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HEALTH ANNUAL STATEMENT

FOR THE YEAR ENDED DECEMBER 31, 2015
OF THE CONDITION AND AFFAIRS OF THE

Group Hospitalization and Medical Services, Inc.

NAIC Group Code 0380 (Current) 0380 (Prior) NAIC Company Code 53007 Employer's ID Number 53-0078070

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

Country of Domicile United States of America

Licensed as business type: HMDI

Is HMO Federally Qualified? Yes [ ] No [ ]

Incorporated/Organized 08/11/1939 Commenced Business 03/15/1934

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	Corp. Treasurer & VP	Jeanne Ann Kennedy
Corp. Secretary, Exec.VP & Gen. Counsel	Meryl Davis Burgin		

OTHER

Gregory Mark Chaney, EVP, CFO	Jonathan David Blum, EVP, Medical Affairs	Harry Dietz Fox, EVP, Technical & Ops Support
Steven Jon Margolis, EVP, Small & Medium Group SBU	Wanda Kay Oneferu-Bey, EVP, Consumer Direct SBU	Brian David Pieninck #, EVP, Large Group SBU
Fred Adrian Walton Plumb, EVP, SBU-FEHBP	Jennifer Ann Cryor Baldwin, SVP, Patient Centered Medical Home (PCMH)	Rita Ann Costello, SVP, Strategic Marketing
Michael Bruce Edwards, SVP, Networks Mgmt	Usha Nakhasi, SVP, Gen Mgr SBPASC/FEPOC	Jon Paul Shematek, SVP, Chief Medical Officer
Gwendolyn Denise Skillern, SVP, General Auditor	Maria Harris Tildon, SVP, Public Policy	Michelle Judith Wright, SVP, Human Resources

DIRECTORS OR TRUSTEES

Shirley Marcus Allen	Clifford Edward Barnes	Faye Ford Fields
Artis Gail Hampshire-Cowan	Polly Povejsil Heath	Wendell Lee Johns
Robert Carl Kovarik Jr.	Jack Allan Meyer	Shirley Rollins Patterson
Elena Victoria Rios	Patricia Amelia Rodriguez	Robert Lee Sloan

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	Meryl Davis Burgin	Jeanne Ann Kennedy
President and Chief Executive Officer	Corp. Secretary, Exec. VP & Gen. Counsel	Corp. Treasurer & VP

Subscribed and sworn to before me this
22nd day of February 2016
Kathleen M. Rumbley

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

KATHLEEN M. RUMBLEY NOTARY PUBLIC BALTIMORE COUNTY, MD Exp. 03/06/2016

ASSETS

		Current Year			Prior Year
		1 Assets	2 Nonadmitted Assets	3 Net Admitted Assets (Cols. 1 - 2)	4 Net Admitted Assets
1.	Bonds (Schedule D)	431,962,892	0	431,962,892	399,649,160
2.	Stocks (Schedule D):				
	2.1 Preferred stocks	0	0	0	0
	2.2 Common stocks	108,580,414	0	108,580,414	137,344,599
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 ($ (1,522,736) , Schedule E - Part 1), cash equivalents ($ 0 , Schedule E - Part 2) and short-term investments ($ 75,822,130 , Schedule DA)	74,299,394	0	74,299,394	54,543,710
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)	458,316,784	166,667	458,150,117	459,481,042
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)	1,073,159,484	166,667	1,072,992,817	1,051,018,511
13.	Title plants less $ 0 charged off (for Title insurers only)	0	0	0	0
14.	Investment income due and accrued	3,181,698	0	3,181,698	3,340,835
15.	Premiums and considerations:				
	15.1 Uncollected premiums and agents' balances in the course of collection	226,208,777	3,988,710	222,220,067	221,683,669
	15.2 Deferred premiums and 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 ($ 18,069) and contracts subject to redetermination ($ 55,396,999)	55,415,068	0	55,415,068	0
16.	Reinsurance:				
	16.1 Amounts recoverable from reinsurers	29,751,851	0	29,751,851	16,702,194
	16.2 Funds held by or deposited with reinsured companies	0	0	0	0
	16.3 Other amounts receivable under reinsurance contracts	0	0	0	884,467
17.	Amounts receivable relating to uninsured plans	45,100,799	6,264,979	38,835,820	54,212,048
18.1	Current federal and foreign income tax recoverable and interest thereon	2,066,072	0	2,066,072	2,047,958
18.2	Net deferred tax asset	21,932,123	21,932,123	0	0
19.	Guaranty funds receivable or on deposit	0	0	0	0
20.	Electronic data processing equipment and software	163,521,883	140,513,669	23,008,214	23,582,889
21.	Furniture and equipment, including health care delivery assets ($ 0)	7,925,581	7,925,581	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	37,053,381	0	37,053,381	32,397,125
24.	Health care ($ 155,443,447) and other amounts receivable	817,614,965	10,807,150	806,807,815	776,143,363
25.	Aggregate write-ins for other than invested assets	58,932,356	57,519,928	1,412,428	27,612,428
26.	Total assets excluding Separate Accounts, Segregated Accounts and Protected Cell Accounts (Lines 12 to 25)	2,541,864,038	249,118,807	2,292,745,231	2,209,625,487
27.	From Separate Accounts, Segregated Accounts and Protected Cell Accounts	0	0	0	0
28.	Total (Lines 26 and 27)	2,541,864,038	249,118,807	2,292,745,231	2,209,625,487
	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.	ACA Risk Adjustment Receivable	0	0	0	26,200,000
2502.	Prepaid Expenses	57,519,928	57,519,928	0	0
2503.	Other Assets	1,412,428	0	1,412,428	1,412,428
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)	58,932,356	57,519,928	1,412,428	27,612,428

LIABILITIES, CAPITAL AND SURPLUS

		Current Year 1 Covered	Current Year 2 Uncovered	Current Year 3 Total	Prior Year 4 Total
1.	Claims unpaid (less $ 9,406,726 reinsurance ceded)	267,641,674	10,892,240	278,533,914	281,180,279
2.	Accrued medical incentive pool and bonus amounts	0	0	0	0
3.	Unpaid claims adjustment expenses	10,299,869	419,175	10,719,044	10,826,454
4.	Aggregate health policy reserves, including the liability of $ 0 for medical loss ratio rebate per the Public Health Service Act	643,871,871	0	643,871,871	644,674,682
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	47,514,913	0	47,514,913	43,294,106
9.	General expenses due or accrued	101,256,566	0	101,256,566	103,296,494
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	6,800,970	0	6,800,970	16,804,424
11.	Ceded reinsurance premiums payable	210,722	0	210,722	19,854,487
12.	Amounts withheld or retained for the account of others	81,817,582	0	81,817,582	35,431,134
13.	Remittances and items not allocated	7,474,513	0	7,474,513	11,359,973
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	86,468,796	0	86,468,796	42,737,396
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	15,844,150	0	15,844,150	17,108,686
23.	Aggregate write-ins for other liabilities (including $ 6,407,869 current)	52,017,667	0	52,017,667	48,648,738
24.	Total liabilities (Lines 1 to 23)	1,321,219,293	11,311,415	1,332,530,708	1,275,216,853
25.	Aggregate write-ins for special surplus funds	XXX	XXX	70,000,000	70,000,000
26.	Common capital stock	XXX	XXX	0	0
27.	Preferred capital stock	XXX	XXX	0	0
28.	Gross paid in and contributed surplus	XXX	XXX	0	0
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	890,214,523	864,408,634
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	960,214,523	934,408,634
34.	Total liabilities, capital and surplus (Lines 24 and 33)	XXX	XXX	2,292,745,231	2,209,625,487
	DETAILS OF WRITE-INS				
2301.	Amounts Withheld for Escheatment	9,816,372	0	9,816,372	10,976,134
2302.	Reinsurance Payable	3,135,745	0	3,135,745	618,441
2303.	Other Liabilities	39,065,550	0	39,065,550	37,054,163
2398.	Summary of remaining write-ins for Line 23 from overflow page	0	0	0	0
2399.	Totals (Lines 2301 thru 2303 plus 2398)(Line 23 above)	52,017,667	0	52,017,667	48,648,738
2501.	Special Surplus - 2015 Health Insurer fee	XXX	XXX	0	70,000,000
2502.	Special Surplus - 2016 Health Insurer fee	XXX	XXX	70,000,000	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	70,000,000	70,000,000
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		Prior Year
		1 Uncovered	2 Total	3 Total
1.	Member Months	XXX	9,557,746	9,361,552
2.	Net premium income (including $ 0 non-health premium income)	XXX	3,441,658,334	3,283,652,020
3.	Change in unearned premium reserves and reserve for rate credits	XXX	(291,898)	36,526,572
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	18,753,426	22,058,130
7.	Aggregate write-ins for other non-health revenues	XXX	5,193,405	5,073,235
8.	Total revenues (Lines 2 to 7)	XXX	3,465,313,267	3,347,309,957
	Hospital and Medical:			
9.	Hospital/medical benefits	62,254,983	1,924,577,152	1,906,925,903
10.	Other professional services	0	214,599,895	201,355,910
11.	Outside referrals	54,929,320	54,929,320	51,137,307
12.	Emergency room and out-of-area	1,456,558	69,983,167	76,542,609
13.	Prescription drugs	0	769,767,800	752,570,908
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)	118,640,861	3,033,857,334	2,988,532,637
	Less:			
17.	Net reinsurance recoveries	0	91,534,188	105,316,901
18.	Total hospital and medical (Lines 16 minus 17)	118,640,861	2,942,323,146	2,883,215,736
19.	Non-health claims (net)	0	0	0
20.	Claims adjustment expenses, including $ 60,356,447 cost containment expenses	0	143,539,637	142,620,582
21.	General administrative expenses	0	345,378,766	364,052,646
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)	118,640,861	3,431,241,549	3,389,888,964
24.	Net underwriting gain or (loss) (Lines 8 minus 23)	XXX	34,071,718	(42,579,007)
25.	Net investment income earned (Exhibit of Net Investment Income, Line 17)	0	15,707,922	17,783,804
26.	Net realized capital gains (losses) less capital gains tax of $ 1,848,027	0	7,392,109	7,291,478
27.	Net investment gains (losses) (Lines 25 plus 26)	0	23,100,031	25,075,282
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	905,669	1,189,797
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	58,077,418	(16,313,928)
31.	Federal and foreign income taxes incurred	XXX	23,102,333	(647,477)
32.	Net income (loss) (Lines 30 minus 31)	XXX	34,975,085	(15,666,451)
	DETAILS OF WRITE-INS			
0601.	FEP Performance Incentive	XXX	18,753,426	21,936,485
0602.	Trigon network fee - Med D	XXX	0	108,433
0603	Med D admin Reimbursement	XXX	0	13,212
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	18,753,426	22,058,130
0701.	FEP Bridge	XXX	5,193,405	5,073,235
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	5,193,405	5,073,235
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	0	966,198	1,158,346
2902.	Regulatory fines and fees	0	(60,529)	31,451
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	905,669	1,189,797

STATEMENT OF REVENUE AND EXPENSES (Continued)

		1 Current Year	2 Prior Year
	CAPITAL AND SURPLUS ACCOUNT		
33.	Capital and surplus prior reporting year	934,408,634	934,751,475
34.	Net income or (loss) from Line 32	34,975,085	(15,666,451)
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 $ (4,027,026)	(8,809,687)	24,670,344
37.	Change in net unrealized foreign exchange capital gain or (loss)	0	0
38.	Change in net deferred income tax	3,352,600	30,484,797
39.	Change in nonadmitted assets	(1,965,033)	5,841,271
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	0
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	(1,747,076)	(45,672,802)
48.	Net change in capital and surplus (Lines 34 to 47)	25,805,889	(342,841)
49.	Capital and surplus end of reporting period (Line 33 plus 48)	960,214,523	934,408,634
	DETAILS OF WRITE-INS		
4701.	Change in pension prepaid asset/liability	(1,747,076)	(45,672,802)
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)	(1,747,076)	(45,672,802)

CASH FLOW

		1 Current Year	2 Prior Year
	Cash from Operations		
1.	Premiums collected net of reinsurance	3,401,491,080	3,295,939,776
2.	Net investment income	18,601,379	22,186,859
3.	Miscellaneous income	23,946,831	27,131,365
4.	Total (Lines 1 through 3)	3,444,039,290	3,345,258,000
5.	Benefit and loss related payments	2,984,438,427	2,887,410,255
6.	Net transfers to Separate Accounts, Segregated Accounts and Protected Cell Accounts	0	0
7.	Commissions, expenses paid and aggregate write-ins for deductions	430,194,218	418,804,890
8.	Dividends paid to policyholders	0	0
9.	Federal and foreign income taxes paid (recovered) net of $ 1,848,027 tax on capital gains (losses)	24,968,474	(8,635,080)
10.	Total (Lines 5 through 9)	3,439,601,119	3,297,580,065
11.	Net cash from operations (Line 4 minus Line 10)	4,438,171	47,677,935
	Cash from Investments		
12.	Proceeds from investments sold, matured or repaid:		
	12.1 Bonds	731,603,980	755,668,291
	12.2 Stocks	61,934,594	57,864,930
	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	0	28,131
	12.7 Miscellaneous proceeds	0	0
	12.8 Total investment proceeds (Lines 12.1 to 12.7)	793,538,574	813,561,352
13.	Cost of investments acquired (long-term only):		
	13.1 Bonds	767,694,661	641,983,898
	13.2 Stocks	34,393,416	68,931,918
	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)	802,088,077	710,915,816
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)	(8,549,503)	102,645,536
	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)	23,867,016	(101,006,245)
17.	Net cash from financing and miscellaneous sources (Lines 16.1 to 16.4 minus Line 16.5 plus Line 16.6)	23,867,016	(101,006,245)
	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)	19,755,684	49,317,226
19.	Cash, cash equivalents and short-term investments:		
	19.1 Beginning of year	54,543,710	5,226,484
	19.2 End of year (Line 18 plus Line 19.1)	74,299,394	54,543,710

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	3,441,658,334	1,331,377,626	33,817,763	53,096,363	11,601,418	1,996,294,081	0	0	15,471,083	0
2. Change in unearned premium reserves and reserve for rate credit	(291,898)	(3,634,709)	0	0	0	3,342,811	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	18,753,426	0	0	0	0	18,753,426	0	0	0	XXX
6. Aggregate write-ins for other non-health care related revenues	5,193,405	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	5,193,405
7. Total revenues (Lines 1 to 6)	3,465,313,267	1,327,742,917	33,817,763	53,096,363	11,601,418	2,018,390,318	0	0	15,471,083	5,193,405
8. Hospital/medical benefits	1,924,577,152	797,141,885	16,054,320	0	0	1,110,028,792	0	0	1,352,155	XXX
9. Other professional services	214,599,895	58,947,211	928,303	47,106,945	11,621,115	95,918,097	0	0	78,224	XXX
10. Outside referrals	54,929,320	20,773,029	327,135	0	0	33,801,590	0	0	27,566	XXX
11. Emergency room and out-of-area	69,983,167	26,466,054	416,789	0	0	43,065,203	0	0	35,121	XXX
12. Prescription drugs	769,767,800	221,798,572	(7,997)	0	0	547,977,225	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)	3,033,857,334	1,125,126,751	17,718,550	47,106,945	11,621,115	1,830,790,907	0	0	1,493,066	XXX
16. Net reinsurance recoveries	91,534,188	94,003,277	(8,214,014)	6,506,018	323,797	0	0	0	(1,084,890)	XXX
17. Total medical and hospital (Lines 15 minus 16)	2,942,323,146	1,031,123,474	25,932,564	40,600,927	11,297,318	1,830,790,907	0	0	2,577,956	XXX
18. Non-health claims (net)	0	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	0
19. Claims adjustment expenses including $ 60,356,445 cost containment expenses	143,539,634	69,852,997	2,820,111	3,292,310	52,277	59,498,285	0	0	3,987,917	4,035,737
20. General administrative expenses	345,378,769	209,124,547	5,567,393	4,614,444	1,755,334	110,139,229	0	0	12,991,622	1,186,200
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)	3,431,241,549	1,310,101,018	34,320,068	48,507,681	13,104,929	2,000,428,421	0	0	19,557,495	5,221,937
24. Total underwriting gain or (loss) (Line 7 minus Line 23)	34,071,718	17,641,899	(502,305)	4,588,682	(1,503,511)	17,961,897	0	0	(4,086,412)	(28,532)
DETAILS OF WRITE-INS										
0501. FEP Performance Incentive	18,753,426	0	0	0	0	18,753,426	0	0	0	XXX
0502.										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)	18,753,426	0	0	0	0	18,753,426	0	0	0	XXX
0601. FEP Bridge	5,193,405	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	5,193,405
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)	5,193,405	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	5,193,405
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)	1,409,840,166	22,948,073	101,410,613	1,331,377,626
2.	Medicare Supplement	21,925,091	12,513,827	621,155	33,817,763
3.	Dental only	66,546,262	199,324	13,649,223	53,096,363
4.	Vision only	12,895,501	38,715	1,332,798	11,601,418
5.	Federal Employees Health Benefits Plan	1,996,294,081	0	0	1,996,294,081
6.	Title XVIII - Medicare	0	0	0	0
7.	Title XIX - Medicaid	0	0	0	0
8.	Other health	14,180,278	1,296,723	5,918	15,471,083
9.	Health subtotal (Lines 1 through 8)	3,521,681,379	36,996,662	117,019,707	3,441,658,334
10.	Life	0	0	0	0
11.	Property/casualty	0	0	0	0
12.	Totals (Lines 9 to 11)	3,521,681,379	36,996,662	117,019,707	3,441,658,334

