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HEALTH ANNUAL STATEMENT

FOR THE YEAR ENDED DECEMBER 31, 2013
OF THE CONDITION AND AFFAIRS OF THE

CareFirst BlueChoice, Inc.

NAIC Group Code 0380 (Current) 0380 (Prior) NAIC Company Code 96202 Employer's ID Number 52-1358219

Organized under the Laws of District of Columbia, State of Domicile or Port of Entry District of Columbia

Country of Domicile United States of America

Licensed as business type: Health Maintenance Organization

Is HMO Federally Qualified? Yes [ ] No [X]

Incorporated/Organized 06/22/1984 Commenced Business 03/01/1985

Statutory Home Office 840 First Street, NE (Street and Number), Washington , DC, US 20065 (City or Town, State, Country and Zip Code)

Main Administrative Office 10455 Mill Run Circle (Street and Number)
Owings Mills , MD, US 21117 (City or Town, State, Country and Zip Code), 410-581-3000- (Area Code) (Telephone Number)

Mail Address 10455 Mill Run Circle (Street and Number or P.O. Box), Owings Mills , MD, US 21117 (City or Town, State, Country and Zip Code)

Primary Location of Books and Records 10455 Mill Run Circle (Street and Number)
Owings Mills , MD, US 21117 (City or Town, State, Country and Zip Code), 410-998-7011 (Area Code) (Telephone Number)

Internet Website Address www.carefirst.com

Statutory Statement Contact William Vincent Stack (Name), 410-998-7011- (Area Code) (Telephone Number)
bill.stack@carefirst.com (E-mail Address), 410-998-6850- (FAX Number)

OFFICERS

President and Chief Executive Officer	Chester Emerson Burrell	Treasurer	Jeanne Ann Kennedy
Secretary	Meryl Davis Burgin #		

OTHER

Gregory Mark Chaney EVP, CFO	Fred Adrian Walton Plumb EVP, SBU-FEP	William Scott Gould # EVP, Medical Affairs
John Joseph Kaelin # EVP, Strategic Business Development	Gwendolyn Denise Skillern SVP, General Auditor	Michael John Felber SVP, Sales
Maria Harris Tildon SVP, Public Policy	Rita Ann Costello SVP, Strategic Marketing	Kenny Waitem Kan SVP, Chief Actuary
Michael Bruce Edwards SVP, Networks Mgmt	Jennifer Ann Cryor Baldwin # SVP, Patient Centered Medical Home (PCMH)	Harry Dietz Fox SVP, Technical & Ops Support
Steven Jon Margolis SVP, ASU-Small & Medium Groups	Michael Thomas Avotins SVP, ASU -Large Groups	Jon Paul Shematek SVP, Chief Medical Officer
Michelle Judith Wright SVP, Human Resource	Wanda Kay Oneferu-Bey SVP, ASU-Consumer Direct	

DIRECTORS OR TRUSTEES

Larry Donovan Bailey #	James Wallace	John Frederick Reim #

State of Maryland
County of Baltimore
SS:

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.

Chester Emerson Burrell President and Chief Executive Officer	Meryl Davis Burgin Secretary	Jeanne Ann Kennedy Treasurer

Subscribed and sworn to before me this
27TH day of FEBRUARY 2014
Cynthia L. Kipp

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

CYNTHIA L. KIPP NOTARY PUBLIC STATE OF MARYLAND My Comm. Exps. 7/26/2014

ASSETS

		Current Year 1 Assets	2 Nonadmitted Assets	3 Net Admitted Assets (Cols. 1 - 2)	Prior Year 4 Net Admitted Assets
1.	Bonds (Schedule D)	637,103,861	0	637,103,861	596,300,773
2.	Stocks (Schedule D):				
	2.1 Preferred stocks	0	0	0	0
	2.2 Common stocks	137,438,765	12,487	137,426,278	180,498,934
3.	Mortgage loans on real estate (Schedule B):				
	3.1 First liens	0	0	0	0
	3.2 Other than first liens	0	0	0	0
4.	Real estate (Schedule A):				
	4.1 Properties occupied by the company (less $ 0 encumbrances)	0	0	0	0
	4.2 Properties held for the production of income (less $ 0 encumbrances)	0	0	0	0
	4.3 Properties held for sale (less $ 0 encumbrances)	0	0	0	0
5.	Cash ($ (31,207,603) , Schedule E - Part 1), cash equivalents ($ 0 , Schedule E - Part 2) and short-term investments ($ 96,498,693 , Schedule DA)	65,291,090	0	65,291,090	30,783,115
6.	Contract loans, (including $ 0 premium notes)	0	0	0	0
7.	Derivatives (Schedule DB)	0	0	0	0
8.	Other invested assets (Schedule BA)	0	0	0	0
9.	Receivables for securities	0	0	0	0
10.	Securities lending reinvested collateral assets (Schedule DL)	0	0	0	0
11.	Aggregate write-ins for invested assets	0	0	0	0
12.	Subtotals, cash and invested assets (Lines 1 to 11)	839,833,716	12,487	839,821,229	807,582,822
13.	Title plants less $ 0 charged off (for Title insurers only)	0	0	0	0
14.	Investment income due and accrued	4,643,420	0	4,643,420	4,338,968
15.	Premiums and considerations:				
	15.1 Uncollected premiums and agents' balances in the course of collection	66,961,633	2,576,702	64,384,931	52,500,169
	15.2 Deferred premiums, agents' balances and installments booked but deferred and not yet due (including $ 0 earned but unbilled premiums)	0	0	0	0
	15.3 Accrued retrospective premiums	0	0	0	0
16.	Reinsurance:				
	16.1 Amounts recoverable from reinsurers	0	0	0	0
	16.2 Funds held by or deposited with reinsured companies	0	0	0	0
	16.3 Other amounts receivable under reinsurance contracts	635,042	0	635,042	610,083
17.	Amounts receivable relating to uninsured plans	0	0	0	0
18.1	Current federal and foreign income tax recoverable and interest thereon	5,999,727	0	5,999,727	8,042,476
18.2	Net deferred tax asset	7,720,368	0	7,720,368	10,307,223
19.	Guaranty funds receivable or on deposit	0	0	0	0
20.	Electronic data processing equipment and software	0	0	0	0
21.	Furniture and equipment, including health care delivery assets ($ 0)	0	0	0	0
22.	Net adjustment in assets and liabilities due to foreign exchange rates	0	0	0	0
23.	Receivables from parent, subsidiaries and affiliates	58,747,296	0	58,747,296	44,989,128
24.	Health care ($ 38,424,448) and other amounts receivable	65,255,163	4,044,052	61,211,111	64,006,543
25.	Aggregate write-ins for other than invested assets	1,403,554	1,403,554	0	0
26.	Total assets excluding Separate Accounts, Segregated Accounts and Protected Cell Accounts (Lines 12 to 25)	1,051,199,919	8,036,795	1,043,163,124	992,377,412
27.	From Separate Accounts, Segregated Accounts and Protected Cell Accounts	0	0	0	0
28.	Total (Lines 26 and 27)	1,051,199,919	8,036,795	1,043,163,124	992,377,412
	DETAILS OF WRITE-INS				
1101.		0	0	0	0
1102.		0	0	0	0
1103.		0	0	0	0
1198.	Summary of remaining write-ins for Line 11 from overflow page	0	0	0	0
1199.	Totals (Lines 1101 thru 1103 plus 1198)(Line 11 above)	0	0	0	0
2501.	Other Assets-Prepaid Expenses	1,403,554	1,403,554	0	0
2502.		0	0	0	0
2503.		0	0	0	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)	1,403,554	1,403,554	0	0

LIABILITIES, CAPITAL AND SURPLUS

		Current Year			Prior Year
		1 Covered	2 Uncovered	3 Total	4 Total
1.	Claims unpaid (less $ 0 reinsurance ceded)	136,440,153	1,789,559	138,229,712	146,541,168
2.	Accrued medical incentive pool and bonus amounts	0	0	0	0
3.	Unpaid claims adjustment expenses	5,774,101	75,734	5,849,835	5,428,000
4.	Aggregate health policy reserves, including the liability of $ 0 for medical loss ratio rebate per the Public Health Service Act	24,906,663	0	24,906,663	33,201,781
5.	Aggregate life policy reserves	0	0	0	0
6.	Property/casualty unearned premium reserves	0	0	0	0
7.	Aggregate health claim reserves	0	0	0	0
8.	Premiums received in advance	53,978,404	0	53,978,404	49,914,701
9.	General expenses due or accrued	29,775,212	0	29,775,212	29,491,769
10.1	Current federal and foreign income tax payable and interest thereon (including $ 0 on realized capital gains (losses))	0	0	0	0
10.2	Net deferred tax liability	0	0	0	0
11.	Ceded reinsurance premiums payable	0	0	0	0
12.	Amounts withheld or retained for the account of others	4,034,459	0	4,034,459	3,628,733
13.	Remittance and items not allocated	1,417,198	0	1,417,198	0
14.	Borrowed money (including $ 0 current) and interest thereon $ 0 (including $ 0 current)	0	0	0	0
15.	Amounts due to parent, subsidiaries and affiliates	3,775,327	0	3,775,327	3,852,433
16.	Derivatives	0	0	0	0
17.	Payable for securities	0	0	0	0
18.	Payable for securities lending	0	0	0	0
19.	Funds held under reinsurance treaties (with $ 0 authorized reinsurers, $ 0 unauthorized reinsurers and $ 0 certified reinsurers)	0	0	0	0
20.	Reinsurance in unauthorized and certified ($ 0) companies	0	0	0	0
21.	Net adjustments in assets and liabilities due to foreign exchange rates	0	0	0	0
22.	Liability for amounts held under uninsured plans	0	0	0	0
23.	Aggregate write-ins for other liabilities (including $ 42,250,887 current)	47,845,518	0	47,845,518	49,149,321
24.	Total liabilities (Lines 1 to 23)	307,947,035	1,865,293	309,812,328	321,207,906
25.	Aggregate write-ins for special surplus funds	XXX	XXX	0	0
26.	Common capital stock	XXX	XXX	10,000	10,000
27.	Preferred capital stock	XXX	XXX	0	0
28.	Gross paid in and contributed surplus	XXX	XXX	50,615,750	50,615,750
29.	Surplus notes	XXX	XXX	0	0
30.	Aggregate write-ins for other than special surplus funds	XXX	XXX	0	0
31.	Unassigned funds (surplus)	XXX	XXX	682,725,046	620,543,758
32.	Less treasury stock, at cost:				
	32.1 0 shares common (value included in Line 26 $ 0)	XXX	XXX	0	0
	32.2 0 shares preferred (value included in Line 27 $ 0)	XXX	XXX	0	0
33.	Total capital and surplus (Lines 25 to 31 minus Line 32)	XXX	XXX	733,350,796	671,169,508
34.	Total liabilities, capital and surplus (Lines 24 and 33)	XXX	XXX	1,043,163,124	992,377,414
	DETAILS OF WRITE-INS				
2301.	Reinsurance Payable	533,493	0	533,493	1,053,596
2302.	Other Liabilities	42,929,299	0	42,929,299	46,389,212
2303.	Amounts held for escheatment to state	4,382,726	0	4,382,726	1,706,513
2308.	Summary of remaining write-ins for Line 23 from overflow page	0	0	0	0
2309.	Totals (Lines 2301 thru 2303 plus 2308)(Line 23 above)	47,845,518	0	47,845,518	49,149,321
2501.		XXX	XXX	0	0
2502.		XXX	XXX	0	0
2503.		XXX	XXX	0	0
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	0	0
3002.		XXX	XXX	0	0
3003.		XXX	XXX	0	0
3098.	Summary of remaining write-ins for Line 30 from overflow page	XXX	XXX	0	0
3099.	Totals (Lines 3001 thru 3003 plus 3098)(Line 30 above)	XXX	XXX	0	0

STATEMENT OF REVENUE AND EXPENSES

		Current Year 1 Uncovered	2 Total	Prior Year 3 Total
1.	Member Months	XXX	6,780,748	6,537,829
2.	Net premium income (including $ 0 non-health premium income)	XXX	2,392,136,068	2,137,224,210
3.	Change in unearned premium reserves and reserve for rate credits	XXX	7,174,512	26,351,390
4.	Fee-for-service (net of $ 0 medical expenses)	XXX	0	0
5.	Risk revenue	XXX	0	0
6.	Aggregate write-ins for other health care related revenues	XXX	2,022,782	71,169
7.	Aggregate write-ins for other non-health revenues	XXX	0	0
8.	Total revenues (Lines 2 to 7)	XXX	2,401,333,362	2,163,646,769
	Hospital and Medical:			
9.	Hospital/medical benefits	11,352,194	1,333,583,923	1,340,296,188
10.	Other professional services	0	96,789,460	54,429,453
11.	Outside referrals	12,635,243	12,635,244	1,370,138
12.	Emergency room and out-of-area	694,493	69,657,169	34,795,820
13.	Prescription drugs	0	393,824,140	334,614,046
14.	Aggregate write-ins for other hospital and medical	0	0	0
15.	Incentive pool, withhold adjustments, and bonus amounts	0	0	0
16.	Subtotal (Lines 9 to 15)	24,681,930	1,906,489,936	1,765,505,645
	Less:			
17.	Net reinsurance recoveries	0	(5,367,639)	(5,195,336)
18.	Total hospital and medical (Lines 16 minus 17)	24,681,930	1,911,857,575	1,770,700,981
19.	Non-health claims (net)	0	0	0
20.	Claims adjustment expenses, including $ 42,681,256 cost containment expenses	0	105,307,341	97,726,483
21.	General administrative expenses	0	330,911,969	298,017,058
22.	Increase in reserves for life and accident and health contracts (including $ 0 increase in reserves for life only)	0	0	0
23.	Total underwriting deductions (Lines 18 through 22)	24,681,930	2,348,076,885	2,166,444,522
24.	Net underwriting gain or (loss) (Lines 8 minus 23)	XXX	53,256,477	(2,797,753)
25.	Net investment income earned (Exhibit of Net Investment Income, Line 17)	0	16,362,382	18,470,062
26.	Net realized capital gains (losses) less capital gains tax of $ 7,027,640	0	13,051,331	13,864,570
27.	Net investment gains (losses) (Lines 25 plus 26)	0	29,413,713	32,334,632
28.	Net gain or (loss) from agents' or premium balances charged off [(amount recovered $ 0) (amount charged off $ 0)]	0	0	0
29.	Aggregate write-ins for other income or expenses	0	206,041	56,053
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	82,876,231	29,592,932
31.	Federal and foreign income taxes incurred	XXX	13,662,047	3,652,491
32.	Net income (loss) (Lines 30 minus 31)	XXX	69,214,184	25,940,441
	DETAILS OF WRITE-INS			
0601.	TDN Access fees	XXX	72,618	71,169
0602.	FEHBP OPMHMO Incentive	XXX	1,950,164	0
0603		XXX	0	0
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	2,022,782	71,169
0701.		XXX	0	0
0702.		XXX	0	0
0703		XXX	0	0
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.		0	0	0
1402.		0	0	0
1403.		0	0	0
1498.	Summary of remaining write-ins for Line 14 from overflow page	0	0	0
1499.	Totals (Lines 1401 thru 1403 plus 1498)(Line 14 above)	0	0	0
2901.	Miscellaneous Income/Expense	0	407,790	326,489
2902.	Fines and penalties	0	(201,749)	(270,436)
2903		0	0	0
2998.	Summary of remaining write-ins for Line 29 from overflow page	0	0	0
2999.	Totals (Lines 2901 thru 2903 plus 2998)(Line 29 above)	0	206,041	56,053

STATEMENT OF REVENUE AND EXPENSES (Continued)

		1 Current Year	2 Prior Year
	CAPITAL AND SURPLUS ACCOUNT		
33.	Capital and surplus prior reporting year	671,169,509	673,072,090
34.	Net income or (loss) from Line 32	69,214,184	25,940,441
35.	Change in valuation basis of aggregate policy and claim reserves	0	0
36.	Change in net unrealized capital gains (losses) less capital gains tax of $ (1,029,020)	(1,875,258)	6,469,616
37.	Change in net unrealized foreign exchange capital gain or (loss)	0	0
38.	Change in net deferred income tax	(3,615,876)	(4,347,087)
39.	Change in nonadmitted assets	(1,541,763)	10,038,891
40	Change in unauthorized and certified reinsurance	0	0
41.	Change in treasury stock	0	0
42.	Change in surplus notes	0	0
43.	Cumulative effect of changes in accounting principles	0	(40,004,386)
44.	Capital Changes:		
	44.1 Paid in	0	0
	44.2 Transferred from surplus (Stock Dividend)	0	0
	44.3 Transferred to surplus	0	0
45.	Surplus adjustments:		
	45.1 Paid in	0	0
	45.2 Transferred to capital (Stock Dividend)	0	0
	45.3 Transferred from capital	0	0
46.	Dividends to stockholders	0	0
47.	Aggregate write-ins for gains or (losses) in surplus	0	(56)
48.	Net change in capital and surplus (Lines 34 to 47)	62,181,287	(1,902,581)
49.	Capital and surplus end of reporting period (Line 33 plus 48)	733,350,796	671,169,509
	DETAILS OF WRITE-INS		
4701.	Tax adjustments	0	(56)
4702.		0	0
4703.		0	0
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	(56)

