVIII - Medicare.....	446,700,651		566,402	446,134,249
7. Title XIX - Medicaid.....				0
8. Other health.....				0
9. Health subtotal (Lines 1 through 8).....	1,060,379,974	0	2,816,892	1,057,563,082
10. Life.....				0
11. Property/casualty.....				0
12. Totals (Lines 9 to 11).....	1,060,379,974	0	2,816,892	1,057,563,082



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

	1	2	3	4	5	6	7	8	9	10
	Total	Comprehensive (Hospital and Medical)	Medicare Supplement	Dental Only	Vision Only	Federal Employees Health Benefits Plan	Title XVIII Medicare	Title XIX Medicaid	Other Health	Other Non-Health
1. Payments during the year:										
1.1 Direct.....	904,859,330	532,231,708	1,206,599		104,554		371,316,469			
1.2 Reinsurance assumed.....	0									
1.3 Reinsurance ceded.....	2,607,599	2,200,196					407,403			
1.4 Net.....	902,251,731	530,031,512	1,206,599	0	104,554	0	370,909,066	0	0	0
2. Paid medical incentive pools and bonuses.....	12,763,415	206,173					12,557,242			
3. Claim liability December 31, current year from Part 2A:										
3.1 Direct.....	87,449,983	48,234,753	165,529				39,049,701			
3.2 Reinsurance assumed.....	0									
3.3 Reinsurance ceded.....	0									
3.4 Net.....	87,449,983	48,234,753	165,529	0	0	0	39,049,701	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.....	26,899,237	702,591					26,196,646			
6. Net healthcare receivables (a).....	0									
7. Amounts recoverable from reinsurers December 31, current year.....	380,347	380,322					25			
8. Claim liability December 31, prior year from Part 2A:										
8.1 Direct.....	75,023,953	41,406,952	197,822				33,419,179			
8.2 Reinsurance assumed.....	0									
8.3 Reinsurance ceded.....	0									
8.4 Net.....	75,023,953	41,406,952	197,822	0	0	0	33,419,179	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.....	20,783,154	(93,795)					20,876,949			
11. Amounts recoverable from reinsurers December 31, prior year.....	542,508	472,863					69,645			
12. Incurred benefits:										
12.1 Direct.....	917,285,360	539,059,509	1,174,306	0	104,554	0	376,946,991	0	0	0
12.2 Reinsurance assumed.....	0	0	0	0	0	0	0	0	0	0
12.3 Reinsurance ceded.....	2,445,438	2,107,655	0	0	0	0	337,783	0	0	0
12.4 Net.....	914,839,922	536,951,854	1,174,306	0	104,554	0	376,609,208	0	0	0
13. Incurred medical incentive pools and bonuses.....	18,879,498	1,002,559	0	0	0	0	17,876,939	0	0	0

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

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

	1	2	3	4	5	6	7	8	9	10
	Total	Comprehensive (Medical and Hospital)	Medicare Supplement	Dental Only	Vision Only	Federal Employees Health Benefits Plan	Title XVIII Medicare	Title XIX Medicaid	Other Health	Other Non-Health
1. Reported in process of adjustment:										
1.1 Direct.....	.0									
1.2 Reinsurance assumed.....	.0									
1.3 Reinsurance ceded.....	.0									
1.4 Net.....	.0	.0	.0	.0	.0	.0	.0	.0	.0	.0
2. Incurred but unreported:										
2.1 Direct.....	83,172,102	47,400,285	165,529				35,606,288			
2.2 Reinsurance assumed.....	.0									
2.3 Reinsurance ceded.....	.0									
2.4 Net.....	83,172,102	47,400,285	165,529	.0	.0	.0	35,606,288	.0	.0	.0
3. Amounts withheld from paid claims and capitations:										
3.1 Direct.....	4,277,881	834,468					3,443,413			
3.2 Reinsurance assumed.....	.0									
3.3 Reinsurance ceded.....	.0									
3.4 Net.....	4,277,881	834,468	.0	.0	.0	.0	3,443,413	.0	.0	.0
4. Totals:										
4.1 Direct.....	87,449,983	48,234,753	165,529	.0	.0	.0	39,049,701	.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.....	87,449,983	48,234,753	165,529	.0	.0	.0	39,049,701	.0	.0	.0

## UNDERWRITING AND INVESTMENT EXHIBIT

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

Line of Business	Claims Paid During the Year		Claim Reserve and Claim Liability December 31 of Current Year		5  Claims Incurred in Prior Years (Columns 1 + 3)	6  Estimated Claim Reserve and Claim Liability December 31 of Prior Year
	1  On Claims Incurred Prior to January 1 of Current Year	2  On Claims Incurred During the Year	3  On Claims Unpaid December 31 of Prior Year	4  On Claims Incurred During the Year		
1. Comprehensive (hospital and medical).....	36,939,659	493,091,865	122,881	48,111,872	37,062,540	41,406,952
2. Medicare supplement.....	191,591	1,015,008		165,529	191,591	197,822
3. Dental only.....					0	
4. Vision only.....		104,544			0	
5. Federal employees health benefits plan.....					0	
6. Title XVIII - Medicare.....	33,125,155	337,783,910	27,460	39,022,241	33,152,615	33,419,179
7. Title XIX - Medicaid.....					0	
8. Other health.....					0	
9. Health subtotal (Lines 1 to 8).....	70,256,405	831,995,327	150,341	87,299,642	70,406,746	75,023,953
10. Healthcare receivables (a).....					0	
11. Other non-health.....					0	
12. Medical incentive pools and bonus amounts.....	13,164,050	(400,635)	4,647,053	22,252,184	17,811,103	20,783,154
13. Totals (Lines 9 - 10 + 11 + 12).....	83,420,455	831,594,692	4,797,394	109,551,826	88,217,849	95,807,107

(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.....	55,944	55,261	54,878	25,377	
2. 2008.....	695,849	754,161	753,627	753,026	
3. 2009.....	.XXX	767,100	825,307	824,653	
4. 2010.....	.XXX	.XXX	779,258	835,743	
5. 2011.....	.XXX	.XXX	.XXX	859,249	
6. 2012.....	.XXX	.XXX	.XXX	.XXX	

**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.....	89,741	101,342	101,116	101,130	
2. 2008.....	695,849	754,161	753,627	753,048	
3. 2009.....	.XXX	767,100	829,343	824,807	
4. 2010.....	.XXX	.XXX	816,700	841,585	
5. 2011.....	.XXX	.XXX	.XXX	924,330	
6. 2012.....	.XXX	.XXX	.XXX	.XXX	

