

ANNUAL STATEMENT
OF THE
DC CHARTERED HEALTH PLAN, INC.

of
Washington
in the state of
District of Columbia

TO THE
Insurance Department
OF THE STATE OF
District of Columbia

For the Year Ending
DECEMBER 31, 2014

2014



ANNUAL STATEMENT

For the Year Ending DECEMBER 31, 2014

OF THE CONDITION AND AFFAIRS OF THE

DC CHARTERED HEALTH PLAN, INC.

NAIC Group Code	0000 <small>(Current Period)</small>	0000 <small>(Prior Period)</small>	NAIC Company Code	95748	Employer's ID Number	52-1492499
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:	Life, Accident & Health[] Dental Service Corporation[] Other[]	Property/Casualty[] Vision Service Corporation[] Is HMO Federally Qualified? Yes[] No[X] N/A[]	Hospital, Medical & Dental Service or Indemnity[] Health Maintenance Organization[X]			
Incorporated/Organized	09/12/1986		Commenced Business	09/12/1986		
Statutory Home Office	1120 Vermont Avenue NW <small>(Street and Number)</small>		Washington, DC, US 20005 <small>(City or Town, State, Country and Zip Code)</small>			
Main Administrative Office	1120 Vermont Avenue NW <small>(Street and Number)</small>		1120 Vermont Avenue NW <small>(Street and Number)</small>		Washington, DC, US 20005 <small>(City or Town, State, Country and Zip Code)</small>	
Mail Address	1120 Vermont Avenue NW <small>(Street and Number or P.O. Box)</small>		1120 Vermont Avenue NW <small>(Street and Number)</small>		Washington, DC, US 20005 <small>(City or Town, State, Country and Zip Code)</small>	
Primary Location of Books and Records	Washington, DC, US 20005 <small>(City or Town, State, Country and Zip Code)</small>		1120 Vermont Avenue NW <small>(Street and Number)</small>		Washington, DC, US 20005 <small>(City or Town, State, Country and Zip Code)</small>	
Internet Website Address	www.chartered-health.com		(202)326-8924 <small>(Area Code) (Telephone Number)</small>		(202)326-8924 <small>(Area Code) (Telephone Number)</small>	
Statutory Statement Contact	Edward Frederick Oswald <small>(Name)</small>		(202)326-8924 <small>(Area Code)(Telephone Number)(Extension)</small>		(202)326-8924 <small>(Area Code)(Telephone Number)(Extension)</small>	
	eoswald@chartered-health.com <small>(E-Mail Address)</small>		(202)326-8924 <small>(Area Code) (Telephone Number)</small>		(202)326-8924 <small>(Area Code) (Telephone Number)</small>	

OFFICERS

OTHERS

Daniel Lawrence Watkins, Special Deputy to the Rehabilitator for DC Charter

DIRECTORS OR TRUSTEES

State of District of Columbia
County of _____ ss

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

(Signature)
Daniel Lawrence Watkins
(Printed Name)
1.
Special Deputy Rehabilitator
(Title)

(Signature)
Edward Frederick Oswald
(Printed Name)
2.
Interim CFO
(Title)

(Signature)

(Printed Name)
3.

(Title)

Subscribed and sworn to before me this _____ day of _____, 2015

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

Yes[X] No[]

(Notary Public Signature)



SUPPLEMENTAL INVESTMENT RISKS INTERROGATORIES

For the year ended DECEMBER 31, 2014
(To Be Filed by April 1)

Of The DC CHARTERED HEALTH PLAN, INC.
 Address (City, State, Zip Code) Washington, DC, 20005
 NAIC Group Code 0000 NAIC Company Code 95748 Employer's ID Number 52-1492499

The Investment Risk Interrogatories are to be filed by April 1. They are also to be included with the Audited Statutory Financial Statements. Answer the following interrogatories by reporting the applicable U. S. dollar amounts and percentages of the reporting entity's total admitted assets held in that category of investments.

1. Reporting entity's total admitted assets as reported on Page 2 of this annual statement. \$ 7,856,377

1 Issuer	2 Description of Exposure	3 Amount	4 Percentage of Total Admitted Assets
2. Ten largest exposures to a single issuer/borrower/investment.			
2.01 Cardinal Bank	Cash and Cash Equivalents	7,856,377	100.000
2.02
2.03
2.04
2.05
2.06
2.07
2.08
2.09
2.10

NAIC Designation	1 Amount	2 Percent
3. Amounts and percentages of the reporting entity's total admitted assets held in bonds and preferred stocks by NAIC designation.		
Bonds		
3.01 NAIC 1
3.02 NAIC 2
3.03 NAIC 3
3.04 NAIC 4
3.05 NAIC 5
3.06 NAIC 6
Preferred Stocks		
3.07 P/RP-1
3.08 P/RP-2
3.09 P/RP-3
3.10 P/RP-4
3.11 P/RP-5
3.12 P/RP-6

4. Assets held in foreign investments:
 4.01 Are assets held in foreign investments less than 2.5% of the reporting entity's total admitted assets? Yes [] No[X]
 If response to 4.01 above is yes, responses are not required for interrogatories 5 - 10.

