HEALTH ANNUAL STATEMENT

FOR THE YEAR ENDED DECEMBER 31, 2011
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 20065 (City or Town, State and Zip Code)

Main Administrative Office 10455 Mill Run Circle (Street and Number)
Owings Mills , MD 21117 (City or Town, State 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 21117 (City or Town, State and Zip Code)

Primary Location of Books and Records 10455 Mill Run Circle (Street and Number)
Owings Mills , MD 21117 (City or Town, State 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	John Anthony Picciotto		

OTHER

Gregory Allen Devou EVP, Chief Mktg Officer	Gregory Mark Chaney EVP, CFO	Michael Thomas Avotins SVP, ASU - Large Groups
Michael Bruce Edwards SVP, Networks Mgmt	Gwendolyn Denise Skillern SVP, General Auditor	Fred Adrian Walton Plumb SVP, ASU-FEP
Michael John Felber SVP, Sales	Rita Ann Costello SVP, Strategic Marketing	Maria Harris Tildon SVP, Public Policy
Jon Paul Shematek, M.D. SVP, Chief Medical Officer	Kenny Waitem Kan SVP, Chief Actuary	Wanda Kay Oneferu-Bey # SVP, ASU-Consumer Direct
Kevin Charles O'Neill SVP, Strategic Managed Care Initiatives	Steven Jon Margolis SVP, ASU-Small & Medium Groups	Brian Jay Silverstein # SVP, Primary Care Medical Home
Harry Dietz Fox # SVP, Technical & Ops Support	Michelle Judith Wright # SVP, Human Resources	

DIRECTORS OR TRUSTEES

Elizabeth Oliver-Farrow	James Wallace	Larry Donovan Bailey
Carlos Mario Rodriquez	Robert Marcellus Willis	Faye Ford Fields
Natalie Olivia Ludaway	Robert Lee Sloan	Janice Delores Anderson #
Bernard Keith Jarvis #	Wendell Lee Johns #	Jack Allan Meyer #
Elena Victoria Rios #	Patricia Amelia Rodriguez #	

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.

C E Burrell		Jeanne Kennedy
Chester Emerson Burrell President and Chief Executive Officer	John Anthony Picciotto Corp. Secretary, Exec. VP & Gen. Counsel	Jeanne Ann Kennedy Corp. Treasurer & VP

Subscribed and sworn to before me this
22ND day of FEBRUARY 2012
Cynthia L. Kipp

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

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

GROUP HOSPITALIZATION AND MEDICAL SERVICES, INC.

ACTUARIAL STATEMENT OF OPINION

DISTRICT OF COLUMBIA

TABLE of KEY INDICATORS:

This Opinion is ☒ Unqualified ☐ Qualified ☐ Adverse ☐ Inconclusive

INDENTIFICATION SECTION:

☐ Prescribed Wording Only ☒ Prescribed Wording with Additional Wording ☐ Revised Wording

SCOPE SECTION:

☐ Prescribed Wording Only ☒ Prescribed Wording with Additional Wording ☐ Revised Wording

RELIANCE SECTION:

☐ Prescribed Wording Only ☒ Prescribed Wording with Additional Wording ☐ Revised Wording

OPINION SECTION:

☐ Prescribed Wording Only ☐ Prescribed Wording with Additional Wording ☒ Revised Wording

RELEVANT COMMENTS:

☐ Revised Wording

☐ The Actuarial Memorandum includes "Deviation from Standard" wording regarding conformity with an Actuarial Standard of Practice

INDENTIFICATION SECTION

I, Paula R. Holt, Actuary, am a Fellow of the Society of Actuaries, a Member of the American Academy of Actuaries, and an employee of CareFirst of Maryland, Inc. I meet the American Academy of Actuaries qualification standards for rendering this Actuarial Statement of Opinion and am familiar with the valuation requirements applicable to health services corporations. I was appointed by the Board of Directors of Group Hospitalization and Medical Services, Inc. on November 12, 2008 to render this Actuarial Statement of Opinion on behalf of Group Hospitalization and Medical Services, Inc, a District of Columbia corporation, whose parent company, CareFirst, Inc., is the parent company of CareFirst of Maryland, Inc. Notification of this appointment was made to state regulatory officials on February 18, 2009.

SCOPE SECTION

Group Hospitalization and Medical Services, Inc. is exempt pursuant to the Actuarial Opinion and Memorandum Regulation of the District of Columbia from submitting an Actuarial Statement of Opinion based on an asset adequacy analysis. This Actuarial Statement of Opinion, which is not based on asset adequacy analysis, is rendered in accordance with the Actuarial Opinion and Memorandum Regulation of the District of Columbia. In particular, this opinion applies to all business in force, including individual and group health insurance plans and is based on standards adopted by the Actuarial Standards Board.

I have examined the actuarial methods and underlying actuarial assumptions as well as summaries of enrollment, paid claims by incurral month, claims paid each calendar month, and claim inventories used in determining the reserves and related actuarial items listed below. Both my staff and I have performed such tests and calculations as I consider necessary to confirm the data's accuracy and completeness that is used in determining the reserves and related actuarial items listed below, as shown in the Annual Statement of Group Hospitalization and Medical Services, Inc., as prepared for filing with state regulatory officials as of December 31,2011:

A.	Claims unpaid (Page 3, Line 1)	$288,462,975
B.	Accrued medical incentive pool and bonus payments (Page 3, Line 2)	$0
C.	Unpaid claims adjustment expenses (Page 3, Line 3)	$11,600,000
D.	Aggregate health policy reserves (Page 3, Line 4)	$677,475,195
E.	Aggregate life policy reserves (Page 3, Line 5)	$0
F.	Property/casualty unearned premium reserves (Page 3, Line 6)	$0
G.	Aggregate health claim reserves (Page 3, Line 7)	$0
H.	Any other loss reserves, actuarial liabilities, or related items as Liabilities in the annual statement	$0
I.	Specified actuarial items presented as assets in the annual statement:	
	1. Accrued retrospective premiums (Page 2, line 15.3, col. 1)	$0
	2. Receivables related to risk-sharing provisions (Page 2, line 24, col. 1)	$0
	3. Pharmacy rebate receivables based on actuarial estimates (Page 2, line 24, col. 1)	$0

Group Hospitalization and Medical Services, Inc. had $304,360,492 of Direct Unpaid claims. Group Hospitalization and Medical Services, Inc. assumed $6,871,446 from CareFirst of Maryland, Inc., $114,409 from FirstCare, Inc., and ceded $22,883,372 to CareFirst of Maryland, Inc.

Aggregate health policy reserves include Rate Stabilization Reserve of $664,375,195 for FEHBP, Premium Deficiency Reserve of $6,940,000, and Medical Loss Ratio Rebate Reserve of $6,160,000.

Premium Deficiency Reserve (PDR):
SSAP No. 54, paragraph 18 states: "*when the expected claims payments or incurred costs, claims adjustments expenses, and administration costs exceed the premiums to be collected for the remainder of a contract period, a premium deficiency reserve shall be recognized by recording an additional liability for the deficiency, with a corresponding charge to operations.*"

There are two key assumptions in the calculation of PDR: groupings and projection period.

We have opted to group experience consistent with federal Medical Loss Ratio regulations. After projecting deficits for each grouping, we have re-allocated overhead expenses between the groupings in order to minimize the required PDR.