12.GT

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

Years in Which Premiums were Earned and Claims were Incurred	1 Premiums Earned	2 Claim Payments	3 Claim Adjustment Expense Payments	4 Percent (Col. 3/2)	5 Claim and Claim Adjustment Expense Payments (Col. 2 + 3)	6 Percent (Col. 5/1)	7 Claims Unpaid	8 Unpaid Claim Adjustment Expense	9 Total Claims and Claims Adjustment Expense Incurred (Col. 5 + 7 + 8)	10 Percent (Col. 9/1)
1. 2008.....	893,635	753,026	29,018	3.9	782,044	87.5			782,044	87.5
2. 2009.....	967,529	824,653	37,611	4.6	862,264	89.1			862,264	89.1
3. 2010.....	980,489	835,743	40,996	4.9	876,739	89.4			876,739	89.4
4. 2011.....	1,035,582	909,545	40,884	4.5	950,429	91.8	4,742	.104	955,275	92.2
5. 2012.....	1,057,563	832,355	64,537	7.8	896,892	84.8	109,608	2.387	1,008,887	95.4

**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.....	33,280	32,696	32,486	(244,224)	32,328
2. 2008.....	413,542	453,096	452,645	452,066	452,039
3. 2009.....	XXX	476,119	511,070	510,565	510,303
4. 2010.....	XXX	XXX	460,848	495,277	494,762
5. 2011.....	XXX	XXX	XXX	511,275	524,651
6. 2012.....	XXX	XXX	XXX	XXX	473,348

**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.....	354,477	388,407	388,090	387,970	387,894
2. 2008.....	413,542	453,096	452,645	452,066	452,040
3. 2009.....	XXX	476,119	515,084	510,565	510,302
4. 2010.....	XXX	XXX	498,068	495,494	494,979
5. 2011.....	XXX	XXX	XXX	527,490	565,869
6. 2012.....	XXX	XXX	XXX	XXX	522,219

**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.....	525,493	452,066	17,817	3.9	469,883	89.4			469,883	89.4
2. 2009.....	571,062	510,565	24,342	4.8	534,907	93.7			534,907	93.7
3. 2010.....	568,744	495,277	28,898	5.8	524,175	92.2			524,175	92.2
4. 2011.....	609,598	548,215	28,798	5.3	577,013	94.7	123	3	577,139	94.7
5. 2012.....	609,856	493,852	27,271	5.5	521,123	85.5	48,872	1,064	571,059	93.6

12.HM

**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.....	345	338	312	2,993	310
2. 2008.....	2,182	2,463	2,438	2,438	2,425
3. 2009.....	XXX	1,720	2,046	2,051	2,048
4. 2010.....	XXX	XXX	1,555	1,721	1,717
5. 2011.....	XXX	XXX	XXX	1,202	1,419
6. 2012.....	XXX	XXX	XXX	XXX	1,021

**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.....	345	338	312	2,993	310
2. 2008.....	2,182	2,463	2,438	2,438	2,425
3. 2009.....	XXX	1,720	2,068	2,051	2,048
4. 2010.....	XXX	XXX	1,777	1,721	1,717
5. 2011.....	XXX	XXX	XXX	1,401	1,419
6. 2012.....	XXX	XXX	XXX	XXX	1,021

**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.....	2,885	2,438	154	6.3	2,592	89.8			2,592	89.8
2. 2009.....	2,815	2,051	249	12.1	2,300	81.7			2,300	81.7
3. 2010.....	2,634	1,721	241	14.0	1,962	74.5			1,962	74.5
4. 2011.....	2,304	1,394	183	13.1	1,577	68.4			1,577	68.4
5. 2012.....	1,345	1,015	95	9.4	1,110	82.5	166	4	1,280	95.2

12.MS

**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.....	<b>NONE</b>				
2. 2008.....					
3. 2009.....		XXX			
4. 2010.....		XXX	XXX		
5. 2011.....		XXX	XXX	XXX	
6. 2012.....		XXX	XXX	XXX	XXX

**SECTION B - INCURRED HEALTH CLAIMS - 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.....	<b>NONE</b>				
2. 2008.....					
3. 2009.....		XXX			
4. 2010.....		XXX	XXX		
5. 2011.....		XXX	XXX	XXX	
6. 2012.....		XXX	XXX	XXX	XXX

**SECTION C - INCURRED YEAR HEALTH CLAIM AND CLAIM ADJUSTMENT EXPENSE RATIO - 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.....					<b>NONE</b>	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

12.D0

**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				
4. 2010.....	XXX	XXX			
5. 2011.....	XXX	XXX	XXX	119	
6. 2012.....	XXX	XXX	XXX	XXX	105

**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				
4. 2010.....	XXX	XXX			
5. 2011.....	XXX	XXX	XXX	119	
6. 2012.....	XXX	XXX	XXX	XXX	105

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**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.....				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.....	245	119	5	4.2	124	50.6			124	50.6
5. 2012.....	228	105	6	5.7	111	48.7			111	48.7



**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**

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

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

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

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

Years in Which Premiums were Earned and Claims were Incurred	1 Premiums Earned	2 Claim Payments	3 Claim Adjustment Expense Payments	4 Percent (Col. 3/2)	5 Claim and Claim Adjustment Expense Payments (Col. 2 + 3)	6 Percent (Col. 5/1)	7 Claims Unpaid	8 Unpaid Claim Adjustment Expenses	9 Total Claims and Claims Adjustment Expense Incurred (Col. 5 + 7 + 8)	10 Percent (Col. 9/1)
1. 2008.....					<b>NONE</b>	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.....	22,319	22,227	22,080	266,608	286,829
2. 2008.....	280,125	298,602	298,544	298,522	298,460
3. 2009.....	XXX	289,261	312,191	312,037	311,930
4. 2010.....	XXX	XXX	316,855	338,745	338,620
5. 2011.....	XXX	XXX	XXX	346,653	375,245
6. 2012.....	XXX	XXX	XXX	XXX	347,995

#### 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.....	287,087	286,949	286,840	286,840	286,834
2. 2008.....	280,125	298,602	298,544	298,544	298,517
3. 2009.....	XXX	289,261	312,191	312,191	311,967
4. 2010.....	XXX	XXX	316,855	344,370	338,638
5. 2011.....	XXX	XXX	XXX	395,320	379,814
6. 2012.....	XXX	XXX	XXX	XXX	408,565

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#### 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.....	365,257	298,522	11,047	3.7	309,569	84.8			309,569	84.8
2. 2009.....	393,652	312,037	13,020	4.2	325,057	82.6			325,057	82.6
3. 2010.....	409,111	338,745	11,857	3.5	350,602	85.7			350,602	85.7
4. 2011.....	423,435	359,817	11,898	3.3	371,715	87.8	4,619	101	376,435	88.9
5. 2012.....	446,134	337,383	37,165	11.0	374,548	84.0	60,570	1,319	436,437	97.8

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

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

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

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

12.XI

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

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

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

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

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

Year in Which Losses Were Incurred	Sum of Cumulative Net Amount Paid and Claim Liability, Claim Reserve and Medical Incentive Pool and Bonuses Outstanding at End of Year				
	1 2008	2 2009	3 2010	4 2011	5 2012
1. Prior.....	.....(264,760)	.....(287,079)	.....(286,987)	.....(286,840)	
2. 2008.....					
3. 2009.....	XXX				
4. 2010.....	XXX	XXX			
5. 2011.....	XXX	XXX	XXX		
6. 2012.....	XXX	XXX	XXX	XXX	