CASH FLOW

		1 Current Year	2 Prior Year
	Cash from Operations		
1.	Premiums collected net of reinsurance	2,384,266,455	2,141,399,464
2.	Net investment income	23,388,544	26,173,191
3.	Miscellaneous income	2,022,782	71,169
4.	Total (Lines 1 through 3)	2,409,677,781	2,167,643,824
5.	Benefit and loss related payments	1,919,750,353	1,773,991,451
6.	Net transfers to Separate Accounts, Segregated Accounts and Protected Cell Accounts	0	0
7.	Commissions, expenses paid and aggregate write-ins for deductions	435,570,241	402,195,352
8.	Dividends paid to policyholders	0	0
9.	Federal and foreign income taxes paid (recovered) net of $ 7,027,640 tax on capital gains (losses)	18,646,938	(401,991)
10.	Total (Lines 5 through 9)	2,373,967,532	2,175,784,812
11.	Net cash from operations (Line 4 minus Line 10)	35,710,249	(8,140,988)
	Cash from Investments		
12.	Proceeds from investments sold, matured or repaid:		
	12.1 Bonds	884,364,874	1,061,831,473
	12.2 Stocks	127,692,506	78,752,531
	12.3 Mortgage loans	0	0
	12.4 Real estate	0	0
	12.5 Other invested assets	0	0
	12.6 Net gains or (losses) on cash, cash equivalents and short-term investments	7,873	0
	12.7 Miscellaneous proceeds	0	0
	12.8 Total investment proceeds (Lines 12.1 to 12.7)	1,012,065,253	1,140,584,004
13.	Cost of investments acquired (long-term only):		
	13.1 Bonds	932,729,500	1,063,817,855
	13.2 Stocks	67,221,868	78,263,618
	13.3 Mortgage loans	0	0
	13.4 Real estate	0	0
	13.5 Other invested assets	0	0
	13.6 Miscellaneous applications	0	0
	13.7 Total investments acquired (Lines 13.1 to 13.6)	999,951,368	1,142,081,473
14.	Net increase (decrease) in contract loans and premium notes	0	0
15.	Net cash from investments (Line 12.8 minus Line 13.7 minus Line 14)	12,113,885	(1,497,469)
	Cash from Financing and Miscellaneous Sources		
16.	Cash provided (applied):		
	16.1 Surplus notes, capital notes	0	0
	16.2 Capital and paid in surplus, less treasury stock	0	0
	16.3 Borrowed funds	0	0
	16.4 Net deposits on deposit-type contracts and other insurance liabilities	0	0
	16.5 Dividends to stockholders	0	0
	16.6 Other cash provided (applied)	(13,316,163)	8,970,890
17.	Net cash from financing and miscellaneous sources (Lines 16.1 to 16.4 minus Line 16.5 plus Line 16.6)	(13,316,163)	8,970,890
	RECONCILIATION OF CASH, CASH EQUIVALENTS AND SHORT-TERM INVESTMENTS		
18.	Net change in cash, cash equivalents and short-term investments (Line 11, plus Lines 15 and 17)	34,507,971	(667,567)
19.	Cash, cash equivalents and short-term investments:		
	19.1 Beginning of year	30,783,119	31,450,686
	19.2 End of year (Line 18 plus Line 19.1)	65,291,090	30,783,119

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

ANALYSIS OF OPERATIONS BY LINES OF BUSINESS

	1 Total	2 Comprehensive (Hospital & Medical)	3 Medicare Supplement	4 Dental Only	5 Vision Only	6 Federal Employees Health Benefits Plan	7 Title XVIII Medicare	8 Title XIX Medicaid	9 Other Health	10 Other Non-Health
1. Net premium income	2,392,136,068	2,111,683,984	0	15,407,238	477,034	264,567,812	0	0	0	0
2. Change in unearned premium reserves and reserve for rate credit	7,174,512	5,389,395	0	0	0	1,785,117	0	0	0	0
3. Fee-for-service (net of $ 0 medical expenses)	0	0	0	0	0	0	0	0	0	XXX
4. Risk revenue	0	0	0	0	0	0	0	0	0	XXX
5. Aggregate write-ins for other health care related revenues	2,022,782	0	0	72,618	0	1,950,164	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)	2,401,333,362	2,117,073,379	0	15,479,856	477,034	268,303,093	0	0	0	0
8. Hospital/medical benefits	1,333,583,923	1,169,775,503	0	0	0	163,808,420	0	0	0	XXX
9. Other professional services	96,789,460	79,403,867	0	5,010,974	369,224	12,005,395	0	0	0	XXX
10. Outside referrals	12,635,244	10,975,772	0	0	0	1,659,472	0	0	0	XXX
11. Emergency room and out-of-area	69,657,169	60,508,623	0	0	0	9,148,546	0	0	0	XXX
12. Prescription drugs	393,824,140	330,760,412	0	0	0	63,063,728	0	0	0	XXX
13. Aggregate write-ins for other hospital and medical	0	0	0	0	0	0	0	0	0	XXX
14. Incentive pool, withhold adjustments and bonus amounts	0	0	0	0	0	0	0	0	0	XXX
15. Subtotal (Lines 8 to 14)	1,906,489,936	1,651,424,177	0	5,010,974	369,224	249,685,561	0	0	0	XXX
16. Net reinsurance recoveries	(5,367,639)	0	0	(5,367,639)	0	0	0	0	0	XXX
17. Total medical and hospital (Lines 15 minus 16)	1,911,857,575	1,651,424,177	0	10,378,613	369,224	249,685,561	0	0	0	XXX
18. Non-health claims (net)	0	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	0
19. Claims adjustment expenses including $ 42,681,256 cost containment expenses	105,307,340	94,024,008	0	2,428,156	29,612	8,825,564	0	0	0	0
20. General administrative expenses	330,911,969	319,568,698	0	2,817,775	258,889	8,266,607	0	0	0	0
21. Increase in reserves for accident and health contracts	0	0	0	0	0	0	0	0	0	XXX
22. Increase in reserves for life contracts	0	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	0
23. Total underwriting deductions (Lines 17 to 22)	2,348,076,884	2,065,016,883	0	15,624,544	657,725	266,777,732	0	0	0	0
24. Total underwriting gain or (loss) (Line 7 minus Line 23)	53,256,478	52,056,496	0	(144,688)	(180,691)	1,525,361	0	0	0	0
DETAILS OF WRITE-INS										
0501. TDN Access Fees	72,618	0	0	72,618	0	0	0	0	0	XXX
0502. FEHBP OPMHMO Incentive	1,950,164	0	0	0	0	1,950,164	0	0	0	XXX
0503.										XXX
0598. Summary of remaining write-ins for Line 5 from overflow page	0	0	0	0	0	0	0	0	0	XXX
0599. Totals (Lines 0501 thru 0503 plus 0598) (Line 5 above)	2,022,782	0	0	72,618	0	1,950,164	0	0	0	XXX
0601.		XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	
0602.		XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	
0603.		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. Totals (Lines 0601 thru 0603 plus 0698) (Line 6 above)	0	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	0
1301.										XXX
1302.										XXX
1303.										XXX
1398. Summary of remaining write-ins for Line 13 from overflow page	0	0	0	0	0	0	0	0	0	XXX
1399. Totals (Lines 1301 thru 1303 plus 1398) (Line 13 above)	0	0	0	0	0	0	0	0	0	XXX

UNDERWRITING AND INVESTMENT EXHIBIT

PART 1 - PREMIUMS

Line of Business	1 Direct Business	2 Reinsurance Assumed	3 Reinsurance Ceded	4 Net Premium Income (Cols. 1 + 2 - 3)
1. Comprehensive (hospital and medical)	2,111,708,984	0	25,000	2,111,683,984
2. Medicare Supplement	0	0	0	0
3. Dental only	8,519,290	6,887,948	0	15,407,238
4. Vision only	477,034	0	0	477,034
5. Federal Employees Health Benefits Plan	264,567,812	0	0	264,567,812
6. Title XVIII - Medicare	0	0	0	0
7. Title XIX - Medicaid	0	0	0	0
8. Other health	0	0	0	0
9. Health subtotal (Lines 1 through 8)	2,385,273,120	6,887,948	25,000	2,392,136,068
10. Life	0	0	0	0
11. Property/casualty	0	0	0	0
12. Totals (Lines 9 to 11)	2,385,273,120	6,887,948	25,000	2,392,136,068

UNDERWRITING AND INVESTMENT EXHIBIT

PART 2 - CLAIMS INCURRED DURING THE YEAR

	1 Total	2 Comprehensive (Hospital & Medical)	3 Medicare Supplement	4 Dental Only	5 Vision Only	6 Federal Employees Health Benefits Plan	7 Title XVIII Medicare	8 Title XIX Medicaid	9 Other Health	10 Other Non-Health
1. Payments during the year:										
1.1 Direct	1,927,064,441	1,674,777,185	0	5,086,087	369,224	246,831,945	0	0	0	0
1.2 Reinsurance assumed	5,369,867	0	0	5,369,867	0	0	0	0	0	0
1.3 Reinsurance ceded	0	0	0	0	0	0	0	0	0	0
1.4 Net	1,932,434,308	1,674,777,185	0	10,455,954	369,224	246,831,945	0	0	0	0
2. Paid medical incentive pools and bonuses	0	0	0	0	0	0	0	0	0	0
3. Claim liability December 31, current year from Part 2A:										
3.1 Direct	138,005,769	121,635,304	0	496,850	0	15,873,615	0	0	0	0
3.2 Reinsurance assumed	223,943	0	0	223,943	0	0	0	0	0	0
3.3 Reinsurance ceded	0	0	0	0	0	0	0	0	0	0
3.4 Net	138,229,712	121,635,304	0	720,793	0	15,873,615	0	0	0	0
4. Claim reserve December 31, current year from Part 2D:										
4.1 Direct	0	0	0	0	0	0	0	0	0	0
4.2 Reinsurance assumed	0	0	0	0	0	0	0	0	0	0
4.3 Reinsurance ceded	0	0	0	0	0	0	0	0	0	0
4.4 Net	0	0	0	0	0	0	0	0	0	0
5. Accrued medical incentive pools and bonuses, current year	0	0	0	0	0	0	0	0	0	0
6. Net healthcare receivables (a)	12,265,278	12,265,278	0	0	0	0	0	0	0	0
7. Amounts recoverable from reinsurers December 31, current year	0	0	0	0	0	0	0	0	0	0
8. Claim liability December 31, prior year from Part 2A:										
8.1 Direct	146,314,998	132,723,035	0	571,963	0	13,020,000	0	0	0	0
8.2 Reinsurance assumed	226,171	0	0	226,171	0	0	0	0	0	0
8.3 Reinsurance ceded	0	0	0	0	0	0	0	0	0	0
8.4 Net	146,541,169	132,723,035	0	798,134	0	13,020,000	0	0	0	0
9. Claim reserve December 31, prior year from Part 2D:										
9.1 Direct	0	0	0	0	0	0	0	0	0	0
9.2 Reinsurance assumed	0	0	0	0	0	0	0	0	0	0
9.3 Reinsurance ceded	0	0	0	0	0	0	0	0	0	0
9.4 Net	0	0	0	0	0	0	0	0	0	0
10. Accrued medical incentive pools and bonuses, prior year	0	0	0	0	0	0	0	0	0	0
11. Amounts recoverable from reinsurers December 31, prior year	0	0	0	0	0	0	0	0	0	0
12. Incurred Benefits:										
12.1 Direct	1,906,489,934	1,651,424,176	0	5,010,974	369,224	249,685,560	0	0	0	0
12.2 Reinsurance assumed	5,367,639	0	0	5,367,639	0	0	0	0	0	0
12.3 Reinsurance ceded	0	0	0	0	0	0	0	0	0	0
12.4 Net	1,911,857,573	1,651,424,176	0	10,378,613	369,224	249,685,560	0	0	0	0
13. Incurred medical incentive pools and bonuses	0	0	0	0	0	0	0	0	0	0

(a) Excludes $ 30,150,400 loans or advances to providers not yet expensed.

UNDERWRITING AND INVESTMENT EXHIBIT

PART 2A - CLAIMS LIABILITY END OF CURRENT YEAR

	1 Total	2 Comprehensive (Hospital & Medical)	3 Medicare Supplement	4 Dental Only	5 Vision Only	6 Federal Employees Health Benefits Plan	7 Title XVIII Medicare	8 Title XIX Medicaid	9 Other Health	10 Other Non-Health
1. Reported in Process of Adjustment:										
1.1 Direct	11,381,820	10,031,690	0	40,977	0	1,309,153	0	0	0	0
1.2 Reinsurance assumed	0	0	0	0	0	0	0	0	0	0
1.3 Reinsurance ceded	0	0	0	0	0	0	0	0	0	0
1.4 Net	11,381,820	10,031,690	0	40,977	0	1,309,153	0	0	0	0
2. Incurred but Unreported:										
2.1 Direct	126,623,949	111,603,614	0	455,873	0	14,564,462	0	0	0	0
2.2 Reinsurance assumed	223,943	0	0	223,943	0	0	0	0	0	0
2.3 Reinsurance ceded	0	0	0	0	0	0	0	0	0	0
2.4 Net	126,847,892	111,603,614	0	679,816	0	14,564,462	0	0	0	0
3. Amounts Withheld from Paid Claims and Capitations:										
3.1 Direct	0	0	0	0	0	0	0	0	0	0
3.2 Reinsurance assumed	0	0	0	0	0	0	0	0	0	0
3.3 Reinsurance ceded	0	0	0	0	0	0	0	0	0	0
3.4 Net	0	0	0	0	0	0	0	0	0	0
4. TOTALS:										
4.1 Direct	138,005,769	121,635,304	0	496,850	0	15,873,615	0	0	0	0
4.2 Reinsurance assumed	223,943	0	0	223,943	0	0	0	0	0	0
4.3 Reinsurance ceded	0	0	0	0	0	0	0	0	0	0
4.4 Net	138,229,712	121,635,304	0	720,793	0	15,873,615	0	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	6
	1 On Claims Incurred Prior to January 1 of Current Year	2 On Claims Incurred During the Year	3 On Claims Unpaid December 31 of Prior Year	4 On Claims Incurred During the Year	Claims Incurred In Prior Years (Columns 1 + 3)	Estimated Claim Reserve and Claim Liability December 31 of Prior Year
1. Comprehensive (hospital and medical)	108,591,328	1,566,185,857	866,204	120,769,100	109,457,532	132,723,034
2. Medicare Supplement	0	0	0	0	0	0
3. Dental Only	689,063	9,766,891	1,697	719,096	690,760	798,133
4. Vision Only	0	369,224	0	0	0	0
5. Federal Employees Health Benefits Plan	15,510,167	231,321,778	88,287	15,785,328	15,598,454	13,020,000
6. Title XVIII - Medicare	0	0	0	0	0	0
7 Title XIX - Medicaid	0	0	0	0	0	0
8. Other health	0	0	0	0	0	0
9. Health subtotal (Lines 1 to 8)	124,790,558	1,807,643,750	956,188	137,273,524	125,746,746	146,541,167
10. Healthcare receivables (a)	0	12,265,278	0	0	0	0
11. Other non-health	0	0	0	0	0	0
12. Medical incentive pools and bonus amounts	0	0	0	0	0	0
13. Totals (Lines 9 - 10 + 11 + 12)	124,790,558	1,795,378,472	956,188	137,273,524	125,746,746	146,541,167

(a) Excludes $ 30,150,400 loans or advances to providers not yet expensed.