For projection period, we have separated the experience by renewal cohort and have forecasted experience using claims trend, rate increases, expenses, and regulatory restrictions until the renewal date of each renewal cohort. For those individuals and employer groups whom we know will be renewing as of December 31, 2011, we have projected experience for an additional year.

Since the forecast projected a deficit of $6,940,000, we booked a PDR of the same amount.

Medical Loss Ratio (MLR) Rebate Reserve:
Section 2718 of the Public Health Service Act (PHSA), added by the Patient Protection and Affordable Care Act (PPACA), requires that health insurers spend at least 85% of large employer group premiums and 80% of small employer group and individual premiums on reimbursements for clinical services and activities that will improve health care quality (i.e. have an MLR of at least 85% or 80%, respectively). The MLR calculation is done at the state and market segment (individual, small employer group, large employer group) level, in accordance with federal regulation.

If the minimum MLR is not met in a given state and market segment grouping, the insurer must pay rebates to policyholders in this grouping. The total amount of rebates paid in a given grouping represents the amount of additional claims and quality improvement expenses that the insurer would have had to incur in order to achieve the minimum MLR.

We have estimated that Group Hospitalization and Medical Services, Inc. will need to pay rebates for 2011 totaling $6,160,000. We have therefore held an MLR reserve of $6,160,000 as of December 31, 2011.

RELIANCE SECTION

In forming my opinion on:

- Direct Business (excluding The Dental Network) reserves, I relied on data prepared by Paul Maranto, Project Director, Actuarial Systems and an employee of CareFirst Blue Cross Blue Shield, as certified in the attached statements. I have evaluated the data for reasonableness and consistency.

  For Direct and Reinsurance Business manual reserves, I relied on data prepared by William W. Showman, Associate Vice President, Accounting Operations and an employee of CareFirst Blue Cross Blue Shield, as certified in the attached statements. I have evaluated the data for reasonableness and consistency.

  I also reconciled that data which is net of reinsurance to the Underwriting and Investment Exhibit – Part 2B of Group Hospitalization and Medical Services, Inc. current annual statement. In other respects, my examination included review of the actuarial assumptions and actuarial methods used and tests of the calculations I considered necessary.

- The Dental Network Direct Business reserves on Group Hospitalization and Medical Services, Inc. paper, I relied on data prepared by Robert Wilsie, Senior Programmer Analyst and an employee of CareFirst Blue Cross Blue Shield, as certified in the attached statements. I have evaluated that data for reasonableness and consistency. I also reconciled that data to the Underwriting and Investment Exhibit – Part 2B of Group Hospitalization and Medical Services, Inc. current annual statement.

- FEHBP Prescription Drug reserve, I relied on data prepared by Joseph G. Korabik, Associate Actuary, Blue Cross Blue Shield Association, as certified in the attached statements. The data was provided in the form of claims a triangle that represents the combined prescription drug paid claims for the entire Service Benefit Plan (Federal Employees Program) in the FEHBP. The data is then used to create a claims triangle for Federal Employees Program prescription drug experience. This claims triangle was used to develop outstanding claims liability factors which are applied to the FEHBP Prescription Drug claims for the company. I have evaluated that data for reasonableness and consistency. I also reconciled that data to the Underwriting and Investment Exhibit – Part 2B of Group Hospitalization and Medical Services Inc. current annual statement. In other respects, my examination included review of the actuarial assumptions and actuarial methods used and tests of the calculations I considered necessary.

- FEHBP Blue Vision reserve, I relied on the reserve provided by Joseph G. Korabik, Associate Actuary, Blue Cross Blue Shield Association, as certified in the attached statements. I have reconciled that reserve to the Underwriting and Investment Exhibit – Part 2B of Group Hospitalization and Medical Services, Inc. current annual statement.

- Long Term Care reserve, I relied on the Active Life and Incurred But Not Reported (IBNR) reserves provided by William L. Naylon, Vice President, MedAmerica, as certified in the attached statements. I have reconciled that reserve to the Underwriting and Investment Exhibit – Part 2B of Group Hospitalization and Medical Services, Inc. current annual statement.

- FEHBP Rate Stabilization Reserve, I relied on the reserve provided by Charles J. Reip, Manager, Federal Contract Reporting and an employee of CareFirst Blue Cross Blue Shield, as certified in the attached statements.

- Unpaid Claims Adjustment Expenses, I relied on the expenses provided by Jean Mattingly, Manager, Budget and Expense Management and an employee of CareFirst Blue Cross Blue Shield, as certified in the attached statements.

- Specified actuarial items presented as assets in the annual statement (Accrued retrospective premiums, Receivables related to risk-sharing provisions and Pharmacy rebate receivables based on actuarial estimates), I relied on the receivables provided by Alan Heath, Senior Director, Financial Reporting and an employee of CareFirst Blue Cross Blue Shield, as certified in the attached statements.

OPINION SECTION

In my opinion, the amounts carried in the balance sheet on account of the items identified above:

- Are in accordance with accepted actuarial standards consistently applied and are fairly stated in accordance with sound actuarial principles and that specifically relate to the Actuarial Statement of Opinion required under the Actuarial Opinion and Memorandum Regulation of the District of Columbia,

- Are computed appropriately,
- Are based on actuarial assumptions relevant to contract provisions and appropriate to the purpose for which the statement was prepared,
- Meet the requirements of the laws of the District of Columbia and are at least as great as the minimum aggregate amounts required by the District of Columbia in which this statement is filed,
- Make a good and sufficient provision for all unpaid claims and other actuarial liabilities of Group Hospitalization and Medical Services, Inc. under the terms of its contracts and agreements,
- Are computed on the basis of assumptions and methods consistent with those used in computing the corresponding items in the annual statement of the preceding year-end,
- Include appropriate provision for all actuarial items that ought to be established.

The Underwriting and Investment Exhibit – Part 2B was reviewed for reasonableness and was prepared under my direction consistent with section 3.6, "Follow-Up Studies", contained in Actuarial Standard of Practice No. 5, "Incurred Health and Disability Claims" adopted by the Actuarial Standards Board of the American Academy of Actuaries in December 2000.

Actuarial methods, considerations, and analyses used in forming my opinion conform to the relevant Standards of Practice as promulgated from time to time by the Actuarial Standards Board, which form the basis of this Actuarial Statement of Opinion.

Based on my analysis, in my opinion, the reserves and related actuarial items, to the extent considered in light of the assets held by Group Hospitalization and Medical Services, Inc. with respect to such reserves and related actuarial items including, but not limited to, the investment earnings on such assets, and the considerations anticipated to be received and retained under such policies and contracts, make adequate provision, according to presently accepted actuarial standards of practice, for the anticipated cash flows required by the contractual obligations and related expenses of Group Hospitalization and Medical Services, Inc.

Paula R. Holt, F.S.A., M.A.A.A.
CareFirst of Maryland, Inc.
10455 Mill Run Circle
Owings Mills, MD. 21117
410-998-4715
February 23, 2012

CareFirst BlueCross BlueShield
10455 Mill Run Circle
Owings Mills, MD 21117-5559
www.carefirst.com

CareFirst. BlueCross BlueShield

Certification of Direct Business Reserves Data

Group Hospitalization and Medical Services, Inc.