	1 Amount	2 Percent
4.02 TOTAL admitted assets held in foreign investments
4.03 Foreign-currency-denominated investments
4.04 Insurance liabilities denominated in that same foreign currency

SUPPLEMENTAL INVESTMENT RISKS INTERROGATORIES (Continued)

	1 Amount	2 Percent
NAIC Sovereign Designation		
5. Aggregate foreign investment exposure categorized by NAIC sovereign designation:		
5.01 Countries designated NAIC 1		
5.02 Countries designated NAIC 2		
5.03 Countries designated NAIC 3 or below		

	1 Amount	2 Percent
NAIC Sovereign Designation		
6. Largest foreign investment exposures by country, categorized by the country's NAIC sovereign designation:		
Countries designated NAIC 1:		
6.01		
6.02		
Countries designated NAIC 2:		
6.03		
6.04		
Countries designated NAIC 3 or below:		
6.05		
6.06		

	1 Amount	2 Percent
Description		
7. Aggregate unhedged foreign currency exposure		

	1 Amount	2 Percent
NAIC Sovereign Designation		
8. Aggregate unhedged foreign currency exposure categorized by NAIC sovereign designation:		
8.01 Countries designated NAIC 1		
8.02 Countries designated NAIC 2		
8.03 Countries designated NAIC 3 or below		

	1 Amount	2 Percent
NAIC Sovereign Designation		
9. Largest unhedged foreign currency exposures by country, categorized by the country's NAIC sovereign designation:		
Countries designated NAIC 1:		
9.01		
9.02		
Countries designated NAIC 2:		
9.03		
9.04		
Countries designated NAIC 3 or below:		
9.05		
9.06		

	2 NAIC Designation	3 Amount	4 Percent
1 Issuer			
10. Ten largest non-sovereign (i.e. non-governmental) foreign issues:			
10.01			
10.02			
10.03			
10.04			
10.05			
10.06			
10.07			
10.08			
10.09			
10.10			

SUPPLEMENTAL INVESTMENT RISKS INTERROGATORIES (Continued)

11. Amounts and percentages of the reporting entity's total admitted assets held in Canadian investments and unhedged Canadian currency exposure:

11.01 Are assets held in Canadian investments less than 2.5% of the reporting entity's total admitted assets?

Yes[X] No[]

If response to 11.01 is yes, detail is not required for the remainder of Interrogatory 11.

Description	1 Amount	2 Percent
11.02 TOTAL admitted assets held in Canadian Investments		
11.03 Canadian-currency-denominated investments		
11.04 Canadian-denominated insurance liabilities		
11.05 Unhedged Canadian currency exposure		

12. Report aggregate amounts and percentages of the reporting entity's total admitted assets held in investments with contractual sales restrictions.

12.01 Are assets held in investments with contractual sales restrictions less than 2.5% of the reporting entity's total admitted assets?

Yes[X] No[]

If response to 12.01 is yes, responses are not required for the remainder of Interrogatory 12.

Contractual Sales Restrictions	1 Amount	2 Percent
12.02 Aggregate statement value of investments with contractual sales restrictions		
Largest 3 investments with contractual sales restrictions:		
12.03		
12.04		
12.05		

13. Amounts and percentages of admitted assets held in the ten largest equity interests:

13.01 Are assets held in equity interest less than 2.5% of the reporting entity's total admitted assets?

Yes[X] No[]

If response to 13.01 above is yes, responses are not required for the remainder of Interrogatory 13.

Name of Issuer	1 Amount	2 Percent
Assets held in equity interests:		
13.02		
13.03		
13.04		
13.05		
13.06		
13.07		
13.08		
13.09		
13.10		
13.11		

SUPPLEMENTAL INVESTMENT RISKS INTERROGATORIES (Continued)

14. Amounts and percentages of the reporting entity's total admitted assets held in nonaffiliated, privately placed equities:

14.01 Are assets held in nonaffiliated, privately placed equities less than 2.5% of the reporting entity's total admitted assets?

Yes[X] No[]

If response to 14.01 above is yes, responses are not required for the remainder of Interrogatory 14.

1 Investment Category		2 Amount	3 Percent
14.02	Aggregate statement value of investments held in nonaffiliated, privately placed equities		
	Largest 3 investments held in nonaffiliated, privately placed equities:		
14.03		
14.04		
14.05		

15. Amounts and percentages of the reporting entity's total admitted assets held in general partnership interests:

15.01 Are assets held in general partnership interests less than 2.5% of the reporting entity's total admitted assets?

Yes[X] No[]

If response to 15.01 above is yes, responses are not required for the remainder of Interrogatory 15.