UNDERWRITING AND INVESTMENT EXHIBIT

PART 2C - DEVELOPMENT OF PAID AND INCURRED HEALTH CLAIMS

(000 Omitted)

Section A - Paid Health Claims - Comprehensive (Hospital & Medical)

	Cumulative Net Amounts Paid				
Year in Which Losses Were Incurred	1 2009	2 2010	3 2011	4 2012	5 2013
1. Prior	116,939	119,768	119,960	121,139	121,126
2. 2009	1,298,404	1,399,976	1,401,362	1,401,505	1,402,309
3. 2010	XXX	1,190,608	1,313,469	1,316,438	1,316,373
4. 2011	XXX	XXX	1,281,897	1,415,164	1,416,071
5. 2012	XXX	XXX	XXX	1,438,582	1,545,541
6. 2013	XXX	XXX	XXX	XXX	1,553,921

Section B - Incurred Health Claims - Comprehensive (Hospital & Medical)

	Sum of Cumulative Net Amount Paid and Claim Liability, Claim Reserve and Medical Incentive Pool and Bonuses Outstanding at End of Year				
Year in Which Losses Were Incurred	1 2009	2 2010	3 2011	4 2012	5 2013
1. Prior	119,024	119,768	119,960	121,139	121,126
2. 2009	1,419,200	1,403,704	1,402,792	1,401,505	1,402,309
3. 2010	XXX	1,313,609	1,316,542	1,316,438	1,316,373
4. 2011	XXX	XXX	1,435,110	1,417,409	1,416,071
5. 2012	XXX	XXX	XXX	1,569,060	1,546,408
6. 2013	XXX	XXX	XXX	XXX	1,674,690

Section C - Incurred Year Health Claims and Claims Adjustment Expense Ratio - Comprehensive (Hospital & Medical)

Years in which Premiums were Earned and Claims were Incurred	1 Premiums Earned	2 Claims Payment	3 Claim Adjustment Expense Payments	4 (Col. 3/2) Percent	5 Claim and Claim Adjustment Expense Payments (Col. 2 + 3)	6 (Col. 5/1) Percent	7 Claims Unpaid	8 Unpaid Claims Adjustment Expenses	9 Total Claims and Claims Adjustment Expense Incurred (Col. 5+7+8)	10 (Col. 9/1) Percent
1. 2009	1,744,900	1,402,309	50,003	3.6	1,452,312	83.2	0	0	1,452,312	83.2
2. 2010	1,845,036	1,316,373	51,232	3.9	1,367,605	74.1	0	0	1,367,605	74.1
3. 2011	1,830,480	1,416,071	72,768	5.1	1,488,839	81.3	0	0	1,488,839	81.3
4. 2012	1,925,442	1,545,541	83,088	5.4	1,628,629	84.6	866	37	1,629,532	84.6
5. 2013	2,117,073	1,553,921	87,561	5.6	1,641,482	77.5	120,769	5,187	1,767,438	83.5

UNDERWRITING AND INVESTMENT EXHIBIT

PART 2C - DEVELOPMENT OF PAID AND INCURRED HEALTH CLAIMS

(000 Omitted)

Section A - Paid Health Claims - Dental Only

Year in Which Losses Were Incurred	Cumulative Net Amounts Paid 1 2009	2 2010	3 2011	4 2012	5 2013
1. Prior	779	784	786	787	787
2. 2009	11,765	12,254	12,258	12,258	12,258
3. 2010	XXX	15,932	16,522	16,525	16,526
4. 2011	XXX	XXX	10,207	10,830	10,833
5. 2012	XXX	XXX	XXX	10,084	10,770
6. 2013	XXX	XXX	XXX	XXX	9,767

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 2009	2 2010	3 2011	4 2012	5 2013
1. Prior	781	784	786	787	787
2. 2009	12,701	12,254	12,258	12,258	12,258
3. 2010	XXX	16,623	16,527	16,525	16,526
4. 2011	XXX	XXX	10,896	10,833	10,833
5. 2012	XXX	XXX	XXX	10,880	10,772
6. 2013	XXX	XXX	XXX	XXX	10,486

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

Years in which Premiums were Earned and Claims were Incurred	1 Premiums Earned	2 Claims Payment	3 Claim Adjustment Expense Payments	4 (Col. 3/2) Percent	5 Claim and Claim Adjustment Expense Payments (Col. 2 + 3)	6 (Col. 5/1) Percent	7 Claims Unpaid	8 Unpaid Claims Adjustment Expenses	9 Total Claims and Claims Adjustment Expense Incurred (Col. 5+7+8)	10 (Col. 9/1) Percent
1. 2009	18,941	12,258	3,325	27.1	15,583	82.3	0	0	15,583	82.3
2. 2010	8,573	16,526	1,994	12.1	18,520	216.0	0	0	18,520	216.0
3. 2011	15,088	10,833	3,044	28.1	13,877	92.0	0	0	13,877	92.0
4. 2012	15,040	10,770	3,484	32.3	14,254	94.8	2	0	14,256	94.8
5. 2013	15,407	9,767	2,261	23.1	12,028	78.1	719	134	12,881	83.6

UNDERWRITING AND INVESTMENT EXHIBIT

PART 2C - DEVELOPMENT OF PAID AND INCURRED HEALTH CLAIMS

(000 Omitted)

Section A - Paid Health Claims - Vision Only

Year in Which Losses Were Incurred	Cumulative Net Amounts Paid				
	1 2009	2 2010	3 2011	4 2012	5 2013
1. Prior	0	0	0	0	0
2. 2009	0	0	0	0	0
3. 2010	XXX	0	0	0	0
4. 2011	XXX	XXX	1,501	1,501	1,501
5. 2012	XXX	XXX	XXX	1,711	1,711
6. 2013	XXX	XXX	XXX	XXX	369

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 2009	2 2010	3 2011	4 2012	5 2013
1. Prior	0	0	0	0	0
2. 2009	0	0	0	0	0
3. 2010	XXX	0	0	0	0
4. 2011	XXX	XXX	1,501	1,501	1,501
5. 2012	XXX	XXX	XXX	1,711	1,711
6. 2013	XXX	XXX	XXX	XXX	369

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

Years in which Premiums were Earned and Claims were Incurred	1 Premiums Earned	2 Claims Payment	3 Claim Adjustment Expense Payments	4 (Col. 3/2) Percent	5 Claim and Claim Adjustment Expense Payments (Col. 2 + 3)	6 (Col. 5/1) Percent	7 Claims Unpaid	8 Unpaid Claims Adjustment Expenses	9 Total Claims and Claims Adjustment Expense Incurred (Col. 5+7+8)	10 (Col. 9/1) Percent
1. 2009	0	0	0	0.0	0	0.0	0	0	0	0.0
2. 2010	0	0	0	0.0	0	0.0	0	0	0	0.0
3. 2011	397	1,501	13	0.9	1,514	381.4	0	0	1,514	381.4
4. 2012	444	1,711	122	7.1	1,833	412.8	0	0	1,833	412.8
5. 2013	477	369	28	7.6	397	83.2	0	2	399	83.6

UNDERWRITING AND INVESTMENT EXHIBIT

PART 2C - DEVELOPMENT OF PAID AND INCURRED HEALTH CLAIMS

(000 Omitted)

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

		Cumulative Net Amounts Paid				
	Year in Which Losses Were Incurred	1 2009	2 2010	3 2011	4 2012	5 2013
1.	Prior	8,419	8,514	8,516	8,504	8,440
2.	2009	95,561	103,771	103,740	103,640	103,563
3.	2010	XXX	119,690	131,322	131,783	132,047
4.	2011	XXX	XXX	135,623	148,962	148,945
5.	2012	XXX	XXX	XXX	191,801	207,204
6.	2013	XXX	XXX	XXX	XXX	231,322

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

		Sum of Cumulative Net Amount Paid and Claim Liability, Claim Reserve and Medical Incentive Pool and Bonuses Outstanding at End of Year				
	Year in Which Losses Were Incurred	1 2009	2 2010	3 2011	4 2012	5 2013
1.	Prior	8,516	8,514	8,516	8,504	8,440
2.	2009	107,304	103,970	103,740	103,640	103,563
3.	2010	XXX	130,811	131,547	131,783	132,047
4.	2011	XXX	XXX	146,878	149,036	148,945
5.	2012	XXX	XXX	XXX	204,747	207,293
6.	2013	XXX	XXX	XXX	XXX	247,107

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

	Years in which Premiums were Earned and Claims were Incurred	1 Premiums Earned	2 Claims Payment	3 Claim Adjustment Expense Payments	4 (Col. 3/2) Percent	5 Claim and Claim Adjustment Expense Payments (Col. 2 + 3)	6 (Col. 5/1) Percent	7 Claims Unpaid	8 Unpaid Claims Adjustment Expenses	9 Total Claims and Claims Adjustment Expense Incurred (Col. 5+7+8)	10 (Col. 9/1) Percent
1.	2009	112,851	103,563	1,756	1.7	105,319	93.3	0	0	105,319	93.3
2.	2010	138,776	132,047	2,221	1.7	134,268	96.8	0	0	134,268	96.8
3.	2011	160,644	148,945	6,019	4.0	154,964	96.5	0	0	154,964	96.5
4.	2012	222,649	207,204	7,541	3.6	214,745	96.5	88	4	214,837	96.5
5.	2013	266,353	231,322	8,219	3.6	239,541	89.9	15,785	487	255,813	96.0

UNDERWRITING AND INVESTMENT EXHIBIT

PART 2C - DEVELOPMENT OF PAID AND INCURRED HEALTH CLAIMS

(000 Omitted)

Section A - Paid Health Claims - Grand Total

	Year in Which Losses Were Incurred	Cumulative Net Amounts Paid 1 2009	2 2010	3 2011	4 2012	5 2013
1.	Prior	126,137	129,066	129,262	130,430	130,353
2.	2009	1,405,730	1,516,001	1,517,360	1,517,403	1,518,130
3.	2010	XXX	1,326,230	1,461,313	1,464,746	1,464,946
4.	2011	XXX	XXX	1,429,228	1,576,457	1,577,350
5.	2012	XXX	XXX	XXX	1,642,178	1,765,226
6.	2013	XXX	XXX	XXX	XXX	1,795,379

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 2009	2 2010	3 2011	4 2012	5 2013
1.	Prior	128,321	129,066	129,262	130,430	130,353
2.	2009	1,539,205	1,519,928	1,518,790	1,517,403	1,518,130
3.	2010	XXX	1,461,043	1,464,616	1,464,746	1,464,946
4.	2011	XXX	XXX	1,594,385	1,578,779	1,577,350
5.	2012	XXX	XXX	XXX	1,786,398	1,766,184
6.	2013	XXX	XXX	XXX	XXX	1,932,652

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

	Years in which Premiums were Earned and Claims were Incurred	1 Premiums Earned	2 Claims Payment	3 Claim Adjustment Expense Payments	4 (Col. 3/2) Percent	5 Claim and Claim Adjustment Expense Payments (Col. 2 + 3)	6 (Col. 5/1) Percent	7 Claims Unpaid	8 Unpaid Claims Adjustment Expenses	9 Total Claims and Claims Adjustment Expense Incurred (Col. 5+7+8)	10 (Col. 9/1) Percent
1.	2009	1,876,692	1,518,130	55,084	3.6	1,573,214	83.8	0	0	1,573,214	83.8
2.	2010	1,992,385	1,464,946	55,447	3.8	1,520,393	76.3	0	0	1,520,393	76.3
3.	2011	2,006,609	1,577,350	81,844	5.2	1,659,194	82.7	0	0	1,659,194	82.7
4.	2012	2,163,575	1,765,226	94,235	5.3	1,859,461	85.9	956	41	1,860,458	86.0
5.	2013	2,399,310	1,795,379	98,069	5.5	1,893,448	78.9	137,273	5,810	2,036,531	84.9

UNDERWRITING AND INVESTMENT EXHIBIT

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

	1 Total	2 Comprehensive (Hospital & Medical)	3 Medicare Supplement	4 Dental Only	5 Vision Only	6 Federal Employees Health Benefits Plan	7 Title XVIII Medicare	8 Title XIX Medicaid	9 Other
1. Unearned premium reserves	0	0	0	0	0	0	0	0	0
2. Additional policy reserves (a)	2,120,000	2,120,000	0	0	0	0	0	0	0
3. Reserve for future contingent benefits	0	0	0	0	0	0	0	0	0
4. Reserve for rate credits or experience rating refunds (including $ 0) for investment income	22,786,663	0	0	0	0	22,786,663	0	0	0
5. Aggregate write-ins for other policy reserves	0	0	0	0	0	0	0	0	0
6. Totals (gross)	24,906,663	2,120,000	0	0	0	22,786,663	0	0	0
7. Reinsurance ceded	0	0	0	0	0	0	0	0	0
8. Totals (Net)(Page 3, Line 4)	24,906,663	2,120,000	0	0	0	22,786,663	0	0	0
9. Present value of amounts not yet due on claims	0	0	0	0	0	0	0	0	0
10. Reserve for future contingent benefits	0	0	0	0	0	0	0	0	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	0	0	0	0	0	0	0	0
14. Totals (Net)(Page 3, Line 7)	0	0	0	0	0	0	0	0	0
DETAILS OF WRITE-INS									
0501.									
0502.									
0503.									
0598. Summary of remaining write-ins for Line 5 from overflow page	0	0	0	0	0	0	0	0	0
0599. Totals (Lines 0501 thru 0503 plus 0598) (Line 5 above)	0	0	0	0	0	0	0	0	0
1101.									
1102.									
1103.									
1198. Summary of remaining write-ins for Line 11 from overflow page	0	0	0	0	0	0	0	0	0
1199. Totals (Lines 1101 thru 1103 plus 1198) (Line 11 above)	0	0	0	0	0	0	0	0	0

(a) Includes $ 2,120,000 premium deficiency reserve.

UNDERWRITING AND INVESTMENT EXHIBIT

PART 3 - ANALYSIS OF EXPENSES

	Claim Adjustment Expenses 1 Cost Containment Expenses	Claim Adjustment Expenses 2 Other Claim Adjustment Expenses	3 General Administrative Expenses	4 Investment Expenses	5 Total
1. Rent ($ 0 for occupancy of own building)	1,863,827	3,746,179	7,385,357	0	12,995,363
2. Salary, wages and other benefits	14,339,922	27,524,957	60,213,682	0	102,078,561
3. Commissions (less $ 0 ceded plus $ 0 assumed)	0	0	121,800,612	0	121,800,612
4. Legal fees and expenses	12	(2,368)	1,461,975	0	1,459,619
5. Certifications and accreditation fees	0	0	0	0	0
6. Auditing, actuarial and other consulting services	47,689	343	1,932,257	0	1,980,289
7. Traveling expenses	153,065	269,540	1,347,355	0	1,769,960
8. Marketing and advertising	0	0	782,000	0	782,000
9. Postage, express and telephone	163,757	2,093,360	4,403,934	0	6,661,051
10. Printing and office supplies	271,873	1,020,011	1,852,851	0	3,144,735
11. Occupancy, depreciation and amortization	0	0	0	0	0
12. Equipment	3,631	7,542	851,397	0	862,570
13. Cost or depreciation of EDP equipment and software	1,887,513	7,217,898	25,441,556	0	34,546,967
14. Outsourced services including EDP, claims, and other services	19,187,833	9,437,022	37,424,996	0	66,049,851
15. Boards, bureaus and association fees	31,933	3,361	1,436,491	0	1,471,785
16. Insurance, except on real estate	94,908	248,462	400,609	0	743,979
17. Collection and bank service charges	0	0	489,956	0	489,956
18. Group service and administration fees	0	0	0	0	0
19. Reimbursements by uninsured plans	0	0	0	0	0
20. Reimbursements from fiscal intermediaries	0	0	0	0	0
21. Real estate expenses	0	0	0	0	0
22. Real estate taxes	0	0	160,435	0	160,435
23. Taxes, licenses and fees:					
23.1 State and local insurance taxes	0	0	0	0	0
23.2 State premium taxes	0	0	35,294,385	0	35,294,385
23.3 Regulatory authority licenses and fees	1,601	88	3,470,471	0	3,472,160
23.4 Payroll taxes	884,403	1,818,712	3,173,734	0	5,876,849
23.5 Other (excluding federal income and real estate taxes)	7,822	36,274	1,348,210	0	1,392,306
24. Investment expenses not included elsewhere	0	0	0	861,515	861,515
25. Aggregate write-ins for expenses	3,741,467	9,204,704	20,239,706	0	33,185,877
26. Total expenses incurred (Lines 1 to 25)	42,681,256	62,626,085	330,911,969	861,515	(a) 437,080,825
27. Less expenses unpaid December 31, current year	0	5,849,834	66,057,237	0	71,907,071
28. Add expenses unpaid December 31, prior year	0	5,428,000	29,491,769	0	34,919,769
29. Amounts receivable relating to uninsured plans, prior year	0	0	0	0	0
30. Amounts receivable relating to uninsured plans, current year	0	0	0	0	0
31. Total expenses paid (Lines 26 minus 27 plus 28 minus 29 plus 30)	42,681,256	62,204,251	294,346,501	861,515	400,093,523
DETAILS OF WRITE-INS					
2501. Charitable contributions	490	2,941	533,456	0	536,887
2502. Service charges Inter-plan bank	14	505,518	17,401	0	522,933
2503. IPSBB Inter-plan bank ITS	0	1,576,589	0	0	1,576,589
2598. Summary of remaining write-ins for Line 25 from overflow page	3,740,963	7,119,656	19,688,849	0	30,549,468
2599. Totals (Lines 2501 thru 2503 plus 2598)(Line 25 above)	3,741,467	9,204,704	20,239,706	0	33,185,877

(a) Includes management fees of $ 227,559,073 to affiliates and $ 0 to non-affiliates.

EXHIBIT OF NET INVESTMENT INCOME

			1 Collected During Year		2 Earned During Year
1.	U.S. government bonds	(a)	1,283,388		1,718,419
1.1	Bonds exempt from U.S. tax	(a)	0		0
1.2	Other bonds (unaffiliated)	(a)	13,199,964		13,018,342
1.3	Bonds of affiliates	(a)	0		0
2.1	Preferred stocks (unaffiliated)	(b)	0		0
2.11	Preferred stocks of affiliates	(b)	0		0
2.2	Common stocks (unaffiliated)		2,441,604		2,441,604
2.21	Common stocks of affiliates		0		0
3.	Mortgage loans	(c)	0		0
4.	Real estate	(d)	0		0
5	Contract Loans		0		0
6	Cash, cash equivalents and short-term investments	(e)	(7,110)		45,532
7	Derivative instruments	(f)	0		0
8.	Other invested assets		0		0
9.	Aggregate write-ins for investment income		0		0
10.	Total gross investment income		16,917,846		17,223,897
11.	Investment expenses			(g)	861,515
12.	Investment taxes, licenses and fees, excluding federal income taxes			(g)	0
13.	Interest expense			(h)	0
14.	Depreciation on real estate and other invested assets			(i)	0
15.	Aggregate write-ins for deductions from investment income				0
16.	Total deductions (Lines 11 through 15)				861,515
17.	Net investment income (Line 10 minus Line 16)				16,362,382
	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 $ 301,978 accrual of discount less $ 7,632,590 amortization of premium and less $ 4,215,823 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 $ 500 accrual of discount less $ 67,035 amortization of premium and less $ 51,606 paid for accrued interest on purchases.