For The Year Ending December 31, 2011

I, Paul Maranto, Projector Director, Actuarial Systems, on behalf of Group Hospitalization and Medical Services, Inc., hereby confirm that the data provided to Paula R. Holt to calculate Direct Business Reserves for Group Hospitalization and Medical Services, Inc. was prepared under my direction and to the best of my knowledge and belief, are accurate, reasonable and complete. For risk business including FEHBP, Straight Paid amounted to $2,448,428,588.

Paul D Maranto 02/15/12

Paul Maranto February 15, 2012

Title: Project Director, Actuarial Systems

Company: CareFirst of Maryland, Inc.

Mailstop: OWML1 - 01-750

10455 Mill Run Circle

Owings Mills, MD 21117

Phone #: 410-998-4835

CareFirst BlueCross BlueShield
10455 Mill Run Circle
Owings Mills, MD 21117-5559
www.carefirst.com

CareFirst BlueCross BlueShield

Certification of General Ledger to Actuarial Paid Reconciliation

Group Hospitalization and Medical Services, Inc.

For The Year Ending December 31, 2011

I, William Showman, Associate Vice President (AVP), Accounting Operations, on behalf of Group Hospitalization and Medical Services, Inc., hereby confirm that the General Ledger paid to Actuarial paid schedules provided as of December 31, 2011 were prepared under my direction and to the best of my knowledge and belief, are correctly recorded in the financial statements and the breakdown between paid care, manual care entries and IBNR expense are accurately reflected in the general ledger. For risk business including FEHBP, General Ledger paid amounted to $2,946,234,040, which includes manual care of $494,878,244.

William Showman	February 7, 2012
Title:	AVP, Accounting Operations
Company:	CareFirst of Maryland, Inc. Mailstop: OWML1 - 01-650 10455 Mill Run Circle Owings Mills, MD 21117
Phone #:	410-998-7455

BlueCross BlueShield Association
An Association of Independent Blue Cross and Blue Shield Plans
Federal Employee Program
1310 G Street, N.W.
Washington, D.C. 20005
202.942.1000
Fax 202.942.1125

January 19, 2012

Paula Holt, F.S.A. M.A.A.A.
Actuary
CareFirst BlueCross Blue Shield
Actuarial Financial Services
10455 Mill Run Circle
Owings Mills, MD 21117

RE: FEP BlueVision Reserve Values

Paula,

In connection with your examination of actuarial items to be included in the statutory annual statement of Group Hospitalization and Medical Services, Inc. as of November 30, 2011, I have reviewed the FEP BlueVision reserve value of $83,697.99 for the High Option and $45,595.34 for the Standard Option, and I represent to the best of my knowledge and belief:

a) The methods used are appropriate and in alignment with industry practices
b) The models used are reasonable for the purpose;
c) The assumptions used are supportable;
d) The data is complete.

With respect to FEP BlueVision reserve values of Group Hospitalization and Medical Services, Inc. as of November 30, 2011, I give you my assurance the FEP BlueVision reserve values were calculated with adherence to the Actuarial Standards of Practice set forth by the Actuarial Standards Board.

If you have any questions about the processes, procedures, or data used, please contact me at (312) 297-6062.

Respectfully submitted,

Joseph G. Korabik, F.S.A., M.A.A.A.
Chief Actuary FEP
Blue Cross Blue Shield Association
225 North Michigan Avenue
Chicago, Illinois 60601-7680
312-297-6062

BlueCross BlueShield Association
An Association of Independent Blue Cross and Blue Shield Plans
Federal Employee Program
1310 G Street, NW
Washington, D.C. 20005
202.942.1000
Fax 202.942.1125

January 19, 2012

Paula Holt, F.S.A. M.A.A.A.
Actuary
CareFirst BlueCross Blue Shield
Actuarial Financial Services
10455 Mill Run Circle
Owings Mills, MD 21117

RE: FEP Prescription Drug Benefit Triangles

Paula,

I, Joseph G. Korabik, Chief Actuary, FEP, Blue Cross Blue Shield Association, hereby affirm that the drug claims experience provided to Group Hospitalization and Medical Services, Inc. in the form of claims triangles represents the combined prescription drug benefits paid under the Retail Pharmacy Program and the Mail Service Prescription Drug Program for the entire Service Benefit Plan (FEP) in the FEHBP. The data was prepared under my direction and, to the best of my knowledge and belief, is accurate and complete. The data is used by Group Hospitalization and Medical Services, Inc. to create a claims triangle for FEP prescription drug experience.

Joseph G. Korabik, F.S.A., M.A.A.A.
Chief Actuary FEP
Blue Cross Blue Shield Association
225 North Michigan Avenue
Chicago, Illinois 60601-7680
312-297-6062

CareFirst BlueCross BlueShield

Certification of Direct Business Reserve Paid Claims Data

The Dental Network, Inc. (TDN)

Group Hospitalization and Medical Services, Inc.

For The Year Ending December 31, 2011

I, Robert Wilsie, Senior Programmer/Analyst, on behalf of Group Hospitalization and Medical Services, Inc., The Dental Network hereby confirm that the paid claims data was prepared under my direction and to the best of my knowledge and belief are appropriately calculated and accurately recorded and provided to the Actuarial Systems Department. Straight Paid Claims for Calendar Year 2011 amounted to $3,743,213.

RWilsie

Robert Wilsie	January 17, 2012
Title:	Senior Programmer/Analyst
Company:	CareFirst of Maryland, Inc.
	10455 Mill Run Circle
	Owings Mills, MD 21117
Phone #:	904-280-8233

The Dental Network
1501 S. Clinton Street, Suite 600
Baltimore, Maryland 21224-5730
Tel: (410) 847-9060
Fax: (410) 339-5360
888-833-8464
www.thedentalnet.org

The Dental Network

Certification of Direct Business Reserve Enrollment Data

The Dental Network, Inc. (TDN)

Group Hospitalization and Medical Services, Inc.

For The Year Ending December 31, 2011

I, Robert Wilsie, Senior Programmer/Analyst, on behalf of Group Hospitalization and Medical Services, Inc., The Dental Network hereby confirm that the enrollment data was prepared under my direction and to the best of my knowledge and belief are accurately recorded and provided to the Actuarial Systems Department. Enrollment at the end of Calendar Year 2011 is 32,455.

RWilsie

Robert Wilsie	January 17, 2012
Title:	Senior Programmer/Analyst
Company:	CareFirst of Maryland, Inc.
	10455 Mill Run Circle
	Owings Mills, MD 21117
Phone #:	904-280-8233

MEDAmerica

An Excellus Company

MedAmerica Insurance Company
Home Office: Pittsburgh, PA

MedAmerica Insurance Company of New York
Home Office: Rochester, NY

MedAmerica Insurance Company of Florida
Home Office: Winter Park, FL

January 19, 2012

I, William L. Naylon, Senior VP, Finance of MedAmerica Insurance Company, hereby affirm that the listings and summaries of Long Term Care policies in force (81), related statutory reserves of $194,307, related GAAP reserves of $223,992, and DAC asset of $7,707 as of December 31, 2011, prepared for and submitted to CareFirst National Capital Area, were prepared under my direction and, to the best of my knowledge and belief, are accurate and complete.