1 Investments in General Partnerships		2 Amount	3 Percent
15.02	Aggregate statement value of investments held in general partnership interests		
	Largest 3 investments in general partnership interests:		
15.03		
15.04		
15.05		

16. Amounts and percentages of the reporting entity's total admitted assets held in mortgage loans:

16.01 Are mortgage loans reported in Schedule B less than 2.5% of the reporting entity's total admitted assets?

Yes[X] No[]

If response to 16.01 above is yes, responses are not required for the remainder of Interrogatory 16 and Interrogatory 17.

1 Type (Residential, Commercial, Agricultural)		2 Amount	3 Percent
TOTAL admitted assets held in Mortgage Loans			
16.02		
16.03		
16.04		
16.05		
16.06		
16.07		
16.08		
16.09		
16.10		
16.11		

SUPPLEMENTAL INVESTMENT RISKS INTERROGATORIES (Continued)

Description	Loans	
	2 Amount	3 Percent
Amount and percentage of the reporting entity's total admitted assets held in the following categories of mortgage loans:		
16.12 Construction loans		
16.13 Mortgage loans over 90 days past due		
16.14 Mortgage loans in the process of foreclosure		
16.15 Mortgage loans foreclosed		
16.16 Restructured mortgage loans		

Loan-to-Value	Residential		Commercial		Agricultural	
	1 Amount	2 Percent	3 Amount	4 Percent	5 Amount	6 Percent
17. Aggregate mortgage loans having the following loan-to-value ratios as determined from the most current appraisal as of the annual statement date:						
17.01 Above 95%						
17.02 91% to 95%						
17.03 81% to 90%						
17.04 71% to 80%						
17.05 Below 70%						

18. Amounts and percentages of the reporting entity's total admitted assets held in each of the five largest investments in real estate:

18.01 Are assets held in real estate reported less than 2.5% of the reporting entity's total admitted assets?

Yes[X] No[]

If response to 18.01 above is yes, responses are not required for the remainder of Interrogatory 18.

1 Description	2 Amount	3 Percent
Largest 5 investments in any one parcel or group of contiguous parcels of real estate:		
18.02		
18.03		
18.04		
18.05		
18.06		

19. Report aggregate amounts and percentages of the reporting entity's total admitted assets held in investments held in mezzanine real estate loans:

19.01 Are assets held in investments held in mezzanine real estate loans less than 2.5% of the reporting entity's total admitted assets?

Yes[] No[X]

If response to 19.01 is yes, responses are not required for the remainder of Interrogatory 19.

1 Description	2 Amount	3 Percent
19.02 Aggregate statement value of investments held in mezzanine real estate loans		
Largest three investments held in mezzanine real estate loans:		
19.03		
19.04		
19.05		

SUPPLEMENTAL INVESTMENT RISKS INTERROGATORIES (Continued)

Description	At Year-End		Amount at End of Each Quarter		
	Amount 1	Percent 2	1st Qtr 3	2nd Qtr 4	3rd Qtr 5
20. Amounts and percentages of the reporting entity's total admitted assets subject to the following types of agreements:					
20.01 Securities lending agreements (do not include assets held as collateral for such transactions)					
20.02 Repurchase agreements					
20.03 Reverse repurchase agreements					
20.04 Dollar repurchase agreements					
20.05 Dollar reverse repurchase agreements					

Description	Owned		Written	
	1 Amount	2 Percent	3 Amount	4 Percent
21. Amounts and percentages of the reporting entity's total admitted assets for warrants not attached to other financial instruments, options, caps, and floors:				
21.01 Hedging				
21.02 Income generation				
21.03 Other				

Description	At Year-End		Amount at End of Each Quarter		
	Amount 1	Percent 2	1st Qtr 3	2nd Qtr 4	3rd Qtr 5
22. Amounts and percentages of the reporting entity's total admitted assets of potential exposure for collars, swaps, and forwards:					
22.01 Hedging					
22.02 Income generation					
22.03 Replications					
22.04 Other					

Description	At Year-End		Amount at End of Each Quarter		
	Amount 1	Percent 2	1st Qtr 3	2nd Qtr 4	3rd Qtr 5
23. Amounts and percentages of the reporting entity's total admitted assets of potential exposure for futures contracts:					
23.01 Hedging					
23.02 Income generation					
23.03 Replications					
23.04 Other					



ACCIDENT AND HEALTH POLICY EXPERIENCE EXHIBIT FOR YEAR

United States Policy Forms Direct Business Only

For The Year Ended DECEMBER 31, 2014

NAIC Group Code: 0000

(To Be Filed By April 1)