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	3,086,779,918	1,180,158,824	17,554,037	46,757,902	11,619,854	1,825,380,907	0	0	5,308,394	0
1.2 Reinsurance assumed	29,521,840	18,715,423	8,949,896	147,371	490,955	0	0	0	1,218,195	0
1.3 Reinsurance ceded	107,593,016	99,275,636	598,714	6,908,494	814,752	0	0	0	(4,580)	0
1.4 Net	3,008,708,742	1,099,598,611	25,905,219	39,996,779	11,296,057	1,825,380,907	0	0	6,531,169	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	284,707,452	99,467,993	2,544,073	4,675,631	143,045	172,549,999	0	0	5,326,711	0
3.2 Reinsurance assumed	3,233,189	1,962,944	1,256,206	14,038	0	0	0	0	0	0
3.3 Reinsurance ceded	9,406,726	8,433,758	118,996	799,007	0	0	0	0	54,965	0
3.4 Net	278,533,915	92,997,179	3,681,284	3,890,662	143,045	172,549,999	0	0	5,271,746	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)	50,689,576	50,689,576	0	0	0	0	0	0	0	0
7. Amounts recoverable from reinsurers December 31, current year	29,751,851	29,751,851	0	0	0	0	0	0	0	0
8. Claim liability December 31, prior year from Part 2A:										
8.1 Direct	286,940,459	103,810,489	2,379,560	4,326,589	141,784	167,139,999	0	0	9,142,038	0
8.2 Reinsurance assumed	4,468,668	2,808,141	1,375,109	10,280	0	0	0	0	275,138	0
8.3 Reinsurance ceded	10,228,849	8,885,546	100,731	1,050,354	0	0	0	0	192,218	0
8.4 Net	281,180,278	97,733,083	3,653,939	3,286,515	141,784	167,139,999	0	0	9,224,958	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	16,702,194	16,702,194	0	0	0	0	0	0	0	0
12. Incurred Benefits:										
12.1 Direct	3,033,857,335	1,125,126,752	17,718,550	47,106,944	11,621,115	1,830,790,907	0	0	1,493,067	0
12.2 Reinsurance assumed	28,286,361	17,870,227	8,830,993	151,129	490,955	0	0	0	943,057	0
12.3 Reinsurance ceded	119,820,550	111,873,505	616,979	6,657,147	814,752	0	0	0	(141,833)	0
12.4 Net	2,942,323,146	1,031,123,474	25,932,564	40,600,926	11,297,318	1,830,790,907	0	0	2,577,957	0
13. Incurred medical incentive pools and bonuses	0	0	0	0	0	0	0	0	0	0

(a) Excludes $ 111,011,499 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	53,818,230	18,802,428	480,906	883,834	27,040	32,617,114	0	0	1,006,908	0
1.2 Reinsurance assumed	433,608	433,608	0	0	0	0	0	0	0	0
1.3 Reinsurance ceded	4,871,888	4,871,888	0	0	0	0	0	0	0	0
1.4 Net	49,379,950	14,364,148	480,906	883,834	27,040	32,617,114	0	0	1,006,908	0
2. Incurred but Unreported:										
2.1 Direct	230,889,222	80,665,565	2,063,167	3,791,797	116,005	139,932,885	0	0	4,319,803	0
2.2 Reinsurance assumed	2,799,581	1,529,336	1,256,206	14,038	0	0	0	0	0	0
2.3 Reinsurance ceded	4,534,838	3,561,870	118,996	799,007	0	0	0	0	54,965	0
2.4 Net	229,153,965	78,633,031	3,200,378	3,006,828	116,005	139,932,885	0	0	4,264,838	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	284,707,452	99,467,993	2,544,073	4,675,631	143,045	172,549,999	0	0	5,326,711	0
4.2 Reinsurance assumed	3,233,189	1,962,944	1,256,206	14,038	0	0	0	0	0	0
4.3 Reinsurance ceded	9,406,726	8,433,758	118,996	799,007	0	0	0	0	54,965	0
4.4 Net	278,533,915	92,997,179	3,681,284	3,890,662	143,045	172,549,999	0	0	5,271,746	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)	81,914,555	1,004,634,399	1,228,341	91,768,838	83,142,896	97,733,083
2.	Medicare Supplement	3,115,291	22,789,928	11,526	3,669,758	3,126,817	3,653,940
3.	Dental Only	2,726,567	37,270,213	23,826	3,866,836	2,750,393	3,286,514
4.	Vision Only	0	11,296,057	0	143,044	0	141,783
5.	Federal Employees Health Benefits Plan	154,185,194	1,671,195,713	1,321,058	171,228,942	155,506,252	167,139,999
6.	Title XVIII - Medicare	0	0	0	0	0	0
7	Title XIX - Medicaid	0	0	0	0	0	0
8.	Other health	839,028	5,692,141	534,632	4,737,114	1,373,660	9,224,959
9.	Health subtotal (Lines 1 to 8)	242,780,635	2,752,878,451	3,119,383	275,414,532	245,900,018	281,180,278
10.	Healthcare receivables (a)	0	50,689,576	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)	242,780,635	2,702,188,875	3,119,383	275,414,532	245,900,018	281,180,278

(a) Excludes $ 111,011,499 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 2011	2 2012	3 2013	4 2014	5 2015
1. Prior	89,361	95,399	99,253	101,921	102,205
2. 2011	949,626	1,050,049	1,051,598	1,052,440	1,054,866
3. 2012	XXX	1,021,645	1,103,909	1,104,984	1,105,537
4. 2013	XXX	XXX	967,523	1,042,432	1,042,529
5. 2014	XXX	XXX	XXX	943,730	1,022,285
6. 2015	XXX	XXX	XXX	XXX	953,945

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 2011	2 2012	3 2013	4 2014	5 2015
1. Prior	94,938	95,399	99,253	101,921	102,205
2. 2011	1,059,773	1,052,380	1,051,598	1,052,440	1,054,866
3. 2012	XXX	1,116,563	1,104,918	1,104,984	1,105,537
4. 2013	XXX	XXX	1,041,108	1,043,042	1,042,529
5. 2014	XXX	XXX	XXX	1,040,853	1,023,513
6. 2015	XXX	XXX	XXX	XXX	1,045,714

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. 2011	1,295,884	1,054,866	50,323	4.8	1,105,189	85.3	0	0	1,105,189	85.3
2. 2012	1,296,669	1,105,537	58,880	5.3	1,164,417	89.8	0	0	1,164,417	89.8
3. 2013	1,251,796	1,042,529	73,587	7.1	1,116,116	89.2	0	0	1,116,116	89.2
4. 2014	1,308,655	1,022,285	67,786	6.6	1,090,071	83.3	1,228	47	1,091,346	83.4
5. 2015	1,327,743	953,945	64,225	6.7	1,018,170	76.7	91,769	5,307	1,115,246	84.0

UNDERWRITING AND INVESTMENT EXHIBIT

PART 2C - DEVELOPMENT OF PAID AND INCURRED HEALTH CLAIMS

(000 Omitted)

Section A - Paid Health Claims - Medicare Supplement

Year in Which Losses Were Incurred	Cumulative Net Amounts Paid 1 2011	2 2012	3 2013	4 2014	5 2015
1. Prior	4,037	4,020	3,990	3,990	3,989
2. 2011	21,204	24,797	24,807	24,829	24,824
3. 2012	XXX	21,026	24,076	24,084	24,059
4. 2013	XXX	XXX	20,897	23,531	23,533
5. 2014	XXX	XXX	XXX	20,900	24,045
6. 2015	XXX	XXX	XXX	XXX	22,790

Section B - Incurred Health Claims - Medicare Supplement

Year in Which Losses Were Incurred	Sum of Cumulative Net Amount Paid and Claim Liability, Claim Reserve and Medical Incentive Pool and Bonuses Outstanding at End of Year 1 2011	2 2012	3 2013	4 2014	5 2015
1. Prior	4,120	4,020	3,990	3,990	3,989
2. 2011	25,332	24,981	24,807	24,829	24,824
3. 2012	XXX	24,932	24,097	24,084	24,059
4. 2013	XXX	XXX	23,976	23,540	23,533
5. 2014	XXX	XXX	XXX	24,545	24,056
6. 2015	XXX	XXX	XXX	XXX	26,460

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

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. 2011	30,732	24,824	3,091	12.5	27,915	90.8	0	0	27,915	90.8
2. 2012	30,706	24,059	2,229	9.3	26,288	85.6	0	0	26,288	85.6
3. 2013	32,138	23,533	2,059	8.7	25,592	79.6	0	0	25,592	79.6
4. 2014	32,541	24,045	2,487	10.3	26,532	81.5	12	0	26,544	81.6
5. 2015	33,818	22,790	2,593	11.4	25,383	75.1	3,670	214	29,267	86.5

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 2011	2 2012	3 2013	4 2014	5 2015
1. Prior	2,691	2,732	2,744	2,745	2,745
2. 2011	26,433	29,446	29,475	29,478	29,478
3. 2012	XXX	30,107	33,197	33,218	33,221
4. 2013	XXX	XXX	29,226	32,291	32,317
5. 2014	XXX	XXX	XXX	32,939	35,636
6. 2015	XXX	XXX	XXX	XXX	37,270

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 2011	2 2012	3 2013	4 2014	5 2015
1. Prior	2,722	2,732	2,744	2,745	2,745
2. 2011	29,330	29,489	29,475	29,478	29,478
3. 2012	XXX	33,369	33,212	33,218	33,221
4. 2013	XXX	XXX	32,489	32,313	32,317
5. 2014	XXX	XXX	XXX	36,204	35,659
6. 2015	XXX	XXX	XXX	XXX	41,137

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. 2011	35,389	29,478	3,749	12.7	33,227	93.9	0	0	33,227	93.9
2. 2012	37,488	33,221	2,123	6.4	35,344	94.3	0	0	35,344	94.3
3. 2013	39,303	32,317	3,054	9.5	35,371	90.0	0	0	35,371	90.0
4. 2014	45,561	35,636	2,649	7.4	38,285	84.0	24	1	38,310	84.1
5. 2015	53,096	37,270	3,027	8.1	40,297	75.9	3,867	250	44,414	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 2011	2 2012	3 2013	4 2014	5 2015
1.	Prior	0	0	0	0	0
2.	2011	3,161	3,161	3,161	3,161	3,161
3.	2012	XXX	3,679	3,679	3,679	3,679
4.	2013	XXX	XXX	3,296	3,296	3,296
5.	2014	XXX	XXX	XXX	9,436	9,436
6.	2015	XXX	XXX	XXX	XXX	11,296

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 2011	2 2012	3 2013	4 2014	5 2015
1.	Prior	0	0	0	0	0
2.	2011	3,161	3,161	3,161	3,161	3,161
3.	2012	XXX	3,679	3,679	3,679	3,679
4.	2013	XXX	XXX	3,296	3,296	3,296
5.	2014	XXX	XXX	XXX	9,578	9,436
6.	2015	XXX	XXX	XXX	XXX	11,439

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.	2011	2,953	3,161	146	4.6	3,307	112.0	0	0	3,307	112.0
2.	2012	3,502	3,679	64	1.7	3,743	106.9	0	0	3,743	106.9
3.	2013	3,926	3,296	183	5.6	3,479	88.6	0	0	3,479	88.6
4.	2014	9,940	9,436	129	1.4	9,565	96.2	0	0	9,565	96.2
5.	2015	11,601	11,296	48	0.4	11,344	97.8	143	4	11,491	99.1

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 2011	2 2012	3 2013	4 2014	5 2015
1. Prior	157,105	158,668	159,036	158,741	158,752
2. 2011	1,400,950	1,592,378	1,594,223	1,593,913	1,593,858
3. 2012	XXX	1,470,190	1,623,560	1,623,946	1,624,360
4. 2013	XXX	XXX	1,530,204	1,695,223	1,695,513
5. 2014	XXX	XXX	XXX	1,588,059	1,741,584
6. 2015	XXX	XXX	XXX	XXX	1,671,196

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 2011	2 2012	3 2013	4 2014	5 2015
1. Prior	158,502	158,668	159,036	158,741	158,752
2. 2011	1,557,491	1,594,808	1,594,223	1,593,913	1,593,858
3. 2012	XXX	1,622,989	1,624,638	1,623,946	1,624,360
4. 2013	XXX	XXX	1,694,146	1,697,166	1,695,513
5. 2014	XXX	XXX	XXX	1,753,256	1,742,905
6. 2015	XXX	XXX	XXX	XXX	1,842,425

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. 2011	1,664,324	1,593,858	58,639	3.7	1,652,497	99.3	0	0	1,652,497	99.3
2. 2012	1,764,304	1,624,360	61,087	3.8	1,685,447	95.5	0	0	1,685,447	95.5
3. 2013	1,797,678	1,695,513	62,166	3.7	1,757,679	97.8	0	0	1,757,679	97.8
4. 2014	1,905,133	1,741,584	54,955	3.2	1,796,539	94.3	1,321	51	1,797,911	94.4
5. 2015	1,999,637	1,671,196	54,705	3.3	1,725,901	86.3	171,229	4,520	1,901,650	95.1

UNDERWRITING AND INVESTMENT EXHIBIT

PART 2C - DEVELOPMENT OF PAID AND INCURRED HEALTH CLAIMS

(000 Omitted)

Section A - Paid Health Claims - Other

Year in Which Losses Were Incurred	Cumulative Net Amounts Paid 1 2011	2 2012	3 2013	4 2014	5 2015
1. Prior	452	526	526	526	526
2. 2011	8,527	9,058	9,144	9,144	9,144
3. 2012	XXX	12,073	12,635	12,758	12,774
4. 2013	XXX	XXX	12,559	12,891	12,895
5. 2014	XXX	XXX	XXX	9,133	9,952
6. 2015	XXX	XXX	XXX	XXX	5,692

Section B - Incurred Health Claims - Other

Year in Which Losses Were Incurred	Sum of Cumulative Net Amount Paid and Claim Liability, Claim Reserve and Medical Incentive Pool and Bonuses Outstanding at End of Year 1 2011	2 2012	3 2013	4 2014	5 2015
1. Prior	1,195	526	526	526	526
2. 2011	15,444	9,794	9,144	9,144	9,144
3. 2012	XXX	18,519	13,298	12,758	12,774
4. 2013	XXX	XXX	18,568	13,797	12,895
5. 2014	XXX	XXX	XXX	17,453	10,487
6. 2015	XXX	XXX	XXX	XXX	10,429