12.0T

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

Years in Which Premiums were Earned and Claims were Incurred	1 Premiums Earned	2 Claim Payments	3 Claim Adjustment Expense Payments	4 Percent (Col. 3/2)	5 Claim and Claim Adjustment Expense Payments (Col. 2 + 3)	6 Percent (Col. 5/1)	7 Claims Unpaid	8 Unpaid Claim Adjustment Expenses	9 Total Claims and Claims Adjustment Expense Incurred (Col. 5 + 7 + 8)	10 Percent (Col. 9/1)
1. 2008.....				<b>NONE</b>		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 2D - AGGREGATE RESERVE FOR ACCIDENT AND HEALTH CONTRACTS ONLY**

	1	2	3	4	5	6	7	8	9
	Total	Comprehensive (Hospital and Medical)	Medicare Supplement	Dental Only	Vision Only	Federal Employees Health Benefit Plan	Title XVIII Medicare	Title XIX Medicaid	Other
1. Unearned premium reserves.....	.0								
2. Additional policy reserves (a).....	7,147,156	3,724,660					3,422,496		
3. Reserve for future contingent benefits.....	.0								
4. Reserve for rate credits or experience rating refunds (including \$.....0) for investment income.....	.0								
5. Aggregate write-ins for other policy reserves.....	.0	.0	.0	.0	.0	.0	.0	.0	.0
6. Totals (gross).....	7,147,156	3,724,660	.0	.0	.0	.0	3,422,496	.0	.0
7. Reinsurance ceded.....	.0								
8. Totals (net) (Page 3, Line 4).....	7,147,156	3,724,660	.0	.0	.0	.0	3,422,496	.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

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**DETAILS OF WRITE-INS**

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

(a) Includes \$.....3,724,660 premium deficiency reserve.

## UNDERWRITING AND INVESTMENT EXHIBIT

## PART 3 - ANALYSIS OF EXPENSES

	Claim Adjustment Expenses		3 General Administrative Expenses	4 Investment Expenses	5 Total
	1 Cost Containment Expenses	2 Other Claim Adjustment Expenses			
1. Rent (\$.....1,112,780 for occupancy of own building).....	1,575,919	1,949,713	1,212,601		4,738,233
2. Salaries, wages and other benefits.....	20,800,795	18,914,658	17,179,060		56,894,513
3. Commissions (less \$.....0 ceded plus \$.....0 assumed).....			12,785,328		12,785,328
4. Legal fees and expenses.....	168,090	167,283	121,078		456,451
5. Certifications and accreditation fees.....					0
6. Auditing, actuarial and other consulting services.....	600,493	1,200,781	3,407,002		5,208,276
7. Traveling expenses.....	105,299	54,655	376,602		536,556
8. Marketing and advertising.....	1,500	1,855	5,954,709		5,958,064
9. Postage, express and telephone.....	339,757	970,261	949,517		2,259,535
10. Printing and office supplies.....	203,392	167,107	98,846		469,345
11. Occupancy, depreciation and amortization.....					0
12. Equipment.....	205,767	243,770	160,666		610,203
13. Cost or depreciation of EDP equipment and software.....	614,979	748,605	524,105		1,887,689
14. Outsourced services including EDP, claims, and other services.....	5,134,357	6,364,405	7,067,677		18,566,439
15. Boards, bureaus and association fees.....	68,977	46,603	46,293		161,873
16. Insurance, except on real estate.....	56,601	70,027	43,552		170,180
17. Collection and bank service charges.....			348,277		348,277
18. Group service and administration fees.....					0
19. Reimbursements by uninsured plans.....	(17,525,162)	(15,742,369)	(10,451,063)		(43,718,594)
20. Reimbursements from fiscal intermediaries.....					0
21. Real estate expenses.....					0
22. Real estate taxes.....	32,033	80,044	74,558		186,635
23. Taxes, licenses and fees:					
23.1 State and local insurance taxes.....	1,038,298	3,606,814	3,757,027		8,402,139
23.2 State premium taxes.....	755,144	2,856,413	2,954,911		6,566,468
23.3 Regulatory authority licenses and fees.....	36,404	136,940	142,355		315,699
23.4 Payroll taxes.....					0
23.5 Other (excluding federal income and real estate taxes).....					0
24. Investment expenses not included elsewhere.....				990,285	990,285
25. Aggregate write-ins for expenses.....	2,044,962	2,479,771	2,088,767	0	6,613,500
26. Total expenses incurred (Lines 1 to 25).....	16,257,605	24,317,336	48,841,868	990,285	(a).....90,407,094
27. Less expenses unpaid December 31, current year.....			2,255,590	238,441	2,494,031
28. Add expenses unpaid December 31, prior year.....	765,824	1,136,796	643,892	206,944	2,753,456
29. Amounts receivable relating to uninsured plans, prior year.....					0
30. Amounts receivable relating to uninsured plans, current year.....	907,749	815,405	541,332		2,264,486
31. Total expenses paid (Lines 26 minus 27 plus 28 minus 29 plus 30).....	17,931,178	26,269,537	47,771,502	958,788	92,931,005

## DETAILS OF WRITE-INS

2501. PH&S Management Fee.....	1,980,454	2,506,672	1,593,615		6,080,741
2502. Distribution to Others.....			964,376		964,376
2503. Unpaid Claims Expense processing liability.....			646,263		646,263
2598. Summary of remaining write-ins for Line 25 from overflow page.....	64,508	(26,901)	(1,115,487)	0	(1,077,880)
2599. TOTALS (Lines 2501 thru 2503 plus 2598) (Line 25 above).....	2,044,962	2,479,771	2,088,767	0	6,613,500

(a) Includes management fees of \$.....13,096,438 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).....8,187,728	.....5,901,915
1.1 Bonds exempt from U.S. tax.....	(a).....	.....
1.2 Other bonds (unaffiliated).....	(a).....9,603,394	.....8,127,375
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).....3,983,016	.....6,065,403
5. Contract loans.....	.....	.....
6. Cash, cash equivalents and short-term investments.....	(e).....18,605	.....18,605
7. Derivative instruments.....	(f).....	.....
8. Other invested assets.....	.....	.....
9. Aggregate write-ins for investment income.....	.....0	.....0
10. Total gross investment income.....	.....21,792,743	.....20,113,298
11. Investment expenses.....	.....	(g).....990,285
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).....4,133,555
15. Aggregate write-ins for deductions from investment income.....	.....	.....0
16. Total deductions (Lines 11 through 15).....	.....	.....5,123,840
17. Net investment income (Line 10 minus Line 16).....	.....	.....14,989,458