(f) Includes $ 0 accrual of discount less $ 0 amortization of premium.

(g) Includes $. 0 investment expenses and $ 0 investment taxes, licenses and fees, excluding federal income taxes, attributable to segregated and Separate Accounts.

(h) Includes $ 0 interest on surplus notes and $ 0 interest on capital notes.

(i) Includes $ 0 depreciation on real estate and $ 0 depreciation on other invested assets.

EXHIBIT OF CAPITAL GAINS (LOSSES)

		1 Realized Gain (Loss) On Sales or Maturity	2 Other Realized Adjustments	3 Total Realized Capital Gain (Loss) (Columns 1 + 2)	4 Change in Unrealized Capital Gain (Loss)	5 Change in Unrealized Foreign Exchange Capital Gain (Loss)
1.	U.S. Government bonds	(4,143,045)	0	(4,143,045)	1,314	0
1.1	Bonds exempt from U.S. tax	0	0	0	0	0
1.2	Other bonds (unaffiliated)	3,902,699	0	3,902,699	8,101	0
1.3	Bonds of affiliates	0	0	0	0	0
2.1	Preferred stocks (unaffiliated)	0	0	0	0	0
2.11	Preferred stocks of affiliates	0	0	0	0	0
2.2	Common stocks (unaffiliated)	20,311,442	0	20,311,442	(2,949,467)	0
2.21	Common stocks of affiliates	0	0	0	35,778	0
3.	Mortgage loans	0	0	0	0	0
4.	Real estate	0	0	0	0	0
5.	Contract loans	0	0	0	0	0
6.	Cash, cash equivalents and short-term investments	7,873	0	7,873	0	0
7.	Derivative instruments	0	0	0	0	0
8.	Other invested assets	0	0	0	0	0
9.	Aggregate write-ins for capital gains (losses)	0	0	0	0	0
10.	Total capital gains (losses)	20,078,969	0	20,078,969	(2,904,274)	0
	DETAILS OF WRITE-INS					
0901.						
0902.						
0903.						
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 NON-ADMITTED 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	0	0
2.	Stocks (Schedule D):			
	2.1 Preferred stocks	0	0	0
	2.2 Common stocks	12,487	12,717	230
3.	Mortgage loans on real estate (Schedule B):			
	3.1 First liens	0	0	0
	3.2 Other than first liens	0	0	0
4.	Real estate (Schedule A):			
	4.1 Properties occupied by the company	0	0	0
	4.2 Properties held for the production of income	0	0	0
	4.3 Properties held for sale	0	0	0
5.	Cash (Schedule E - Part 1), cash equivalents (Schedule E - Part 2) and short-term investments (Schedule DA)	0	0	0
6.	Contract loans	0	0	0
7.	Derivatives (Schedule DB)	0	0	0
8.	Other invested assets (Schedule BA)	0	0	0
9.	Receivables for securities	0	0	0
10.	Securities lending reinvested collateral assets (Schedule DL)	0	0	0
11.	Aggregate write-ins for invested assets	0	0	0
12.	Subtotals, cash and invested assets (Lines 1 to 11)	12,487	12,717	230
13.	Title plants (for Title insurers only)	0	0	0
14.	Investment income due and accrued	0	0	0
15.	Premiums and considerations:			
	15.1 Uncollected premiums and agents' balances in the course of collection	2,576,702	1,888,595	(688,107)
	15.2 Deferred premiums, agents' balances and installments booked but deferred and not yet due	0	0	0
	15.3 Accrued retrospective premiums	0	0	0
16.	Reinsurance:			
	16.1 Amounts recoverable from reinsurers	0	0	0
	16.2 Funds held by or deposited with reinsured companies	0	0	0
	16.3 Other amounts receivable under reinsurance contracts	0	0	0
17.	Amounts receivable relating to uninsured plans	0	0	0
18.1	Current federal and foreign income tax recoverable and interest thereon	0	0	0
18.2	Net deferred tax asset	0	0	0
19.	Guaranty funds receivable or on deposit	0	0	0
20.	Electronic data processing equipment and software	0	0	0
21.	Furniture and equipment, including health care delivery assets	0	0	0
22.	Net adjustment in assets and liabilities due to foreign exchange rates	0	0	0
23.	Receivable from parent, subsidiaries and affiliates	0	0	0
24.	Health care and other amounts receivable	4,044,052	3,452,416	(591,636)
25.	Aggregate write-ins for other than invested assets	1,403,554	1,141,304	(262,250)
26.	Total assets excluding Separate Accounts, Segregated Accounts and Protected Cell Accounts (Lines 12 to 25)	8,036,795	6,495,032	(1,541,763)
27.	From Separate Accounts, Segregated Accounts and Protected Cell Accounts	0	0	0
28.	Total (Lines 26 and 27)	8,036,795	6,495,032	(1,541,763)
	DETAILS OF WRITE-INS			
1101.		0	0	0
1102.		0	0	0
1103.		0	0	0
1198.	Summary of remaining write-ins for Line 11 from overflow page	0	0	0
1199.	Totals (Lines 1101 thru 1103 plus 1198)(Line 11 above)	0	0	0
2501.	Other Assets - Prepaid Expenses	1,403,554	1,141,304	(262,250)
2502.		0	0	0
2503.				
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)	1,403,554	1,141,304	(262,250)

EXHIBIT 1 - ENROLLMENT BY PRODUCT TYPE FOR HEALTH BUSINESS ONLY

Source of Enrollment	Total Members at End of 1 Prior Year	2 First Quarter	3 Second Quarter	4 Third Quarter	5 Current Year	6 Current Year Member Months
1. Health Maintenance Organizations	375,343	370,207	363,959	357,624	353,758	4,352,373
2. Provider Service Organizations	0	0	0	0	0	0
3. Preferred Provider Organizations	134	89	78	47	39	865
4. Point of Service	177,685	194,173	202,006	207,592	215,875	2,424,685
5. Indemnity Only	275	267	247	181	189	2,825
6. Aggregate write-ins for other lines of business	0	0	0	0	0	0
7. Total	553,437	564,736	566,290	565,444	569,861	6,780,748
DETAILS OF WRITE-INS						
0601.						
0602.						
0603.						
0698. Summary of remaining write-ins for Line 6 from overflow page	0	0	0	0	0	0
0699. Totals (Lines 0601 thru 0603 plus 0698) (Line 6 above)	0	0	0	0	0	0

1. Summary of Significant Accounting Policies

A. Accounting Practices

The financial statements of CareFirst BlueChoice, Inc. (CFBC or the Company) are presented on the basis of accounting practices prescribed or permitted by the District of Columbia Department of Insurance, Securities, and Banking (DISB).

The DISB recognizes only statutory accounting practices prescribed or permitted by the District of Columbia for determining and reporting the financial condition and results of operations of an insurance company, for determining its solvency under the District of Columbia Insurance Law. The National Association of Insurance Commissioners' (NAIC) *Accounting Practices and Procedures* manual (NAIC SAP) has been adopted as a component of prescribed or permitted practices by the District of Columbia. The Company does not utilize any permitted practices.

For the years ended 2013 and 2012, there were no differences in net income and surplus between NAIC SAP and practices prescribed by the District of Columbia.

		(*in thousands*)	
NET INCOME	State of Domicile	2013	2012
(1) State basis (Page 4, Line 32, Columns 2 & 3)	DC	**$ 69,214**	$ 25,940
(2) State Prescribed Practices that increase/(decrease) NAIC SAP		-	-
(3) State Permitted Practices that increase/(decrease) NAIC SAP		-	-
(4) NAIC SAP (1-2-3=4)	DC	**$ 69,214**	$ 25,940
SURPLUS			
(5) State basis (Page 3, Line 33, Columns 3&4)	DC	**$ 733,351**	$ 671,170
(6) State Prescribed Practices that increase/(decrease) NAIC SAP		-	-
(7) State Permitted Practices that increase/(decrease) NAIC SAP		-	-
(8) NAIC SAP (5-6-7=8)	DC	**$ 733,351**	$ 671,170

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

The preparation of financial statements in conformity with statutory accounting practices requires management to make estimates and assumptions that affect the reported amounts in the accompanying statutory-basis financial statements and disclosures. Actual results could differ from those estimates.

C. Accounting Policy

Investments

Investment securities are carried in accordance with valuation criteria established by the NAIC, i.e. stocks (other than investments in subsidiaries) are carried at fair value and bonds at amortized cost. Adjustments reflecting the revaluation of stocks at the statement date are charged to unassigned funds (surplus), unless the adjustments are losses deemed to be other than temporary.

The Company periodically performs evaluations, on a lot-by-lot and security-by-security basis, of its investment holdings to evaluate whether any declines in the fair value of investments are other than temporary. This evaluation consists of a review of several factors, including but not limited to: length of time and extent that a security has been in an unrealized loss position; the existence of an event that would impair the issuer's future earnings potential; the near term prospects for recovery of the fair value of a security; and the intent and ability of the Company to hold the security until the fair value recovers. These reviews were conducted pursuant to the applicable Statements of Statutory Accounting Principles (SSAPs).

For equity securities and non mortgage-backed/asset-backed securities, the Company considers the various factors described above, including its intent and ability to hold the security for a period of time sufficient for recovery to its cost. Where the Company lacks the intent or ability, the security's decline in fair value is deemed to be other than temporary and the entire difference between fair value and cost is recognized in investment income, net.

For mortgage-backed and asset-backed securities, the Company applies SSAP No. 43R *Loan-backed and Structured Securities.* Accordingly, any non-interest related impairment related to mortgage-backed and asset-backed securities that the Company does not intend to sell and has the intent and ability to retain until recovery is recognized in investment income, net, with the interest related impairment recognized in capital and surplus.

For mortgage-backed and asset-backed securities where the fair value is less than amortized cost, and that are not deemed to have non-interest related declines, the Company has asserted that it has the intent and ability to retain the investment before recovery of its amortized cost basis. If such an assertion had not been made, the security's decline in fair value would be deemed to be other than temporary and the entire difference between fair value and amortized cost would be recognized in investment income, net.

For mortgage-backed and asset-backed securities, the difference between the projected future cash flows expected to be collected and the amortized cost basis is recognized as non-interest related other than temporary impairment (OTTI) in investment income, net. The Company uses its best estimate of the present value of cash flows expected to be collected from the security to determine the amount of non-interest loss. If fair value is less than the projected future cash flows expected to be collected, the interest related OTTI is recorded in capital and surplus.

When determining the collectability and the period over which the mortgage-backed and asset-backed securities are expected to recover, additional considerations are made when assessing the unique features that apply to certain structured securities such as residential mortgage-backed, commercial mortgage-backed and asset-backed securities. These additional features include, but are not limited to: the quality of underlying collateral; expected prepayment speeds; current and forecasted loss severity; consideration of payment terms of underlying assets backing a particular security; and the payment priority within the tranche structure of the security.

Based on its evaluation, the Company has determined that there is no OTTI for bonds and stocks for the years ended December 31, 2013 and 2012.

Cash and Short-Term Investments

Cash and short-term investments consist of cash balances and short-term, highly liquid investments with remaining maturities of one year or less at the time of acquisition. Short-term investments are principally stated at amortized cost. In accordance with the Company's cash management policy of maximizing the amount of funds invested in income-earning assets, the Company routinely anticipates the timing and amount of future cash flows. This policy frequently results in the existence of negative book cash balances.

Bonds

Bonds consist primarily of U.S. Treasury and other U.S. government agencies securities, state and municipal securities, foreign governments securities (U.S. dollar-denominated), corporate bonds, mortgage-backed securities and asset-backed securities.

Bonds not backed by other loans are carried at amortized cost, except in cases where NAIC designation requires them to be carried at the lower of cost or fair value. Fair values for bonds are based on quoted market prices for the same or similar investments (refer to Note 20). Changes in admitted asset carrying amounts of bonds, aside from OTTI, are charged directly to capital and surplus.

Mortgage-backed securities that are included within bonds are valued at amortized cost using the interest method including anticipated prepayments. Prepayment assumptions are obtained from external sources and are based on the current interest rate and economic environment. The prospective adjustment method is used to value all such securities (refer to Note 20).

Stocks

Investments in unaffiliated common stock, primarily in publicly traded index funds, are carried at fair value. The fair values for common stocks are based on quoted market prices (refer to Note 20). Changes in admitted asset carrying amounts of stocks, aside from OTTI, are charged directly to capital and surplus.

Stocks also include the Company's investments in wholly owned subsidiaries. The Company's insurance subsidiary is carried at its underlying audited statutory equity. The Company's non-insurance subsidiary is reported at its underlying GAAP equity when an admissible audit is available. Changes in unrealized gains and losses are charged directly to capital and surplus.

Redeemable preferred stocks are carried at cost, except in cases where NAIC designation requires them to be carried at lower of cost or fair value. Perpetual preferred stocks are valued using unit prices as reported in NAIC Valuations of Securities Manual except in cases where NAIC designation requires them to be carried at lower of cost or fair value (refer to Note 20).

Investment Dispositions

A primary objective in the management of the bond and stock portfolios is to maximize total return relative to underlying liabilities and respective liquidity needs. In achieving this goal, assets may be sold to take advantage of market conditions or other investment opportunities as well as tax considerations. Sales will generally produce realized gains and losses. In the ordinary course of business, the Company may sell securities for a number of reasons, including, but not limited to: (i) changes to the investment environment; (ii) expectation that the fair value could deteriorate further; (iii) desire to reduce exposure to an issuer or an industry; (iv) changes in credit quality; and (v) changes in expected cash flow. For purpose of computing realized gains and losses, the specific-identification method of determining cost was used.

Risk Concentrations

Financial instruments that potentially subject the Company to credit risk consist primarily of investment securities and receivables. The Company receives advice through or assigns direct management of investments to professional investment managers selected for their expertise in various markets, within guidelines established by the Board of Directors. These guidelines include broad diversification of investments. Aside from the Federal Employee Health Benefits Program (FEHBP) discussed below, concentrations of credit risk and business volume with respect to commercial receivables are generally limited due to the large number of employer groups comprising the Company's customer base. As of December 31, 2013 and 2012, except for FEHBP, there were no significant concentrations of financial instruments in a single investee, industry or geographic location.

Health Care and Other Amounts Receivable

Health care and other amounts receivable consists of pharmacy rebates receivable, advances to providers, amounts due from the Office of Personnel Management (OPM) under the FEHBP contracts (refer to Summary of Significant Accounting Policies – Federal Employee Health Benefit Program).

The Company has established its own pharmacy rebate contracts and assumed the responsibility, with the assistance of a third party, for billing and collecting all pharmaceutical company rebates. The Company accounts for pharmacy rebates in accordance with SSAP No. 84, Certain Health Care Receivables and Receivables Under Government Insured Plans

(SSAP 84). Per SSAP 84, pharmacy rebates may consist of estimated amounts and billed amounts. Any estimated amounts shall relate to actual prescriptions filled during the three months immediately preceding the reporting date. Any billed amounts that have not been collected within 90 days of the invoice date shall be nonadmitted.

The Company has advances on deposit with certain regulated hospitals in the state of Maryland. These advances permit the Company to earn discounts of 2.25% and 2.00% of allowed inpatient and outpatient charges, respectively, by these hospitals. These provider advances are reported at their realizable value.

Unpaid losses and loss adjustment expenses

The Company pays fees based upon negotiated contractual fee schedules to medical providers that provide physician and hospital services. The Company also negotiates contractual agreements with certain physicians and medical management groups to provide health care services to its members. Cost of care is recognized in the period in which members receive medical services. In addition to actual benefits paid, cost of care includes the impact of accruals for estimates of reported and unreported claims, which are unpaid as of the balance sheet dates.

The liability for medical claims payable is computed in accordance with generally accepted actuarial practices and is based upon past claims payment experience, together with other current factors which, in management's judgment, require recognition in the calculation. The Company develops its estimates for medical care services incurred but not reported using an actuarial process that is consistently applied.

The actuarial models consider factors such as time from the dates of service to claims receipt, claims backlogs, seasonal variances in medical care consumption, provider rate changes, medical care utilization and other medical cost trends, membership volume and demographics and other factors. Depending on the health care provider and type of service, the typical billing lag for services can vary significantly. Substantially all claims related to medical care services are known and settled within twelve months from the date of service.

The Company regularly re-examines its previously established unpaid claims estimates based on actual claim submissions and other changes in facts and circumstances. Due to the uncertainties inherent in the claims estimation process, it is at least reasonably possible that the actual claims paid could differ materially from the amounts accrued in the accompanying balance sheets – statutory basis.