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

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. 2011	18,358	9,144	4,095	44.8	13,239	72.1	0	0	13,239	72.1
2. 2012	16,643	12,774	5,238	41.0	18,012	108.2	0	0	18,012	108.2
3. 2013	16,915	12,895	2,487	19.3	15,382	90.9	0	0	15,382	90.9
4. 2014	18,348	9,952	4,272	42.9	14,224	77.5	535	21	14,780	80.6
5. 2015	15,471	5,692	3,667	64.4	9,359	60.5	4,737	303	14,399	93.1

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 2011	2 2012	3 2013	4 2014	5 2015
1. Prior	253,646	261,345	265,549	267,923	268,217
2. 2011	2,409,901	2,708,889	2,712,408	2,712,965	2,715,331
3. 2012	XXX	2,558,720	2,801,056	2,802,669	2,803,630
4. 2013	XXX	XXX	2,563,705	2,809,664	2,810,083
5. 2014	XXX	XXX	XXX	2,604,197	2,842,938
6. 2015	XXX	XXX	XXX	XXX	2,702,189

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 2011	2 2012	3 2013	4 2014	5 2015
1. Prior	261,477	261,345	265,549	267,923	268,217
2. 2011	2,690,531	2,714,613	2,712,408	2,712,965	2,715,331
3. 2012	XXX	2,820,051	2,803,842	2,802,669	2,803,630
4. 2013	XXX	XXX	2,813,583	2,813,154	2,810,083
5. 2014	XXX	XXX	XXX	2,881,889	2,846,056
6. 2015	XXX	XXX	XXX	XXX	2,977,604

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. 2011	3,047,640	2,715,331	120,043	4.4	2,835,374	93.0	0	0	2,835,374	93.0
2. 2012	3,149,312	2,803,630	129,621	4.6	2,933,251	93.1	0	0	2,933,251	93.1
3. 2013	3,141,756	2,810,083	143,536	5.1	2,953,619	94.0	0	0	2,953,619	94.0
4. 2014	3,320,178	2,842,938	132,278	4.7	2,975,216	89.6	3,120	120	2,978,456	89.7
5. 2015	3,441,366	2,702,189	128,265	4.7	2,830,454	82.2	275,415	10,598	3,116,467	90.6

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)	8,850,000	8,850,000	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	635,021,871	200,000	0	0	0	634,821,871	0	0	0
5. Aggregate write-ins for other policy reserves	0	0	0	0	0	0	0	0	0
6. Totals (gross)	643,871,871	9,050,000	0	0	0	634,821,871	0	0	0
7. Reinsurance ceded	0	0	0	0	0	0	0	0	0
8. Totals (Net)(Page 3, Line 4)	643,871,871	9,050,000	0	0	0	634,821,871	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 $ 8,850,000 premium deficiency reserve.

UNDERWRITING AND INVESTMENT EXHIBIT

PART 3 - ANALYSIS OF EXPENSES

	Claim Adjustment Expenses		3	4	5
	1 Cost Containment Expenses	2 Other Claim Adjustment Expenses	General Administrative Expenses	Investment Expenses	Total
1. Rent ($ 0 for occupancy of own building)	2,325,533	6,135,767	7,249,009	0	15,710,309
2. Salary, wages and other benefits	21,299,438	53,996,354	64,214,526	0	139,510,318
3. Commissions (less $ 0 ceded plus $ 0 assumed)	0	0	59,025,699	0	59,025,699
4. Legal fees and expenses	0	0	1,176,833	0	1,176,833
5. Certifications and accreditation fees	0	0	0	0	0
6. Auditing, actuarial and other consulting services	119,976	270,305	2,725,032	0	3,115,313
7. Traveling expenses	361,211	850,158	1,975,897	0	3,187,266
8. Marketing and advertising	0	0	1,650,702	0	1,650,702
9. Postage, express and telephone	218,943	4,134,434	3,212,807	0	7,566,184
10. Printing and office supplies	171,596	1,215,675	1,660,841	0	3,048,112
11. Occupancy, depreciation and amortization	0	0	0	0	0
12. Equipment	15,062	60,298	1,102,331	0	1,177,691
13. Cost or depreciation of EDP equipment and software	2,136,831	12,680,406	37,532,870	0	52,350,107
14. Outsourced services including EDP, claims, and other services	47,003,782	20,434,328	72,559,380	0	139,997,490
15. Boards, bureaus and association fees	114,458	6,902	1,968,639	0	2,089,999
16. Insurance, except on real estate	128,409	484,755	347,119	0	960,283
17. Collection and bank service charges	0	0	172,669	0	172,669
18. Group service and administration fees	0	0	0	0	0
19. Reimbursements by uninsured plans	(13,458,689)	(12,568,050)	(21,028,826)	0	(47,055,565)
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	197,306	0	197,306
23. Taxes, licenses and fees:					
23.1 State and local insurance taxes	0	0	0	0	0
23.2 State premium taxes	0	0	33,531,747	0	33,531,747
23.3 Regulatory authority licenses and fees	588	868	2,148,125	0	2,149,581
23.4 Payroll taxes	1,274,361	3,350,622	3,262,854	0	7,887,837
23.5 Other (excluding federal income and real estate taxes)	6,261	32,916	92,686,237	0	92,725,414
24. Investment expenses not included elsewhere	0	0	0	1,623,499	1,623,499
25. Aggregate write-ins for expenses	(1,361,313)	(7,902,548)	(21,993,031)	0	(31,256,892)
26. Total expenses incurred (Lines 1 to 25)	60,356,447	83,183,190	345,378,766	1,623,499	(a) 490,541,902
27. Less expenses unpaid December 31, current year	0	10,719,044	137,711,054	0	148,430,098
28. Add expenses unpaid December 31, prior year	0	10,826,454	137,739,597	0	148,566,051
29. Amounts receivable relating to uninsured plans, prior year	6,471,259	8,788,585	38,952,206	0	54,212,050
30. Amounts receivable relating to uninsured plans, current year	4,794,240	6,607,416	27,434,164	0	38,835,820
31. Total expenses paid (Lines 26 minus 27 plus 28 minus 29 plus 30)	58,679,428	81,109,431	333,889,267	1,623,499	475,301,625
DETAILS OF WRITE-INS					
2501. Charitable contributions	72	75	1,461,498	0	1,461,645
2502. Service charges Inter-plan bank	0	7,681,708	(42,295)	0	7,639,413
2503. IPSBB Inter-plan bank ITS	0	7,085,011	0	0	7,085,011
2598. Summary of remaining write-ins for Line 25 from overflow page	(1,361,385)	(22,669,342)	(23,412,234)	0	(47,442,961)
2599. Totals (Lines 2501 thru 2503 plus 2598)(Line 25 above)	(1,361,313)	(7,902,548)	(21,993,031)	0	(31,256,892)

(a) Includes management fees of $ 217,466,742 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) 2,403,161	2,493,623
1.1	Bonds exempt from U.S. tax	(a) 0	0
1.2	Other bonds (unaffiliated)	(a) 12,299,879	12,030,725
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)	1,890,530	1,890,530
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) 103,986	123,164
7	Derivative instruments	(f) 0	0
8.	Other invested assets	10,000	10,000
9.	Aggregate write-ins for investment income	0	783,379
10.	Total gross investment income	16,707,556	17,331,421
11.	Investment expenses		(g) 1,623,499
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)		1,623,499
17.	Net investment income (Line 10 minus Line 16)		15,707,922
	DETAILS OF WRITE-INS		
0901.	Interest income - miscellaneous	0	783,379
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	783,379
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 $ 247,333 accrual of discount less $ 2,981,653 amortization of premium and less $ 3,199,277 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 $ 17 accrual of discount less $ 1,380 amortization of premium and less $ 2,129 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	(688,830)	0	(688,830)	(4,329)	0
1.1	Bonds exempt from U.S. tax	0	0	0	0	0
1.2	Other bonds (unaffiliated)	(369,860)	0	(369,860)	20,366	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)	10,298,825	0	10,298,825	(11,521,834)	0
2.21	Common stocks of affiliates	0	0	0	0	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	0	0	0	0	0
7.	Derivative instruments	0	0	0	0	0
8.	Other invested assets	0	0	0	(1,330,925)	0
9.	Aggregate write-ins for capital gains (losses)	0	0	0	0	0
10.	Total capital gains (losses)	9,240,135	0	9,240,135	(12,836,722)	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	0	0	0
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)	166,667	166,667	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)	166,667	166,667	0
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	3,988,710	5,863,311	1,874,601
	15.2 Deferred premiums, agents' balances and installments booked but deferred and not yet due	0	0	0
	15.3 Accrued retrospective premiums and contracts subject to redetermination	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	6,264,979	1,774,071	(4,490,908)
18.1	Current federal and foreign income tax recoverable and interest thereon	0	0	0
18.2	Net deferred tax asset	21,932,123	24,555,951	2,623,828
19.	Guaranty funds receivable or on deposit	0	0	0
20.	Electronic data processing equipment and software	140,513,669	139,263,744	(1,249,925)
21.	Furniture and equipment, including health care delivery assets	7,925,581	6,789,061	(1,136,520)
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	10,807,150	15,877,850	5,070,700
25.	Aggregate write-ins for other than invested assets	57,519,928	52,863,119	(4,656,809)
26.	Total assets excluding Separate Accounts, Segregated Accounts and Protected Cell Accounts (Lines 12 to 25)	249,118,807	247,153,774	(1,965,033)
27.	From Separate Accounts, Segregated Accounts and Protected Cell Accounts	0	0	0
28.	Total (Lines 26 and 27)	249,118,807	247,153,774	(1,965,033)
	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.	Prepaid Expenses Non admitted	57,519,928	47,423,635	(10,096,293)
2502.	Prepaid Pension Non admitted	0	5,439,484	5,439,484
2503.		0	0	0
2598.	Summary of remaining write-ins for Line 25 from overflow page	0	0	0
2599.	Totals (Lines 2501 thru 2503 plus 2598)(Line 25 above)	57,519,928	52,863,119	(4,656,809)

EXHIBIT 1 - ENROLLMENT BY PRODUCT TYPE FOR HEALTH BUSINESS ONLY

	Total Members at End of					6
Source of Enrollment	1 Prior Year	2 First Quarter	3 Second Quarter	4 Third Quarter	5 Current Year	Current Year Member Months
1. Health Maintenance Organizations	0	0	0	0	0	0
2. Provider Service Organizations	0	0	0	0	0	0
3. Preferred Provider Organizations	647,683	645,979	630,211	624,151	615,419	7,581,612
4. Point of Service	85,645	97,622	98,599	100,089	102,859	1,181,771
5. Indemnity Only	36,491	36,449	36,243	36,759	37,252	438,623
6. Aggregate write-ins for other lines of business	30,548	31,054	29,461	27,897	30,514	355,740
7. Total	800,367	811,104	794,514	788,896	786,044	9,557,746
DETAILS OF WRITE-INS						
0601. Stoploss	30,548	31,054	29,461	27,897	30,514	355,740
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)	30,548	31,054	29,461	27,897	30,514	355,740

1. Summary of Significant Accounting Policies

A. Accounting Practices

The financial statements of Group Hospitalization and Medical Services, Inc. (GHMSI 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 December 31, 2015 and 2014, there were no differences in net income (loss) and surplus between NAIC SAP and practices prescribed by the District of Columbia.

	State of	(*in thousands*)	
NET INCOME (LOSS)	Domicile	2015	2014
(1) State basis (Page 4, Line 32, Columns 2 & 3)	DC	**$ 34,975**	$ (15,666)
(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	**$ 34,975**	$ (15,666)
SURPLUS			
(5) State basis (Page 3, Line 33, Columns 3&4)	DC	**$ 960,215**	$ 934,409
(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	**$ 960,215**	$ 934,409

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, 2015 and 2014.

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 and other observable inputs 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.

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 purposes of computing realized gains and losses, the specific-identification method was used.

Other Invested Assets

Other invested assets include the Company's member equity in its affiliate, CareFirst Holdings, LLC (CFH). CFH and its non-insurance subsidiaries are reported at their underlying audited GAAP equity. CFH's regulated insurance subsidiaries are reported at their underlying audited statutory surplus.

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 Program (FEP) 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, 2015 and 2014, except for FEP, 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 FEP contracts (refer to Summary of Significant Accounting Policies – Federal Employee Program), and other miscellaneous receivables.

The Company has an agreement with a pharmacy benefit management company to provide pharmacy rebate management services including pharmaceutical manufacturer contracting and rebate billing. The Company accounts for pharmacy rebates in accordance with SSAP No. 84, *Health Care and Government Insured Plan Receivables* (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.

Property and Equipment Admitted

The admitted value of the Company's electronic data processing equipment and software is limited to 3% of capital and surplus as of September 30, 2015 excluding any electronic data processing equipment and net deferred tax assets. Electronic data processing equipment and software is depreciated using the straight-line method over the lesser of its useful life or three years. Depreciation and amortization expense for electronic data processing equipment is included as a component of general and administrative expenses. There have not been any changes to the Company's capitalization policy or the related predefined thresholds from the prior period.

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 and ancillary services to its members. In addition, the Company has a contractual agreement with a pharmacy benefit management company to provide pharmacy benefits 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 model considers 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, 2015. 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 $8,850,000 and $5,890,000 as of December 31, 2015 and 2014, respectively.

Medical Loss Ratio Rebates

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, 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, 2015 and 2014, the Company did not record an MLR rebate accrual.

Premium Stabilization Programs

Health Reform Legislation includes three programs designed to stabilize health insurance markets (Premium Stabilization Programs): a permanent risk adjustment program; a transitional reinsurance program; and a temporary risk corridor program.

The risk adjustment program is a permanent program and applies to certain individual and small group products. Under the program, each covered member is assigned a risk score based upon demographic information and applicable diagnostic codes from the current year claims data, in order to determine an average risk score for each plan in a particular state and market risk pool. The issuers whose pools of insured enrollees have lower-than-average risk scores will transfer funds to those issuers whose pools have greater-than-average risk scores. The risk adjustment receivable or payable, if any, would be included within accrued retrospective premiums or aggregate health policy reserves (2015 only) and within the aggregate write-ins for other than invested assets or other liabilities (2014 only) and recorded as an adjustment to premiums earned. The Company recorded a receivable of $26,200,000 due from CFBC at December 31, 2014. In 2014, the Company was not able to determine a reasonable estimate for risk adjustment with external issuers due to lack of verifiable data. As a result, the Company did not record a receivable/payable due from/to external issuers at December 31, 2014. On June 30, 2015, the Company received notification from the Centers for Medicare and Medicaid Services (CMS) of a risk adjustment settlement of $28,596,000 for the 2014 benefit year. As of December 31, 2015, the Company received risk adjustment payments of $27,699,000 and expects to collect the remaining balance in 2016. Based on the Company's analysis, the Company recorded a net risk adjustment receivable for the 2015 benefit year of $54,500,000 at December 31, 2015.

The transitional reinsurance program is a three-year program that is funded on a per capita basis from all commercial lines of business including insured and self-funded arrangements. The Company recorded its estimated liability for the reinsurance contribution of $22,627,000 and $34,745,000 for the 2015 and 2014 benefit years, respectively, of which $1,099,000 and $933,000 was recorded as a reduction of premiums earned and $21,528,000 and $33,812,000 was recorded as general and administrative expense in 2015 and 2014, respectively. The allocable portion of reinsurance contribution liability that was related to the Federal Employee Health Benefits Program (FEHBP) is chargeable to FEP contract. The reimbursable amount for FEP recognized for 2015 and 2014 is $12,508,000 and $18,056,000, respectively. Only issuers of individual products are eligible for reinsurance recoveries from the risk pools. The Company included actual paid claims and an estimate of unpaid claims in calculating the receivable, which is included within amounts recoverable from reinsurers and as a reduction of unpaid claims, respectively. These receivables are recorded as a reduction to cost of care. The Company recorded a receivable from the transitional reinsurance program of $13,961,000 for paid claims and $1,285,000 for unpaid claims at December 31, 2014. During the second half of 2015, the Company received from CMS additional reinsurance recoveries of $3,567,000 due to an increase in the coinsurance rate from 80% to 100% for the 2014 benefit year. As of December 31, 2015, the Company was paid in full for the 2014 reinsurance recoveries. In 2015, the state of Maryland began operating a transitional reinsurance program which supplements the federal coinsurance rate. For the 2015 benefit year, the Company recorded a receivable from the transitional reinsurance program of $29,752,000 for paid claims and $3,410,000 for unpaid claims at December 31, 2015.