NAIC Company Code: 95748

Suppg

	1	2	3	4	5	6	7
	Premiums Earned	Incurred Claims Amount	Change in Contract Reserves	Loss Ratio (2 + 3) / 1	Number of Policies or Certificates as of Dec. 31	Number of Covered Lives as of Dec. 31	Member Months
A. INDIVIDUAL BUSINESS							
1. Comprehensive Major Medical							
1.1. With Contract Reserves							
1.2. Without Contract Reserves							
1.3. Subtotal							
2. Short-Term Medical							
2.1. With Contract Reserves							
2.2. Without Contract Reserves							
2.3. Subtotal							
3. Other Medical (Non-Comprehensive)							
3.1. With Contract Reserves							
3.2. Without Contract Reserves							
3.3. Subtotal							
4. Specified/Named Disease							
4.1. With Contract Reserves							
4.2. Without Contract Reserves							
4.3. Subtotal							
5. Limited Benefit							
5.1. With Contract Reserves							
5.2. Without Contract Reserves							
5.3. Subtotal							
6. Student							
6.1. With Contract Reserves							
6.2. Without Contract Reserves							
6.3. Subtotal							
7. Accident Only or AD&D							
7.1. With Contract Reserves							
7.2. Without Contract Reserves							
7.3. Subtotal							
8. Disability Income - Short-Term							
8.1. With Contract Reserves							
8.2. Without Contract Reserves							
8.3. Subtotal							

ACCIDENT AND HEALTH POLICY EXPERIENCE EXHIBIT FOR YEAR

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	1	2	3	4	5	6	7
	Premiums Earned	Incurred Claims Amount	Change in Contract Reserves	Loss Ratio (2 + 3) / 1	Number of Policies or Certificates as of Dec. 31	Number of Covered Lives as of Dec. 31	Member Months
A. INDIVIDUAL BUSINESS (Continued)							
9. Disability Income - Long-Term							
9.1. With Contract Reserves							
9.2. Without Contract Reserves							
9.3. Subtotal							
10. Long-Term Care							
10.1. With Contract Reserves							
10.2. Without Contract Reserves							
10.3. Subtotal							
11. Medicare Supplement (Medigap)							
11.1. With Contract Reserves							
11.2. Without Contract Reserves							
11.3. Subtotal							
12. Dental							
12.1. With Contract Reserves							
12.2. Without Contract Reserves							
12.3. Subtotal							
13. State Children's Health Insurance Program							
13.1. With Contract Reserves							
13.2. Without Contract Reserves							
13.3. Subtotal							
14. Medicare							
14.1. With Contract Reserves							
14.2. Without Contract Reserves							
14.3. Subtotal							
15. Medicaid							
15.1. With Contract Reserves							
15.2. Without Contract Reserves		(555,283)					
15.3. Subtotal		(555,283)					
16. Medicare Part D - Stand-Alone							
16.1. With Contract Reserves							
16.2. Without Contract Reserves							
16.3. Subtotal							
17. Other Individual Business							
17.1. With Contract Reserves							
17.2. Without Contract Reserves							
17.3. Subtotal							
18. Total Individual Business							
18.1. With Contract Reserves							
18.2. Without Contract Reserves		(555,283)					
19. Grand Total Individual		(555,283)					

ACCIDENT AND HEALTH POLICY EXPERIENCE EXHIBIT FOR YEAR

Supp10

	1	2	3	4	5	6	7
	Premiums Earned	Incurred Claims Amount	Change in Contract Reserves	Loss Ratio (2 + 3) / 1	Number of Policies or Certificates as of Dec. 31	Number of Covered Lives as of Dec. 31	Member Months
B. GROUP BUSINESS							
Comprehensive Major Medical							
1. Single Employer							
1.1. Small Employer							
1.2. Other Employer							
1.3. Single Employer Subtotal							
2. Multiple Employer Assns and Trusts							
3. Other Associations and Discretionary Trusts							
4. Other Comprehensive Major Medical							
5. Comprehensive/Major Medical Subtotal							
Other Medical (Non-Comprehensive)							
6. Specified/Named Disease							
7. Limited Benefit							
8. Student							
9. Accident Only or AD&D							
10. Disability Income - Short-Term							
11. Disability Income - Long-Term							
12. Long-Term Care							
13. Medicare Supplement (Medigap)							
14. Federal Employees Health Benefits Plans							
15. Tricare							
16. Dental							
17. Medicare							
18. Medicare Part D - Stand-Alone							
19. Other Group Care							
20. GRAND TOTAL Group Business							
C. OTHER BUSINESS							
1. Credit (Individual and Group)							
2. Stop Loss/Excess Loss							
3. Administrative Services Only	X X X	X X X	X X X	X X X			
4. Administrative Services Contracts	X X X	X X X	X X X	X X X			
5. GRAND TOTAL Other Business							
D. TOTAL BUSINESS							
1. TOTAL Non U.S. Policy Forms							
2. GRAND TOTAL Individual, Group and Other Business		(555,283)					