Premium Deficiency Reserve

Premium deficiency reserve represents the Company's estimate of the amount that the expected incurred claims, claims adjustment expenses and certain general administrative costs exceed the expected premiums earned for the remainder of the contract period of the Company's in-force policies. For purposes of calculating the premium deficiency reserve, contracts are deemed to be short duration and are grouped in a manner consistent with the Company's method of marketing, servicing and measuring the profitability of such contracts. Once established, the premium deficiency reserve is released commensurate with actual claims experience over the remainder of the contract period. The Company does not consider anticipated investment income when calculating the reserve. The most recent evaluation date of this reserve is at December 31, 2013. The premium deficiency reserve is recorded as an offset to premiums earned and is included in the aggregate health policy reserves. The Company recorded a premium deficiency reserve in the amount of $2,120,000 and $6,120,000 as of December 31, 2013 and 2012, respectively.

Medical Loss Ratio Rebates

Health Reform Legislation established minimum medical loss ratio (MLR) regulations that require payment of premium rebates (MLR rebates) to employers and individuals covered under the Company's comprehensive medical insurance if certain minimum MLRs (85% for large group, 80% for small group and 80% for individual under 65) are not met. The MLR rebates are measured by jurisdiction at the market segment level (large group, small group and individual under 65). As of December 31, 2013 and 2012, the Company recorded an MLR rebate accrual of $0 and $2,510,000, respectively, within the aggregate health policy reserves, which represents the Company's estimate of the MLR rebate. In 2013, the Company paid $0 of the 2012 accrual and released the entire accrual. In addition, the Company paid $1,121,000 related to the correction of the 2011 MLR filing.

Revenue recognition

Premiums are recognized as earned on a monthly basis for the period the health care coverage is in effect. Premiums received in advance represent prepayments of premiums for future health care coverage.

Uncollected premiums primarily represent unpaid amounts earned from insured groups and individuals. A provision is made for potential adjustments, which arise as a result of review by management.

Federal Employee Health Benefits Program

The Company has an experience-rated HMO contract with OPM to provide managed health care services under the FEHBP.

The excess of gross premiums for the life of the program over the charges for the life of the program on an accrual basis is considered the special reserve under the contract between OPM and the Company. Each year, OPM also allocates additional funds to a contingency reserve, which may be utilized by the Company in the event that funds set aside from annual premiums are insufficient or fall below certain prescribed levels by OPM. Funds available to the Company are held at the U.S. Treasury, including amounts unused from prior periods. Any funds that remain unused upon termination of the contract, after the claims run-out and reimbursement of allowable administrative expenses, would be returned to

NOTES TO FINANCIAL STATEMENTS

OPM for the benefit of the FEHBP. The OPM contract renews automatically each year unless written notice of termination is given by either party.

In accordance with the OPM contract, OPM holds the unused funds on behalf of the Company to provide funding for claims, administrative expenses, and other charges to the contract. The Company has an unrestricted right to draw funds being held in the special reserve for any valid claim or expense. The amounts being held in the special reserve are $22,787,000 and $24,572,000 as of December 31, 2013 and 2012, respectively. BCBSA has also reported the amounts being held in the contingency reserve as $34,846,000 and $35,027,000 as of December 31, 2013 and 2012, respectively. Amounts incurred in excess of the total reserves held at the U.S Treasury for the FEHBP would not be reimbursed to the Company.

The Company has recorded the amount of the special reserve being held by OPM as an asset, with an equivalent amount recorded as a rate stabilization reserve, which are included in health care and other amounts receivable and aggregate health policy reserves, respectively.

FEHBP premiums earned were $268,303,000 and $222,649,000 for the years ended December 31, 2013 and 2012, respectively.

2. Accounting Changes and Corrections of Errors

Changes in Accounting Principles

In November 2011, the NAIC adopted SSAP No. 101 *Income Taxes, A Replacement of SSAP No. 10R and SSAP No. 10* (SSAP 101). SSAP 101 contains many of the same provisions as the Financial Accounting Standards Board Accounting Standards Codification 740, *Accounting for Income Taxes*, with modifications for state income taxes, the realization criteria for deferred tax assets, and the recording of changes in deferred tax balances. The guidance requires companies to determine whether it is “more likely than not” that a tax position will be sustained upon examination by the appropriate taxing authorities before any part of the tax benefit can be recorded in the financial statements. It also provides guidance on the recognition, measurement, and classification of income tax uncertainties, along with any related interest and penalties. The Company adopted SSAP 101 effective January 1, 2012, and recorded a decrease to surplus of $40,004,000.

3. Business Combinations and Goodwill

Not applicable.

4. Discontinued Operations:

Not applicable

5. Investments

A. Mortgage Loans, including Mezzanine Real Estate Loans

None.

B. Debt Restructuring

None.

C. Reverse Mortgages

None.

D. Loan-Backed Securities

(1) The Company records its investment in loan-backed securities using the prospective adjustment method. Prepayment assumptions for single and multi-class mortgage-backed/other asset-backed securities are obtained from broker survey values. The Company uses IDC to determine the fair value for such securities.

(2) The Company does not have any mortgage-backed/other asset-backed securities which are other-than-temporarily impaired where the Company intends to sell, or does not have the intent and ability to hold until recovery.

(3) For the year ended December 31, 2013, the Company did not recognize OTTI in mortgage-backed/other asset-backed securities that the Company has the intent to hold, but does not expect to recover the entire amortized cost basis of the securities. At December 31, 2013, the Company did not hold any mortgage-backed or other asset-backed securities where the present value of cash flows expected to be collected is less than the amortized cost basis.

(4) The following table shows the gross unrealized losses and fair value of the Company’s mortgage-backed/other asset-backed securities with unrealized losses that are not deemed to be other than temporarily impaired, aggregated by investment category and length of time that individual securities have been in a continuous unrealized loss position (*in thousands*).

NOTES TO FINANCIAL STATEMENTS

	Fair Value < 1 Year	Unrealized Losses < 1 Year	Fair Value > 1 Year	Unrealized Losses > 1 Year	Total Unrealized Losses
December 31, 2013					
Government sponsored enterprise mortgage-backed securities	**82,034**	**1,899**	**41,110**	**2,134**	**4,033**
Other mortgage-backed and asset-backed securities	**24,863**	**529**	**13,712**	**711**	**1,240**
Total	**$ 106,897**	**$ 2,428**	**$ 54,822**	**$ 2,845**	**$ 5,273**

	Fair Value < 1 Year	Unrealized Losses < 1 Year	Fair Value > 1 Year	Unrealized Losses > 1 Year	Total Unrealized Losses
December 31, 2012					
Government sponsored enterprise mortgage-backed securities	76,525	664	–	–	664
Other mortgage-backed and asset-backed securities	2,774	3	2,890	100	103
Total	$ 79,299	$ 667	$ 2,890	$ 100	$ 767

(5) See Note 1 *Accounting Policy – Investments*

E. Repurchase Agreements and/or Securities Lending Transactions

None.

F. Real Estate

None.

G. Low-Income Housing Tax Credits (LIHTC)

None.

H. Restricted Assets

(1) Restricted Assets (Including Pledged) (*in thousands*)

Restricted Asset Category	Total Gross Restricted from Current Year	Total Gross Restricted from Prior Year	Increase/ (Decrease)	Total Current Year Admitted Restricted	Percentage Gross Restricted to Total Assets	Percentage Admitted Restricted to Total Admitted Assets
a. Subject to contractual obligation for which liability is not shown	$ -	$ -	$ -	$ -	- %	- %
b. Collateral held under security lending agreements	-	-	-	-	-	-
c. Subject to repurchase agreements	-	-	-	-	-	-
d. Subject to reverse repurchase agreements	-	-	-	-	-	-
e. Subject to dollar repurchase agreements	-	-	-	-	-	-
f. Subject to dollar reverse repurchase agreements	-	-	-	-	-	-
g. Placed under option contracts	-	-	-	-	-	-
h. Letter stock or securities restricted as to sale	-	-	-	-	-	-
i. On deposit with states	1,000	1,000	-	1,000	< 1	< 1
j. On deposit with other regulatory bodies	-	-	-	-	-	-
k. Pledged as collateral not captured in other categories	-	-	-	-	-	-
l. Other restricted assets	470	520	(50)	470	< 1	< 1
m. Total Restricted Assets	$ 1,470	$ 1,520	$ (50)	$ 1,470	< 1 %	< 1 %

(2) Detail of Assets Pledged as Collateral Not Captured in Other Categories

Not applicable.

(3) Detail of Other Restricted Assets (*in thousands*)

Description of Assets	Total Gross Restricted from Current Year	Total Gross Restricted from Prior Year	Increase/ (Decrease)	Total Current Year Admitted Restricted	Percentage Gross Restricted to Total Assets	Percentage Admitted Restricted to Total Admitted Assets
Deposit for certain downstream risk providers in accordance with MD Health General Section 19-713.2(d)	$ 470	$ 520	$ (50)	$ 470	< 1 %	< 1 %
Total	$ 470	$ 520	$ (50)	$ 470	< 1 %	< 1 %

6. Joint Ventures, Partnerships and Limited Liability Companies

A. – B. None

7. Investment Income

A. Investment income due and accrued is excluded from surplus when amounts are over 90 days past due or collection is uncertain.

B. No amount of investment income due and accrued was non-admitted and excluded from surplus as of December 31, 2013 and 2012.

8. Derivative Instruments

None

9. Income Taxes

The Company is part of a federal tax sharing agreement that exists among CFBC (and its related subsidiaries). Through this agreement and the tax allocation methodology, federal taxes have been allocated to the Company. The tax sharing agreement calls for allocation of current federal income tax liability to the Company on the basis of the percentage of the consolidated federal income tax liability attributable to the Company computed on a separate company basis to the total consolidated federal income tax liability. The agreement also provides that to the extent the Company's subsidiaries tax attributes (e.g., NOLs) reduce the consolidated federal income tax liability, CFBC shall pay the subsidiaries for use of such attributes in the year utilized. Amounts due from the subsidiaries for federal income taxes are settled quarterly.

Pursuant to this agreement, the Company and its subsidiaries have an enforceable right to recoup federal income taxes paid in prior years in the event of future net losses, which it may incur, or to recoup its net losses carried forward as an offset to future net income subject to federal income taxes.

The following table shows the components of the net deferred tax asset and deferred tax liability recognized in the Company's financial statements by tax character (*in thousands*):

	December 31, 2013			December 31, 2012			Change		
	Ordinary	Capital	Total	Ordinary	Capital	Total	Ordinary	Capital	Total
Gross deferred tax assets	$ 10,373	$ 313	$ 10,686	$ 11,361	$ 2,943	$ 14,304	$ (988)	$ (2,630)	$ (3,618)
Statutory valuation allowance adjustment	-	-	-	-	-	-	-	-	-
Adjusted gross deferred tax assets	10,373	313	10,686	11,361	2,943	14,304	(988)	(2,630)	(3,618)
Deferred tax assets nonadmitted	-	-	-	-	-	-	-	-	-
Subtotal net admitted deferred tax asset	10,373	313	10,686	11,361	2,943	14,304	(988)	(2,630)	(3,618)
Deferred tax liabilities	3	2,963	2,966	5	3,992	3,997	(2)	(1,029)	(1,031)
Net admitted deferred tax asset/(liability)	$ 10,370	$ (2,650)	$ 7,720	$ 11,356	$ (1,049)	$ 10,307	$ (986)	$ (1,601)	$ (2,587)

NOTES TO FINANCIAL STATEMENTS

The amount of admitted adjusted gross deferred tax assets are as follows *(in thousands)*:

	December 31, 2013			December 31, 2012			Change		
	Ordinary	Capital	Total	Ordinary	Capital	Total	Ordinary	Capital	Total
a. Federal Income Taxes Paid In Prior Years Recoverable Through Loss Carrybacks	$ 9,865	$ -	$ 9,865	$ 9,920	$ -	$ 9,920	$ (55)	$ -	$ (55)
b. Adjusted Gross Deferred Tax Assets Expected To Be Realized (Excluding The Amount Of Deferred Tax Assets from a, above) After application of the Threshold Limitation. (Lesser of b.i. and b.ii. Below)	-	-	-	-	2,943	2,943	-	(2,943)	(2,943)
i. Adjusted gross DTA expected to be realized following the Balance Sheet Date	-	-	-	-	2,943	2,943	-	(2,943)	(2,943)
ii. Adjusted Gross Deferred Tax Assets Allowed per Limitation Threshold	NA	NA	108,845	NA	NA	99,129	NA	NA	9,716
c. Adjusted Gross Deferred Tax Assets (Excluding The Amount of Deferred Tax Assets From a. and b. above) Offset by Gross Deferred Tax Liabilities.	508	313	821	1,436	(3,992)	(2,556)	(928)	4,305	3,377
d. Deferred Tax Asset Admitted as the result of application of SSAP No. 101 Total (a.+b.+c.)	$ 10,373	$ 313	$ 10,686	$ 11,356	$ (1,049)	$ 10,307	$ (983)	$ 1,362	$ 379

	2013	2012
Ratio Percentage Used To Determine Recovery Period And Threshold Limitation Amount	1058%	15%
Amount Of Adjusted Capital And Surplus Used To Determine Recovery Period And Threshold Limitation	$ 725,630	$ 660,862

The impact of tax planning strategies on adjusted gross DTA's and net admitted DTA's is as follows (*in thousands*):

	12/31/2013			12/31/2012			Change		
	Ordinary	Capital	Total	Ordinary	Capital	Total	Ordinary	Capital	Total
Adjusted Gross DTAs	$ 10,373	$ 313	$ 10,686	$ 11,361	$ 2,943	$ 14,304	$ (988)	$ (2,630)	$ (3,618)
Percentage of Adjusted Gross DTAs	0%	0%	0%	0%	21%	21%	0%	-21%	-21%
Net Admitted Adjusted Gross DTAs	$ 10,373	$ 313	$ 10,686	$ 11,361	$ 2,943	$ 14,304	$ (988)	$ (2,630)	$ (3,618)
Percentage of Net Admitted Adjusted Gross DTAs	0%	0%	0%	0%	29%	29%	0%	-29%	-29%

The Company's tax-planning strategy does not include the use of reinsurance.

The provision for income taxes on earnings for the years ended December 31, 2013 and 2012 are as follows (*in thousands*):

	Dec. 31, 2013	Dec. 31, 2012
Federal provision	$ 13,662	$ 3,652
Federal income tax on net capital gains	7,028	7,466
Federal income taxes incurred	$ 20,690	$ 11,118

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

Deferred Tax Assets:	**Dec. 31, 2013**	**Dec. 31, 2012**	**Change**
Ordinary			
Unearned Revenues	$ 3,801	$ 3,494	$ 307
Unpaid Claims	1,289	2,897	(1,608)
Accrued Expenses	2,962	3,096	(134)
Nonadmitted assets	2,321	1,874	447
Other	-	-	-
Subtotal	10,373	11,361	(988)
Statutory valuation allowance adjustment	-	-	-
Nonadmitted	-	-	-
Admitted ordinary deferred tax assets	10,373	11,361	(988)
Capital			
Investments	313	2,943	(2,630)
Subtotal	313	2,943	(2,630)
Statutory valuation allowance adjustment	-	-	-
Nonadmitted	-	-	-
Admitted capital deferred tax assets	313	2,943	(2,630)
Admitted deferred tax assets	10,686	14,304	(3,618)
Deferred Tax Liabilities:			
Ordinary			
Accrued Expenses	-	-	-
Unpaid Claims	3	5	(2)
Subtotal	3	5	(2)
Capital			
Investments	2,963	3,992	(1,029)
Subtotal	2,963	3,992	(1,029)
Deferred Tax Liabilitites	2,966	3,997	(1,031)
Net deferred tax assets	$ 7,720	$ 10,307	$ (2,587)

Deferred tax assets are reflected as admitted assets, subject to certain limitations. The components of the net deferred tax asset recognized in the Company's balance sheets—statutory basis are as follows (*in thousands*):

	Dec. 31, 2013	**Dec. 31, 2012**	**Change**
Adjusted gross deferred tax assets	$ 10,686	$ 14,304	$ (3,618)
Total deferred tax liabilities	2,966	3,997	1,031
Net deferred tax assets	$ 7,720	$ 10,307	(2,587)
Tax effect of unrealized gains(losses)			(1,029)
Change in net deferred income tax			$ (3,616)

The reconciliation of the federal income tax rate to the actual effective rate is as follows (*in thousands*):

	Dec. 31, 2013	**Effective Tax Rate**
Provision computed at statutory rate	$ 31,466	35.00%
GAAP/STAT Adjustment	6	0.01%
Permanent book to tax and other reserve adjustment	949	1.06%
Changes in Contingency Reserves	(7,667)	-8.53%
Other Nonadmitted assets	(448)	-0.50%
Total	$ 24,306	27.04%
Federal income taxes incurred	$ 20,690	23.01%
Change in net deferred income taxes	3,616	4.02%
Total statutory income taxes	$ 24,306	27.04%

The Company is subject to examination by the Internal Revenue Service and state taxing authorities. In general, the Company's tax years 2010 and forward remain open under the statutes of limitation and subject to examination.

The Company is exempt from all state income taxes in the jurisdictions for which it is registered to do business.