William L. Naylon

William L. Naylon

Senior Vice President, Finance
165 Court Street
Rochester, NY 14647

585 238- 4456

CareFirst BlueCross BlueShield
10455 Mill Run Circle
Owings Mills, MD 21117-5559

CareFirst. BlueCross BlueShield

CERTIFICATION OF RATE STABILIZATION RESERVE

FEDERAL EMPLOYEE PROGRAM

GROUP HOSPITALIZATION AND MEDICAL SERVICES, INC.

FOR THE YEAR ENDING DECEMBER 31, 2011

I, Charles J. Reip, Manager, Federal Contract Reporting at CareFirst of Maryland, Inc., on behalf of the Group Hospitalization and Medical Services, Inc. Federal Employee Program, hereby confirm that the values contained in the December 31, 2011 balance of the Federal Employee Program Rate Stabilization Reserve (account 300.214108) were prepared under my direction and to the best of my knowledge and belief, are appropriately calculated and correctly recorded in the Group Hospitalization and Medical Services, Inc. financial statements.

Balance at December 31, 2011 Account #: 300.214108 $ 664,375,195

Charles J. Reip

Charles J. Reip January 20, 2012

Title: Manager, Federal Contract Reporting

Company: CareFirst of Maryland, Inc.

Mailstop: 01-670

10455 Mill Run Circle

Owings Mills, MD 21117

Phone #: 410-998-7207

CareFirst BlueCross BlueShield
10455 Mill Run Circle
Owings Mills, MD 21117-5559
www.carefirst.com

CareFirst BlueCross BlueShield

Certification of Specified Actuarial Items Presented as Assets in Annual Statement

Group Hospitalization and Medical Services, Inc.

For The Year Ending December 31, 2011

I, Alan Heath, Senior Director Financial Reporting, on behalf of Group Hospitalization and Medical Services, Inc., hereby confirm the amounts of the following specified actuarial items presented as assets in the annual statement:

- Accrued retrospective premiums are $0
- Receivables related to risk-sharing provisions are $0
- Pharmacy rebate receivables based on actuarial estimates are $0.

All of the above items contained in the December 31, 2011 annual statement were prepared under my direction, and to the best of my knowledge and belief, are correctly recorded in the Group Hospitalization and Medical Services, Inc. financial statements.

Alan G. Heath

Alan Heath	February 15, 2012
Title:	Senior Director, Financial Reporting
Company:	CareFirst of Maryland, Inc.
	Mailstop: OWML1 - 01-685
	10455 Mill Run Circle
	Owings Mills, MD 21117
Phone #:	410-998-7608

CareFirst BlueCross BlueShield
10455 Mill Run Circle
Owings Mills, MD 21117-5559
www.carefirst.com

CareFirst BlueCross BlueShield

Certification of Rate Stabilization Reserve

Group Hospitalization and Medical Services, Inc.

For The Year Ending December 31, 2011

I, Alan Heath, Senior Director Financial Reporting, on behalf of Group Hospitalization and Medical Services, Inc., hereby confirm that the Rate Stabilization Reserve amount of $0 for Risk business contained in the December 31, 2011 annual statement was prepared under my direction and to the best of my knowledge and belief, are correctly recorded in the Group Hospitalization and Medical Services, Inc. financial statements.

Alan G. Heath

Alan Heath February 15, 2012

Title: Senior Director, Financial Reporting

Company: CareFirst of Maryland, Inc.

Mailstop: OWML1 - 01-685

10455 Mill Run Circle

Owings Mills, MD 21117

Phone #: 410-998-7608

CareFirst
BlueCross BlueShield

Certification of Unpaid Claims Adjustment Expenses

Group Hospitalization and Medical Services, Inc.

For The Year Ending December 31, 2011

I, Jean Mattingly, Manager, Budget and Expense Management, on behalf of Group Hospitalization and Medical Services, Inc., hereby confirm that the Unpaid Claims Adjustment Expenses for Group Hospitalization and Medical Services, Inc. was prepared under my direction and to the best of my knowledge and belief, are accurate, reasonable, and complete. Unpaid Claims Adjustment Expenses as of December 31, 2011 amounted to $11,600,000.00

Jean Mattingly January 25, 2012

Title: Manager, Budget and Expense Management

Company: Group Hospitalization and Medical Services, Inc.

Mailstop: OWML1 - 01-680

10455 Mill Run Circle

Owings Mills, MD 21117

Phone #: 410-998-5522

ASSETS

		Current Year 1 Assets	2 Nonadmitted Assets	3 Net Admitted Assets (Cols. 1 - 2)	Prior Year 4 Net Admitted Assets
1.	Bonds (Schedule D)	571,047,761	0	571,047,761	723,913,872
2.	Stocks (Schedule D):				
	2.1 Preferred stocks	950,400	0	950,400	2,994,797
	2.2 Common stocks	171,563,388	0	171,563,388	115,850,151
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 ($ (106,693,940) , Schedule E - Part 1), cash equivalents ($ 0 , Schedule E - Part 2) and short-term investments ($ 172,197,558 , Schedule DA)	65,503,618	0	65,503,618	14,947,492
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)	399,931,403	166,667	399,764,736	374,852,066
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)	1,208,996,570	166,667	1,208,829,903	1,232,558,378
13.	Title plants less $ 0 charged off (for Title insurers only)	0	0	0	0
14.	Investment income due and accrued	3,918,210	0	3,918,210	5,423,724
15.	Premiums and considerations:				
	15.1 Uncollected premiums and agents' balances in the course of collection	228,262,364	6,301,182	221,961,182	231,047,678
	15.2 Deferred premiums, agents' balances and installments booked but deferred and not yet due (including $ 0 earned but unbilled premiums)	0	0	0	0
	15.3 Accrued retrospective premiums	0	0	0	0
16.	Reinsurance:				
	16.1 Amounts recoverable from reinsurers	0	0	0	0
	16.2 Funds held by or deposited with reinsured companies	0	0	0	0
	16.3 Other amounts receivable under reinsurance contracts	751,666	0	751,666	820,205
17.	Amounts receivable relating to uninsured plans	37,208,018	3,182,413	34,025,605	35,917,361
18.1	Current federal and foreign income tax recoverable and interest thereon	16,516,440	0	16,516,440	0
18.2	Net deferred tax asset	23,843,538	6,540,756	17,302,782	12,551,939
19.	Guaranty funds receivable or on deposit	0	0	0	0
20.	Electronic data processing equipment and software	95,926,398	92,538,550	3,387,848	2,369,492
21.	Furniture and equipment, including health care delivery assets ($ 0)	5,284,555	5,284,555	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	5,273,255	0	5,273,255	1,191,190
24.	Health care ($ 98,496,512) and other amounts receivable	790,636,307	12,187,806	778,448,501	650,558,725
25.	Aggregate write-ins for other than invested assets	121,031,483	118,111,786	2,919,697	1,127,919
26.	Total assets excluding Separate Accounts, Segregated Accounts and Protected Cell Accounts (Lines 12 to 25)	2,537,648,804	244,313,715	2,293,335,089	2,173,566,611
27.	From Separate Accounts, Segregated Accounts and Protected Cell Accounts	0	0	0	0
28.	Total (Lines 26 and 27)	2,537,648,804	244,313,715	2,293,335,089	2,173,566,611
	DETAILS OF WRITE-INS				
1101.		0	0	0	0
1102.		0	0	0	0
1103.		0	0	0	0
1198.	Summary of remaining write-ins for Line 11 from overflow page	0	0	0	0
1199.	Totals (Lines 1101 thru 1103 plus 1198)(Line 11 above)	0	0	0	0
2501.	Other Assets	2,919,697	0	2,919,697	1,127,919
2502.	Prepaid Expenses - Non-Admitted	33,697,234	33,697,234	0	0
2503.	Pension- Prepaid	84,274,328	84,274,328	0	0
2598.	Summary of remaining write-ins for Line 25 from overflow page	140,224	140,224	0	0
2599.	Totals (Lines 2501 thru 2503 plus 2598)(Line 25 above)	121,031,483	118,111,786	2,919,697	1,127,919