ACCIDENT AND HEALTH POLICY EXPERIENCE EXHIBIT FOR YEAR

PART 1 - INDIVIDUAL POLICIES SUMMARY

Description	1 Premiums Earned	2 Incurred Claims Amount	3 Change in Contract Reserves	4 Loss Ratio (2 + 3) / 1
1. U.S. Forms Direct Business		(555,283)		
2. Other Forms Direct Business				
3. TOTAL Direct Business		(555,283)		
4. Reinsurance Assumed				
5. Less Reinsurance Ceded	(36,771)			
6. TOTAL	36,771	(555,283)		(1,510.112)

PART 2 - GROUP POLICIES SUMMARY

Description	1 Premiums Earned	2 Incurred Claims Amount	3 Change in Contract Reserves	4 Loss Ratio (2 + 3) / 1
1. U.S. Forms Direct Business				
2. Other Forms Direct Business				
3. TOTAL Direct Business				
4. Reinsurance Assumed				
5. Less Reinsurance Ceded				
6. TOTAL				

NONE

PART 3 - CREDIT POLICIES (Individual and Group) SUMMARY

Description	1 Premiums Earned	2 Incurred Claims Amount	3 Change in Contract Reserves	4 Loss Ratio (2 + 3) / 1
1. U.S. Forms Direct Business				
2. Other Forms Direct Business				
3. TOTAL Direct Business				
4. Reinsurance Assumed				
5. Less Reinsurance Ceded				
6. TOTAL				

NONE

PART 4 - ALL INDIVIDUAL, GROUP AND CREDIT POLICIES SUMMARY

Description	1 Premiums Earned	2 Incurred Claims Amount	3 Change in Contract Reserves	4 Loss Ratio (2 + 3) / 1
1. U.S. Forms Direct Business		(555,283)		
2. Other Forms Direct Business				
3. TOTAL Direct Business		(555,283)		
4. Reinsurance Assumed				
5. Less Reinsurance Ceded	(36,771)			
6. TOTAL	36,771	(555,283)		(1,510.112)



Management's Discussion and Analysis

Management Discussion & Analysis

Overview:

DC Chartered Health Plan, Inc. was established on December 1, 1986, under the laws of the District of Columbia, to provide quality health care within a managed care framework for Medicaid recipients in the District of Columbia. This has been accomplished primarily through contracts with the District of Columbia's Department of Health Care Finance (DHCF). The contracts required Chartered to provide health care services to Medicaid recipients and certain uninsured residents in the District's Alliance program through a Health Maintenance Organization (HMO). In accordance with the HMO ACT passed in December 1996 by the District of Columbia, Chartered obtained its HMO license on January 9, 1998.

On August 31, 1993, Chartered became a wholly owned subsidiary of PHP Healthcare Corporation (PHP). On November 19, 1998, PHP filed with the United States Bankruptcy Court, a voluntary petition for relief under Chapter 11 of the United States Bankruptcy Code. In October 1999, the United States Bankruptcy Court confirmed a Joint Plan of Liquidation for PHP Healthcare Corporation, whereby PHP's ownership interest in Chartered and certain other assets were transferred to a Collateral Trust awaiting their sale and/or liquidation. On March 29, 2000, the Collateral Trust entered into a Stock Sale and Transfer Agreement pursuant to which the stock of Chartered was sold to DC Healthcare Systems, Inc. (DCHSI).

Chartered subsequently entered into various contracts with DHCF under which Chartered provided health care services to District residents. On May 1, 2008, Chartered was awarded a five-year contract by DHCF to continue coverage to District Medicaid and Alliance members. This contract turned out to be the final such contract between Chartered and DHCF. The contract expired April 30, 2013.

On October 19, 2012 the Superior Court of the District of Columbia ("the Court"), at the request of the Department of Insurance, Securities and Banking (DISB), placed Chartered into court-supervised rehabilitation with the consent of Chartered's Board of Directors and its owner. The Commissioner of DISB was appointed Rehabilitator by the Court. Chartered subsequently entered into an Asset Purchase Agreement on February 8, 2013, with AmeriHealth District of Columbia, Inc. (AHDC) for the sale of substantially all of Chartered's operating assets and transfer of various contractual agreements. The sale closed on April 30, 2013, and at that time, all of Chartered's Medicaid and Alliance enrollees were transferred to AHDC.