10. Information Concerning Parent, Subsidiaries and Affiliates

CareFirst BlueChoice, Inc. (CFBC or the Company) is a health maintenance organization (HMO) that provides managed health care products and services to individuals and to employees of business and governmental agencies in the Washington, D.C. metropolitan area, Northern Virginia and the state of Maryland. Benefits are provided to members through fee-for-service and capitation agreements with local area physicians, hospitals and other health care providers. CFBC has two wholly-owned subsidiaries; The Dental Network, Inc. (TDN) and CapitalCare, Inc. (CapCare). TDN is an HMO that provides dental health coverage to its subscribers through a network of dentist in the state of Maryland. Effective December 13, 2011, CapCare withdrew its HMO license and became a non-insurance entity. CapCare is no longer subject to statutory or regulatory reserve requirements.

CFBC and its subsidiaries are wholly-owned subsidiaries of CareFirst Holdings, LLC (CFH). CFH, a Maryland limited liability company, was formed on December 31, 2010 by contributed assets from CareFirst of Maryland, Inc. (CFMI) and Group Hospitalization and Medical Services, Inc. (GHMSI). CFMI and GHMSI are both affiliates of CFI. These affiliates do business as CareFirst BlueCross BlueShield.

The Company has an operating relationship with CFMI and GHMSI, whereby CFMI and GHMSI provide a substantial portion of its administrative and corporate services for which expenses are allocated to the Company under an administrative agreement. Total charges for services provided by CFMI and GHMSI were $227,559,000 and $196,438,000 for the years ended December 31, 2013 and 2012, respectively. Included in the amounts above is rent expense, which is allocated from its affiliates for all operating leases, which totaled $10,489,000 and $10,045,000 for the years ended December 31, 2013 and 2012, respectively. These allocations are included in general and administrative expenses.

CFI performed a review and analysis of certain intercompany transactions with CFBC. The analysis identified services provided by CFMI and GHMSI that should include a profit mark-up on the costs charged to CFBC. Total charges to CFBC for the profit mark-up by CFMI and GHMSI were $28,674,000 and $26,901,000 for the years ended December 31, 2013 and 2012, respectively. These charges are recorded as an increase to general and administrative expenses.

The Company has arrangements with brokers through GHMSI. Under these arrangements GHMSI pays broker commissions and incentives and allocates a portion of these amounts to the Company based upon relevant statistics. Total broker fees allocated to the Company were $121,801,000 and $117,684,000 for the years ended December 31, 2013 and 2012, respectively.

The Company bears all of the in-network (HMO) underwriting risk and CFMI and GHMSI bear the out-of-network (indemnity) underwriting risk for certain fully insured point-of-service health care programs. Cost of care for these products is charged directly to the Company, CFMI and GHMSI based upon the nature of the claims incurred. Premiums on these health care programs are allocated between the Company, CFMI and GHMSI based on actual underwriting results such that the underwriting gain of the health care programs, as a percentage of premiums earned, is shared equally between the Company and the respective indemnity insurer. Total premiums allocated from the Company for these programs were $8,118,000 and $16,108,000 for the years ended December 31, 2013 and 2012, respectively.

As of December 31, 2013, the Company reported $58,747,000 and $3,775,000 as amounts due from and due to affiliates, respectively. These amounts are settled monthly.

The Company received a dividend of $300,000 from CapCare in December 2012.

11. Debt

None.

12. Retirement Plans, Deferred Compensation, Postemployment Benefits and Compensated Absences and Other Post-retirement Benefit Plans

A. Defined Benefit Plan

(1) – (19) Not applicable.

B. Defined Contribution Plans

Not applicable.

C. Multiemployer Plans

Not applicable.

D. Consolidated/Holding Company Plans

Not applicable.

E. Postemployment Benefits and Compensated Absences

Not applicable.

F. Impact of Medicare Modernization Act on Postretirement Benefits (INT 04-17)

(1) – (3) Not applicable.

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

(1) The Company has 25,000 shares of common stocks authorized; 10,000 shares are issued and outstanding.

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

(3) – (9) Not applicable.

(10) The portion of unassigned funds (surplus) represented by cumulative net unrealized gains is $8,259,000.

(11) – (13) Not applicable.

14. Contingencies

A. Contingent Commitments

None.

B. Assessments

None.

C. Gain Contingencies

None.

D. Claims Related Extra Contractual Obligation and Bad Faith Losses Stemming from Lawsuits

None.

E. All Other Contingencies

CFMI and GHMSI entered into an intercompany agreement that requires CFMI or GHMSI, or their respective affiliates, to provide the financial resources necessary to satisfy the respective statutory or regulatory reserve requirement, subject to specific limitations, if either CFMI or GHMSI or their respective affiliates fail to meet or maintain their respective statutory or regulatory reserve requirement as required by law, or if such transfer of financial resources is needed to satisfy any other legally enforceable obligation.

CFI has a commitment for a credit facility with a commercial bank under which certain of its affiliates, including the Company, may borrow up to a maximum amount of $60,000,000. There have been no draws made on this line of credit during 2013 or 2012.

CFI entered into a three-year agreement with a third party vendor to provide local care coordinator services to members who participate in the Patient Centered Medical Home program. The agreement contained certain financial and operational requirements obligating both parties. In 2011, CFI did not meet the minimum volume requirement in the agreement for rendering care plans. As a result, CFI recorded a liability of $8,000,000 at December 31, 2011, of which $1,301,000 was recorded by the Company. The liability was included in the general expenses due and accrued. In July 2012, the agreement was amended to modify certain terms and conditions. Under the amended agreement, the minimum volume requirements from the original contract ceased on June 30, 2012 and the agreement was extended from December 31, 2013 to June 30, 2016. Under the amended terms of the agreement, the Company has no liability if it does not terminate the contract before it expires. As of December 31, 2012, the Company had not terminated the contract and accordingly, the liability was reduced to $0 with an offset as a reduction in claims incurred.

Various lawsuits, including class action lawsuits and other claims, occur in the normal course of business and are pending against the Company. The Company records reserves for such matters when a loss is deemed to be probable and estimable. Management, after consultation with legal counsel, is of the opinion that the lawsuits and other claims, when resolved, will not have a material adverse effect on the accompanying consolidated financial statements; however, there can be no assurance in this regard.

The Company insures individuals and provides administrative services to non-risk groups with members who are qualified Medicare beneficiaries. Medicare law identifies the primary payer and secondary payer of claims when individuals are insured by either the Company or an employer and Medicare. Principally as a result of information systems programming errors, the Company incorrectly paid certain claims in years prior to 2009 as the secondary payer rather than as the primary payer for individuals that were insured by the Company. The issues were communicated to CMS in May 2009. The Company has implemented corrective measures to (1) correctly identify Medicare beneficiaries that should be paid primary and (2) modify information systems to correctly adjudicate claims on behalf of Medicare beneficiaries.

Based on its interpretation of Medicare law, the Company believes it is liable for improperly processed claims for the period from January 1, 2006 to December 31, 2008. In 2009, CFMI, GHMSI and CFBC provided CMS with the data of the incorrectly paid claims and offered to settle its obligations to CMS for $19,000,000. Accordingly, CFMI, GHMSI and CFBC recorded a liability of $19,000,000 at December 31, 2009 for this proposed settlement, of which $6,888,000 was recorded by the Company. The Company received demand letters from CMS regarding certain of these individual claims during 2010 and 2011. Based on the claims processed in response to these demand letters and its ongoing evaluation of the Company's liability for this matter, the Company released a portion of the reserves that had been established in 2009 at December 31, 2012. The remaining balance of the liability was $5,070,000 at December 31, 2012. During 2013, CMS made a settlement offer of $16,054,000, which represents the total liability established in 2009 minus the amount paid to date from the demand letters processed in 2010 and 2011. As a result, the Company re-established a portion of the reserve that was released in 2012 to restore the liability back to the settlement amount offered by CMS. Accordingly, the balance of the liability is $5,747,000 as of December 31, 2013, and is included in general expenses due or accrued. The final settlement amount of $5,743,000 was paid in February 2014.

During the first quarter of 2010, the Patient Protection and Affordable Care Act (PPACA), and a reconciliation measure, the Health Care and Education Reconciliation Act of 2010, which the Company refers to together as the Health Reform Legislation, were signed into law. The Health Reform Legislation, and existing or future laws and rules, could force the Company to change how it does business, restrict revenue and enrollment growth in certain products and market segments, restrict premium growth rates for certain products and market segments, increase its medical and administrative costs and capital requirements, expose it to an increased risk of liability (including increasing its liability in federal and state courts for coverage determinations and contract interpretation) or put it at risk for loss of business. The new laws encompass certain new taxes and fees, including an excise tax on high premium insurance policies and limitations on the amount of compensation that is tax deductible. The Health Reform Legislation presents additional challenges over the longer term, including the annual insurance industry assessment beginning in 2014, the operation of state-based exchanges for individuals and small group businesses beginning in 2014, and numerous other commercial and governmental plan requirements. Due to the complexity of the numerous changes that are taking place, the Company's operating results, financial position and cash flows could be materially adversely affected by such changes.

15. Leases

Not applicable.

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

Not applicable.

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

A. Transfers of Receivables Reported as Sales

Not applicable.

B. Transfer and Servicing of Financial Assets

Not applicable.

C. Wash Sales

None.

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

A. ASO Plans

Not applicable.

B. ASC Plans

Not applicable.

C. Medicare or Similarly Structured Cost Based Reimbursement Contract

Not applicable.

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

Not applicable.

20. Fair Value Measurements

A. Fair Value Measurement Valuation Techniques and Inputs

Included in various investment-related line items in the financial statements are certain financial instruments carried at fair value. Other financial instruments are periodically measured at fair value, such as when impaired, or, for certain bonds and preferred stocks, when carried at the lower of cost or market. SSAP No. 100 *Fair Value Measurements* defines fair value, establishes a framework for measuring fair value and establishes disclosures about fair value. The fair value hierarchy is as follows:

- Level 1 – Quoted (unadjusted) prices for identical assets or liabilities in active markets.

- Level 2 – Other observable inputs, either directly or indirectly.

- Level 3 – Unobservable inputs that cannot be corroborated by observable market data.

In instances in which the inputs used to measure fair value fall into different levels of the fair value hierarchy, the fair value measurement has been determined based on the lowest level input that is significant to the fair value measurement in its entirety. The Company’s assessment of the significance of a particular item to the fair value measurement in its entirety requires judgment, including the consideration of inputs specific to the asset. Management is responsible for the determination of fair value, and performs monthly analyses on the prices received from third parties to determine whether the prices appear to be reasonable estimates of fair value.

There were no transfers between levels during the years ended December 31, 2013 and 2012.

The following methods and assumptions were used to estimate the fair value of each class of financial instrument:

Bonds. The fair value of U.S. Treasury securities is determined by an active price for an identical security in an observable market and is therefore classified as Level 1. Other U.S. government agencies securities, state and municipal securities, foreign governments securities, corporate bonds, mortgage-backed securities and other asset-backed securities that are priced by independent pricing services using observable inputs are classified as Level 2. Observable inputs used for other U.S. government agencies securities include quoted prices for like or similar assets, benchmark yields, reported trades and credit spreads. Observable inputs used for state and municipal securities, foreign governments securities and corporate bonds include quoted prices for identical or similar assets that are traded in an active market, benchmark yields, new issuances, issuer ratings, reported trades of comparable securities and credit spreads. The fair value of mortgage-backed securities and other asset-backed securities is determined by a cash flow model which utilizes observable inputs such as quoted prices for identical or similar assets, benchmark yields, prepayment speeds, collateral performance, credit spreads and default rates at commonly quoted intervals.

Stocks. Fair values of publicly-traded index funds where market quotes are available but are not considered actively traded are classified as Level 2. Net asset value of the fixed income index fund invested in U.S. Treasury inflation-protected securities (USTIPS) is calculated as of the close of business of the New York Exchange. Fair value of the fixed income index fund where a market quote is available but is not considered actively traded is classified as Level 2.

(1) Fair Value Measurements at Reporting Date

The following tables present information about the fair value of the Company’s financial instruments measured and reported at fair value (*in thousands*).

	Quoted Prices in Active Markets (Level 1)	Other Observable Inputs (Level 2)	Unobservable Inputs (Level 3)	Total Fair Value as of December 31, 2013
Assets				
Bonds	**$ –**	**$ 369**	**$ –**	**$ 369**
Common stocks				
Large capital equity index fund	**–**	**32,154**	**–**	**32,154**
Small capital equity index fund	**–**	**24,211**	**–**	**24,211**
International equity index fund	**–**	**16,247**	**–**	**16,247**
Publicly-traded fixed income index fund (a)	**–**	**64,275**	**–**	**64,275**
Total common stocks	**–**	**136,887**	**–**	**136,887**
Total assets measured and and reported at fair value	**$ –**	**$ 137,256**	**$ –**	**$ 137,256**

	Quoted Prices in Active Markets (Level 1)	Other Observable Inputs (Level 2)	Unobservable Inputs (Level 3)	Total Fair Value as of December 31, 2012
Assets				
Bonds	$ –	$ 485	$ –	$ 485
Common stocks				
Large capital equity index fund	–	46,852	–	46,852
Small capital equity index fund	–	42,921	–	42,921
International equity index fund	–	40,260	–	40,260
Publicly-traded fixed income index fund (a)	–	49,963	–	49,963
Total common stocks	–	179,996	–	179,996
Total assets measured and and reported at fair value	$ –	$ 180,481	$ –	$ 180,481

(a) Represent investments in USTIPS.

(2) Fair Value Measurements in (Level 3) of the Fair Value Hierarchy

Not applicable.

(3) Level 3 Transfers

Not applicable.

(4) Level 2 and 3 Valuation Techniques and Inputs

See Note 20A *Fair Value Measurement Valuation Techniques and Inputs* for Level 2 Valuation Techniques and Inputs

(5) Derivatives

Not applicable.

B. Other Fair Value Disclosures

None.

C. Aggregate Fair Value of Financial Instruments

The following tables present information about the aggregate fair value of the Company's financial instruments (*in thousands*).

	Quoted Prices in Active Markets (Level 1)	Other Observable Inputs (Level 2)	Unobservable Inputs (Level 3)	Aggregate Fair Value as of December 31, 2013	Admitted Assets as of December 31, 2013
Bonds	**$ 143,143**	**$ 489,400**	**$ –**	**$ 632,543**	**$ 637,104**
Common stocks	**–**	**136,887**	**–**	**136,887**	**136,887**
Total assets at fair value	**$ 143,143**	**$ 626,287**	**$ –**	**$ 769,430**	**$ 773,991**

	Quoted Prices in Active Markets (Level 1)	Other Observable Inputs (Level 2)	Unobservable Inputs (Level 3)	Aggregate Fair Value as of December 31, 2012	Admitted Assets as of December 31, 2012
Bonds	$ 114,299	$ 503,390	$ –	$ 617,689	$ 596,301
Common stocks	–	179,996	–	179,996	179,996
Total assets at fair value	$ 114,299	$ 683,386	$ –	$ 797,685	$ 776,297

D. Not Practicable to Estimate Fair Value

As of December 31, 2013 and 2012, the Company has no financial instruments for which it is not practicable to estimate fair value.

21. Other Items

A. Extraordinary Items

Not applicable

B. Troubled Debt Restructuring: Debtors

Not applicable

C. Other Disclosures

Not applicable

D. Uncollectible Balances

Not applicable

E. Business Interruption Insurance Recoveries

Not applicable

F. State Transferable Tax Credits

Not applicable

G. Subprime-Mortgage-Related Risk Exposure

(1) The Company categorizes mortgage securities with an average FICO score of less than 675 (credit score) as a subprime mortgage security. The Company has no subprime mortgage securities as of December 31, 2013.

(2) The Company does not engage in mortgage lending and therefore has no direct exposure through investments in subprime mortgage loans.

(3) The Company has no exposure in subprime mortgage lending through its fixed maturity and equity investments.

H. Retained Assets

Not applicable

22. Events Subsequent

There have been no events occurring subsequent to the close of the books or accounts for this statement that would have a material effect on the financial condition of the Company.

On January 1, 2014, the Company will be subject to an annual fee under Section 9010 of the PPACA. This annual fee will be allocated to individual health insurers based on the ratio of the amount of the entity's net premiums written during the preceding calendar year to the amount of health insurance for any U.S. health risk that is written during the preceding calendar year. A health insurance entity's portion of the annual fee becomes payable once the entity provides health insurance for any U.S. health risk for each calendar year beginning on or after January 1, 2014. The Company has written health insurance subject to the PPACA assessment as of December 31, 2013 and is conducting health insurance business in 2014. The Company estimates its portion of the annual health insurance industry fee to be payable on September 30, 2014 to be $36,299,000. If this assessment had occurred as of December 31, 2013, it would have decreased the risk based capital ratio by 53%, from 1,069% to 1,016%.

A. PPACA fee assessment payable: $36,299,000
B. Assessment expected to impact risk based capital by: (53)%

23. Reinsurance

A. Ceded Reinsurance Report

The Company maintains a reinsurance agreement with CFMI and GHMSI providing stop-loss coverage. This coverage does not have an expiration date.

The Company also maintains a quota-share reinsurance contract with TDN. Under the terms of the agreement, the Company assumes all the underwriting risk on the business written by TDN. The Company assumed revenue from TDN in the amount of $6,995,000 and $6,930,000 and incurred an underwriting loss in the amount of $1,324,000 and $4,981,000 for the years ended December 31, 2013 and 2012, respectively.