**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 \$.....344,275 accrual of discount less \$.....2,835,409 amortization of premium and less \$.....1,540,878 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 \$.....0 accrual of discount less \$.....0 amortization of premium and less \$.....0 paid for accrued interest on purchases.
- (f) Includes \$.....0 accrual of discount less \$.....0 amortization of premium.
- (g) Includes \$.....0 investment expenses and \$.....0 investment taxes, licenses and fees, excluding federal income taxes, attributable to Segregated and Separate Accounts.
- (h) Includes \$.....0 interest on surplus notes and \$.....0 interest on capital notes.
- (i) Includes \$.....4,133,555 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.....	.....3,983,343	.....	.....3,983,343	.....	.....
1.1 Bonds exempt from U.S. tax.....	.....	.....	.....0	.....	.....
1.2 Other bonds (unaffiliated).....	.....4,658,486	.....	.....4,658,486	.....272,044	.....
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	.....(5,080,996)	.....
3. Mortgage loans.....	.....	.....	.....0	.....	.....
4. Real estate.....	.....	.....	.....0	.....	.....
5. Contract loans.....	.....	.....	.....0	.....	.....
6. Cash, cash equivalents and short-term investments.....	.....	.....	.....0	.....	.....
7. Derivative instruments.....	.....	.....	.....0	.....	.....
8. Other invested assets.....	.....	.....	.....0	.....	.....
9. Aggregate write-ins for capital gains (losses).....	.....0	.....0	.....0	.....0	.....0
10. Total capital gains (losses).....	.....8,641,829	.....0	.....8,641,829	.....(4,808,952)	.....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.....	14,371,717	14,355,000	(16,717)
12. Subtotals, cash and invested assets (Lines 1 to 11).....	14,371,717	14,355,000	(16,717)
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.....	1,690,116	1,065,381	(624,735)
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.....	380,347		(380,347)
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.....			.0
19. Guaranty funds receivable or on deposit.....			.0
20. Electronic data processing equipment and software.....	972,147	1,655,789	683,642
21. Furniture and equipment, including health care delivery assets.....	478,041	481,080	3,039
22. Net adjustment in assets and liabilities due to foreign exchange rates.....			.0
23. Receivables from parent, subsidiaries and affiliates.....	5,971,318	3,582,487	(2,388,831)
24. Health care and other amounts receivable.....	2,601,567	2,059,142	(542,425)
25. Aggregate write-ins for other than invested assets.....	2,225	3,219	994
26. Total assets excluding Separate Accounts, Segregated Accounts and Protected Cell Accounts (Lines 12 through 25).....	26,467,478	23,202,098	(3,265,380)
27. From Separate Accounts, Segregated Accounts and Protected Cell Accounts.....			.0
28. TOTALS (Lines 26 and 27).....	26,467,478	23,202,098	(3,265,380)

**DETAILS OF WRITE-INS**

1101. Land Option & Put Agreement Escrow Account.....	14,371,717	14,355,000	(16,717)
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).....	14,371,717	14,355,000	(16,717)
2501. Leasehold Improvements.....	2,225	3,219	994
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).....	2,225	3,219	994



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

Source of Enrollment	Total Members at End of					6 Current Year Member Months
	1 Prior Year	2 First Quarter	3 Second Quarter	4 Third Quarter	5 Current Year	
1. Health maintenance organizations.....	184,105	183,152	183,099	184,189	184,179	2,202,311
2. Provider service organizations.....						
3. Preferred provider organizations.....						
4. Point of service.....						
5. Indemnity only.....						
6. Aggregate write-ins for other lines of business.....	1,491	1,488	1,489	1,472	1,565	18,017
7. Total.....	185,596	184,640	184,588	185,661	185,744	2,220,328

**DETAILS OF WRITE-INS**

0601. Vision Only.....	1,491	1,488	1,489	1,472	1,565	18,017
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).....	1,491	1,488	1,489	1,472	1,565	18,017

## Notes to Financial Statement

The following disclosures are applicable to the 2012 Annual Statement filed March 1, 2013.

1. Summary of Significant Accounting Policies

A. Accounting Practices

Providence Health Plan's (the Company) statutory basis financial statements have been prepared in conformity with accounting practices prescribed or permitted by the State of Oregon, Department of Consumer and Business Services. The National Association of Insurance Commissioners' (NAIC) *Accounting Practices and Procedures* manual, version effective March 2012, (NAIC SAP) has been adopted as a component of prescribed or permitted practices by the State of Oregon.

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

The preparation of the Company's financial statements in conformity with Statutory Accounting Principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and 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 Policy

- (1) Short-term investments are stated at amortized cost.
- (2) Bonds are stated at amortized cost using the scientific (constant yield) interest method.
- (3) Fair value.
- (4) None
- (5) None
- (6) Loan-backed securities designated NAIC 1 or 2 are reported at amortized cost; all others are reported at the lower of amortized cost or fair value.
- (7) PHP carries the investment in the affiliate, Providence Health Assurance, at Statutory equity.
- (8) None
- (9) None
- (10) None
- (11) Unpaid losses and loss adjustment expenses include an amount based on past history. Such liabilities are necessarily based on assumptions and estimates and while management believes the amount is adequate, the ultimate liability may be in excess of or less than the amount provided. The methods for making such estimates and for establishing the resulting liability, are continually reviewed and any adjustments are reflected in the period determined.
- (12) None
- (13) Pharmaceutical rebate receivables are only booked after our pharmacy rebate vendor have sent us their invoices to the pharmaceutical companies.

2. Accounting Changes and Corrections of Errors

None

3. Business Combinations and Goodwill

None

4. Discontinued Operations

None

1. Investments

A. Mortgage Loans

None

B. Debt Restructuring

None

C. Reverse Mortgages

None

D. Loan-Backed Securities

The Company does have investments in mortgage-backed securities and collateralized mortgage obligations. These securities that have an NAIC rating of 1 or 2 are stated at the amortized cost basis, but all others are stated at the lower of amortized cost or market. The market values were obtained from a third party vendor and the prepayment assumptions are considered in pricing the single and multi-class mortgage/asset-backed securities.

E. Repurchase Agreements and/or Securities Lending Transactions

None

F. Real Estate

None

G. Investment in low-income housing tax credits (LIHTC)

None

6. Joint Ventures, Partnerships and Limited Liability Companies

None

7. Investment Income

None

8. Derivative Instruments

None

9. Income Taxes

None

10. Information Concerning Parent, Subsidiaries and Affiliates

A,B,C

PHP paid \$118,505,708 and \$118,976,392 in 2012 and 2011, respectively, for services PPP provided through a management services agreement to provide all management and administrative services to PHP.

PHP received \$185,528 and \$131,686 in 2012 and 2011, respectively, from PPP in capital usage fee charges for assets owned and operated by PHP, but shared by PPP.

PHP paid \$311,799,155 and \$332,293,541 in 2012 and 2011, respectively, to PH&S – OR member hospitals and other providers of PHS-OR in contracted healthcare services for the provision of medical services to its members.