The risk corridor program is a three-year program and is intended to limit the gains and losses of certain individual and small group qualified health plans. The issuers share risk with the federal government by paying/receiving amounts to/from the government based upon the ratio of their actual cost and target. Issuers are required to calculate the U.S. Department of Health and Human Services (HHS) risk corridor ratio of allowable costs (defined as medical claims plus quality improvement costs adjusted for the impact of reinsurance recoveries and the risk adjustment program) to the defined target amount (defined as actual premiums less defined allowable administrative costs inclusive of taxes and profits). The risk corridor receivable or payable, if any, would be included within accrued retrospective premiums or aggregate health policy reserves and recorded as an adjustment to premiums earned. Based on the calculation considering any amounts receivable or payable from the risk adjustment program, the Company calculated a potential risk corridor receivable of $13,100,000 and $1,022,000 for 2015 and 2014, respectively. In 2014, there was a lack of clarity regarding whether the HHS would fund this program or would run the program on a budget neutral basis. For this reason the Company did not record a risk corridor receivable. The Company recorded a risk corridor payable of $620,000 at December 31, 2014. Based on a report issued by CMS in 2015, the payable was adjusted to $1,223,000. On October 1, 2015, CMS notified the Company that the 2014 risk corridor receivable to be paid in 2015 is prorated at 12.6%, or $129,000, and the remaining balance is subject to the risk corridor collections from the issuers over the life of the program and the availability of federal government appropriations. As of December 31, 2015, the Company paid CMS the 2014 risk corridor charges and received risk corridor payments of $111,000 and expects to collect the remaining balance of $18,000 in 2016. For the 2015 benefit year, due to the uncertainty of the program's funding, the Company determined that no risk corridor receivable should be recorded. The Company recorded a risk corridor payable of $200,000 at December 31, 2015.

Health Insurer Fee

Health Reform Legislation imposes an annual health insurer fee (HIF) on health insurers that write certain types of risk health insurance products. The HIF is not deductible for income tax purposes. The Company estimated its liability for the HIF based on a ratio of the Company's applicable written premiums compared to the U.S. health insurance industry total applicable written premiums, both for the preceding calendar year. The Company recorded in full its estimated liability in general expenses due or accrued and general and administrative expense at the beginning of the year. The Company's 2015 and 2014 HIF of $63,602,000 and $45,743,000 was paid in September 2015 and 2014, respectively. The allocable portion of the HIF liability that was related to the premiums for insurance provided through the FEHBP is chargeable to FEP contract. The reimbursable amount for FEP recognized for 2015 and 2014 is $44,361,000 and $29,838,000, respectively.

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.

The Company offers FEP claims processing services to another BlueCross and BlueShield plan that participates in the FEHBP.

The Company earns a performance incentive, or FEP service charge, which is an amount determined and paid annually by BCBSA based on the performance of the Company. The amounts represent the Company's best estimate based on historical results.

The Company participates with other BlueCross and BlueShield plans in administering certain health care benefit plans of various national accounts. Administrative fees are generally recognized as earned and are recorded as a reduction of general and administrative expenses.

Administrative Service Contracts

The Company has administrative service contracts (ASC) with certain customers, under which the Company earns fees for processing medical claims, and is reimbursed for the cost of such claims. The gross administrative fees earned from these administrative service contracts have been included as an offset to general and administrative expenses.

Federal Employee Program

The Company participates in the FEHBP with other BlueCross BlueShield plans. This program includes an experience-rated contract between OPM and the BlueCross BlueShield Association (BCBSA), which acts as an agent for the participating BlueCross BlueShield plans. In addition, each participating plan, including the Company, executes a contract with BCBSA which obligates each participating plan to underwrite FEP benefits in its service area. Premium rates are developed by BCBSA and approved by OPM annually. These rates determine the funds that will be available to the participating BlueCross BlueShield plans to provide insurance to federal employees that enroll with the BlueCross BlueShield 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 BCBSA. Each year, OPM also allocates additional funds to a contingency reserve which may be utilized by the participating plans in the event that funds set aside from annual premiums are insufficient or fall below certain prescribed levels by OPM. Funds available to each participating BlueCross BlueShield plan, including the special reserve and the contingency reserve, are held at the U.S. Treasury, including amounts unused from prior periods. Any funds which remain unused upon termination of the BCBSA contract, after the claims run-out and reimbursement of allowable administrative expenses, would be returned to OPM for the benefit of the FEHBP. The BCBSA contract renews automatically each year unless written notice of termination is given by either party.

In accordance with the BCBSA 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, along with other BlueCross BlueShield Plans who participate in the FEHBP contract, has an unrestricted right to draw funds being held in the special reserve for any valid claim or expense. BCBSA has reported the amounts being held in the special reserve as $5,652,690,000 as of September 30, 2015 and $4,542,095,000 as of December 31, 2014. BCBSA has also reported the amounts being held in the contingency reserve as $9,237,555,000 as of September 30, 2015 and $10,632,403,000 as of December 31, 2014. Amounts incurred in excess of the total reserves held at the U.S. Treasury for the FEHBP would not be reimbursed to the Company.

Based upon formulas developed by BCBSA, the Company has recorded its allocable share of the special reserve being held by OPM as an asset, with an equivalent amount recorded as a rate stabilization reserve. The amounts are included in health care and other amounts receivable and aggregate health policy reserves, respectively. These amounts are $634,822,000 and $638,165,000 as of December 31, 2015 and 2014, respectively.

FEP revenue earned was $2,018,390,000 and $1,927,069,000 for the years ended December 31, 2015 and 2014, respectively.

FEP Operations Center

Service Benefit Plan Administrative Services Corporation (SBP) performs certain administrative functions as the national operations center for FEP under its five-year cost-reimbursement contract, which was effective January 1, 2015, with BCBSA. The contract has two three-year extension options. The previous ten-year cost-reimbursement contract with BCBSA expired on December 31, 2014.

The reimbursement of allocable costs under this contract is allocated to CFMI and the Company and recorded as a reduction of general and administrative expenses. OPM reimbursed the Company for costs in connection with this agreement totaling $154,718,000 and $120,824,000 for the years ended December 31, 2015 and 2014, respectively.

2. Accounting Changes and Corrections of Errors

Changes in Accounting Principles

In June 2014, the NAIC adopted SSAP No. 106, *Affordable Care Act Section 9010 Assessment* (SSAP 106). SSAP 106 requires the estimated annual HIF established under Section 9010 of PPACA to be reported in special surplus for the year in which the HIF is based. The special surplus is reversed and the liability and expense are recognized in full once the entity provides qualifying health insurance in the applicable calendar year in which the HIF is payable. The guidance also requires the reporting entity to disclose certain information on the HIF amount reflected in special surplus in the data year and the impact on risk-based capital (RBC) had the HIF been reported as of the reporting date. The Company adopted SSAP 106 effective January 1, 2014 (refer to Note 1 *Summary of Significant Accounting Policies - Health Insurer Fee* and Note 22).

In December 2014, the NAIC adopted SSAP No. 107, *Risk-Sharing Provisions of the Affordable Care Act* (SSAP 107). SSAP 107 provides guidance for the accounting and reporting of various components of the Premium Stabilization Programs established by Health Reform Legislation in the financial statements and requires certain disclosures. The Company adopted SSAP 107 effective December 31, 2014 (refer to Note 1 *Summary of Significant Accounting Policies – Premium Stabilization Programs* and Note 24).

3. Business Combinations and Goodwill

A. Statutory Purchase Method

Not applicable.

B. Statutory Merger

Not applicable.

C. Assumption Reinsurance

Not applicable.

D. Impairment Loss

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, 2015, 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, 2015, 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 by length of time that individual securities have been in a continuous unrealized loss position (*in thousands*).

	Fair Value < 1 Year	Unrealized Losses < 1 Year	Fair Value > 1 Year	Unrealized Losses > 1 Year	Total Unrealized Losses
December 31, 2015					
Government sponsored enterprise mortgage-backed securities	$ 67,764	$ 738	$ 6,445	$ 197	$ 935
Other mortgage-backed and asset-backed securities	13,705	115	3,901	91	206
Total	$ 81,469	$ 853	$ 10,346	$ 288	$ 1,141

	Fair Value < 1 Year	Unrealized Losses < 1 Year	Fair Value > 1 Year	Unrealized Losses > 1 Year	Total Unrealized Losses
December 31, 2014					
Government sponsored enterprise mortgage-backed securities	$ 23,435	$ 90	$ 14,455	$ 255	$ 345
Other mortgage-backed and asset-backed securities	8,877	27	13,295	206	233
Total	$ 32,312	$ 117	$ 27,750	$ 461	$ 578

(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

None.

I. Working Capital Finance Investments

None.

J. Offsetting and Netting of Assets and Liabilities

None.

K. Structured Notes *(in thousands)*

CUSIP Identification	Actual Cost	Fair Value	Book/Adjusted Carrying Value	Mortgage-Referenced Security (YES/NO)
3136G0-5A-5	$ 845	$ 965	$ 880	YES
912810-RF-7	641	685	655	NO
Total	$ 1,486	$ 1,650	$ 1,535	

6. Joint Ventures, Partnerships and Limited Liability Companies

A. The Company has no investments in unaffiliated joint ventures, partnerships or limited liability companies that exceed 10% of its admitted assets.

B. The Company did not recognize any impairment write down for its investment in limited liability companies or limited partnership during the statement periods.

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, 2015 and 2014.

8. Derivative Instruments

None.

9. Income Taxes

The Company is included in the consolidated federal income tax return of CFI. The federal statutory income tax rate for the Company is 35%. For federal income tax purposes, the Company benefits from a special deduction provided to certain BlueCross and BlueShield organizations under Internal Revenue Code Section 833(b) (the 833(b) deduction).

The 833(b) deduction results in the Company incurring income taxes at the Tentative Minimum Tax rate of 20%. As a result, the Company's income tax provision is reduced from the statutory rate of 35% to account for the benefit of the 833(b) deduction. The Company could lose the benefit of the 833(b) deduction in the future if there is a change in the tax law, if the Company ceases to be not-for-profit, if the Company's reserves reach certain levels, if the medical loss ratio does not exceed 85% as required under the Health Reform Legislation, or if certain other events occur. If the Company can no longer use the 833(b) deduction, the Company will incur federal income taxes at the statutory rate of 35%, net of available Alternative Minimum Tax (AMT) credits.

CFI has a written agreement, approved by the Board of Directors, which sets forth the manner in which the total combined federal income tax is allocated to each entity which is a party to the consolidated return. 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 tax attributes (e.g., NOLs) reduce the consolidated federal income tax liability, CFI shall pay the Company 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 has the 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, 2015			December 31, 2014			Change		
	Ordinary	**Capital**	**Total**	**Ordinary**	**Capital**	**Total**	**Ordinary**	**Capital**	**Total**
Gross deferred tax assets	$ 177,226	$ 26,193	$ 203,419	$ 173,119	$ 27,389	$ 200,508	$ 4,107	$ (1,196)	$ 2,911
Statutory valuation allowance adjustment	126,729	-	126,729	123,616	-	123,616	3,113	-	3,113
Adjusted gross deferred tax assets	50,497	26,193	76,690	49,503	27,389	76,892	994	(1,196)	(202)
Deferred tax assets nonadmitted	21,608	324	21,932	24,232	324	24,556	(2,624)	-	(2,624)
Subtotal net admitted deferred tax asset	28,889	25,869	54,758	25,271	27,065	52,336	3,618	(1,196)	2,422
Deferred tax liabilities	12	61,547	61,559	584	68,556	69,140	(572)	(7,009)	(7,581)
Net admitted deferred tax asset/(liability)	$ 28,877	$ (35,678)	$ (6,801)	$ 24,687	$ (41,491)	$ (16,804)	$ 4,190	$ 5,813	$ 10,003

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

	December 31, 2015			December 31, 2014			Change		
	Ordinary	**Capital**	**Total**	**Ordinary**	**Capital**	**Total**	**Ordinary**	**Capital**	**Total**
a. Federal Income Taxes Paid In Prior Years Recoverable Through Loss Carrybacks	$ 27,367	-	$ 27,367	$ 5,958	$ -	$ 5,958	$ 21,409	$ -	$ 21,409
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)	-	-	-	13,000	-	13,000	(13,000)	-	(13,000)
i. Adjusted gross DTA expected to be realized following the Balance Sheet Date	-	-	-	13,000	-	13,000	(13,000)	-	(13,000)
ii. Adjusted Gross Deferred Tax Assets Allowed per Limitation Threshold	NA	NA	140,581	NA	NA	136,624	NA	NA	3,957
c. Adjusted Gross Deferred Tax Assets (Excluding The Amount of Deferred Tax Assets From a. and b. above) Offset by Gross Deferred Tax Liabilities.	1,522	25,869	27,391	6,313	27,065	33,378	(4,791)	(1,196)	(5,987)
Deferred Tax Asset Admitted as the result of application of SSAP No. 101 Total (a.+b.+c.)	$ 28,889	$ 25,869	$ 54,758	$ 25,271	$ 27,065	$ 52,336	$ 3,618	$ (1,196)	$ 2,422

	2015	**2014**
Ratio Percentage Used To Determine Recovery Period And Threshold Limitation Amount	882%	878%
Amount Of Adjusted Capital And Surplus Used To Determine Recovery Period And Threshold Limitation	$ 937,206	$ 910,826

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

	December 31, 2015			December 31, 2014			Change		
	Ordinary Percent	Capital Percent	Total Percent	Ordinary Percent	Capital Percent	Total Percent	Ordinary Percent	Capital Percent	Total Percent
Adjusted Gross DTAs	$ 50,497	$ 26,193	$ 76,690	$ 49,503	$ 27,389	$ 76,892	$ 994	$ (1,196)	$ (202)
Percentage of Adjusted Gross DTAs	0%	0%	0%	0%	0%	0%	0%	0%	0%
Net Admitted Adjusted Gross DTAs	$ 28,889	$ 25,869	$ 54,758	$ 25,271	$ 27,065	$ 52,336	$ 3,618	$ (1,196)	$ 2,422
Percentage of Net Admitted Adjusted Gross DTAs	0%	0%	0%	0%	0%	0%	0%	0%	0%

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

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The provision/(benefit) for income taxes on earnings for the years ended December 31, 2015 and 2014 are as follows (*in thousands*):

	Dec. 31, 2015	Dec. 31, 2014
Federal provision/(benefit)	$ 23,102	$ (647)
Federal income tax on net capital gains	1,848	1,822
Federal income tax incurred/(benefit)	$ 24,950	$ 1,175

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, 2015	Dec. 31, 2014	Change
Ordinary			
Benefit Obligations	$ 41,255	$ 40,572	$ 683
Unpaid Claims	1,028	1,104	(76)
Accrued Expenses	7,926	5,603	2,323
Nonadmitted Assets	32,338	29,038	3,300
AMT Credits	89,755	88,212	1,543
Other	4,924	8,591	(3,667)
Subtotal	177,226	173,120	4,106
Statutory valuation allowance adjustment	126,729	123,616	3,113
Nonadmitted	21,608	24,232	(2,624)
Admitted ordinary deferred tax assets	28,889	25,272	3,617
Capital			
Investments	26,193	27,388	(1,195)
Subtotal	26,193	27,388	(1,195)
Nonadmitted	324	324	-
Admitted capital deferred tax assets	25,869	27,064	(1,195)
Admitted deferred tax assets	54,758	52,336	2,422
Deferred Tax Liabilities:			
Ordinary			
Accrued Expenses	-	573	(573)
Unpaid Claims	12	11	1
Subtotal	12	584	(572)
Capital			
Investments	1,754	5,972	(4,218)
Investment in affiliate	59,793	62,584	(2,791)
Subtotal	61,547	68,556	(7,009)
Deferred tax liabilitites	61,559	69,140	(7,581)
Net deferred tax liabilities	$ (6,801)	$ (16,804)	$ 10,003

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, 2015	Dec. 31, 2014	Change
Adjusted gross deferred tax assets	$ 76,690	$ 76,890	$ (200)
Total deferred tax liabilities	61,559	69,140	7,581
Net deferred tax assets/(liabilities)	$ 15,131	$ 7,750	$ 7,381
Tax effect of unrealized gains(losses)			(2,301)
Change in Pension Equity			(349)
Investment in Affiliate			(1,595)
Change in net deferred income tax			$ 3,136

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

	Dec. 31, 2015		Effective Tax Rate
Benefit computed at statutory rate	$	20,974	35.00%
Permanent book to tax and other reserve adjustment		4,213	7.03%
Change in equity valuation allowance		(3,184)	-5.31%
Changes in valuation allowance		3,112	5.19%
Nonadmitted assets and other		(3,301)	-5.50%
Total	$	21,814	36.41%
Federal income taxes incurred	$	24,950	41.64%
Change in net deferred income taxes		(3,136)	-5.23%
Total statutory income taxes	$	21,814	36.41%

Beginning in 2014, Health Reform Legislation imposed an annual HIF on health insurers. The HIF is a nondeductible permanent item for income tax purposes thus increasing the company's effective tax rate. The Company's other reserve adjustments include changes in contingency reserves, true-ups and refundable AMT credits to be received in lieu of taking accelerated tax depreciation on fixed assets.