B. Uncollectible Reinsurance

Not applicable.

C. Commutation of Ceded Reinsurance

Not applicable.

24. Retrospectively Rated Contracts

A. – C. Not applicable.

D. See Note 1 *Accounting Policy – Medical Loss Ratio Rebates*.

Medical loss ratio rebates required pursuant to the Public Health Service Act are as follows *(in thousands)*:

	1	2	3	4	5
	Individual	**Small Group Employer**	**Large Group Employer**	**Other Categories with Rebates**	**Total**
Prior Reporting Year					
(1) Medical loss ratio rebates incurred	$ –	$ (9,066)	$ (3,166)	$ –	$ (12,232)
(2) Medical loss ratio rebates paid	–	3,814	8,164	–	11,978
(3) Medical loss ratio rebates unpaid	–	590	1,920	–	2,510
(4) Plus reinsurance assumed amounts	XXX	XXX	XXX	XXX	–
(5) Less reinsurance ceded amounts	XXX	XXX	XXX	XXX	–
(6) Rebates unpaid net of reinsurance	XXX	XXX	XXX	XXX	$ 2,510
Current Reporting Year-to-Date					
(7) Medical loss ratio rebates incurred	$ –	$ 531	$ (1,920)	$ –	$ (1,389)
(8) Medical loss ratio rebates paid	–	1,121	–	–	1,121
(9) Medical loss ratio rebates unpaid	–	–	–	–	–
(10) Plus reinsurance assumed amounts	XXX	XXX	XXX	XXX	–
(11) Less reinsurance ceded amounts	XXX	XXX	XXX	XXX	–
(12) Rebates unpaid net of reinsurance	XXX	XXX	XXX	XXX	$ –

25. Change in Incurred Claims and Claim Adjustment Expenses

As of December 31, 2013, $124,791,000 has been paid for incurred claims attributable to insured events for prior years. Reserves remaining for prior years are now $956,000 as a result of re-estimation of unpaid claims and unpaid claims adjustment expenses. Therefore, there has been a $20,794,000 favorable prior year development since December 31, 2012 to December 31, 2013, of which $2,578,000 was a result of unfavorable development in the Federal Employee Program line of business. Original estimates are increased or decreased as additional information becomes known regarding individual claims.

26. Intercompany Pooling Arrangements

Not applicable.

27. Structured Settlements

Not applicable.

28. Health Care Receivables

A. Pharmacy Rebates receivable are based on pharmacy utilization during the quarter as well as past experience of rebates received.

Quarter	Estimated Pharmacy Rebates as Reported on Financial Statements	Pharmacy Rebates as Invoice/ Confirmed	Actual Rebates Collected Within 90 Days of Invoicing/ Contractual Due Date	Actual Rebates Collected within 91-180 Days of Invoicing/ Contractual Due Date	Actual Rebates Collected More Than 180 days After Invoicing/ Contractual Due Date
12/31/2013	$ 4,632,861	$ 4,632,861	$ –	$ –	$ –
9/30/2013	4,632,861	4,632,861	999,674	–	–
6/30/2013	3,912,236	3,912,236	3,911,740	497	–
3/31/2013	3,711,287	3,711,287	3,687,765	2,941	–
12/31/2012	$ 3,275,580	$ 3,275,580	$ 3,166,566	$ 109,909	$ –
9/30/2012	3,405,210	3,405,210	3,224,471	172,733	–
6/30/2012	3,779,563	3,779,563	2,137,291	1,591,499	4,186
3/31/2012	3,558,148	3,558,148	3,126,028	302,191	135,847
12/31/2011	$ 4,327,143	$ 4,327,143	$ 3,742,700	$ 293,205	$ –
9/30/2011	4,238,905	4,238,905	3,697,526	548,524	–
6/30/2011	3,921,140	3,921,140	3,030,494	875,006	–
3/31/2011	3,984,542	3,984,542	4,061,216	(85,436)	–

B. Risk Sharing Receivables

Not applicable.

29. Participating Policies

Not applicable.

30. Premium Deficiency Reserve

See Note 1 *Accounting Policy – Premium Deficiency Reserve*.

1. Liability carried for premium deficiency reserves: $2,120,000
2. Date of the most recent evaluation of this liability: December 31, 2013
3. Was anticipated investment income utilized in the calculation? No

31. Anticipated Salvage and Subrogation

The following discloses the anticipated subrogation used in computing the Company's unpaid claims liability *(in thousands)*:

Year Incurred	
2013	$ 2,156
2012	$ 493

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 [ ]
If yes, complete Schedule Y, Parts 1, 1A and 2

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? District of Columbia

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. 12/31/2013

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). 09/25/2009

3.4 By what department or departments?
District of Columbia Department of Insurance, Securities and Banking

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

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

4.1 During the period covered by this statement, did any agent, broker, sales representative, non-affiliated sales/service organization or any combination thereof under common control (other than salaried employees of the reporting entity), receive credit or commissions for or control a substantial part (more than 20 percent of any major line of business measured on direct premiums) of:
4.11 sales of new business? Yes [ ] No [X]
4.12 renewals? Yes [ ] No [X]

4.2 During the period covered by this statement, did any sales/service organization owned in whole or in part by the reporting entity or an affiliate, receive credit or commissions for or control a substantial part (more than 20 percent of any major line of business measured on direct premiums) of:
4.21 sales of new business? Yes [ ] No [X]
4.22 renewals? Yes [ ] No [X]

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

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

1 Name of Entity	2 NAIC Company Code	3 State of Domicile

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

6.2 If yes, give full information:

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

7.2 If yes,
7.21 State the percentage of foreign control; 0.0 %
7.22 State the nationality(s) of the foreign person(s) or entity(s) or if the entity is a mutual or reciprocal, the nationality of its manager or attorney-in-fact; and identify the type of entity(s) (e.g., individual, corporation or government, manager or attorney in fact).

1 Nationality	2 Type of Entity

GENERAL INTERROGATORIES

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

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

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

8.4 If response to 8.3 is yes, please provide below the names and location (city and state of the main office) of any affiliates regulated by a federal 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?
Ernst & Young, LLP
621 East Pratt Street
Baltimore, Maryland 21202

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 response to 10.5 is no or n/a, please explain

11. What is the name, address and affiliation (officer/employee of the reporting entity or actuary/consultant associated with an actuarial consulting firm) of the individual providing the statement of actuarial opinion/certification?
Paula Holt, FSA, MAAA, Actuary
10455 Mill Run Circle
Owings Mills, Maryland 21117

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 0

12.13 Total book/adjusted carrying value $ 0

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 [X] No [ ]

14.21 If the response to 14.2 is yes, provide information related to amendment(s).
The code was amended in 2013 for a January 1, 2014, effective date.

14.3 Have any provisions of the code of ethics been waived for any of the specified officers? Yes [ ] No [X]

14.31 If the response to 14.3 is yes, provide the nature of any waiver(s).

GENERAL INTERROGATORIES

15.1 Is the reporting entity the beneficiary of a Letter of Credit that is unrelated to reinsurance where the issuing or confirming bank is not on the SVO Bank List? Yes [ ] No [X]

15.2 If the response to 15.1 is yes, indicate the American Bankers Association (ABA) Routing Number and the name of the issuing or confirming bank of the Letter of Credit and describe the circumstances in which the Letter of Credit is triggered.

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

BOARD OF DIRECTORS

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

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

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

FINANCIAL

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

20.1 Total amount loaned during the year (inclusive of Separate Accounts, exclusive of policy loans):
- 20.11 To directors or other officers $ 0
- 20.12 To stockholders not officers $ 0
- 20.13 Trustees, supreme or grand (Fraternal Only) $ 0

20.2 Total amount of loans outstanding at the end of year (inclusive of Separate Accounts, exclusive of policy loans):
- 20.21 To directors or other officers $ 0
- 20.22 To stockholders not officers $ 0
- 20.23 Trustees, supreme or grand (Fraternal Only) $ 0

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

21.2 If yes, state the amount thereof at December 31 of the current year:
- 21.21 Rented from others $ 0
- 21.22 Borrowed from others $ 0
- 21.23 Leased from others $ 0
- 21.24 Other $ 0

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 [ ] No [X]

22.2 If answer is yes:
- 22.21 Amount paid as losses or risk adjustment $ 0
- 22.22 Amount paid as expenses $ 0
- 22.23 Other amounts paid $ 0

23.1 Does the reporting entity report any amounts due from parent, subsidiaries or affiliates on Page 2 of this statement? Yes [X] No [ ]

23.2 If yes, indicate any amounts receivable from parent included in the Page 2 amount: $ 0

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 [ ] No [X]

24.02 If no, give full and complete information relating thereto
Special Deposit

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)
n/a

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. $ 0

24.06 If answer to 24.04 is no, report amount of collateral for other programs. $ 0

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]

GENERAL INTERROGATORIES

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

24.101 Total fair value of reinvested collateral assets reported on Schedule DL, Parts 1 and 2. $ 0
24.102 Total book adjusted/carrying value of reinvested collateral assets reported on Schedule DL, Parts 1 and 2 $ 0
24.103 Total payable for securities lending reported on the liability page. $ 0

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

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

25.21 Subject to repurchase agreements $ 0
25.22 Subject to reverse repurchase agreements $ 0
25.23 Subject to dollar repurchase agreements $ 0
25.24 Subject to reverse dollar repurchase agreements $ 0
25.25 Pledged as collateral $ 0
25.26 Placed under option agreements $ 0
25.27 Letter stock or other securities restricted as to sale $ 0
25.28 On deposit with state or other regulatory body $ 1,000,311
25.29 Other $ 469,504

25.3 For category (25.27) provide the following:

1 Nature of Restriction	2 Description	3 Amount

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

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

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

27.2 If yes, state the amount thereof at December 31 of the current year. $ 0

28. Excluding items in Schedule E - Part 3 - Special Deposits, real estate, mortgage loans and investments held physically in the reporting entity's offices, vaults or safety deposit boxes, were all stocks, bonds and other securities, owned throughout the current year held pursuant to a custodial agreement with a qualified bank or trust company in accordance with Section 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
SunTrust Bank	1445 New York Ave., Washington DC 20005

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 brokers/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
15958	Vanguard	P.O. Box 2900 Valley Forge, PA 19482
104596	Dodge & Cox	55 California St., San Francisco, CA 94104
105496	T. Rowe Price	100 E. Pratt St., Baltimore, MD 21202

GENERAL INTERROGATORIES

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

29.2 If yes, complete the following schedule:

1 CUSIP #	2 Name of Mutual Fund	3 Book/Adjusted Carrying Value
922908-88-4	Vanguard Extended Markets Index Institutional	24,211,187
922040-10-0	Vanguard Institutional Index Fund	32,154,559
921909-82-6	Vanguard Developed Markets Index Institutional	16,246,604
29.2999 - Total		72,612,350

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

1 Name of Mutual Fund (from above table)	2 Name of Significant Holding of the Mutual Fund	3 Amount of Mutual Fund's Book/Adjusted Carrying Value Attributable to the Holding	4 Date of Valuation
Vanguard Extended Markets Index Institutional	Liberty Global PLC	193,689	12/31/2013
Vanguard Extended Markets Index Institutional	Las Vegas Sands Corp	193,689	12/31/2013
Vanguard Extended Markets Index Institutional	LinkedIn Corp.	121,056	12/31/2013
Vanguard Extended Markets Index Institutional	Liberty Media Corp.	96,845	12/31/2013
Vanguard Extended Markets Index Institutional	HCA Holdings Inc.	96,845	12/31/2013
Vanguard Instituional Index Fund	Apple Inc.	964,637	12/31/2013
Vanguard Instituional Index Fund	Exxon Mobil Corp.	868,173	12/31/2013
Vanguard Instituional Index Fund	Google Inc.	610,937	12/31/2013
Vanguard Instituional Index Fund	Microsoft Corp.	546,628	12/31/2013
Vanguard Instituional Index Fund	General Electric Co.	546,628	12/31/2013
Vanguard Developed Markets Index Institutional	Nestle SA	259,946	12/31/2013
Vanguard Developed Markets Index Institutional	Royal Dutch Shell PLC	259,946	12/31/2013
Vanguard Developed Markets Index Institutional	HSBC Holdings PLC	227,452	12/31/2013
Vanguard Developed Markets Index Institutional	Roche Holding AG	227,452	12/31/2013
Vanguard Developed Markets Index Institutional	Vodafone Group PLC	211,206	12/31/2013

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

	1 Statement (Admitted) Value	2 Fair Value	3 Excess of Statement over Fair Value (-), or Fair Value over Statement (+)
30.1 Bonds	681,023,033	676,460,638	(4,562,395)
30.2 Preferred stocks	0	0	0
30.3 Totals	681,023,033	676,460,638	(4,562,395)

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

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

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

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

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

32.2 If no, list exceptions:

GENERAL INTERROGATORIES

OTHER

33.1 Amount of payments to trade associations, service organizations and statistical or rating bureaus, if any? $ 1,542,183

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
BlueCross BlueShield Association	1,141,340

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

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

1 Name	2 Amount Paid

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

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

1 Name	2 Amount Paid

GENERAL INTERROGATORIES

PART 2 - HEALTH INTERROGATORIES

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

1.4 Indicate amount of earned premium attributable to Canadian and/or Other Alien not included in Item (1.2) above $ 0
1.5 Indicate total incurred claims on all Medicare Supplement Insurance. $ 0
1.6 Individual policies:
Most current three years:
1.61 Total premium earned $ 0
1.62 Total incurred claims $ 0
1.63 Number of covered lives 0
All years prior to most current three years:
1.64 Total premium earned $ 0
1.65 Total incurred claims $ 0
1.66 Number of covered lives 0

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

2. Health Test:

		1 Current Year	2 Prior Year
2.1	Premium Numerator	2,392,136,067	2,137,224,210
2.2	Premium Denominator	2,392,136,068	2,137,224,210
2.3	Premium Ratio (2.1/2.2)	1.000	1.000
2.4	Reserve Numerator	163,136,375	179,742,949
2.5	Reserve Denominator	163,136,375	179,742,949
2.6	Reserve Ratio (2.4/2.5)	1.000	1.000

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

3.2 If yes, give particulars:

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

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

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

5.2 If no, explain:
Aggregate level only (see attached footnote for more information).

5.3 Maximum retained risk (see instructions)
5.31 Comprehensive Medical $ 0
5.32 Medical Only $ 0
5.33 Medicare Supplement $ 0
5.34 Dental & 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:
Intercompany Support Agreement from CareFirst of Maryland, Inc. and Group Hospitalization and Medical Services, Inc.

7.1 Does the reporting entity set up its claim liability for provider services on a service date basis? Yes [X] No [ ]

7.2 If no, give details

8. Provide the following information regarding participating providers:
8.1 Number of providers at start of reporting year 36,747
8.2 Number of providers at end of reporting year 40,573

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

9.2 If yes, direct premium earned:
9.21 Business with rate guarantees between 15-36 months $ 37,224,620
9.22 Business with rate guarantees over 36 months $ 0

GENERAL INTERROGATORIES

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

10.2 If yes:

10.21 Maximum amount payable bonuses $ 0
10.22 Amount actually paid for year bonuses $ 0
10.23 Maximum amount payable withholds $ 0
10.24 Amount actually paid for year withholds $ 0

11.1 Is the reporting entity organized as:

11.12 A Medical Group/Staff Model, Yes [ ] No [X]
11.13 An Individual Practice Association (IPA), or, Yes [X] No [ ]
11.14 A Mixed Model (combination of above)? Yes [ ] No [X]

11.2 Is the reporting entity subject to Minimum Net Worth Requirements? Yes [X] No [ ]
11.3 If yes, show the name of the state requiring such net worth. District of Columbia
11.4 If yes, show the amount required. $ 117,877,431
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
See attached footnote for detial information.

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

1 Name of Service Area
State of Maryland
District of Columbia
Virginia: the cities of Alexandria and Fairfax; the town of Vienna; Arlington County and the areas of Fairfax and Prnce William Counties in Virginia lying east of Route 123

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

13.2 If yes, please provide the amount of custodial funds held as of the reporting date. $ 0

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

13.4 If yes, please provide the balance of funds administered as of the reporting date. $ 0

General Interrogatories
Part 2 - Health Interrogatories

Question 5.2 Explanation for stoploss reinsurance

Under the current terms of the contract, BlueChoice will pay claims in excess of a 105% loss ratio through a self-administered Annual Experience Fund. The Annual Experience Fund is created from the reinsurance premiums, which are currently $25,000. If stop loss claims (i.e., claims over a loss ratio of 105%) are greater than the Annual Experience Fund, CFMI and GHMSI will be liable for the deficit. CFMI and GHMSI will share the liability for the deficit based upon their respective ownership percentage of BlueChoice at the beginning of the calendar year.

Question 10.1 Incentive pool, withheld or bonus arrangements

In 2013, certain primary care physicians, who participated with the Company's Total Care and Cost Improvement program, which includes the Primary Care Medical Home program that was authorized by the Maryland Health Care Commission, and who met the criteria of the Outcomes Incentive Awards, received reimbursement increases through their fee schedules. The Company did not record any medical incentive pool amount in relation to the reimbursement increases as the impact from the change in fee schedules will be reported as claims and included in the unpaid claims liability when future provider claims are incurred. Therefore, no separate amount is payable to the providers.