LIABILITIES, CAPITAL AND SURPLUS

		Current Year			Prior Year
		1	2	3	4
		Covered	Uncovered	Total	Total
1.	Claims unpaid (less $ 22,883,372 reinsurance ceded)	271,897,039	16,565,936	288,462,975	257,017,677
2.	Accrued medical incentive pool and bonus amounts	0	0	0	0
3.	Unpaid claims adjustment expenses	10,933,832	666,168	11,600,000	10,809,000
4.	Aggregate health policy reserves, including the liability of $ 6,160,000 for medical loss ratio rebate per the Public Health Service Act	677,475,195	0	677,475,195	598,330,808
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	60,236,950	0	60,236,950	49,468,375
9.	General expenses due or accrued	121,208,830	0	121,208,830	102,795,763
10.1	Current federal and foreign income tax payable and interest thereon (including $ 0 on realized capital gains (losses))	0	0	0	13,924,463
10.2	Net deferred tax liability	0	0	0	0
11.	Ceded reinsurance premiums payable	11,139,137	0	11,139,137	13,748,723
12.	Amounts withheld or retained for the account of others	36,939,131	0	36,939,131	44,970,527
13.	Remittance and items not allocated	5,451,886	0	5,451,886	4,603,748
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	76,407,997	0	76,407,997	67,268,594
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 and $ 0 unauthorized reinsurers)	0	0	0	0
20.	Reinsurance in unauthorized 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	19,865,414	0	19,865,414	17,553,317
23.	Aggregate write-ins for other liabilities (including $ 12,902,188 current)	20,966,263	0	20,966,263	23,576,242
24.	Total liabilities (Lines 1 to 23)	1,312,521,674	17,232,104	1,329,753,778	1,204,067,237
25.	Aggregate write-ins for special surplus funds	XXX	XXX	0	0
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	963,581,310	969,499,374
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	963,581,310	969,499,374
34.	Total liabilities, capital and surplus (Lines 24 and 33)	XXX	XXX	2,293,335,088	2,173,566,611
	DETAILS OF WRITE-INS				
2301.	Amounts Withheld for Escheatment	8,064,075	0	8,064,075	7,402,767
2302.	Reinsurance Payable	12,902,188	0	12,902,188	16,173,475
2303.		0	0	0	0
2308.	Summary of remaining write-ins for Line 23 from overflow page	0	0	0	0
2309.	Totals (Lines 2301 thru 2303 plus 2308)(Line 23 above)	20,966,263	0	20,966,263	23,576,242
2501.		XXX	XXX	0	0
2502.		XXX	XXX	0	0
2503.		XXX	XXX	0	0
2598.	Summary of remaining write-ins for Line 25 from overflow page	XXX	XXX	0	0
2599.	Totals (Lines 2501 thru 2503 plus 2598)(Line 25 above)	XXX	XXX	0	0
3001.		XXX	XXX	0	0
3002.		XXX	XXX	0	0
3003.		XXX	XXX	0	0
3098.	Summary of remaining write-ins for Line 30 from overflow page	XXX	XXX	0	0
3099.	Totals (Lines 3001 thru 3003 plus 3098)(Line 30 above)	XXX	XXX	0	0

STATEMENT OF REVENUE AND EXPENSES

		Current Year 1 Uncovered	Current Year 2 Total	Prior Year 3 Total
1.	Member Months	XXX	9,917,712	9,736,298
2.	Net premium income (including $ 0 non-health premium income)	XXX	3,126,784,071	2,996,119,351
3.	Change in unearned premium reserves and reserve for rate credits	XXX	(79,144,387)	(92,144,962)
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	11,777,762	13,454,249
7.	Aggregate write-ins for other non-health revenues	XXX	0	0
8.	Total revenues (Lines 2 to 7)	XXX	3,059,417,446	2,917,428,638
	Hospital and Medical:			
9.	Hospital/medical benefits	139,858,212	2,048,435,285	1,756,148,150
10.	Other professional services	3,688,134	96,762,211	63,531,312
11.	Outside referrals	23,834,077	23,834,078	53,483
12.	Emergency room and out-of-area	815,940	24,341,847	240,856,011
13.	Prescription drugs	0	735,433,138	727,560,448
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)	168,196,363	2,928,806,559	2,788,149,404
	Less:			
17.	Net reinsurance recoveries	0	233,816,642	271,850,108
18.	Total hospital and medical (Lines 16 minus 17)	168,196,363	2,694,989,917	2,516,299,296
19.	Non-health claims (net)	0	0	0
20.	Claims adjustment expenses, including $ 34,775,023 cost containment expenses	0	118,751,825	116,317,831
21.	General administrative expenses	0	230,971,163	224,013,271
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)	168,196,363	3,044,712,905	2,856,630,398
24.	Net underwriting gain or (loss) (Lines 8 minus 23)	XXX	14,704,541	60,798,240
25.	Net investment income earned (Exhibit of Net Investment Income, Line 17)	0	25,369,677	29,307,171
26.	Net realized capital gains (losses) less capital gains tax of $ 3,163,751	0	12,655,002	12,341,392
27.	Net investment gains (losses) (Lines 25 plus 26)	0	38,024,679	41,648,563
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	35,141	1,248,252
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	52,764,361	103,695,055
31.	Federal and foreign income taxes incurred	XXX	(789,428)	16,963,506
32.	Net income (loss) (Lines 30 minus 31)	XXX	53,553,789	86,731,549
	DETAILS OF WRITE-INS			
0601.	FEP Performance Incentive	XXX	11,657,000	13,379,000
0602.	Trigon network fee - Med D	XXX	120,762	75,249
0603		XXX	0	0
0698.	Summary of remaining write-ins for Line 6 from overflow page	XXX	0	0
0699.	Totals (Lines 0601 thru 0603 plus 0698)(Line 6 above)	XXX	11,777,762	13,454,249
0701.		XXX	0	0
0702.		XXX	0	0
0703		XXX	0	0
0798.	Summary of remaining write-ins for Line 7 from overflow page	XXX	0	0
0799.	Totals (Lines 0701 thru 0703 plus 0798)(Line 7 above)	XXX	0	0
1401.		0	0	0
1402.		0	0	0
1403.		0	0	0
1498.	Summary of remaining write-ins for Line 14 from overflow page	0	0	0
1499.	Totals (Lines 1401 thru 1403 plus 1498)(Line 14 above)	0	0	0
2901.	Miscellaneous	0	72,423	1,436,221
2902.	Regulatory fines and fees	0	(37,282)	(187,969)
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	35,141	1,248,252