After approval from the State of Oregon Department of Consumer and Business Services – Insurance Division, PHP paid to Providence Health & Services – OR \$3,000,000 for the creation of a fund to support clinical initiatives designed to improve health outcomes, and provide a better healthcare experience for our patients.

Affiliate Providence Hospitals and other Providence entities contracted with PHP as ASO customers. Under the contract, PHP assumes no medical risk for services rendered. Providence affiliates paid a combined \$16,783,185 and \$15,890,900 in 2012 and 2011, respectively, for administrative services provided under the agreement.

D. As of 12/31/2012 these were the affiliates receivables and liabilities:

Amounts Due From:

Providence Health & Services - OR	\$ 5,971,318
Providence Health Assurance	<u>945,959</u>

Total Due From Affiliates	<u>\$ 6,917,277</u>
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Amounts Due To Affiliates:

Providence Plan Partners	\$ 249,725
Providence Medical Group	8,190
Providence Health & Services – OR	<u>1,707</u>

Total Due To Affiliates	<u>\$ 259,622</u>
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E. PHP has agreed that if PHA fails to meet its net worth or restricted reserves based on requirements by the Division of Medical Assistance Programs, PHP shall take immediate action to bring PHA into compliance through additional capital infusion. PHA was in compliance with these requirements as of December 31, 2012.

F. PHP has a management services agreement with PPP to provide management and administrative services. PHP reimburses PPP monthly for the cost of services provided. PHP pays the amount due within 30 days following the end of the month.

G. Providence Plan Partners, a Washington nonprofit organization, is the sole member of the reporting entity, Providence Health Plan, an Oregon nonprofit corporation. Providence Health & Services - Oregon, an Oregon nonprofit corporation, is the sole member of Providence Plan Partners. Providence Health & Services, a Washington nonprofit corporation, is the sole member of Providence Health System - Oregon.

To the best of our knowledge and belief, there have been no other instances where the nature of the control relationship or any transactions between the entities have resulted in the operating results or the financial position of the reporting entity being significantly different from those that would have been obtained if the enterprises were autonomous.

H. None

I. None

J. None

K. None

L. None

11. Debt  
None

12. Retirement Plans, Deferred Compensation, Postemployment Benefits and Compensated Absences and Other Postretirement Benefit Plans  
None

13. Capital and Surplus, Shareholders' Dividend Restrictions and Quasi-Reorganizations.  
None

14. Contingencies  
None

15. Leases

A. Lessee Operating Lease

(1)

- a. Providence Health Plan (PHP) assumed a land lease and an Option and Put Agreement from Providence Health & Services –Oregon with Davis Properties, LLC in July 2010. The land lease payments are \$95,700 per month with an escalation every three years. The rental payments through December 31, 2012 were \$1,148,400. The lease will expire on July 31, 2027, unless Davis Properties, LLC exercises its option to sell the property to PHP before that date.
- b. PHP has \$14,371,717 in an escrow account for the Option and Put Agreement, with this amount escalating every three years, for the purchase of the land being leased. Davis Properties has the option when to sell, but must offer to sell to PHP no later than July 31, 2027.

(2)

- a. At December 31, 2012, the minimum aggregate rental commitments are as follows:

	Year Ending December 31	Operating Leases
1.	2013	\$ 1,196,250
2.	2014	\$ 1,263,240
3.	2015	\$ 1,263,240
4.	2016	\$ 1,315,875
5.	2017	\$ 1,389,564
6.	Total	\$ 21,957,012

- (1) The company is not involved in any sales-leaseback transactions.

A. Lessor Leases

(1) For operating leases:

- a. The land leased above is sub-leased to Providence Health & Services –Oregon in addition to an office building constructed on the leased land. The building lease annual escalating factor is tied to the CPI. The building is leased for 25 years with a 25 year renewal, followed by five succeeding 10 year leases. Providence Plan Partners is also sub-leasing back to PH&S –OR for five years a portion of their leased space for \$18,489 per month, which amounted to \$221,864 year-to-date through December 31, 2012.
- b. Not Applicable
- c. Future Minimum lease payment receivables under non-cancelable leasing arrangements as of December 31, 2012 are as follows:

	Year Ending December 31	Operating Leases
1.	2013	\$ 5,308,714
2.	2014	5,509,359
3.	2015	5,647,358
4.	2016	5,842,477
5.	2017	6,063,281
6.	Total	\$ 164,164,778

16. Information About Financial Instruments With Off-Balance Sheet Risk And Financial Instruments With Concentrations of Credit Risk  
None

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

None

## 18. Gain or Loss to the Reporting Entity from Uninsured A&amp;H Plans and the Uninsured Portion of Partially Insured Plans

A. The YTD gain from operations from ASO uninsured plans and the uninsured portion of partially insured plans as of December 31, 2012 was:

(1)	ASO Uninsured Plans	Uninsured Portion of Partially Insured Plans	Total ASO
a. Net reimbursement for administrative expenses (including administrative fees) in excess of actual expenses	\$ 5,872,979		\$ 5,872,979
b. Total net other income or expense (including interest paid to or received from plans)			
c. Net gain or (loss) from operations	\$ 5,872,979		\$ 5,872,979
d. Total claim payment volume	\$ 763,342,051		\$ 763,342,051

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

None

## 20. Fair Value Measurement

A.

## (1) Fair Value Measurement at Reporting Date

(1) Description	(2) (Level 1)	(3) (Level 2)	(4) (Level 3)	(5) Total
a.Assets at fair value				
Bonds				
Industrial and Misc	\$ 4,711,921			\$ 4,711,921
Total Bonds	\$ 4,711,921			\$ 4,711,921
Common Stock				
Parent, Subsidiaries and Affiliates			\$ 10,390,243	\$ 10,390,243
Total Common Stocks			\$ 10,390,243	\$ 10,390,243
Total assets at fair value	\$ 4,711,921		\$ 10,390,243	\$ 15,102,164

(a) These are Industrial and Miscellaneous bonds where the final NAIC rating was 3, 4 5 or 6 and the fair value was less than the amortized cost and are therefore shown at fair value. The fair value of these bonds was determined by our custodian Bank of New Your Mellon.

(b) This Common Stock is our subsidiary, Providence Health Assurance, which is a wholly owned not-for-profit company that is valued using statutory guidelines in determining fair value.