Question 11.6 Minimum net worth requirements

Under the laws of the District of Columbia, the company is required to maintain a minimum net worth (Surplus) at December 31, 2013. This minimum net worth (Surplus) is calculated as the greater of:
(A) $1,000,000;
(B) 2% of annual dues revenues as reported on the most recent annual financial statement filed with the Commissioner on the first $150,000,000 of dues and 1% of annual dues in excess of $150,000,000;
(C) An amount equal to the sum of 3 months uncovered health care expenditures as reported on the most recent financial statement filed with the Commissioner; or
(D) An amount equal to the sum of:
(i) 8% of annual health care expenditures except those paid on a capitated basis or managed hospital payment basis as reported on the most recent financial statement filed with the Commissioner; and
(ii) 4% of annual hospital expenditures paid on a managed hospital payment basis as reported on the most recent financial statement filed with the Commissioner.

(A) $1,000,000
(B) $25,493,106
(C) $6,170,483
(D) $117,877,431 (greater amount)

Under the code of Maryland, the Company is required to maintain a surplus that exceeds the liabilities in an amount that is at least equal to the greater of $750,000 or 5 percent of the subscription charges earned during the prior calendar year (not to exceed $3,000,000) as recorded in the annual report filed with the Commissioner.
At December 31, 2013, the minimum surplus requirement is $3,000,000.

Under the code of Virginia, the Company is required to maintain a minimum net worth in an amount at least equal to the sum of uncovered expenses, but not less than $600,000, up to a maximum of $4,000,000; uncovered expenses shall be amounts determined from the most recently ended calendar quarter pursuant to regulations promulgated by the Commission.
At December 31, 2013, the minimum surplus requirement is $4,000,000.

FIVE-YEAR HISTORICAL DATA

		1 2013	2 2012	3 2011	4 2010	5 2009
	Balance Sheet (Pages 2 and 3)					
1.	Total admitted assets (Page 2, Line 28)	1,043,163,124	992,377,412	1,013,897,116	900,091,300	709,224,997
2.	Total liabilities (Page 3, Line 24)	309,812,328	321,207,906	340,825,024	258,991,793	238,488,527
3.	Statutory surplus	117,877,431	103,329,962	92,710,701	83,162,480	86,987,116
4.	Total capital and surplus (Page 3, Line 33)	733,350,796	671,169,508	673,072,092	641,099,507	470,736,470
	Income Statement (Page 4)					
5.	Total revenues (Line 8)	2,401,333,362	2,163,646,769	2,006,707,464	1,992,473,107	1,876,754,874
6.	Total medical and hospital expenses (Line 18)	1,911,857,575	1,770,700,981	1,597,017,104	1,442,509,954	1,518,304,942
7.	Claims adjustment expenses (Line 20)	105,307,341	97,726,483	90,660,681	79,647,163	65,806,617
8.	Total administrative expenses (Line 21)	330,911,969	298,017,058	285,746,450	290,787,919	267,012,449
9.	Net underwriting gain (loss) (Line 24)	53,256,477	(2,797,753)	33,283,229	179,528,071	25,630,866
10.	Net investment gain (loss) (Line 27)	29,413,713	32,334,632	27,266,765	26,679,838	29,709,908
11.	Total other income (Lines 28 plus 29)	206,041	56,053	(850,553)	(228,447)	1,257,243
12.	Net income or (loss) (Line 32)	69,214,184	25,940,441	40,403,902	166,525,855	48,411,218
	Cash Flow (Page 6)					
13.	Net cash from operations (Line 11)	35,710,249	(8,140,988)	79,482,188	170,627,514	15,818,841
	Risk-Based Capital Analysis					
14.	Total adjusted capital	733,350,796	671,169,508	673,072,092	641,099,507	470,736,470
15.	Authorized control level risk-based capital	68,588,628	64,847,786	59,403,548	53,450,327	56,205,750
	Enrollment (Exhibit 1)					
16.	Total members at end of period (Column 5, Line 7)	569,861	553,437	535,143	517,324	533,181
17.	Total members months (Column 6, Line 7)	6,780,748	6,537,829	6,305,950	6,359,833	6,452,603
	Operating Percentage (Page 4) (Item divided by Page 4, sum of Lines 2, 3 and 5) x 100.0					
18.	Premiums earned plus risk revenue (Line 2 plus Lines 3 and 5)	100.0	100.0	100.0	100.0	100.0
19.	Total hospital and medical plus other non-health (Lines 18 plus Line 19)	79.7	81.8	79.6	72.4	80.9
20.	Cost containment expenses	1.8	1.7	1.5	1.5	0.9
21.	Other claims adjustment expenses	2.6	2.8	3.1	2.5	2.6
22.	Total underwriting deductions (Line 23)	97.9	100.1	98.3	91.0	98.6
23.	Total underwriting gain (loss) (Line 24)	2.2	(0.1)	1.7	9.0	1.4
	Unpaid Claims Analysis (U&I Exhibit, Part 2B)					
24.	Total claims incurred for prior years (Line 13, Col. 5)	125,746,746	154,193,923	141,372,124	117,125,731	128,320,977
25.	Estimated liability of unpaid claims-[prior year (Line 13, Col. 6)]	146,541,167	169,890,253	138,739,882	135,658,896	149,221,780
	Investments In Parent, Subsidiaries and Affiliates					
26.	Affiliated bonds (Sch. D Summary, Line 12, Col. 1)	0	0	0	0	0
27.	Affiliated preferred stocks (Sch. D Summary, Line 18, Col. 1)	0	0	0	0	0
28.	Affiliated common stocks (Sch. D Summary, Line 24, Col. 1)	551,353	515,576	791,452	4,507,758	4,193,559
29.	Affiliated short-term investments (subtotal included in Schedule DA Verification, Col. 5, Line 10)	0	0	0	0	0
30.	Affiliated mortgage loans on real estate	0	0	0	0	0
31.	All other affiliated	0	0	0	0	0
32.	Total of above Lines 26 to 31	551,353	515,576	791,452	4,507,758	4,193,559
33.	Total investment in parent included in Lines 26 to 31 above.	0	0	0	0	0

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

If no, please explain:

SCHEDULE T PREMIUMS AND OTHER CONSIDERATIONS

Allocated by States and Territories

		1	Direct Business Only							
			2	3	4	5	6	7	8	9
States, etc.		Active Status	Accident & Health Premiums	Medicare Title XVIII	Medicaid Title XIX	Federal Employees Health Benefits Plan Premiums	Life & Annuity Premiums & Other Considerations	Property/ Casualty Premiums	Total Columns 2 Through 7	Deposit-Type Contracts
1. Alabama	AL	N	0	0	0	0	0	0	0	0
2. Alaska	AK	N	0	0	0	0	0	0	0	0
3. Arizona	AZ	N	0	0	0	0	0	0	0	0
4. Arkansas	AR	N	0	0	0	0	0	0	0	0
5. California	CA	N	0	0	0	0	0	0	0	0
6. Colorado	CO	N	0	0	0	0	0	0	0	0
7. Connecticut	CT	N	0	0	0	0	0	0	0	0
8. Delaware	DE	N	0	0	0	0	0	0	0	0
9. District of Columbia	DC	L	291,463,640	0	0	0	0	0	291,463,640	0
10. Florida	FL	N	0	0	0	0	0	0	0	0
11. Georgia	GA	N	0	0	0	0	0	0	0	0
12. Hawaii	HI	N	0	0	0	0	0	0	0	0
13. Idaho	ID	N	0	0	0	0	0	0	0	0
14. Illinois	IL	N	0	0	0	0	0	0	0	0
15. Indiana	IN	N	0	0	0	0	0	0	0	0
16. Iowa	IA	N	0	0	0	0	0	0	0	0
17. Kansas	KS	N	0	0	0	0	0	0	0	0
18. Kentucky	KY	N	0	0	0	0	0	0	0	0
19. Louisiana	LA	N	0	0	0	0	0	0	0	0
20. Maine	ME	N	0	0	0	0	0	0	0	0
21. Maryland	MD	L	1,524,979,655	0	0	264,567,812	0	0	1,789,547,467	0
22. Massachusetts	MA	N	0	0	0	0	0	0	0	0
23. Michigan	MI	N	0	0	0	0	0	0	0	0
24. Minnesota	MN	N	0	0	0	0	0	0	0	0
25. Mississippi	MS	N	0	0	0	0	0	0	0	0
26. Missouri	MO	N	0	0	0	0	0	0	0	0
27. Montana	MT	N	0	0	0	0	0	0	0	0
28. Nebraska	NE	N	0	0	0	0	0	0	0	0
29. Nevada	NV	N	0	0	0	0	0	0	0	0
30. New Hampshire	NH	N	0	0	0	0	0	0	0	0
31. New Jersey	NJ	N	0	0	0	0	0	0	0	0
32. New Mexico	NM	N	0	0	0	0	0	0	0	0
33. New York	NY	N	0	0	0	0	0	0	0	0
34. North Carolina	NC	N	0	0	0	0	0	0	0	0
35. North Dakota	ND	N	0	0	0	0	0	0	0	0
36. Ohio	OH	N	0	0	0	0	0	0	0	0
37. Oklahoma	OK	N	0	0	0	0	0	0	0	0
38. Oregon	OR	N	0	0	0	0	0	0	0	0
39. Pennsylvania	PA	N	0	0	0	0	0	0	0	0
40. Rhode Island	RI	N	0	0	0	0	0	0	0	0
41. South Carolina	SC	N	0	0	0	0	0	0	0	0
42. South Dakota	SD	N	0	0	0	0	0	0	0	0
43. Tennessee	TN	N	0	0	0	0	0	0	0	0
44. Texas	TX	N	0	0	0	0	0	0	0	0
45. Utah	UT	N	0	0	0	0	0	0	0	0
46. Vermont	VT	N	0	0	0	0	0	0	0	0
47. Virginia	VA	L	304,262,013	0	0	0	0	0	304,262,013	0
48. Washington	WA	N	0	0	0	0	0	0	0	0
49. West Virginia	WV	N	0	0	0	0	0	0	0	0
50. Wisconsin	WI	N	0	0	0	0	0	0	0	0
51. Wyoming	WY	N	0	0	0	0	0	0	0	0
52. American Samoa	AS	N	0	0	0	0	0	0	0	0
53. Guam	GU	N	0	0	0	0	0	0	0	0
54. Puerto Rico	PR	N	0	0	0	0	0	0	0	0
55. U.S. Virgin Islands	VI	N	0	0	0	0	0	0	0	0
56. Northern Mariana Islands	MP	N	0	0	0	0	0	0	0	0
57. Canada	CAN	N	0	0	0	0	0	0	0	0
58. Aggregate other alien	OT	XXX	0	0	0	0	0	0	0	0
59. Subtotal		XXX	2,120,705,308	0	0	264,567,812	0	0	2,385,273,120	0
60. Reporting entity contributions for Employee Benefit Plans		XXX	0	0	0	0	0	0	0	0
61. Total (Direct Business)		(a) 3	2,120,705,308	0	0	264,567,812	0	0	2,385,273,120	0
DETAILS OF WRITE-INS										
58001.		XXX								
58002.		XXX								
58003.		XXX								
58998. Summary of remaining write-ins for Line 58 from overflow page		XXX	0	0	0	0	0	0	0	0
58999. Totals (Lines 58001 through 58003 plus 58998)(Line 58 above)		XXX	0	0	0	0	0	0	0	0

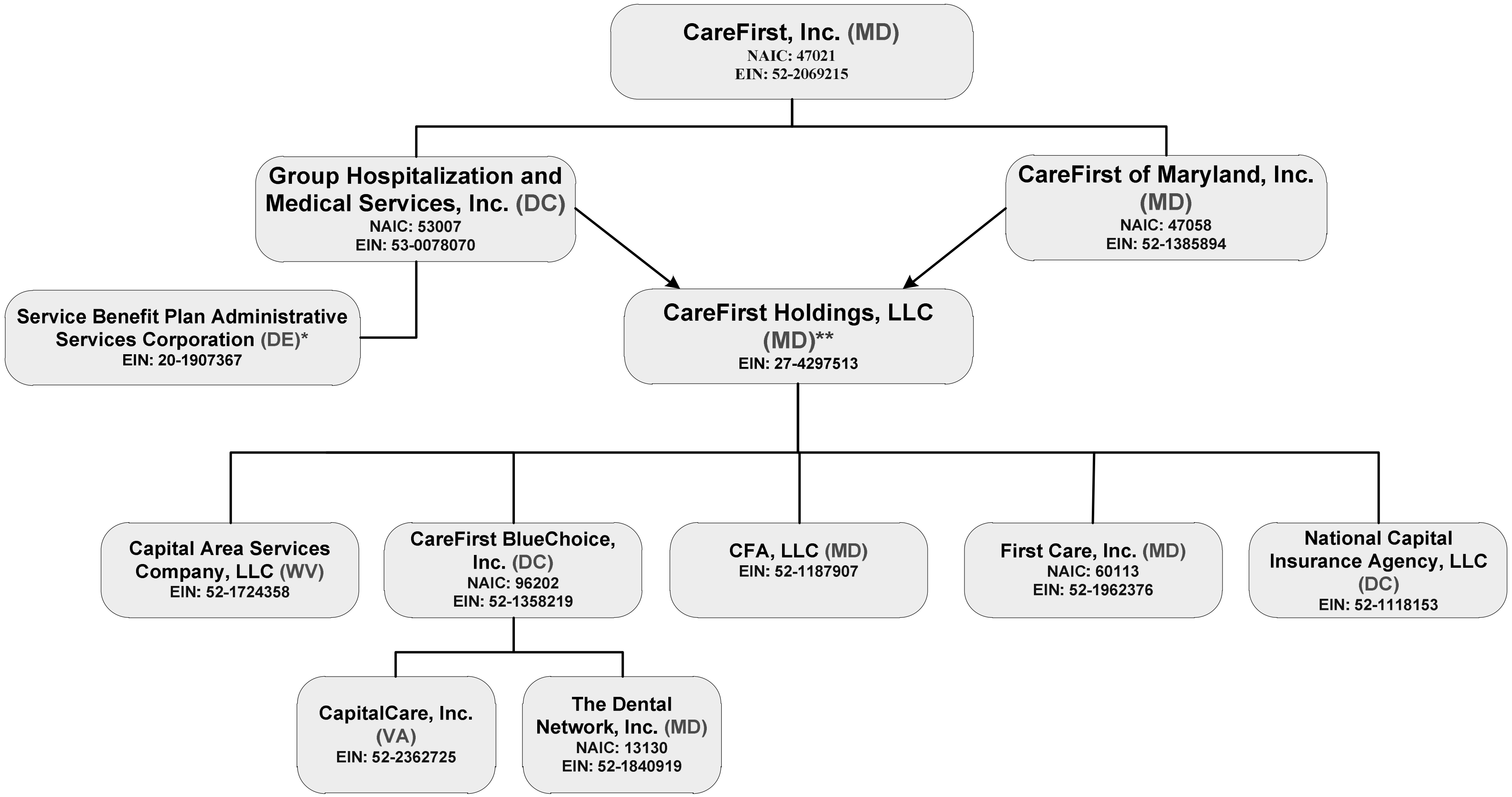
(L) Licensed or Chartered - Licensed Insurance Carrier or Domiciled RRG; (R) Registered - Non-domiciled RRGs; (Q) Qualified - Qualified or Accredited Reinsurer; (E) Eligible - Reporting Entities eligible or approved to write Surplus Lines in the state; (N) None of the above - Not allowed to write business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

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

Enrollment and billing systems capture and report premiums by group situs.

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

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



***Service Benefit Plan Administrative Services Corporation** is owned 90% by Group Hospitalization and Medical Services, Inc. and 10% by the Blue Cross and Blue Shield Association.
****CareFirst Holdings, LLC** is owned 50.001% by CareFirst of Maryland, Inc. and 49.999% by Group Hospitalization and Medical Services, Inc.

OVERFLOW PAGE FOR WRITE-INS

Additional Write-ins for Underwriting and Investment Exhibit Part 3 Line 25

	Claim Adjustment Expenses 1 Cost Containment Expenses	2 Other Claim Adjustment Expenses	3 General Administrative Expenses	4 Investment Expenses	5 Total
2504. Miscellaneous expenses reimbursement	(93,905)	(2,398,845)	0	0	(2,492,750)
2505. Interest claims expense	0	724,056	0	0	724,056
2506. Miscellaneous expense	(31,337)	(9,444)	277,703	0	236,922
2507. Credit Card Fees	0	0	455,681	0	455,681
2508. Management Transfer Pricing - CFMI	2,656,552	5,057,151	12,027,038	0	19,740,741
2509. Management Transfer Pricing- GHMSI	1,202,231	2,288,628	5,442,872	0	8,933,731
2510. Reinsurance Assumed from TDN	7,422	1,458,110	1,485,555	0	2,951,087
2597. Summary of remaining write-ins for Line 25 from overflow page	3,740,963	7,119,656	19,688,849	0	30,549,468

ALPHABETICAL INDEX

ANNUAL STATEMENT BLANK

ANNUAL STATEMENT BLANK (Continued)