The Company is subject to examination by the Internal Revenue Service and state taxing authorities. In general, the Company's tax years 2012 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, Affiliates and Other Related Parties

Group Hospitalization and Medical Services, Inc. (GHMSI or the Company) is a not-for-profit company that provides a comprehensive array of health insurance and managed care products and services primarily through indemnity health insurance and health benefits administration. Other products and services include preferred provider and point-of-service networks, third-party administrator services and other managed care services. These products and services are provided to individuals, businesses and governmental agencies primarily in the Washington, D.C. metropolitan area, Northern Virginia and the state of Maryland.

The Company and CareFirst of Maryland, Inc. (CFMI) are both affiliates of a not-for-profit parent company, CareFirst, Inc. (CFI). These affiliates do business as CareFirst BlueCross BlueShield. The Company and CFMI hold joint interests in a holding company, CareFirst Holdings, LLC (CFH). CFH was formed on December 31, 2010 by contributed assets from the Company and CFMI. CFH's wholly-owned subsidiaries include First Care, Inc. (FirstCare), CFA, LLC, National Capital Insurance Agency, LLC, Capital Area Services Company, LLC (CASCI), and CareFirst BlueChoice, Inc. (CFBC) and its subsidiaries. CFH and its subsidiaries are owned 50.001% by CFMI and 49.999% by GHMSI. Since control over CFH operations is vested in CFI, GHMSI determined that neither GHMSI nor CFMI exercise control over CFH.

GHMSI's subsidiary, SBP, was created to operate the FEP Operations Center under a contract with BCBSA. SBP is 90% owned by GHMSI and 10% owned by BCBSA.

The Company's board approved target risk based capital range is 1050% to 1350% as of December 31, 2015.

As of December 31, 2015 and 2014, the Company's equity investment in CFH exceeded 10% of the Company's admitted assets. The financial information for CFH (GAAP-basis) is summarized as follows (*in thousands*):

	December 31			
		2015		**2014**
Total assets	**$**	**1,455,438**	$	1,443,770
Total liabilities	**$**	**543,090**	$	509,535
Members' equity		**912,348**		934,235
Total liabilities and members' equity	**$**	**1,455,438**	$	1,443,770

Summarized results of operations for CFH (GAAP-basis) are as follows (*in thousands*):

	Year Ended December 31			
		2015		**2014**
Net revenue	**$**	**3,022,203**	$	2,736,327
Operating expenses and other, net		**(3,021,375)**		(2,690,157)
Net income	**$**	**828**	$	46,170

The Company incurred certain costs on behalf of CFMI, including salaries, claims processing expenses, and professional fees. Similarly, certain costs were incurred by CFMI on behalf of the Company. As a result of an administrative agreement between the Company and CFMI, these amounts were allocated between the companies based on relevant statistical measures. Net charges to the Company for services performed by CFMI were $110,303,000 and $125,958,000 for the years ended December 31, 2015 and 2014, respectively. These allocations are included in general and administrative expenses.

The Company has an operating relationship with its subsidiary and CFH, whereby the Company provides administrative and corporate services for which expenses are allocated to the subsidiary and CFH under administrative agreements. Similarly, certain costs were incurred by CFH on behalf of the Company. Net charges allocated by the Company to the subsidiary and CFH under these agreements were $99,893,000 and $80,316,000 for the years ended December 31, 2015 and 2014, respectively. These allocations are netted against general and administrative expenses.

CFI performed a review and analysis of certain intercompany transactions with CFBC. The analysis identified services provided by the Company that should include a profit mark-up on the costs charged to CFBC. Total charges to CFBC for the profit mark-up by the Company were $11,041,000 and $10,561,000 for the years ended December 31, 2015 and 2014, respectively. These charges are recorded as a reduction to general and administrative expenses.

CFI performed a review and analysis of certain intercompany transactions with CASCI. The analysis identified services provided by CASCI that should include a profit mark-up on the costs charged to the Company. Total charges from CASCI for the profit mark-up to the Company were $3,759,000 and $3,676,000 for the years ended December 31, 2015 and 2014, respectively. These charges are recorded as an increase to general and administrative expenses.

The Company maintains relationships with brokers for CFBC and its subsidiaries. The Company pays broker commissions and incentives for both the Company and CFBC and its subsidiaries, and allocates a portion of these amounts to CFBC and its subsidiaries based upon relevant statistics. Total broker fees allocated to CFBC and its subsidiaries were $144,503,000 and $131,355,000 for the years ended December 31, 2015 and 2014, respectively.

The Company bears all of the out-of-network (indemnity) underwriting risk and CFBC bears the in-network (health maintenance organization) underwriting risk for certain fully insured point-of-service health care products. Cost of care for these products is charged directly to the Company and CFBC based upon the nature of the claims incurred. Premiums on these health care products are allocated between the Company and CFBC based on actual underwriting results such that the underwriting gain of the health care products, as a percentage of premiums earned, is shared equally between the two companies. Total premiums allocated from CFBC for these products were $22,695,000 and $10,302,000 for the years ended December 31, 2015 and 2014, respectively.

The Company blends the annual rate increases between the Company’s preferred provider organization and CFBC’s health maintenance organization products for certain large group accounts such that each product receives the same rate increase. The cost of care for these products is charged directly to the Company and CFBC based upon the entity which insured the underlying products. Effective April 1, 2014, the Company entered into an agreement with CFBC in which premiums on these products are allocated between the Company and CFBC based on actual loss ratio results such that the loss ratio of these products is shared equally between the two companies. Total premiums allocated from CFBC to the Company for these products were $41,763,000 and $39,637,000 for the years ended December 31, 2015 and 2014, respectively.

On March 1, 1999, CFI issued a subordinated surplus note with the Company for $167,000 and with CFMI for $333,000. The notes are unsecured and bear interest at 6% per annum, payable in arrears commencing on the initiation date. No payments of principal or interest shall be made on the notes unless and until CFI has sufficient realized earned surplus to make such payment, after providing for its minimum required surplus, all required reserves and other liabilities. In December 2007, the notes were amended to extend the maturity date from January 16, 2008 to January 16, 2018. Principal on these notes, if not paid sooner, shall be due and payable on January 16, 2018. Both interest and principal payments require the prior approval of the Maryland Insurance Administration.

At December 31, 2015 the Company reported $37,053,000 and $86,469,000 as amounts due from and due to affiliates, respectively. These amounts are settled monthly.

11. Debt

A. – B. None.

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

A. – D. Defined Benefit Plan & Information about Plan Assets

Prior to December 31, 2002, the Company maintained a qualified noncontributory defined benefit retirement plan covering substantially all full-time employees (the GHMSI Plan). Effective December 31, 2002, the GHMSI Plan merged with a qualified noncontributory defined benefit retirement plan maintained by CFMI (the CFMI Plan) to become the CareFirst, Inc. Retirement Plan (the CFI Plan). Although CFI merged the CFMI and GHMSI plans, it has committed to maintain separate recordkeeping of plan assets and benefit obligations so that it will comply with certain regulatory restrictions that apply to the Company and CFMI. Consistent with the standards for multiple-employer plan accounting, the Company and CFMI have accounted for their net pension obligations as if the plans remained separate. Employees hired on or after January 1, 2009, no longer participate in the CFI Plan. These employees participate in an enhanced 401(k) program.

Based on the accumulated benefit obligation, this qualified noncontributory defined benefit retirement plan was 99.0% and 101.9% funded as of December 31, 2015 and 2014, respectively.

The annual contributions exceeded the minimum funding standards set forth in the Employee Retirement Income Security Act of 1974, as amended. The CFI Plan provides for eligible employees to receive benefits based principally on years of service with the Company and a percentage of compensation prior to normal retirement.

The Company also has nonqualified supplemental retirement benefit plans covering certain officers, which provide for these individuals to receive additional benefits based principally on compensation and years of service. These plans provide for incremental benefit payments so that total benefit payments equal amounts that would have been payable from the Company's principal retirement plans if it were not for limitations imposed by the Internal Revenue Service. The Company contributes to the nonqualified pension plans as benefits are paid.

The Company provides certain health care benefits for retired employees. The Company's postretirement benefit program provides for a specific credit amount, which may be used to purchase health insurance upon retirement. The credit amount is based upon the retiree's age and years of service with the Company. The Company contributes to the postretirement plan as benefits are paid.

The Company uses a December 31 measurement date for determining benefit obligations and fair value of plan assets.

The following table sets forth the obligations, plan assets, funded status, and amounts recognized on the balance sheets for the retirement plans, which include the qualified and nonqualified pension plans described above, and other postretirement plans described above (*in thousands*):

	Pension Benefits		Other Postretirement Benefits	
	2015	**2014**	**2015**	**2014**
Change in benefit obligations				
Benefit obligations at beginning of year	**$ 363,969**	$ 321,457	**$ 28,769**	$ 26,977
Service cost	**6,867**	7,621	**602**	594
Interest cost	**13,745**	14,972	**1,007**	1,193
Contributions by plan participants	**-**	-	**-**	-
Actuarial (gains) losses	**(15,091)**	45,133	**(5,423)**	1,381
Foreign currency exchange rate changes	**-**	-	**-**	-
Benefits paid	**(19,091)**	(25,214)	**(986)**	(1,376)
Plan amendments	**-**	-	**-**	-
Business combinations, divestitures, curtailments, settlements and special termination benefits	**-**	-	**-**	-
Benefit obligations at end of year	**$ 350,399**	$ 363,969	**$ 23,969**	$ 28,769
Change in plan assets				
Fair value of plan assets at beginning of year	**$ 365,422**	$ 367,650	**$ -**	$ -
Actual return on plan assets	**(5,340)**	22,877	**-**	-
Foreign currency exchange rate changes	**-**	-	**-**	-
Reporting entity contribution	**156**	109	**986**	1,376
Plan participants' contributions	**-**	-	**-**	-
Benefits paid	**(19,091)**	(25,214)	**(986)**	(1,376)
Business combinations, divestitures and settlements	**-**	-	**-**	-
Fair value of plan assets at end of year	**$ 341,147**	$ 365,422	**$ -**	$ -
Funded status				
Overfunded				
Assets (nonadmitted)				
Prepaid benefit costs	**$ 80,847**	$ 83,837	**$ -**	$ -
Overfunded plan assets	**(80,847)**	(78,397)	**-**	-
Total assets (nonadmitted)	**$ -**	$ 5,440	**$ -**	$ -
Underfunded				
Liabilities recognized				
Accrued benefits costs	**$ 3,242**	$ 2,973	**$ 25,700**	$ 24,801
Liability for pension benefits	**6,010**	1,014	**(1,731)**	3,968
Total liabilities recognized	**$ 9,252**	$ 3,987	**$ 23,969**	$ 28,769
Unrecognized liabilities	**$ -**	$ -	**$ -**	$ -

As of December 31, 2015 and 2014, the unfunded nonqualified pension plans had accumulated benefit obligations and projected benefit obligations in excess of plan assets. These plans had a combined accumulated benefit obligation of $3,593,000 and $3,551,000 and a combined projected benefit obligation of $4,085,000 and $3,986,000, respectively.

The components of net periodic benefit cost included in the statements of operations are as follows (*in thousands*):

NOTES TO FINANCIAL STATEMENTS

	Pension Benefits 2015	Pension Benefits 2014	Other Postretirement Benefits 2015	Other Postretirement Benefits 2014
Service cost	**$ 6,867**	$ 7,621	**$ 602**	$ 594
Interest cost	**13,745**	14,972	**1,007**	1,193
Expected return on plan assets	**(22,965)**	(26,049)	**-**	-
Transition (asset) or obligation	**(2,650)**	67	**-**	-
(Gains) and losses	**8,202**	3,462	**-**	-
Prior service cost or (credit)	**216**	208	**276**	276
(Gain) or loss recognized due to a settlement or curtailment	**-**	-	**-**	-
Net periodic benefit cost for the year ended December 31	**$ 3,415**	$ 281	**$ 1,885**	$ 2,063

The amounts in capital and surplus not yet recognized as components of net periodic benefit cost are as follows (*in thousands*):

	Pension Benefits 2015	Pension Benefits 2014	Other Postretirement Benefits 2015	Other Postretirement Benefits 2014
Items not yet recognized as a component of net periodic cost - prior year	**$ 79,411**	$ 34,843	**$ 3,968**	$ 2,863
Net transition asset or (obligation) recognized	**2,650**	(67)	**-**	-
Net prior service cost or (credit) arising during the year	**-**	-	**-**	-
Net prior service (cost) or credit recognized	**(216)**	(208)	**(276)**	(276)
Net (gain) and loss arising during the year	**13,214**	48,305	**(5,423)**	1,381
Net gain and (loss) recognized	**(8,202)**	(3,462)	**-**	-
Items not yet recognized as a component of net periodic cost - current year	**$ 86,857**	$ 79,411	**$ (1,731)**	$ 3,968

The amounts in capital and surplus expected to be recognized in the next year as components of net periodic benefit cost are as follows (*in thousands*):

	Pension Benefits 2015	Pension Benefits 2014	Other Postretirement Benefits 2015	Other Postretirement Benefits 2014
Net transition (asset) or obligation	**$ (2,650)**	$ (2,649)	**$ -**	$ -
Net prior service cost or (credit)	**195**	216	**276**	276
Net recognized (gains) and losses	**9,216**	8,134	**(183)**	-

The amounts in capital and surplus that have not yet been recognized as components of net periodic benefit cost are as follows (*in thousands*):

	Pension Benefits 2015	Pension Benefits 2014	Other Postretirement Benefits 2015	Other Postretirement Benefits 2014
Net transition (asset) or obligation	**$ (26,046)**	$ (28,696)	**$ -**	$ -
Net prior service cost or (credit)	**365**	581	**2,647**	2,923
Net recognized (gains) and losses	**112,538**	107,526	**(4,378)**	1,045
Total	**$ 86,857**	$ 79,411	**$ (1,731)**	$ 3,968

The weighted-average assumptions used in calculating the net periodic cost and projected benefit obligations for all plans are as follows:

	Pension Benefits		Other Postretirement Benefits	
	2015	**2014**	**2015**	**2014**
Weighted-average assumptions used to determine net periodic benefit cost as of December 31				
Weighted-average discount rate [(a)]	**3.90%**	4.70%	**3.90%**	4.60%
Expected long-term rate of return on plan assets	**6.50% /N/A [(b)]**	7.25%/N/A [(b)]	**N/A**	N/A
Rate of compensation increase	**4.00%**	4.00%	**N/A**	N/A
Weighted-average assumptions used to determine projected benefit obligations as of December 31				
Weighted-average discount rate [(a)]	**4.20%**	3.90%	**4.40%**	3.90%
Rate of compensation increase	**4.00%**	4.00%	**N/A**	N/A

[(a)] The discount rates used were based on an Aa yield curve for the years ended December 31, 2015 and 2014.