## 21. Other Items

None

## 22. Events Subsequent

None

## 23. Reinsurance

## A. Ceded Reinsurance Report

## Section 1 – General Interrogatories

(1) Are any of the reinsurers, listed in Schedule S as non-affiliated, owned in excess of 10% or controlled, either directly or indirectly, by the company or by any representative, officer, trustee, or director of the company?  
Yes ( ) No (X)(2) Have any policies issued by the company been reinsured with a company chartered in a country other than the Unites States (excluding) U.S. Branches of such companies) that is owned in excess of 10% or controlled directly or indirectly by an insured, a beneficiary, a creditor or an insured or any other person not primarily engaged in the insurance business?  
Yes ( ) No (X)

## Section 2 – Ceded Reinsurance Report – Part A

- (1) Does the company have any reinsurance agreements in effect under which the reinsurer may unilaterally cancel any reinsurance for reasons other than for nonpayment of premium or other similar credit?  
Yes ( ) No (X)
- (2) Does the reporting entity have any reinsurance agreement in effect such that the amount of losses paid or accrued through the statement date may result in a payment to the reinsurer of amounts that, in aggregate and allowing for offset of mutual credits from other reinsurance agreements with the same reinsurer, exceed the total direct premium collected under the reinsured policies?  
Yes ( ) No (X)

## Section 3 – Ceded Reinsurance Report – Part B

- (1) What is the estimated amount of the aggregate reduction in surplus, ( for agreements other than those under which the reinsurer may unilaterally cancel for reasons other than for nonpayment of premium or other similar credits that are reflected in Section 2 above) of termination of ALL reinsurance agreements, by either party, as of the date of this statement? Where necessary, the company may consider the current or anticipated experience of the business reinsured in making this estimate.  
\$ -0-
- (2) Have any new agreements been executed or existing agreements amended, since January 1 of the year of this statement, to include policies or contracts that were in force or which had existing reserves established by the company as of the effective date of the agreement?  
Yes ( ) No (X)

B. Uncollectible Reinsurance  
None

C. Commutation of Ceded Reinsurance  
None

## 24. Retrospectively Rated Contracts &amp; Contracts Subject to Redetermination

- A. Providence Health Plan (PHP) estimates retrospective premium adjustments for its group health insurance business through a mathematical approach using an algorithm of PHP's underwriting rules and experience rating practices.
- B. PHP records accrued retrospective premium as an adjustment to earned premium.
- C. The amount of net premiums written by PHP at December 30, 2012 that are subject to retrospective rating features was \$80.9 million, that represented 13.5% of the total net premiums written for the group health. No other net premiums written by PHP are subject to retrospective rating features.

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

Reserves for incurred claims attributable to insured events of the prior year have not changed.

26. Intercompany Pooling Arrangements  
None

27. Structured Settlements  
None

28. Health Care Receivables  
None

29. Participating Policies  
None

## 30. Premium Deficiency Reserves

Calculations were made for all lines of business as of December 31, 2012 and it was determined that a deficit existed on the Commercial Group line of business in the amount of \$ 3,724,660. Investment income was not used in this calculation and all other lines of business indicated positive returns.

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. 12/31/2008
- 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. 12/31/2008
- 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). 04/28/2010
- 3.4 By what department or departments? \_\_\_\_\_

State of Oregon Department of Consumer and Business Services - Insurance Division

- 3.5 Have all financial statement adjustments within the latest financial examination report been accounted for in a subsequent financial statement filed with departments? Yes [ X ] No [ ] N/A [ ]
- 3.6 Have all of the recommendations within the latest financial examination report been complied with? Yes [ X ] No [ ] N/A [ ]
- 4.1 During the period covered by this statement, did any agent, broker, sales representative, non-affiliated sales/service organization or any combination thereof under common control (other than salaried employees of the reporting entity) receive credit or commissions for or control a substantial part (more than 20 percent of any major line of business measured on direct premiums) of:
  - 4.11 sales of new business? Yes [ ] No [ X ]
  - 4.12 renewals? Yes [ ] No [ X ]
- 4.2 During the period covered by this statement, did any sales/service organization owned in whole or in part by the reporting entity or an affiliate, receive credit or commissions for or control a substantial part (more than 20 percent of any major line of business measured on direct premiums) of:
  - 4.21 sales of new business? Yes [ ] No [ X ]
  - 4.22 renewals? Yes [ ] No [ X ]
- 5.1 Has the reporting entity been a party to a merger or consolidation during the period covered by this statement? Yes [ ] No [ X ]
- 5.2 If yes, provide the name of the entity, NAIC company code, and state of domicile (use two letter state abbreviation) for any entity that has ceased to exist as a result of the merger or consolidation.

1 Name of Entity	2 NAIC 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?  
KPMG LLP 1300 S.W. Fifth Avenue, Suite 3800, Portland, OR 97201

- 10.1 Has the insurer been granted any exemptions to the prohibited non-audit services provided by the certified independent public accountant requirements as allowed in Section 7H of the Annual Financial Reporting Model Regulation (Model Audit Rule), or substantially similar state law or regulation? Yes [ ] No [ X ]
- 10.2 If the response to 10.1 is yes, provide information related to this exemption: \_\_\_\_\_

- 10.3 Has the insurer been granted any exemptions related to the other requirements of the Annual Financial Reporting Model Regulation as allowed for in Section 17A of the Model Regulation, or substantially similar state law or regulation? Yes [ ] No [ X ]
- 10.4 If the response to 10.3 is yes, provide information related to this exemption: \_\_\_\_\_

- 10.5 Has the reporting entity established an Audit Committee in compliance with the domiciliary state insurance laws? Yes [ X ] No [ ] N/A [ ]
- 10.6 If the answer to 10.5 is no or n/a, please explain. \_\_\_\_\_

- 11. What is the name, address and affiliation (officer/employee of the reporting entity or actuary/consultant associated with an actuarial consulting firm) of the individual providing the statement of actuarial opinion/certification?  
Robert D. Bachler FSA MAAA Milliman USA; 1301 5th Avenue, Suite 3800; Seattle, WA 98101

# PROVIDENCE HEALTH PLAN 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 \$.....0

22.22 Amount paid as expenses \$.....8,288,846

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. \$.....5,971,318

### 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.

---



**PROVIDENCE HEALTH PLAN**

**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 [ ] No [X]

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

25.21 Subject to repurchase agreements .....

25.22 Subject to reverse repurchase agreements .....

25.23 Subject to dollar repurchase agreements .....

25.24 Subject to reverse dollar repurchase agreements .....

25.25 Pledged as collateral .....

25.26 Placed under option agreements .....

25.27 Letter stock or securities restricted as to sale .....

25.28 On deposit with state or other regulatory body .....

25.29 Other .....

25.3 For category (25.27) provide the following:

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

26.1 Does the reporting entity have any hedging transactions reported on Schedule DB? Yes [ ] No [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
The Bank of New York Mellon	One Wall Street, NY, NY 10286

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
106699	Hartford Investment Management Co	

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.....	510,242,875	526,869,385	16,626,510
30.2 Preferred stocks.....			0
30.3 Totals.....	510,242,875	526,869,385	16,626,510

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

We use the market value that BNY Mellon provides us on our December 2011 custodial statements.