Additionally, Chartered did not submit a response by the December 3, 2012 deadline set by DHCF for responses to its request for proposals for a new 5-year contract with DHCF. As a consequence, Chartered ceased participation in the District's Medicaid and Alliance programs on April 30, 2013, effectively ending Chartered's revenue-producing operations. For the remainder of 2013 and throughout 2014, Chartered was engaged in the process of settling outstanding health care claims, transitioning its operations to AmeriHealth District of Columbia, Inc., and resolving outstanding legal and tax issues.

Results of Operations:

Chartered experienced an underwriting loss of \$1.5 million in 2014 and a net loss of \$1.7 million. Health care claim transactions had a net positive impact of approximately \$.5 million on the Company's financial results. However, general administrative expenses of \$2.1 million more than offset the claims activity, and resulted in a net loss for 2014.

Management's Discussion and Analysis

As described above, Chartered ceased its primary revenue-generating operations on April 30, 2013. At that time, Chartered's contract with DHCF, its contracts with various health care providers, its enrolled membership in the District's Medicaid and Alliance programs, and its employees were transferred to AHDC. Under the terms of the Asset Purchase Agreement between Chartered and AHDC, AHDC is required to provide assistance to Chartered in the conduct of Chartered's run-out activities. This assistance includes the provision of office space within AHDC's District offices. As a result, run-out operations have been primarily conducted on the premises of AHDC by AHDC employees who were formerly employed by Chartered, as well as by consultants retained by Chartered and the Special Deputy to the Rehabilitator.

2014 Revenue Results:

Chartered received no premium revenue in 2014 due to the termination of Chartered's Medicaid and Alliance contracts with the District on April 30, 2013. However, the Company's Annual Statement shows \$36,771 of "net premium income" for 2014. The \$36,771 represents a return of premium from the Company's reinsurance carrier due to a favorable loss experience for the reinsurance contract period which ended September 30, 2012.

2014 Medical Underwriting Results:

Medical service costs are comprised primarily of payments to physicians, hospitals, pharmacies and other health care providers. Medical service costs also normally include an estimated amount for incurred but not reported claims (IBNR) and received but unprocessed claims. These amounts are determined using various actuarial techniques, most of which utilize industry and company-specific historical data and trends. At year-end 2013, Chartered elected to accrue no additional expense for IBNR or received but unprocessed claims. This was because the Special Deputy to the Rehabilitator issued a court-approved claims filing deadline of August 31, 2013. The Company, therefore, anticipated that, with few exceptions, all outstanding, valid health care provider claims had been received, adjudicated, and accrued at December 31, 2013 and incorporated into Chartered's 2013 financial statements.

During 2014 Chartered processed and approved appeals made by health care providers in the amount of \$216,173. These successful appeals were for claims originally submitted to Chartered by the August 31, 2013 filing deadline and then denied as part of the Company's normal claim adjudication process. These claims were recorded in 2014 as additional medical expense in the Statement of Revenue and Expenses, thereby increasing the unpaid claims liability by the same amount.

Chartered also received credits and cash payments totaling \$414,710 during 2014 from Caremark, Inc., the Company's previous pharmacy benefits manager. These amounts represent pharmaceutical rebates due Chartered for certain pharmacy products dispensed to Chartered's former insured members. These credits and cash payments were recorded in 2014 as a reduction in the Company's prescription drug expense.

Additionally, Chartered continued to receive refunds in 2014 from health care providers for claims previously paid by Chartered and deemed overpayments the provider. The Company also received funds from its subrogation subcontractors for previously paid claims subject to third-party liability and subrogation rights for the Company. Provider refunds totaled \$55,890 and subrogation recoveries totaled \$300,856 in 2014. These amounts were recorded as a reduction in medical expense on the Statement of Revenue and Expenses.

Claim Adjustment & Administrative Expenses:

The Company recorded no claim adjustment expense during 2014. It also had no recorded liability for unpaid claim adjustment expense at the end of 2014 and the end of 2013. Under the terms of Chartered's asset sale agreement with AHDC, AHDC agreed to assist Chartered in the run-out of unpaid claims, including the provision of personnel, equipment, and facilities. As a consequence,

Management's Discussion and Analysis

Chartered has incurred only nominal claims adjustment expense subsequent to the April 30, 2013 asset sale to AHDC.

General administrative expenses generally include those costs related to employees, office space, advertising, insurance, equipment, consultants, attorneys, certain taxes, and other miscellaneous expenses not directly associated with the cost of providing health care to insured members. The Company's administrative expenses were \$17.7 million in 2013, but declined to \$2.1 million in 2014. This decline is associated with the aforementioned asset sale to AHDC in 2013. Most of the \$2.1 million of administrative expense went toward attorneys, consultants, and technical service providers associated with the process of settling outstanding health care claims, maintaining and safeguarding Chartered's historic data and systems, and resolving outstanding legal and tax issues.