STATEMENT OF REVENUE AND EXPENSES (Continued)

		1 Current Year	2 Prior Year
	CAPITAL AND SURPLUS ACCOUNT		
33.	Capital and surplus prior reporting year	969,499,374	761,458,437
34.	Net income or (loss) from Line 32	53,553,789	86,731,549
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 $ (2,426,730)	12,057,317	80,886,945
37.	Change in net unrealized foreign exchange capital gain or (loss)	0	0
38.	Change in net deferred income tax	(10,686,261)	(4,692,390)
39.	Change in nonadmitted assets	(45,847,653)	9,764,768
40	Change in unauthorized 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	(14,995,252)	35,350,065
48.	Net change in capital and surplus (Lines 34 to 47)	(5,918,060)	208,040,937
49.	Capital and surplus end of reporting period (Line 33 plus 48)	963,581,314	969,499,374
	DETAILS OF WRITE-INS		
4701.	Change in additional liability\Intangible Assets for pension	(14,995,252)	(1,570,766)
4702.	Surplus transfer at 1/1/2010	0	21,569,147
4703.	Surplus transfer - 2010 Results	0	15,351,684
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)	(14,995,252)	35,350,065

CASH FLOW

		1 Current Year	2 Prior Year
	Cash from Operations		
1.	Premiums collected net of reinsurance	3,062,337,000	2,853,465,000
2.	Net investment income	31,469,000	35,149,447
3.	Miscellaneous income	11,777,762	13,454,249
4.	Total (Lines 1 through 3)	3,105,583,762	2,902,068,696
5.	Benefit and loss related payments	2,720,196,000	2,472,676,000
6.	Net transfers to Separate Accounts, Segregated Accounts and Protected Cell Accounts	0	0
7.	Commissions, expenses paid and aggregate write-ins for deductions	368,158,000	309,812,000
8.	Dividends paid to policyholders	0	0
9.	Federal and foreign income taxes paid (recovered) net of $ 3,163,751 tax on capital gains (losses)	32,815,000	(2,133,000)
10.	Total (Lines 5 through 9)	3,121,169,000	2,780,355,000
11.	Net cash from operations (Line 4 minus Line 10)	(15,585,238)	121,713,696
	Cash from Investments		
12.	Proceeds from investments sold, matured or repaid:		
	12.1 Bonds	1,400,186,128	1,519,214,343
	12.2 Stocks	49,958,401	36,157,000
	12.3 Mortgage loans	0	0
	12.4 Real estate	0	0
	12.5 Other invested assets	1,705,324	437,436
	12.6 Net gains or (losses) on cash, cash equivalents and short-term investments	0	0
	12.7 Miscellaneous proceeds	0	0
	12.8 Total investment proceeds (Lines 12.1 to 12.7)	1,451,849,853	1,555,808,779
13.	Cost of investments acquired (long-term only):		
	13.1 Bonds	1,241,777,211	1,529,086,474
	13.2 Stocks	112,814,981	72,901,364
	13.3 Mortgage loans	0	0
	13.4 Real estate	0	0
	13.5 Other invested assets	2,124,000	48,295,000
	13.6 Miscellaneous applications	0	0
	13.7 Total investments acquired (Lines 13.1 to 13.6)	1,356,716,192	1,650,282,838
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)	95,133,661	(94,474,059)
	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)	(28,992,323)	(7,376,495)
17.	Net cash from financing and miscellaneous sources (Lines 16.1 to 16.4 minus Line 16.5 plus Line 16.6)	(28,992,323)	(7,376,495)
	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)	50,556,100	19,863,142
19.	Cash, cash equivalents and short-term investments:		
	19.1 Beginning of year	14,947,518	(4,915,624)
	19.2 End of year (Line 18 plus Line 19.1)	65,503,618	14,947,518

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 Benefit Plan	7 Title XVIII Medicare	8 Title XIX Medicaid	9 Other Health	10 Other Non-Health
1.	Net premium income	3,126,784,071	1,308,453,914	31,262,266	35,388,668	2,953,396	1,730,368,058	0	0	18,357,769	0
2.	Change in unearned premium reserves and reserve for rate credit	(79,144,387)	(12,570,000)	(530,000)	0	0	(66,044,387)	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	11,777,762	0	0	0	0	11,657,000	0	0	120,762	XXX
6.	Aggregate write-ins for other non-health care related revenues	0	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	0
7.	Total revenues (Lines 1 to 6)	3,059,417,446	1,295,883,914	30,732,266	35,388,668	2,953,396	1,675,980,671	0	0	18,478,531	0
8.	Hospital/medical benefits	2,048,435,285	962,065,102	9,885,414	0	0	1,071,085,146	(5,450)	0	5,405,073	XXX
9.	Other professional services	96,762,211	17,483,345	179,646	53,029,697	4,618,267	21,375,313	0	0	75,943	XXX
10.	Outside referrals	23,834,078	10,653,392	109,466	0	0	13,024,944	0	0	46,276	XXX
11.	Emergency room and out-of-area	24,341,847	10,880,356	111,798	0	0	13,302,432	0	0	47,261	XXX
12.	Prescription drugs	735,433,138	282,278,043	2,900,480	0	0	450,254,615	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)	2,928,806,559	1,283,360,238	13,186,804	53,029,697	4,618,267	1,569,042,450	(5,450)	0	5,574,553	XXX
16.	Net reinsurance recoveries	233,816,642	226,291,383	(12,286,298)	23,653,521	1,457,026	0	(5,450)	0	(5,293,540)	XXX
17.	Total medical and hospital (Lines 15 minus 16)	2,694,989,917	1,057,068,855	25,473,102	29,376,176	3,161,241	1,569,042,450	0	0	10,868,093	XXX
18.	Non-health claims (net)	0	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	0
19.	Claims adjustment expenses including $ 34,775,023 cost containment expenses	118,751,827	49,781,380	3,057,940	3,708,866	144,870	58,007,688	0	0	4,051,083	0
20.	General administrative expenses	230,971,162	170,049,832	4,470,581	7,111,734	2,747,409	47,910,706	0	0	(1,319,100)	0
21.	Increase in reserves for accident and health contracts	0	0	0	0	0	0	0	0	0	XXX
22.	Increase in reserves for life contracts	0	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	0
23.	Total underwriting deductions (Lines 17 to 22)	3,044,712,906	1,276,900,067	33,001,623	40,196,776	6,053,520	1,674,960,844	0	0	13,600,076	0
24.	Total underwriting gain or (loss) (Line 7 minus Line 23)	14,704,540	18,983,847	(2,269,357)	(4,808,108)	(3,100,124)	1,019,827	0	0	4,878,455	0
	DETAILS OF WRITE-INS										
0501.	FEP Performance Incentive	11,657,000	0	0	0	0	11,657,000	0	0	0	XXX
0502.	Trigon Network Fee	120,762	0	0	0	0	0	0	0	120,762	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)	11,777,762	0	0	0	0	11,657,000	0	0	120,762	XXX
0601.			XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	
0602.			XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	
0603.			XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	
0698.	Summary of remaining write-ins for Line 6 from overflow page	0	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	0
0699.	Totals (Lines 0601 thru 0603 plus 0698) (Line 6 above)	0	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	0
1301.											XXX
1302.											XXX
1303.											XXX
1398.	Summary of remaining write-ins for Line 13 from overflow page	0	0	0	0	0	0	0	0	0	XXX
1399.	Totals (Lines 1301 thru 1303 plus 1398) (Line 13 above)	0	0	0	0	0	0	0	0	0	XXX