**PROVIDENCE HEALTH PLAN**

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

**PART 1 - COMMON INTERROGATORIES - OTHER**

- 33.1 Amount of payments to trade associations, service organizations and statistical or rating bureaus, if any? \$.....177,350
- 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
America's Health Insurance Plans	94,284

- 34.1 Amount of payments for legal expenses, if any? \$.....456,451
- 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
Harrang Long Gary Rudnick	408,587

- 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

# PROVIDENCE HEALTH PLAN GENERAL INTERROGATORIES

## PART 2 - HEALTH INTERROGATORIES

- 1.1 Does the reporting entity have any direct Medicare Supplement Insurance in force? Yes  No
- 1.2 If yes, indicate premium earned on U.S. business only \$.....1,344,943
- 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. \$.....1,174,306
- 1.6 Individual policies:
- Most current three years:
- 1.61 Total premium earned \$.....0
- 1.62 Total incurred claims \$.....0
- 1.63 Number of covered lives .....0
- All years prior to most current three years:
- 1.64 Total premium earned \$.....851,858
- 1.65 Total incurred claims \$.....715,448
- 1.66 Number of covered lives .....189
- 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 \$.....493,085
- 1.75 Total incurred claims \$.....458,858
- 1.76 Number of covered lives .....71

2. Health test:

	1 Current Year	2 Prior Year
2.1 Premium Numerator.....	1,057,563,082	1,035,581,800
2.2 Premium Denominator.....	1,057,563,082	1,035,581,800
2.3 Premium Ratio (2.1/2.2).....	100.0	100.0
2.4 Reserve Numerator.....	.....	97,274,582
2.5 Reserve Denominator.....	121,496,376	97,274,582
2.6 Reserve Ratio (2.4/2.5).....	0.0	100.0

- 3.1 Has the reporting entity received any endowment or gift from contracting hospitals, physicians, dentists, or others that is agreed will be returned when, and if the earnings of the reporting entity permits? Yes  No
- 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  No
- 4.2 If not previously filed, furnish herewith a copy(ies) of such agreement(s). Do these agreements include additional benefits offered? Yes  No
- 5.1 Does the reporting entity have stop-loss reinsurance? Yes  No
- 5.2 If no, explain:

- 5.3 Maximum retained risk (see instructions):
- 5.31 Comprehensive medical \$.....390,000
- 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:

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

8. Provide the following information regarding participating providers:
- 8.1 Number of providers at start of reporting year .....22,494
- 8.2 Number of providers at end of reporting year .....23,642

- 9.1 Does the reporting entity have business subject to premium rate guarantees? Yes  No
- 9.2 If yes, direct premium earned:
- 9.21 Business with rate guarantees 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  No
- 10.2 If yes:
- 10.21 Maximum amount payable bonuses \$.....26,899,237
- 10.22 Amount actually paid for year bonuses \$.....12,763,415
- 10.23 Maximum amount payable withholds \$.....4,277,881
- 10.24 Amount actually paid for year withholds \$.....3,216,982

**GENERAL INTERROGATORIES**

**PART 2 - HEALTH INTERROGATORIES**

- 11.1. Is the reporting entity organized as:
- 11.12 A Medical Group/Staff Model, Yes [ ] No [X]
  - 11.13 An Individual Practice Association (IPA), or Yes [ ] No [X]
  - 11.14 A Mixed Model (combination of above)? Yes [X] No [ ]
- 11.2. Is the reporting entity subject to Minimum Net Worth Requirements? Yes [X] No [ ]
- 11.3. If yes, show the name of the state requiring such net worth. Oregon
- 11.4. If yes, show the amount required. \$.....2,500,000
- 11.5. Is this amount included as part of a contingency reserve in stockholder's equity? Yes [ ] No [X]
- 11.6. If the amount is calculated, show the calculation:
- 
- 

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

1 Name of Service Area
Oregon and 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
<b>Balance Sheet Items (Pages 2 and 3)</b>					
1. Total admitted assets (Page 2, Line 28).....	654,409,981	582,939,803	545,650,796	505,499,468	455,824,873
2. Total liabilities (Page 3, Line 24).....	184,142,891	151,435,776	127,469,848	131,994,367	112,774,970
3. Statutory surplus.....	2,500,000	2,500,000	2,500,000	2,500,000	2,500,000
4. Total capital and surplus (Page 3, Line 33).....	470,267,090	431,504,027	418,180,948	373,505,101	343,049,903
<b>Income Statement Items (Page 4)</b>					
5. Total revenues (Line 8).....	1,057,563,082	1,035,640,281	980,489,404	967,529,671	894,250,720
6. Total medical and hospital expenses (Line 18).....	936,529,310	912,599,461	880,647,522	868,300,424	796,444,039
7. Claims adjustment expenses (Line 20).....	40,574,939	33,088,265	35,191,520	36,851,727	31,227,957
8. Total administrative expenses (Line 21).....	48,841,870	47,030,726	37,439,654	43,545,534	39,617,824
9. Net underwriting gain (loss) (Line 24).....	25,937,282	42,217,001	29,084,090	16,822,987	26,344,802
10. Net investment gain (loss) (Line 27).....	23,631,287	26,591,533	25,289,493	10,885,903	(29,219,480)
11. Total other income (Lines 28 plus 29).....	268,826	147,710	285,185	1,092,553	732,622
12. Net income or (loss) (Line 32).....	49,837,395	68,956,244	54,658,768	28,801,443	(2,142,056)
<b>Cash Flow (Page 6)</b>					
13. Net cash from operations (Line 11).....	62,167,570	71,495,037	47,136,265	55,908,473	66,710,832
<b>Risk-Based Capital Analysis</b>					
14. Total adjusted capital.....	470,267,090	431,504,027	418,180,948	373,505,101	343,049,903
15. Authorized control level risk-based capital.....	48,940,059	36,069,793	34,401,828	34,007,390	33,445,727
<b>Enrollment (Exhibit 1)</b>					
16. Total members at end of period (Column 5, Line 7).....	185,744	185,596	179,788	184,041	205,552
17. Total member months (Column 6, Line 7).....	2,220,328	2,264,340	2,197,522	2,291,424	2,274,377
<b>Operating Percentage (Page 4)</b> <b>(Item divided by Page 4, sum of Lines 2, 3, and 5) x 100 .0</b>					
18. Premiums earned plus risk revenue (Line 2 plus Lines 3 and 5).....	100.0	100.0	100.0	100.0	100.0
19. Total hospital and medical plus other non-health (Line 18 plus Line 19).....	88.6	88.1	89.8	89.7	89.1
20. Cost containment expenses.....	3.2	1.3	1.5	1.6	1.3
21. Other claims adjustment expenses.....	2.3	1.9	2.1	2.2	2.2
22. Total underwriting deductions (Line 23).....	97.5	95.9	97.0	98.3	97.1
23. Total underwriting gain (loss) (Line 24).....	2.5	4.1	3.0	1.7	2.9
<b>Unpaid Claims Analysis (U&amp;I Exhibit, Part 2B)</b>					
24. Total claims incurred for prior years (Line 13 Col. 5).....	88,217,849	77,865,509	92,819,260	91,161,503	83,362,057
25. Estimated liability of unpaid claims - [prior year (Line 13, Col. 6)]	95,807,107	91,105,576	95,356,775	92,389,804	82,371,435
<b>Investments in Parent, Subsidiaries and Affiliates</b>					
26. Affiliated bonds (Sch. D Summary, Line 12, Col. 1).....					
27. Affiliated preferred stocks (Sch. D. Summary, Line 18, Col. 1).....					
28. Affiliated common stocks (Sch. D. Summary, Line 24, Col. 1).....	10,390,243	8,271,239	7,907,785	5,892,676	4,413,361
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.....	10,390,243	8,271,239	7,907,785	5,892,676	4,413,361
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:

# PROVIDENCE HEALTH PLAN SCHEDULE T - PREMIUMS AND OTHER CONSIDERATIONS

Allocated by States and Territories

State, Etc.	1 Active Status	Direct Business Only							
		2 Accident & Health Premiums	3 Medicare Title XVIII	4 Medicaid Title XIX	5 Federal Employees Health Benefits Program Premiums	6 Life & Annuity Premiums and Other Considerations	7 Property/Casualty Premiums	8 Total Columns 2 Through 7	9 Deposit-Type Contracts
1. Alabama.....AL	N							.0	
2. Alaska.....AK	N							.0	
3. Arizona.....AZ	N							.0	
4. Arkansas.....AR	N							.0	
5. California.....CA	N							.0	
6. Colorado.....CO	N							.0	
7. Connecticut.....CT	N							.0	
8. Delaware.....DE	N							.0	
9. District of Columbia.....DC	N							.0	
10. Florida.....FL	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	.583,829,489	.432,443,313					1,016,272,802	
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	.29,849,834	.14,257,338					44,107,172	
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		.613,679,323	.446,700,651	.0	.0	.0	.0	1,060,379,974	.0
60. Reporting entity contributions for Employee Benefit Plans.....XXX								.0	
61. Total (Direct Business).....(a)	2	.613,679,323	.446,700,651	.0	.0	.0	.0	1,060,379,974	.0

**DETAILS OF WRITE-INS**

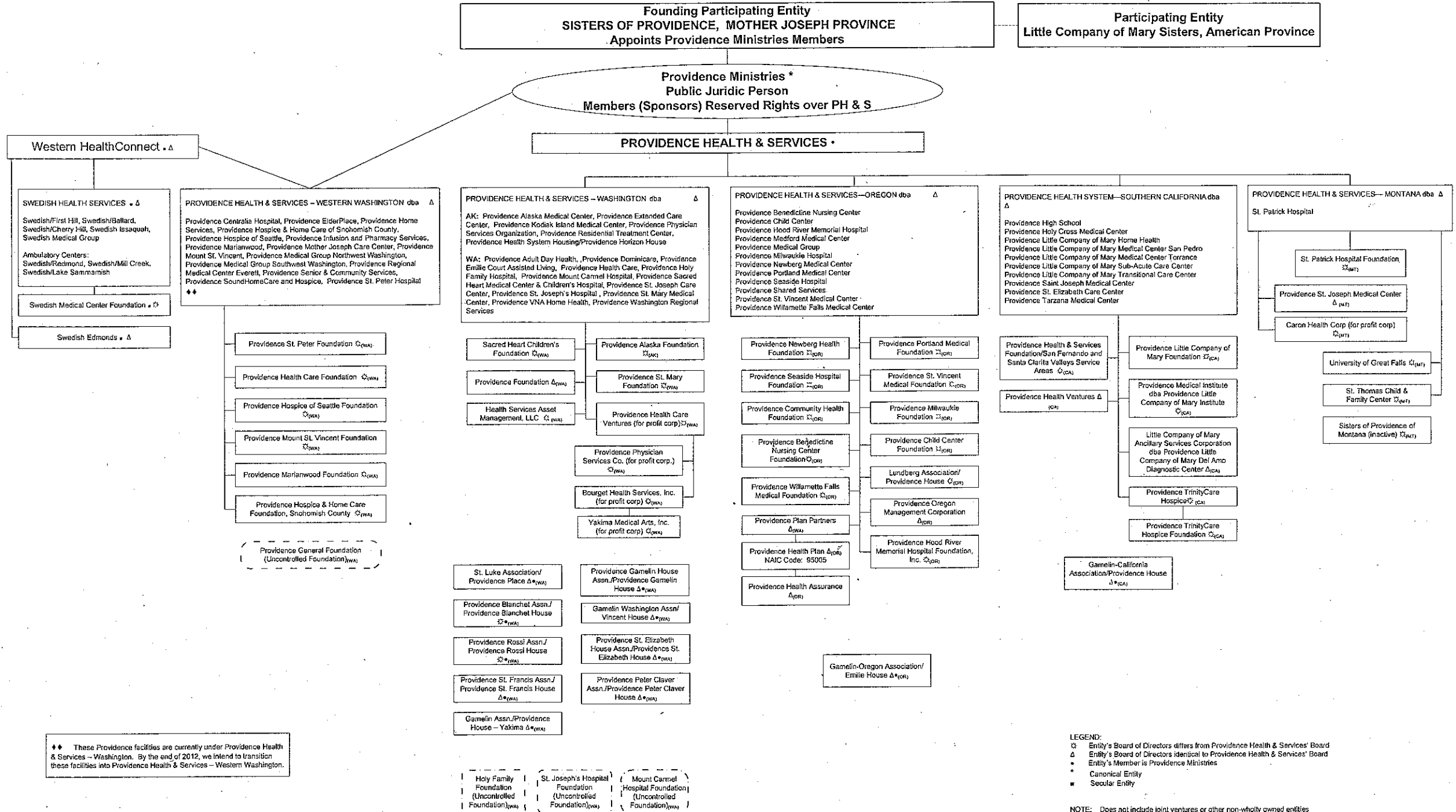
58001.....								.0	
58002.....								.0	
58003.....								.0	
58998. Summary of remaining write-ins for line 58.....		.0	.0	.0	.0	.0	.0	.0	.0
58999. Total (Lines 58001 thru 58003 + 58998).....		.0	.0	.0	.0	.0	.0	.0	.0

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

**Explanation of basis of allocation by states, premiums by state, etc.**  
Medicare Premiums are allocated using Member months.

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

**LEGAL STRUCTURE - PROVIDENCE HEALTH & SERVICES AND WESTERN HEALTHCONNECT**



◆◆ These Providence facilities are currently under Providence Health & Services - Washington. By the end of 2012, we intend to transition these facilities into Providence Health & Services - Western Washington.

Holy Family Foundation (Uncontrolled Foundation) Δ(WA)

St. Joseph's Hospital Foundation (Uncontrolled Foundation) Δ(WA)

Mount Carmel Hospital Foundation (Uncontrolled Foundation) Δ(WA)

**LEGEND:**

- Δ Entity's Board of Directors differs from Providence Health & Services' Board
- Δ Entity's Board of Directors identical to Providence Health & Services' Board
- Entity's Member is Providence Ministries
- \* Canonical Entity
- Secular Entity

**NOTE:** Does not include joint ventures or other non-wholly owned entities

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