Investment Income:

Chartered's investment income declined from \$94 thousand in 2013 to \$12 thousand in 2014. The decline is associated with a reduction in investable cash balances and the continuation of historically low market interest rates. This reduction in investable cash balances is correlated with the Company's cessation of insurance underwriting activities on April 30, 2013 and the seizure of approximately \$12 million of liquid assets by the Company's primary bank on May 17, 2013. This seizure is more fully described in the "Material Changes" section of this report.

Net Income (Loss) for 2014:

The Company reported a net loss for 2014 in the amount of \$1.7 million compared to a net loss in the amount of \$2.9 million for 2013. The net loss contributed to a continued erosion in the Company's Capital and Surplus from \$(11.1) million at year-end 2013 to \$(12.8) million at year-end 2014.

Material Changes:

As noted above, Chartered entered into an Asset Purchase Agreement on February 8, 2013, with AHDC for the sale of substantially all of Chartered's operating assets and transfer of various contractual agreements. The sale closed on April 30, 2013, and at that time, all of Chartered's Medicaid and Alliance enrollees were transferred to AHDC, along with all of Chartered's fixed assets with approximately \$.6 million of net book value. Chartered received \$5 million in cash and assistance from AHDC in conducting Chartered's claims run-out. The assistance has been valued by both parties at approximately \$1.5 million.

Because Chartered did not submit a response by the December 3, 2012 deadline set by DHCF for responses to its request for proposals for a new 5-year contract with DHCF, Chartered ceased revenue-producing operations on April 30, 2013. Since that date, Chartered has been engaged primarily in performing an orderly run-out of its approximately \$67 million of unpaid provider claims that existed on April 30, 2013.

On May 17, 2013, Cardinal Bank declared a loan to the owner of DCHSI and collateralized by certain investment assets owned by Chartered, to be in default. The bank liquidated the pledged collateral valued at \$14,007,294 and retained \$12,200,294 for outstanding principal, interest and fees on the loan. Cardinal Bank then remitted the remaining balance to Chartered, after deducting \$150,000 for "anticipated legal fees." The remittance to Chartered was \$1,657,000. Cardinal Bank and Chartered subsequently entered into a Release Agreement approved by the Rehabilitation Court under which Cardinal Bank remitted the withheld \$150,000 and interest thereon. Chartered expensed the full \$12,200,294 in its 2013 Statement of Revenue and Expenses.

On July 22, 2013 Chartered and DHCF entered into a settlement agreement regarding claims for retrospective premiums and actuarially unsound rates. The settlement, valued at \$48 million, resolved all pending claims between Chartered and DHCF and any other claims which Chartered

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may have asserted against DHCF and provided that DHCF pay Chartered \$18 million (Part I) through a Technical Adjustment requiring approval of the Centers for Medicare and Medicaid Services (CMS), and for DHCF to pay Chartered's providers \$30 million (Part II) on claims owed the providers by Chartered through a grant program. The settlement was subsequently approved by the Court and CMS.

Chartered distributed all \$18 million in Part I payments to providers on a pro rata basis during 2013. DHCF distributed approximately \$28 million in Part II payments directly to Chartered's providers through the grant program on a pro rata basis in the period from the last quarter of 2013 through the second quarter of 2014. The remaining \$2 million in the grant program was distributed to providers in the third quarter of 2014 through a coordinated effort of DHCF, Chartered, and the Rehabilitation Court. Through the end of 2014, all payments under Parts I and II of the settlement agreement with DHCF constituted approximately 83.88% of unpaid claim obligations of Chartered as of the claim submittal deadline of August 31, 2013.

Assets:

Total admitted assets are \$7.9 million at December 31, 2014. All of these assets are cash or cash equivalents.

Liabilities:

Chartered has total liabilities at December 31, 2014 of \$20.7 million. Of this, \$10.5 million are for health care provider claims. This represents the residual, unpaid amounts due providers after approximately 83.88% of claims outstanding at April 30, 2013 have already been paid as a consequence of the settlement between Chartered and DHCF.

The remaining \$10.2 million of liabilities are general liabilities of Chartered. Approximately 80% of this amount is owed to DISB for unpaid premium taxes.

In accordance with its tax allocation agreement with its parent, DCHSI, Chartered is to be included in consolidated federal and state income tax returns with DCHSI, using an April 30 fiscal year-end. In addition, Chartered historically determines its income tax obligations on a separate company basis and remits its estimated tax payment to DCHSI. DCHSI, including Chartered, is believed by management to have filed federal income tax returns through April 30, 2010. It is management's understanding that consolidated tax returns for fiscal years ended April 30, 2011, 2012, 2013 and 2014 have not been filed with the Internal Revenue Service, as of the date of this report. As a consequence, management elected to have tax returns prepared and filed on a stand-alone basis for Chartered for the four tax years in question. The returns indicated a tax liability for Chartered for alternative minimum taxes in the amounts of \$63,315 for the tax year ended April 30, 2011 and \$118,778 for the tax year ended April 30, 2012. The returns were filed with the Internal Revenue Service in December 2014. This liability is recorded on the Company's balance sheet at December 31, 2014 as a current federal income tax payable in the amount of \$182,093.