UNDERWRITING AND INVESTMENT EXHIBIT

PART 1 - PREMIUMS

Line of Business	1 Direct Business	2 Reinsurance Assumed	3 Reinsurance Ceded	4 Net Premium Income (Cols. 1 + 2 - 3)
1. Comprehensive (hospital and medical)	1,593,453,666	42,509,655	327,509,407	1,308,453,914
2. Medicare Supplement	16,344,782	15,582,917	665,433	31,262,266
3. Dental only	74,240,536	83,975	38,935,843	35,388,668
4. Vision only	5,374,731	74,969	2,496,304	2,953,396
5. Federal Employees Health Benefits Plan	1,730,368,058	0	0	1,730,368,058
6. Title XVIII - Medicare	0	0	0	0
7. Title XIX - Medicaid	0	0	0	0
8. Other health	10,847,874	7,509,895	0	18,357,769
9. Health subtotal (Lines 1 through 8)	3,430,629,647	65,761,411	369,606,987	3,126,784,071
10. Life	0	0	0	0
11. Property/casualty	0	0	0	0
12. Totals (Lines 9 to 11)	3,430,629,647	65,761,411	369,606,987	3,126,784,071

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	2,924,068,923	1,292,037,651	12,665,731	53,123,439	4,618,267	1,558,054,383	0	0	3,569,452	0
1.2 Reinsurance assumed	48,351,461	29,210,089	13,165,152	65,811	368,540	0	0	0	5,541,869	0
1.3 Reinsurance ceded	292,834,756	266,219,692	590,555	24,065,266	1,825,566	0	0	0	133,677	0
1.4 Net	2,679,585,628	1,055,028,048	25,240,328	29,123,984	3,161,241	1,558,054,383	0	0	8,977,644	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	304,360,491	131,349,504	2,405,898	4,963,860	0	157,939,293	0	0	7,701,936	0
3.2 Reinsurance assumed	6,985,854	4,914,924	1,935,056	4,989	0	0	0	0	130,885	0
3.3 Reinsurance ceded	22,883,372	20,540,427	130,072	2,040,703	0	0	0	0	172,170	0
3.4 Net	288,462,973	115,724,001	4,210,882	2,928,146	0	157,939,293	0	0	7,660,651	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)	16,041,008	16,041,008	0	0	0	0	0	0	0	0
7. Amounts recoverable from reinsurers December 31, current year	0	0	0	0	0	0	0	0	0	0
8. Claim liability December 31, prior year from Part 2A:										
8.1 Direct	283,581,846	123,985,911	1,884,825	5,057,600	0	146,951,226	5,450	0	5,696,834	0
8.2 Reinsurance assumed	7,297,316	5,026,858	2,187,956	9,135	0	0	0	0	73,367	0
8.3 Reinsurance ceded	33,861,487	31,370,581	94,673	2,390,783	0	0	5,450	0	0	0
8.4 Net	257,017,675	97,642,188	3,978,108	2,675,952	0	146,951,226	0	0	5,770,201	0
9. Claim reserve December 31, prior year from Part 2D:										
9.1 Direct	0	0	0	0	0	0	0	0	0	0
9.2 Reinsurance assumed	0	0	0	0	0	0	0	0	0	0
9.3 Reinsurance ceded	0	0	0	0	0	0	0	0	0	0
9.4 Net	0	0	0	0	0	0	0	0	0	0
10. Accrued medical incentive pools and bonuses, prior year	0	0	0	0	0	0	0	0	0	0
11. Amounts recoverable from reinsurers December 31, prior year	0	0	0	0	0	0	0	0	0	0
12. Incurred Benefits:										
12.1 Direct	2,928,806,560	1,283,360,236	13,186,804	53,029,699	4,618,267	1,569,042,450	(5,450)	0	5,574,554	0
12.2 Reinsurance assumed	48,039,999	29,098,155	12,912,252	61,665	368,540	0	0	0	5,599,387	0
12.3 Reinsurance ceded	281,856,641	255,389,538	625,954	23,715,186	1,825,566	0	(5,450)	0	305,847	0
12.4 Net	2,694,989,918	1,057,068,853	25,473,102	29,376,178	3,161,241	1,569,042,450	0	0	10,868,094	0
13. Incurred medical incentive pools and bonuses	0	0	0	0	0	0	0	0	0	0

(a) Excludes $ 90,476,586 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	37,990,010	16,394,930	300,302	619,585	0	19,713,844	0	0	961,349	0
1.2 Reinsurance assumed	2,300,926	2,300,926	0	0	0	0	0	0	0	0
1.3 Reinsurance ceded	4,248,962	4,248,962	0	0	0	0	0	0	0	0
1.4 Net	36,041,974	14,446,894	300,302	619,585	0	19,713,844	0	0	961,349	0
2. Incurred but Unreported:										
2.1 Direct	266,370,481	114,954,574	2,105,596	4,344,275	0	138,225,449	0	0	6,740,587	0
2.2 Reinsurance assumed	4,684,928	2,613,998	1,935,056	4,989	0	0	0	0	130,885	0
2.3 Reinsurance ceded	18,634,410	16,291,465	130,072	2,040,703	0	0	0	0	172,170	0
2.4 Net	252,420,999	101,277,107	3,910,580	2,308,561	0	138,225,449	0	0	6,699,302	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	304,360,491	131,349,504	2,405,898	4,963,860	0	157,939,293	0	0	7,701,936	0
4.2 Reinsurance assumed	6,985,854	4,914,924	1,935,056	4,989	0	0	0	0	130,885	0
4.3 Reinsurance ceded	22,883,372	20,540,427	130,072	2,040,703	0	0	0	0	172,170	0
4.4 Net	288,462,973	115,724,001	4,210,882	2,928,146	0	157,939,293	0	0	7,660,651	0

UNDERWRITING AND INVESTMENT EXHIBIT

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

	Claims Paid During the Year		Claim Reserve and Claim Liability December 31 of Current Year		5	6
Line of Business	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)	89,361,117	965,666,930	5,577,113	110,146,889	94,938,230	97,642,189
2. Medicare Supplement	4,036,784	21,203,544	82,363	4,128,520	4,119,147	3,978,109
3. Dental Only	2,691,397	26,432,587	30,938	2,897,208	2,722,335	2,675,952
4. Vision Only	0	3,161,241	0	0	0	0
5. Federal Employees Health Benefits Plan	157,104,854	1,400,949,529	1,397,528	156,541,766	158,502,382	146,951,226
6. Title XVIII - Medicare	0	0	0	0	0	0
7 Title XIX - Medicaid	0	0	0	0	0	0
8. Other health	450,692	8,526,952	743,594	6,917,056	1,194,286	5,770,201
9. Health subtotal (Lines 1 to 8)	253,644,844	2,425,940,783	7,831,536	280,631,439	261,476,380	257,017,677
10. Healthcare receivables (a)	0	16,041,008	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)	253,644,844	2,409,899,775	7,831,536	280,631,439	261,476,380	257,017,677