[(b)] As of December 31, 2015 and 2014, the expected return on plan assets is 6.50% and 7.25%, respectively, for qualified pension benefits and N/A for nonqualified pension benefits.

The accumulated benefit obligation for the defined benefit pension plans was $348,349,000 and $362,002,000 as of December 31, 2015 and 2014, respectively.

The assumed annual rate of increase in the per capita cost of Pre-65 covered health care benefits was 7.25% as of December 31, 2015 and decreases gradually to 5.00% for 2025 and thereafter. The assumed annual rate of increase in the per capita cost of Post-65 covered health care benefits was 8.75% as of December 31, 2015 and decreases gradually to 5.00% for 2024 and thereafter.

Assumed health care cost trend rates have a significant effect on the amounts reported for health care plans. A one percentage point change in assumed health care cost trend rates would have the following effects (*in thousands*):

	1% Increase	1% Decrease
Effect on total service and interest cost	$ 36	$ (31)
Effect on postretirement benefit obligations	560	(490)

The following estimated benefit payments, which reflect expected future service, as appropriate, are expected to be paid from the pension and other postretirement benefit plans for the years ending December 31, (*in thousands*):

2016*	$ 24,648
2017	24,115
2018	24,529
2019	24,798
2020	25,723
2021 through 2025	133,571
	$ 257,384

* The expected cash flow payments are based on, in part, the assumption that certain nonqualified pension plan participants, who are age 62 and older as of December 31, 2015, will retire in 2016.

The Company expects to make contributions of $1,960,000 and $1,242,000, respectively, to the pension and other postretirement benefit plans during 2016.

The Company adopted a new mortality table for the qualified pension plan and postretirement plan as of December 31, 2015 and 2014. As a result, the Company recognized an actuarial gain of $(4,732,000) and $(647,000) in 2015 and an actuarial loss of $17,622,000 and $2,521,000 in 2014, within the pension and postretirement benefit obligation, respectively.

The Company's pension investment policy is to provide for growth of capital with a moderate level of volatility through adequate asset diversification per the target allocations stated below. Target allocation ranges are guidelines, not limitations, and occasionally go above or below a target range. The weighted-average asset allocations by asset category for the qualified pension plan are as follows:

NOTES TO FINANCIAL STATEMENTS

	Target Allocation Range	December 31 2015	2014
Domestic equity securities	16%-36%	**23 %**	25 %
International equity securities	9%-19%	**14**	13
Emerging markets equity securities	0%-10%	**5**	5
Real estate	0%-10%	**5**	4
Real asset	0%-10%	**6**	7
Fixed income securities	35%-55%	**44**	44
Cash and cash equivalents	Residual	**3**	2
Total		**100 %**	100 %

The fair value of the Company's qualified pension plan assets by asset category are as follows (*in thousands*):

Asset Category	Quoted Prices in Active Markets (Level 1)	Other Observable Inputs (Level 2)	Unobservable Inputs (Level 3)	Total Fair Value as of December 31, 2015
Cash equivalents	**$ 10,299**	**$ -**	**$ -**	**$ 10,299**
Fixed income securities:				
U.S. Treasury and other U.S. government agencies securities	**23,435**	**2,491**	**-**	**25,926**
State and municipal securities	**-**	**7,853**	**-**	**7,853**
Foreign governments securities	**-**	**1,618**	**-**	**1,618**
Corporate fixed income securities	**-**	**72,178**	**-**	**72,178**
Government sponsored enterprise mortgage-backed securities	**-**	**29,937**	**-**	**29,937**
Other mortgage-backed and asset-backed securities	**-**	**13,555**	**-**	**13,555**
Total fixed income securities	**23,435**	**127,632**	**-**	**151,067**
Equity securities:				
Common stocks	**33,794**	**-**	**-**	**33,794**
Other equity securities measured at net asset value [(a)]	**-**	**129,071**	**16,916**	**145,987**
Total equity securities	**33,794**	**129,071**	**16,916**	**179,781**
Total assets at fair value	**$ 67,528**	**$ 256,703**	**$ 16,916**	**$ 341,147**

Asset Category	Quoted Prices in Active Markets (Level 1)	Other Observable Inputs (Level 2)	Unobservable Inputs (Level 3)	Total Fair Value as of December 31, 2014
Cash equivalents	$ 14,650	$ -	$ -	$ 14,650
Fixed income securities:				
U.S. Treasury and other U.S. government agencies securities	25,805	1,829	-	27,634
State and municipal securities	-	9,050	-	9,050
Foreign governments securities	-	4,849	-	4,849
Corporate fixed income securities	-	70,925	-	70,925
Government sponsored enterprise mortgage-backed securities	-	32,736	-	32,736
Other mortgage-backed and asset-backed securities	-	12,127	-	12,127
Total fixed income securities	25,805	131,516	-	157,321
Equity securities:				
Common stocks	35,323	-	-	35,323
Other equity securities measured at net asset value [(a)]	-	143,529	14,599	158,128
Total equity securities	35,323	143,529	14,599	193,451
Total assets at fair value	$ 75,778	$ 275,045	$ 14,599	$ 365,422

[(a)] As of December 31, 2015 and 2014, other equity securities measured at net asset value are approximately 68% and 73% in common/collective trusts, 20% and 18% in a 103-12 investment entity and 12% and 9% in a real estate investment trust fund, respectively. The common/collective trusts primarily invest in domestic and emerging markets equity securities and real asset index funds that invest in commodities, U.S. Treasury inflation-protected securities (USTIPS), U.S. real estate investment trusts and natural resources companies. The 103-12 investment entity primarily invests in international equity securities.

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

Cash equivalents

The carrying value of cash equivalents approximates fair value as maturities are less than three months.

Fixed income securities

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 fixed income securities, 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 fixed income securities 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.

Equity securities

Publicly traded common stocks are valued at the closing price reported on the exchanges and are classified as Level 1. Equity investments in common/collective trusts and 103-12 investment entity where the net asset value (NAV) (sum of the fair value of its underlying investments divided by units outstanding) is determined by observable inputs on a daily basis but are not considered actively traded are classified as Level 2. The equity investments in common/collective trusts and 103–12 investment entity permit redemptions daily. The fair value of real estate investment trust fund where the NAV is determined by valuation techniques using unobservable inputs, including discounted cash flow analysis, is classified as Level 3. A redemption request of 45 days prior to the end of the quarter is required for unit redemption of the real estate investment trust fund.

There were no transfers between levels during the years ended December 31, 2015 and 2014.

The preceding methods may produce a fair value calculation that may not indicate net realizable value or reflect future fair values. Furthermore, although the Company believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting dates.

The table below summarizes changes in the fair value of the Company's Level 3 pension plan investments in a real estate investment trust fund (*in thousands*).

	Year Ended December 31	
	2015	**2014**
Beginning balance at January 1	**$ 14,599**	$ 13,085
Unrealized gains relating to instruments still held at the reporting date	**1,587**	919
Purchases	**730**	595
Ending balance at December 31	**$ 16,916**	$ 14,599

An important factor in determining the pension expense is the assumption for expected long-term rate of return on plan assets. The Company uses a total portfolio return analysis in the development of its assumption. Factors such as past market performance, the long-term relationship between fixed income and equity securities, interest rates, inflation, and asset allocations are considered in the assumption. Peer data and historical returns are also reviewed for appropriateness of the selected assumption.

The expected long-term rate of return for the qualified pension plan's total assets is based on the expected return of each of the investment categories, weighted based on the median of the target allocation for each class. The key objective of the pension asset portfolio is to meet the assumed actuarial rate of return while maintaining a diversified asset allocation.

E. Defined Contribution Plans

The Company sponsors a 401(k) plan for the benefit of all eligible employees. The Company contributes to this plan based on a percentage of employee contributions and recognized expenses of $2,392,000 and $2,367,000 for the years ended December 31, 2015 and 2014, respectively.

F. Multiemployer Plans

Not applicable.

G. Consolidated/Holding Company Plans

Not applicable.

H. Postemployment Benefits and Compensated Absences

Not applicable.

I. 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 no common stock authorized, issued or outstanding.

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

(3) – (8) Not applicable.

(9) The Company is subject to the HIF imposed by Health Reform Legislation. In accordance with SSAP No. 106 *Affordable Care Act Section 9010 Assessment* (SSAP 106) the Company's estimated HIF payable in the following year is required to be reclassified from unassigned surplus to special surplus. The Company's balance of special surplus funds represents the amount reclassified for the period.

(10) The portion of unassigned funds (surplus) represented by cumulative net unrealized gains is $330,186,000.

(11) – (13) Not applicable.

14. Liabilities, Contingencies and Assessments

A. Contingent Commitments

None.

B. Assessments

In the jurisdictions in which the Company is licensed to conduct business, guaranty associations have been created for the purpose, among others, of protecting insured parties under health insurance policies when a health insurer becomes impaired, insolvent, or fails. The Company is contingently liable for assessments in any calendar year, in order to provide any required funds to carry out the power and duties of the associations. These associations levy assessments, up to prescribed limits, on all member insurers in a particular state on the basis of the proportionate share of the premiums written by member insurers in the line of business in which the impaired, insolvent or failed insurer is engaged. Some states permit member insurers to recover assessments through full or partial premium tax offsets.

The Pennsylvania Insurance Commissioner has placed long-term care insurer Penn Treaty Network America Insurance Company and one of its subsidiaries (collectively, "Penn Treaty") in rehabilitation, an intermediate action before insolvency, and has petitioned a state court for liquidation. If Penn Treaty is liquidated, the Company and other insurers may be required to pay a portion of Penn Treaty's policyholder claims related to their jurisdictions through guaranty association assessments in future periods. The Company is currently unable to predict the ultimate outcome of, or reasonably estimate the loss or range of losses resulting from, this potential insolvency because the Company cannot predict when the state court will render a decision, the amount of the insolvency, if any, the amount and timing of associated guaranty association assessments or the amount or availability of potential offsets, such as premium tax offsets. It is possible that in future reporting periods the Company may record a liability and a premium tax offset receivable relating to Penn Treaty which could have a material adverse effect on the Company's financial statements.

C. Gain Contingencies

None.

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

None.

E. Joint and Several Liabilities

None.

F. All Other Contingencies

CFMI and the Company entered into an intercompany agreement that requires CFMI or the Company, 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 the Company 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 2015 or 2014.

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 statutory-basis 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. During 2012, CFMI and GHMSI discovered a processing error related to the handling of claims for Medicare members of certain non-risk groups between the years from 2009 to 2012. This error was promptly corrected once identified. As a result, CFMI and GHMSI recorded a liability of $4,800,000, of which $1,143,000 was recorded by the Company representing the Company's best estimate of its portion of liability to CMS at December 31, 2012. At December 31, 2013, the liability was reduced to $721,000 after the Company completed its review of the claims data related to this liability. In 2014, the Company revised its estimate and recorded an additional liability of $540,000. The balance of the liability is $1,261,000 as of December 31, 2014, and is included in other liabilities. There have been no adjustments to this liability since December 31, 2014. The Company's management believes that the final resolution of this matter will not result in additional material liabilities to the Company.

On December 30, 2014, the DISB issued an order in which it concluded that GHMSI's RBC of 998% at December 31, 2011 was excessive, and that the appropriate RBC was 721%. The order stated that 21% of GHMSI's 2011 surplus was attributable to the District of Columbia (District), and instructed GHMSI to submit a plan for dedication of excess 2011 surplus attributable to the District to community reinvestment in a fair and equitable manner.

GHMSI set out the grounds on which it contends that the December 30, 2014 order is erroneous in a Motion to Reconsider filed on January 22, 2015, which was denied. In its plan filed on March 16, 2015, GHMSI also demonstrated that no further reduction or distribution of surplus attributable to the District would be warranted, because the surplus attributable to the District has fallen significantly since 2011 on account of rate reduction and moderation, community giving, and other community reinvestment.

There is no present instruction to GHMSI to pay any sum of money, and there will be significant additional proceedings before any remedial plan is adopted. Those proceedings include an appeal of any final DISB order, conclusion of state proceedings and potential Federal challenges by Maryland and Virginia. Currently, the effect of any remedial plan upon GHMSI in terms of dollars is uncertain, given that GHMSI's RBC has decreased since December 31, 2011.

GHMSI's requirements to consider the instructions of its regulators in Maryland and Virginia, and the pending legal decisions that will occur at a future time, coupled with the decline in RBC since the December 31, 2011 measurement date in the DISB December 30, 2014 order, and the fact that the December 30, 2014 order is not an appealable final order, combine to create substantial uncertainty as to whether a contingent liability exists at December 31, 2015. Therefore, GHMSI has concluded that it is not probable that a loss has been incurred. GHMSI has also concluded that a reasonable estimate of loss cannot be determined at this time. GHMSI will continue to monitor the developments in this matter which may require a reconsideration of whether a loss contingency should be recorded at a future date.

15. Leases

A. Lessee Operating Lease

The Company leases certain administrative facilities, including its corporate offices, and equipment under operating leases. Some of these lease agreements contain escalation clauses for increases in rental rates over the life of the lease. These leases expire on various dates with renewal options available on many of these leases.

Future noncancelable minimum payments for leases are as follows (*in thousands*):

2016	$	9,759
2017		10,203
2018		9,047
2019		9,092
2020		9,294
Thereafter		27,944
Total minimum payments	$	75,339

Rent expense for all operating leases, net of amounts allocated to affiliates, for the years ended December 31, 2015 and 2014, was $11,455,000 and $12,376,000, respectively.

B. Lessor 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

The results from operations of uninsured ASC plans and the uninsured portion of partially insured plans were as follows (*in thousands*):

	Year Ended December 31 2015	2014
Gross reimbursement for medical costs incurred	**$ 767,937**	$ 754,508
Gross administrative fees accrued	**52,462**	48,832
Gross expenses incurred	**(837,259)**	(828,607)
Operating loss, before stop loss	**$ (16,860)**	$ (25,267)
Stop loss, net	**12,750**	5,435
Proforma operating loss	**$ (4,110)**	$ (19,832)

The stop loss amount reported above represents the stop loss underwriting gain from the ASC business.

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* 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, 2015 and 2014.

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. Fair values of privately-held equity securities, where there has been limited trading activity or where less price transparency exists around the inputs to the valuation, are classified as Level 3.

(1) Fair Value Measurements at Reporting Date

The following tables present information about 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, 2015
Assets				
Bonds	$ –	$ 483	$ –	$ 483
Common stocks				
Large capital equity index fund	–	48,553	–	48,553
Small capital equity index fund	–	20,293	–	20,293
International equity index fund	–	8,547	–	8,547
Publicly-traded fixed income index fund [(a)]	–	27,200	–	27,200
Privately-held equity securities	–	–	3,987	3,987
Total common stocks	–	104,593	3,987	108,580
Total assets measured and reported at fair value	$ –	$ 105,076	$ 3,987	$ 109,063

	Prices in Active Markets (Level 1)	Other Observable Inputs (Level 2)	Unobservable Inputs (Level 3)	Total Fair Value as of December 31, 2014
Assets				
Bonds	$ –	$ 1,044	$ –	$ 1,044
Common stocks				
Large capital equity index fund	–	45,824	–	45,824
Small capital equity index fund	–	27,958	–	27,958
International equity index fund	–	31,918	–	31,918
Publicly-traded fixed income index fund [(a)]	–	27,662	–	27,662
Privately-held equity securities	–	–	3,983	3,983
Total common stocks	–	133,362	3,983	137,345
Total assets measured and reported at fair value	$ –	$ 134,406	$ 3,983	$ 138,389

(a) Represent investments in USTIPS.

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

A reconciliation of the beginning and ending balances of privately-held equity securities measured at fair value using Level 3 inputs is as follows (*in thousands*):

	2015	2014
Beginning balance at January 1	$ 3,983	$ 4,300
Gains (losses) recognized in capital and surplus—statutory-basis	4	(317)
Ending balance at December 31	$ 3,987	$ 3,983

(3) Level 3 Transfers

None.

(4) Level 2 and 3 Valuation Technique and Inputs

See Note 20A *Fair Value Measurement Valuation Techniques and Inputs.*

(5) Derivatives

None.