Capital and Surplus:

Chartered's capital and surplus at year-end 2014 was negative \$12.8 million. In its Risk Based Capital Statement filed with its 2014 Annual Statement, Chartered calculated its "Company Action Level" of capital to be \$1.5 million. This indicates that the Company was approximately \$14 million deficient in reaching a capital level which would be viewed by industry standards as the minimum level of acceptable capital for a regulated insurance entity operating with the risk parameters associated with those of Chartered.

Prospective Information:

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On May 30, 2013, Chartered filed a civil action in the Court against DCHSI and its sole shareholder, Jeffrey Thompson, seeking over \$16 million in amounts owed Chartered by DCHSI and/or Thompson (the "*Thompson Action*"). The claims relate to approximately \$4 million in federal income tax receivables under the tax allocation agreement between DCHSI and Chartered, related-party transactions totaling approximately \$1 million for which documentation is lacking, and for \$12 million in collateral which secured a loan to DCHSI (seized by Cardinal Bank in May, 2013 and described above under **Material Changes**). Chartered filed a motion for partial summary judgment seeking \$12 million from Thompson under his agreement to indemnify Chartered against any loss due to seizure of the collateral securing the loan. DCHSI and Thompson filed a motion to dismiss the counts in the suit regarding the related-party transactions.

Separately, DCHSI filed appeals in the D.C. Court of Appeals from orders of the Court in the Rehabilitation proceedings that had (i) approved a plan of reorganization for Chartered and the Asset Purchase Agreement with AmeriHealth District of Columbia, Inc., (ii) denied a stay of the order approving the plan of reorganization and Asset Purchase Agreement, and (iii) approved the DHCF settlement. Shortly before the scheduled oral argument date, DCHSI filed a stipulation of voluntary dismissal, to which Chartered consented, and on October 14, 2014, the Court of Appeals dismissed the DCHSI appeals.

On December 16, 2014, the Court, in the *Thompson Action*, granted in part and denied in part defendants' motion to dismiss certain counts of plaintiff's complaint without prejudice, and granted Chartered leave to amend the dismissed counts. In the same order, the Court denied Chartered's Motion for Partial Summary Judgment, holding that there were disputed issues of material fact that precluded summary judgment on Chartered's claim for indemnification under the Indemnification Agreement associated with the loan described above. Chartered filed an Amended Complaint on January 13, 2015. On January 16, 2015, the Court held a status hearing, requesting that the parties meet and confer regarding a pretrial scheduling order, among other things.

Chartered has tendered the approximately \$1 million in related-party transactions which lack documentation to its insurer as a claim under its Health Care Portfolio insurance policy for the period from March 13, 2012 through March 15, 2013.

On December 30, 2014, DCHSI and Jeffrey Thompson filed a complaint in the Court against the District of Columbia, DHCF's Director, DISB's current and former commissioners, the Special Deputy, and Mercer LLC (a DHCF consultant) (the "*DCHSI Action*"), asserting Constitutional claims as well as claims for breach of contract, restraint of trade, and fraud, and seeking over \$80 million in damages. On December 31, 2014, plaintiffs in the *DCHSI Action* filed a motion to consolidate it with the *Thompson Action*. On January 13, 2015, the *DCHSI Action* was removed to federal court at the request of the defendants and docketed as *DC Healthcare Systems, Inc. v. District of Columbia*. The case was subsequently dismissed at the request of the plaintiffs. While the Company was not a party to the *DCHSI Action*, there were many references throughout the plaintiffs' Complaint to Chartered and to the Rehabilitation proceedings.

On March 3, 2015 DCHSI and Thompson answered Chartered's amended complaint in the *Thompson Action* and made counterclaims against the plaintiff and additional counterclaim defendants (the same defendants named in the *DCHSI Action*). The counterclaims generally mirror the allegations made in the *DCHSI Action*.

The Special Deputy to the Rehabilitator has indicated in various court filings that no further payments on outstanding health care provider claims are planned until satisfactory evidence is received to affirm that Chartered has resolved its obligations to pay federal income taxes. As indicated above under **Liabilities**, Chartered filed stand-alone federal income tax returns in December, 2014 for the tax years ended April 30, 2011, 2012, 2013, and 2014. The only response received by Chartered from the IRS as of the date of this report is a demand notice for approximately \$1.8 million of taxes, plus \$.9 million of penalties and interest, for the tax period ending April 30, 2012.

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