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, 2015	Admitted Assets as of December 31, 2015
Bonds	**$ 43,433**	**$ 384,651**	**$ –**	**$ 428,084**	**$ 431,963**
Common stocks	**–**	**104,593**	**3,987**	**108,580**	**108,580**
Total assets at fair value	**$ 43,433**	**$ 489,244**	**$ 3,987**	**$ 536,664**	**$ 540,543**

	Quoted Prices in Active Markets (Level 1)	Other Observable Inputs (Level 2)	Unobservable Inputs (Level 3)	Aggregate Fair Value as of December 31, 2014	Admitted Assets as of December 31, 2014
Bonds	$ 25,981	$ 385,079	$ –	$ 411,060	$ 399,649
Common stocks	–	133,362	3,983	137,345	137,345
Total assets at fair value	$ 25,981	$ 518,441	$ 3,983	$ 548,405	$ 536,994

D. Not Practicable to Estimate Fair Value

As of December 31, 2015 and 2014, the Company has no financial instruments for which it is not practicable to estimate fair value.

21. Other Items

A. Unusual or Infrequent Items

Not applicable.

B. Troubled Debt Restructuring: Debtors

Not applicable.

C. Other Disclosures

Not applicable.

D. Business Interruption Insurance Recoveries

Not applicable.

E. State Transferable and Non-transferable Tax Credits

Not applicable.

F. 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, 2015.

(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.

G. Retained Assets

Not applicable.

H. Insurance-Linked Securities

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.

As discussed in Note 1C, the Company is subject to the HIF mandated by the Health Reform Legislation. The Company's portion of the HIF becomes payable once it provides health insurance for any U.S. health risk for each calendar year beginning on or after January 1 of the year the HIF is due. The Company has written health insurance subject to the PPACA assessment as of December 31, 2015 and is conducting health insurance business in 2016. The Company estimates its portion of the HIF payable on September 30, 2016 to be $70,000,000. This amount is reflected in special surplus. This assessment is expected to decrease risk-based capital (RBC) by 65% from 882% to 817%. Reporting the HIF as of December 31, 2015 would not have triggered an RBC action level.

		(in thousands) 2015	2014
A.	Did the reporting entity write accident and health insurance premium that is subject to Section 9010 of the Affordable Care Act?	**YES**	XXX
B.	HIF payable for the upcoming year	**$ 70,000**	$ 70,000
C.	HIF paid	**63,602**	45,743
D.	Premium written subject to HIF	**3,562,731**	3,345,287
E.	Total Adjusted Capital before surplus adjustment	**960,215**	XXX
F.	Total Adjusted Capital after surplus adjustment	**890,215**	XXX
G.	Authorized Control Level	**108,924**	XXX
H.	Would reporting the HIF as of December 31, 2015 have triggered an RBC action level?	**NO**	XXX

23. Reinsurance

A. Ceded Reinsurance Report

The Company maintains a quota-share reinsurance contract with FirstCare, a former plan sponsor of Medicare Part D prescription drug insurance coverage under a contract with CMS. Effective July 11, 2014, FirstCare is no longer a Medicare Part D plan sponsor. Therefore, the reinsurance amounts assumed by the Company represent FirstCare's obligations from run-out activities. The Company assumed risk premiums in the amount of $(82,000) and $6,040,000 and incurred an underwriting loss in the amount of $186,000 and $275,000 for the years ended December 31, 2015 and 2014, respectively.

Certain business has been written by CFMI and GHMSI which represents contracts outside the historic CFMI and GHMSI service areas (cross-jurisdictional sales). The net underwriting gain or loss from this cross-jurisdictional business is transferred via a quota-share reinsurance contract from the company that earned them to the company in whose service area they were earned. The Company remains obligated for amounts ceded in the event that CFMI does not meet its obligations. As a result of this reinsurance agreement, the following amounts were assumed from and ceded to CFMI (*in thousands*):

	Year Ended December 31 2015	2014
Premiums assumed	**$ 37,066**	$ 46,091
Premiums ceded	**(115,920)**	(169,979)
Premiums, net	**(78,854)**	(123,888)
Cost of care assumed	**28,286**	33,491
Cost of care ceded	**(83,092)**	(129,121)
Cost of care, net	**(54,806)**	(95,630)
General and administrative expenses ceded, net	**(16,366)**	(23,311)
Net gain ceded	**$ (7,682)**	$ (4,947)

B. Uncollectible Reinsurance

Not applicable.

C. Commutation of Ceded Reinsurance

Not applicable.

D. Certified Reinsurer Rating Downgraded or Status Subject to Revocation

Not applicable.

24. Retrospectively Rated Contracts and Contracts Subject to Redetermination

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*):

	Individual	Small Group Employer	Large Group Employer	Other Categories with Rebates	Total
Prior Reporting Year					
(1) Medical loss ratio rebates incurred	$ –	$ 8	$ –	$ –	$ 8
(2) Medical loss ratio rebates paid	–	8	–	–	8
(3) Medical loss ratio rebates unpaid	–	–	–	–	–
(4) Plus reinsurance assumed amounts	XXX	XXX	XXX	XXX	469
(5) Less reinsurance ceded amounts	XXX	XXX	XXX	XXX	–
(6) Rebates unpaid net of reinsurance	XXX	XXX	XXX	XXX	$ 469
Current Reporting Year					
(7) Medical loss ratio rebates incurred	$ –	$ –	$ –	$ –	$ –
(8) Medical loss ratio rebates paid	–	–	–	–	–
(9) Medical loss ratio rebates unpaid	–	–	–	–	–
(10) Plus reinsurance assumed amounts	XXX	XXX	XXX	XXX	551
(11) Less reinsurance ceded amounts	XXX	XXX	XXX	XXX	–
(12) Rebates unpaid net of reinsurance	XXX	XXX	XXX	XXX	$ 551

The assumed amount above is under the Company’s reinsurance contract with FirstCare (refer to Note 23).

E. Risk-Sharing Provisions of the Affordable Care Act

(1) Did the reporting entity write accident and health insurance premium that is subject to the Affordable Care Act (ACA) risk-sharing provisions?

Yes.

NOTES TO FINANCIAL STATEMENTS

(2) Impact of Risk-Sharing Provisions of the ACA on Admitted Assets, Liabilities and Revenue (*in thousands*):

		December 31, 2015		2014
a. Permanent ACA Risk Adjustment Program				
Assets				
1. Premium adjustments receivable due to ACA Risk Adjustment	**$**	**55,397**	$	26,200
Liabilities				
2. Risk adjustment user fees payable for ACA Risk Adjustment		**97**		48
3. Premium adjustments payable due to ACA Risk Adjustment		**-**		-
Operations (Revenue & Expense)				
4. Reported as revenue in premium for accident and health contracts written due to ACA Risk Adjustment		**56,896**		26,200
5. Reported in expenses as ACA risk adjustment user fees incurred		**96**		48
b. Transitional ACA Reinsurance Program				
Assets				
1. Amounts recoverable for claims paid due to ACA Reinsurance	**$**	**29,752**	$	13,961
2. Amounts recoverable for claims unpaid due to ACA Reinsurance (Contra Liability)		**3,410**		1,285
3. Amounts receivable relating to uninsured plans for contributions for ACA Reinsurance		**-**		-
Liabilities				
4. Liabilities for contributions payable due to ACA Reinsurance - not reported as ceded premium		**5,671**		5,791
5. Ceded reinsurance premiums payable due to ACA Reinsurance		**-**		-
6. Liabilities for amounts held under uninsured plans contributions for ACA Reinsurance		**-**		-
Operations (Revenue & Expense)				
7. Ceded reinsurance premiums due to ACA Reinsurance		**1,099**		933
8. Reinsurance recoveries (income statement) due to ACA Reinsurance payments or expected payments		**36,729**		15,246
9. ACA Reinsurance contributions – not reported as ceded premium		**21,528**		33,812
c. Temporary ACA Risk Corridors Program				
Assets				
1. Accrued retrospective premium due from ACA Risk Corridors	**$**	**18**	$	-
Liabilities				
2. Reserve for rate credits or policy experience rating refunds due to ACA Risk Corridors		**200**		620
Operations (Revenue & Expense)				
3. Effect of ACA Risk Corridors on net premium income		**-**		-
4. Effect of ACA Risk Corridors on change in reserves for rate credits		**675**		620

The above amounts are subject to the Company’s reinsurance agreement with CFMI as noted in Note 23.

NOTES TO FINANCIAL STATEMENTS

(3) Roll-forward of prior year ACA risk-sharing provisions for the following asset (gross of any nonadmission) and liability balances, along with the reasons for adjustments to prior year balance *(in thousands)*:

					Differences		Adjustments			Unsettled Balances as of the Reporting Date	
	Accrued During the Prior Year on Business Written Before December 31 of the Prior Year		Received or Paid as of the Current Year on Business Written Before December 31 of the Prior Year		Prior Year Accrued Less Payments (Col 1 - 3)	Prior Year Accrued Less Payments (Col 2 - 4)	To Prior Year Balances	To Prior Year Balances		Cumulative Balance from Prior Years (Col 1 – 3 + 7)	Cumulative Balance from Prior Years (Col 2 – 4 + 8)
	1	2	3	4	5	6	7	8		9	10
	Receivable	(Payable)	Receivable	(Payable)	Receivable	(Payable)	Receivable	(Payable)	Ref	Receivable	(Payable)
a. Permanent ACA Risk Adjustment Program											
1. Premium adjustments receivable	$ 26,200	$ -	$ 27,699	$ -	$ (1,499)	$ -	$ 2,396	$ -	A	$ 897	$ -
2. Premium adjustments (payable)	-	-	-	-	-	-	-	-	B	-	-
3. Subtotal ACA Permanent Risk Adjustment Program	26,200	-	27,699	-	(1,499)	-	2,396	-		897	-
b. Transitional ACA Reinsurance Program											
1. Amounts recoverable for claims paid	13,961	-	18,813	-	(4,852)	-	4,852	-	C	-	-
2. Amounts recoverable for claims unpaid (contra liability)	1,285	-	-	-	1,285	-	(1,285)	-	D	-	-
3. Amounts receivable relating to uninsured plans	-	-	-	-	-	-	-	-	E	-	-
4. Liabilities for contributions payable due to ACA Reinsurance – not reported as ceded premium	-	5,791	-	5,791	-	-	-	-	F	-	-
5. Ceded reinsurance premiums payable	-	-	-	-	-	-	-	-	G	-	-
6. Liability for amounts held under uninsured plans	-	-	-	-	-	-	-	-	H	-	-
7. Subtotal ACA Transitional Reinsurance Program	15,246	5,791	18,813	5,791	(3,567)	-	3,567	-		-	-
c. Temporary ACA Risk Corridors Program											
1. Accrued retrospective premium	-	-	111	-	(111)	-	129	-	I	18	-
2. Reserve for rate credits or policy experience rating refunds	-	620	-	1,223	-	(603)	-	603	J	-	-
3. Subtotal ACA Risk Corridors Program	-	620	111	1,223	(111)	(603)	129	603		18	-
d. Total for ACA Risk Sharing Provisions	$ 41,446	$ 6,411	$ 46,623	$ 7,014	$ (5,177)	$ (603)	$ 6,092	$ 603		$ 915	$ -

Explanations of Adjustments:

A. True-up to reflect the 2014 actual based upon the risk adjustment results published by HHS.

B. Not applicable.

C. Include run-out claims through 3/31/2015. In addition, the increase is due to an increase in coinsurance rate for the 2014 benefit year from 80% to 100%.

D. Accrued receivable is now included in amounts recoverable for claims paid.

E. Not applicable.

F. Not applicable.

G. Not applicable.

H. Not applicable.

I. True-up to reflect the proration rate of 12.6% confirmed by HHS for 2014 risk corridors payments.

J. True-up of year-end estimate.

25. Change in Incurred Claims and Claim Adjustment Expenses

As of December 31, 2015, $242,781,000 has been paid for incurred claims attributable to insured events for prior years. Reserves remaining for prior years are now $3,119,000 as a result of re-estimation of unpaid claims and unpaid claims adjustment expenses. Therefore, there has been a $35,280,000 favorable prior year development since December 31, 2014 to December 31, 2015, which includes an $11,634,000 favorable 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

A. – G. 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 Invoiced / 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
12/31/2015	$ 21,641,099	$ 21,641,099	$ -	$ -	$ -
9/30/2015	21,755,866	21,755,866	-	-	-
6/30/2015	17,740,261	17,740,261	17,740,261	-	-
3/31/2015	14,393,920	14,393,920	14,373,625	20,295	-
12/31/2014	$ 13,118,141	$ 13,118,141	$ 13,118,141	$ -	$ -
9/30/2014	10,375,632	10,375,632	10,375,632	-	-
6/30/2014	7,556,789	7,556,789	3,001,102	4,555,687	-
3/31/2014	7,077,022	7,077,022	1,731,601	5,094,924	250,497
12/31/2013	$ 3,736,492	$ 3,736,492	$ 3,613,908	$ 84,536	$ -
9/30/2013	3,525,034	3,525,034	2,501,914	1,094,969	-
6/30/2013	3,123,840	3,123,840	3,123,444	2,474	-
3/31/2013	3,083,586	3,083,586	3,064,042	2,444	-

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: $8,850,000 within aggregate health policy reserves
2. Date of the most recent evaluation of this liability: December 31, 2015
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	
2015	$ 2,302
2014	$ 2,369

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 [X] No [ ]

2.2 If yes, date of change: 12/18/2015

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. 12/31/2013

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). 06/29/2015

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 [ ] No [ ] N/A [X]

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

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

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

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

1 Name of Entity	2 NAIC 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 18A 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?
David Markowitz, 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 with an effective date of February 26, 2015 to maintain compliance with the applicable provisions of the Federal Acquisition Regulation. The code was also amended in 2015 with an effective date of January 1, 2016 to reflect best practices and new policies as part of a periodic update.

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 [X] No [ ]

24.02 If no, give full and complete information relating thereto

24.03 For security lending programs, provide a description of the program including value for collateral and amount of loaned securities, and whether collateral is carried on or off-balance sheet. (an alternative is to reference Note 17 where this information is also provided)
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 [ ] No [X]

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 Placed under option agreements $ 0
25.26 Letter stock or securities restricted as to sale - excluding FHLB Capital Stock $ 0
25.27 FHLB Capital Stock $ 0
25.28 On deposit with states $ 0
25.29 On deposit with other regulatory bodies $ 0
25.30 Pledged as collateral - excluding collateral pledged to an FHLB $ 0
25.31 Pledged as collateral to FHLB - including assets backing funding agreements $ 0
25.32 Other $ 0

25.3 For category (25.26) 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
Bank of New York Mellon	1 Wall St., New York, N.Y. 10286

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

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

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

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

28.05 Identify all investment advisors, brokers/dealers or individuals acting on behalf of 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 Market Institutional	20,293,082
922040-10-0	Vanguard Institutional Index Fund	48,552,812
921943-88-2	Vanguard Developed Markets Index Institutional	8,547,538
29.2999 - Total		77,393,432

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 Market Institutional	Liberty Global plc	182,638	12/31/2015
Vanguard Extended Market Institutional	LinkedIn Corp.	121,758	12/31/2015
Vanguard Extended Market Institutional	Tesla Motors Inc.	121,758	12/31/2015
Vanguard Extended Market Institutional	Incyte Corp.	81,172	12/31/2015
Vanguard Extended Market Institutional	BioMarin Pharmaceutical Inc.	81,172	12/31/2015
Vanguard Institutional Index Fund	Apple Inc.	1,602,243	12/31/2015
Vanguard Institutional Index Fund	Alphabet Inc.	1,213,820	12/31/2015
Vanguard Institutional Index Fund	Microsoft Corp.	1,213,820	12/31/2015
Vanguard Institutional Index Fund	Exxon Mobil Corp.	873,951	12/31/2015
Vanguard Institutional Index Fund	General Electric Co.	776,845	12/31/2015
Vanguard Developed Markets Index Institutional	Nestle SA	145,308	12/31/2015
Vanguard Developed Markets Index Institutional	Roche Holding AG	119,666	12/31/2015
Vanguard Developed Markets Index Institutional	Novartis AG	111,118	12/31/2015
Vanguard Developed Markets Index Institutional	Toyota Motor Corp.	102,570	12/31/2015
Vanguard Developed Markets Index Institutional	HSBC Holdings plc	94,023	12/31/2015

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	507,785,018	503,904,994	(3,880,024)
30.2 Preferred stocks	0	0	0
30.3 Totals	507,785,018	503,904,994	(3,880,024)

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 Investment Analysis 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? $ 1,869,718

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	1,142,925

34.1 Amount of payments for legal expenses, if any? $ 1,047,038

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
Shamoun & Norman LLP	321,415

35.1 Amount of payments for expenditures in connection with matters before legislative bodies, officers or departments of government, if any? $ 236,803

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
Trammell & Company	151,788

GENERAL INTERROGATORIES

PART 2 - HEALTH INTERROGATORIES

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

1.2 If yes, indicate premium earned on U.S. business only. $ 21,925,091

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. $ 17,718,550

1.6 Individual policies:

Most current three years:

1.61 Total premium earned	$	8,622,185
1.62 Total incurred claims	$	6,730,258
1.63 Number of covered lives		5,386

All years prior to most current three years:

1.64 Total premium earned	$	13,302,907
1.65 Total incurred claims	$	10,988,292
1.66 Number of covered lives		4,761

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	3,441,649,858	3,283,641,980
2.2	Premium Denominator	3,441,658,334	3,283,652,020
2.3	Premium Ratio (2.1/2.2)	1.000	1.000
2.4	Reserve Numerator	922,405,785	925,854,961
2.5	Reserve Denominator	922,405,785	925,854,961
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 [ ]

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

5.2 If no, explain:
There is no regulatory requirement for the company to obtain stop-loss reinsurance coverage.

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 with CareFirst of Maryland, 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	47,784
8.2 Number of providers at end of reporting year	46,712

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

9.2 If yes, direct premium earned:

9.21 Business with rate guarantees between 15-36 months	$	0
9.22 Business with rate guarantees over 36 months	$	0

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

11.2 Is the reporting entity subject to Statutory Minimum Capital and Surplus Requirements? Yes [X] No [ ]
11.3 If yes, show the name of the state requiring such minimum capital and surplus. District of Columbia
11.4 If yes, show the amount required. $ 113,647,118
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 detail information

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

1 Name of Service Area
District of Columbia
State of Maryland
Virginia: the cities of Alexandria and Fairfax; the town of Vienna; Arlington County; the areas of Fairfax and Prince 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

14.1 Are any of the captive affiliates reported on Schedule S, Part 3, authorized reinsurers? Yes [ ] No [ ] N/A [X]
14.2 If the answer to 14.1 is yes, please provide the following:

1	2	3	4	Assets Supporting Reserve Credit		
Company Name	NAIC Company Code	Domiciliary Jurisdiction	Reserve Credit	5 Letters of Credit	6 Trust Agreements	7 Other

15. Provide the following for individual ordinary life insurance* policies (U.S. business only) for the current year (prior to reinsurance assumed or ceded):

15.1 Direct Premium Written $ 0
15.2 Total Incurred Claims $ 0
15.3 Number of Covered Lives 0

*Ordinary Life Insurance Includes
Term(whether full underwriting, limited underwriting, jet issue, "short form app")
Whole Life (whether full underwriting, limited underwriting, jet issue, "short form app")
Variable Life (with or without secondary gurarantee)
Universal Life (with or without secondary gurarantee)
Variable Universal Life (with or without secondary gurarantee)

General Interrogatories
Part 2 - Health Interrogatories

Question 10.1 Incentive pool, withheld or bonus arrangements

In 2015, certain primary care physicians, who participated with the Company's Total Care and Cost Improvement program, which includes the Patient-Centered 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

The company is licensed to conduct business in the states of Virginia (Northern Virginia) and Maryland and the District of Columbia.

District of Columbia
D.C. Code § 31-3506 requires hospital and medical services corporations to possess surplus in an amount which is the greater of $5,000,000 or 8% of the total amount of premiums for insured risk received by the corporation in the preceding calendar year. The Company maintains at least the minimum statutory surplus of $113,647,118, in accordance with calculation below, which represents the greater amount required by statute.

Prior Year's Premium Written	$3,283,652,020
Less: FEP Premiums Written	$1,863,063,047
Prior Year's Risk Premiums Written	$1,420,588,973
Multiply by Applicable Rate for the District of Columbia	8%
Minimum Statutory Reserve Requirements	$113,647,118

Maryland
Md. Code, Ann., § 14-117 requires Nonprofit Health Service Plans to maintain a minimum net worth (surplus) in an amount equal to the greater of $75,000 and 8% of the total earned premium received by the corporation in the immediately preceding calendar year. The Company maintains at least the minimum net worth of $113,647,118, as calculated below, which represents the greater amount required by the statute.

Prior Year's Premium Written	$3,283,652,020
Less: FEP Premiums Written	$1,863,063,047
Prior Year's Risk Premiums Written	$1,420,588,973
Multiply by Applicable Rate for the District of Columbia	8%
Minimum Statutory Reserve Requirements	$113,647,118

Virginia
Va. Code Ann. § 38.2-4208 requires a health service plan to maintain a minimum level for contingency reserves not to exceed forty-five days of the anticipated operating expenses and incurred claims expense generated from subscription contracts it issued. The Company maintains at least the minimum reserves of $176,401,619, as calculated below, which represents forty-five days of anticipated operating expenses and incurred claims expenses generated from subscription contracts.

	Incurred Claims (1)	Operating Expenses (2)
Total	$2,942,323,146	$488,918,403
Less: FEP	1,830,790,907	169,637,514
Incurred	1,111,532,239	319,280,889
Divided by	365	365
Times	45	45
	$137,038,222	39,363,397

$137,038,222 (incurred claims) plus $39,363,397 (Operating expenses) = $176,401,619

Note:

(1) Total Incurred Claims – Column 1 Line 17 Total medical and hospital claims of page 7 Analysis of Operations by lines of business. FEP Incurred Claims – Column 6 Line 17 Total medical and hospital claims of page 7 Analysis of Operations by lines of business.

(2) Total Operating Expenses – Column 1 Line 19 Claims adjustment expenses plus Line 20 General administrative expenses of page 7 Analysis of Operations by lines of business. FEP Operating Expenses – Column 6 Line 19 Claims adjustment expenses plus Line 20 General administrative expenses of page 7 Analysis of Operations by lines of business.

FIVE-YEAR HISTORICAL DATA

		1 2015	2 2014	3 2013	4 2012	5 2011
	Balance Sheet (Pages 2 and 3)					
1.	Total admitted assets (Page 2, Line 28)	2,292,745,231	2,209,625,487	2,216,046,918	2,251,288,120	2,293,335,089
2.	Total liabilities (Page 3, Line 24)	1,332,530,708	1,275,216,853	1,281,295,443	1,310,217,166	1,329,753,778
3.	Statutory minimum capital and surplus requirement	113,647,118	106,848,405	110,983,353	111,713,281	109,593,628
4.	Total capital and surplus (Page 3, Line 33)	960,214,523	934,408,634	934,751,475	941,070,954	963,581,310
	Income Statement (Page 4)					
5.	Total revenues (Line 8)	3,465,313,267	3,347,309,957	3,161,870,425	3,165,924,323	3,059,417,446
6.	Total medical and hospital expenses (Line 18)	2,942,323,146	2,883,215,736	2,799,374,283	2,843,999,883	2,694,989,917
7.	Claims adjustment expenses (Line 20)	143,539,637	142,620,582	144,404,857	128,148,542	118,751,825
8.	Total administrative expenses (Line 21)	345,378,766	364,052,646	253,957,314	241,650,034	230,971,163
9.	Net underwriting gain (loss) (Line 24)	34,071,718	(42,579,007)	(35,866,029)	(47,874,136)	14,704,541
10.	Net investment gain (loss) (Line 27)	23,100,031	25,075,282	33,968,662	38,099,010	38,024,679
11.	Total other income (Lines 28 plus 29)	905,669	1,189,797	340,974	(1,577,913)	35,141
12.	Net income or (loss) (Line 32)	34,975,085	(15,666,451)	8,982,666	(7,516,480)	53,553,789
	Cash Flow (Page 6)					
13.	Net cash from operations (Line 11)	4,438,171	47,677,935	(8,391,991)	(76,977,361)	(15,585,238)
	Risk-Based Capital Analysis					
14.	Total adjusted capital	960,214,523	934,408,634	934,751,475	941,070,954	963,581,310
15.	Authorized control level risk-based capital	108,923,550	106,473,786	100,267,875	102,148,688	96,518,715
	Enrollment (Exhibit 1)					
16.	Total members at end of period (Column 5, Line 7)	786,044	800,367	728,464	803,048	815,218
17.	Total members months (Column 6, Line 7)	9,557,746	9,361,552	8,972,558	9,754,627	9,917,712
	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)	85.5	86.8	89.1	90.3	88.4
20.	Cost containment expenses	1.8	1.8	2.1	1.6	1.1
21.	Other claims adjustment expenses	2.4	2.5	2.5	2.5	2.8
22.	Total underwriting deductions (Line 23)	99.7	102.1	101.8	102.0	99.9
23.	Total underwriting gain (loss) (Line 24)	1.0	(1.3)	(1.1)	(1.5)	0.5
	Unpaid Claims Analysis (U&I Exhibit, Part 2B)					
24.	Total claims incurred for prior years (Line 13, Col. 5)	245,900,018	253,992,347	252,845,378	312,412,095	261,476,380
25.	Estimated liability of unpaid claims-[prior year (Line 13, Col. 6)]	281,180,278	252,665,666	267,054,570	288,462,975	257,017,677
	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)	0	0	0	0	0
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	458,150,117	459,481,042	435,518,247	401,455,368	399,764,736
32.	Total of above Lines 26 to 31	458,150,117	459,481,042	435,518,247	401,455,368	399,764,736
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	550,168,729	0	0	390,082,047	0	0	940,250,776	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	463,657,347	0	0	903,494,269	0	0	1,367,151,616	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	511,561,222	0	0	702,717,765	0	0	1,214,278,987	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	1,525,387,298	0	0	1,996,294,081	0	0	3,521,681,379	0
60.	Reporting entity contributions for Employee Benefit Plans	XXX	0	0	0	0	0	0	0	0
61.	Total (Direct Business)	(a) 3	1,525,387,298	0	0	1,996,294,081	0	0	3,521,681,379	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

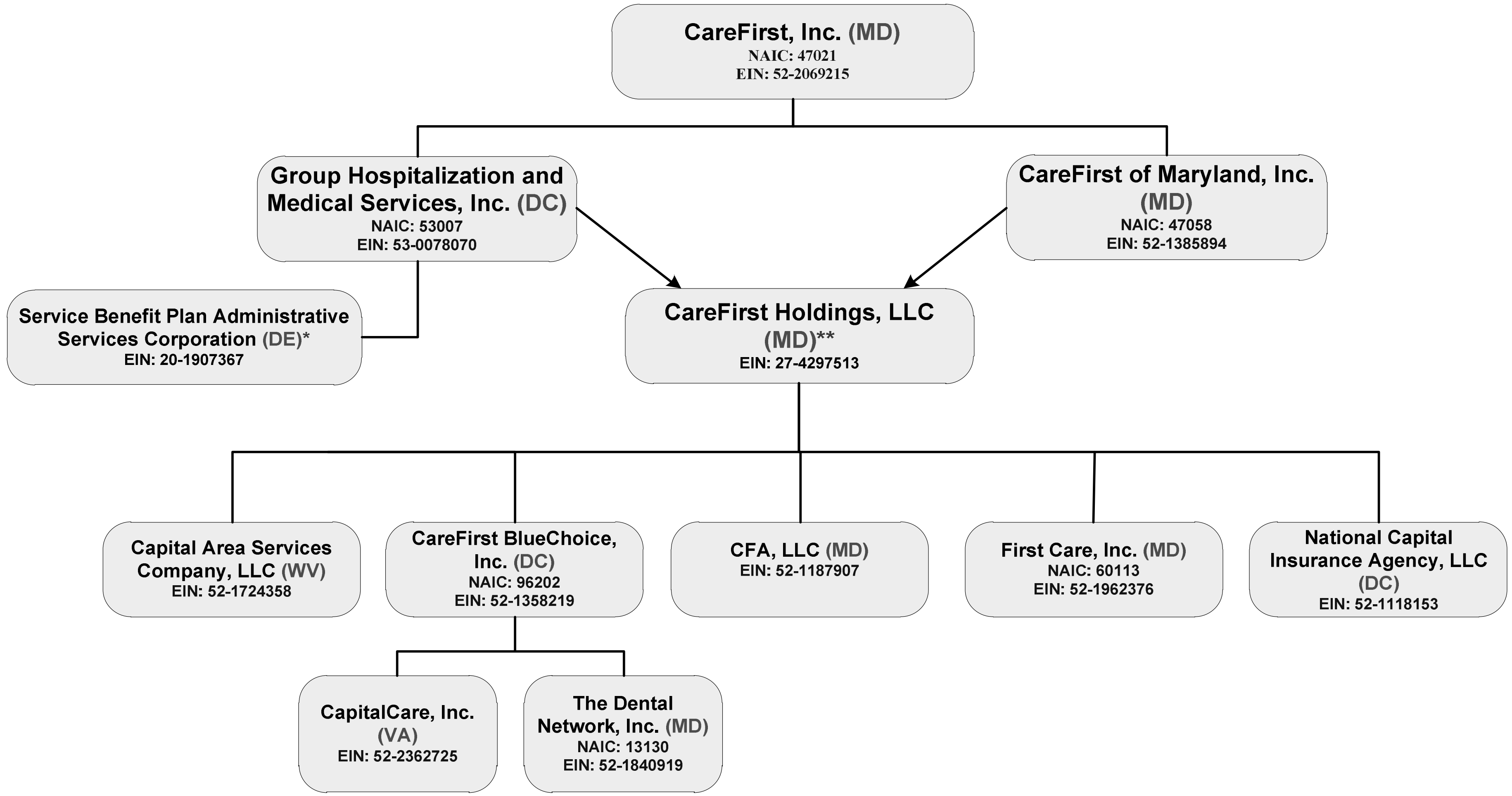
(L) Licensed or Chartered - Licensed Insurance Carrier or Domiciled RRG; (R) Registered - Non-domiciled RRGs; (Q) Qualified - Qualified or Accredited Reinsurer; (E) Eligible - Reporting Entities eligible or approved to write Surplus Lines in the state; (N) None of the above - Not allowed to write business 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 except for Federal Employees Health Benefits Program (FEHBP). FEHBP premiums from members residing in the United States are reported based on the members' residence whereas premiums from overseas members are reported in D.C.

(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	0	(6,511,039)	610,003	0	(5,901,036)
2505. Interest claims expense	0	600,400	0	0	600,400
2506. Network Access Reimbursement - PAR	0	(8,709,799)	0	0	(8,709,799)
2507. Direct Reimbursements	0	(5,144,815)	0	0	(5,144,815)
2508. Miscellaneous expense	(151,628)	218,046	(1,106,366)	0	(1,039,948)
2509. Management fee and Investment expense	21,332	54,771	76,931	0	153,034
2510. Management Transfer Pricing - CFBC	(1,539,011)	(3,951,539)	(5,550,304)	0	(11,040,854)
2511. Management Transfer Pricing - CASCI	523,982	1,345,368	1,889,694	0	3,759,044
2512. Net Ceded to CFMI	(219,370)	(620,333)	(15,526,462)	0	(16,366,165)
2513. Assumed from FirstCare	3,310	49,598	51,333	0	104,241
2514. CMS Grant	0	0	(3,857,063)	0	(3,857,063)
2597. Summary of remaining write-ins for Line 25 from overflow page	(1,361,385)	(22,669,342)	(23,412,234)	0	(47,442,961)

ALPHABETICAL INDEX

ANNUAL STATEMENT BLANK

ANNUAL STATEMENT BLANK (Continued)