(a) Excludes $ 90,476,586 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 2007	2 2008	3 2009	4 2010	5 2011
1. Prior	3,972,822	3,974,921	3,975,289	3,975,412	3,975,414
2. 2007	973,429	1,058,779	1,060,624	1,060,863	1,060,817
3. 2008	XXX	925,457	1,011,301	1,014,064	1,014,558
4. 2009	XXX	XXX	977,244	1,060,299	1,061,781
5. 2010	XXX	XXX	XXX	905,056	992,485
6. 2011	XXX	XXX	XXX	XXX	949,626

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 2007	2 2008	3 2009	4 2010	5 2011
1. Prior	3,973,921	3,974,921	3,975,290	3,975,412	3,975,414
2. 2007	1,084,261	1,060,248	1,060,624	1,060,863	1,060,817
3. 2008	XXX	1,023,973	1,013,181	1,014,064	1,014,558
4. 2009	XXX	XXX	1,071,579	1,064,206	1,065,350
5. 2010	XXX	XXX	XXX	998,791	994,493
6. 2011	XXX	XXX	XXX	XXX	1,059,773

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. 2007	1,288,871	1,060,817	34,174	3.2	1,094,991	85.0	0	0	1,094,991	85.0
2. 2008	1,180,091	1,014,558	45,127	4.4	1,059,685	89.8	0	0	1,059,685	89.8
3. 2009	1,271,277	1,061,781	36,948	3.5	1,098,729	86.4	3,569	144	1,102,442	86.7
4. 2010	1,317,114	992,485	61,663	6.2	1,054,148	80.0	2,008	81	1,056,237	80.2
5. 2011	1,295,884	949,626	44,467	4.7	994,093	76.7	110,147	4,731	1,108,971	85.6

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 2007	2 2008	3 2009	4 2010	5 2011
1.	Prior	78,828	79,097	79,097	79,043	79,042
2.	2007	9,245	12,351	12,307	12,314	12,315
3.	2008	XXX	17,742	21,420	21,413	21,412
4.	2009	XXX	XXX	20,767	23,949	23,975
5.	2010	XXX	XXX	XXX	20,455	24,467
6.	2011	XXX	XXX	XXX	XXX	21,204

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 2007	2 2008	3 2009	4 2010	5 2011
1.	Prior	78,858	79,097	79,097	79,043	79,042
2.	2007	11,305	12,344	12,307	12,314	12,315
3.	2008	XXX	21,681	21,518	21,413	21,412
4.	2009	XXX	XXX	24,485	24,003	23,975
5.	2010	XXX	XXX	XXX	24,379	24,550
6.	2011	XXX	XXX	XXX	XXX	25,332

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.	2007	15,256	12,315	397	3.2	12,712	83.3	0	0	12,712	83.3
2.	2008	29,269	21,412	1,407	6.6	22,819	78.0	0	0	22,819	78.0
3.	2009	30,745	23,975	1,903	7.9	25,878	84.2	0	0	25,878	84.2
4.	2010	30,748	24,467	3,010	12.3	27,477	89.4	82	3	27,562	89.6
5.	2011	30,732	21,204	2,731	12.9	23,935	77.9	4,129	291	28,355	92.3

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 2007	2 2008	3 2009	4 2010	5 2011
1. Prior	138,483	138,493	138,495	138,495	138,495
2. 2007	39,123	41,065	41,074	41,076	41,077
3. 2008	XXX	22,173	24,159	24,169	24,173
4. 2009	XXX	XXX	24,477	26,614	26,647
5. 2010	XXX	XXX	XXX	25,838	28,491
6. 2011	XXX	XXX	XXX	XXX	26,433

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 2007	2 2008	3 2009	4 2010	5 2011
1. Prior	138,496	138,493	138,495	138,495	138,495
2. 2007	43,521	41,082	41,074	41,076	41,077
3. 2008	XXX	24,207	24,167	24,169	24,173
4. 2009	XXX	XXX	26,856	26,614	26,647
5. 2010	XXX	XXX	XXX	28,514	28,522
6. 2011	XXX	XXX	XXX	XXX	29,330

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. 2007	60,911	41,077	1,323	3.2	42,400	69.6	0	0	42,400	69.6
2. 2008	32,912	24,173	3,125	12.9	27,298	82.9	0	0	27,298	82.9
3. 2009	34,383	26,647	3,271	12.3	29,918	87.0	0	0	29,918	87.0
4. 2010	0	28,491	0	0.0	28,491	0.0	31	1	28,523	0.0
5. 2011	35,389	26,433	3,313	12.5	29,746	84.1	2,897	352	32,995	93.2

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 2007	2 2008	3 2009	4 2010	5 2011
1. Prior	0	0	0	0	0
2. 2007	0	0	0	0	0
3. 2008	XXX	0	0	0	0
4. 2009	XXX	XXX	0	0	0
5. 2010	XXX	XXX	XXX	0	0
6. 2011	XXX	XXX	XXX	XXX	3,161

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 2007	2 2008	3 2009	4 2010	5 2011
1. Prior	0	0	0	0	0
2. 2007	0	0	0	0	0
3. 2008	XXX	0	0	0	0
4. 2009	XXX	XXX	0	0	0
5. 2010	XXX	XXX	XXX	0	0
6. 2011	XXX	XXX	XXX	XXX	3,161

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. 2007	0	0	0	0.0	0	0.0	0	0	0	0.0
2. 2008	0	0	0	0.0	0	0.0	0	0	0	0.0
3. 2009	0	0	0	0.0	0	0.0	0	0	0	0.0
4. 2010	0	0	0	0.0	0	0.0	0	0	0	0.0
5. 2011	2,953	3,161	129	4.1	3,290	111.4	0	14	3,304	111.9

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 2007	2 2008	3 2009	4 2010	5 2011
1. Prior	6,444,936	6,445,349	6,444,676	6,444,300	6,444,288
2. 2007	1,205,791	1,355,481	1,355,844	1,355,870	1,356,065
3. 2008	XXX	1,283,267	1,427,693	1,427,478	1,426,619
4. 2009	XXX	XXX	1,321,402	1,460,199	1,459,104
5. 2010	XXX	XXX	XXX	1,320,408	1,479,284
6. 2011	XXX	XXX	XXX	XXX	1,400,950

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 2007	2 2008	3 2009	4 2010	5 2011
1. Prior	6,446,338	6,445,349	6,444,676	6,444,300	6,444,288
2. 2007	1,380,549	1,358,688	1,355,844	1,355,870	1,356,065
3. 2008	XXX	1,441,838	1,430,679	1,427,478	1,426,619
4. 2009	XXX	XXX	1,465,102	1,462,206	1,459,104
5. 2010	XXX	XXX	XXX	1,465,353	1,480,681
6. 2011	XXX	XXX	XXX	XXX	1,557,491

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. 2007	1,426,028	1,356,065	43,686	3.2	1,399,751	98.2	0	0	1,399,751	98.2
2. 2008	1,480,392	1,426,619	30,705	2.2	1,457,324	98.4	0	0	1,457,324	98.4
3. 2009	1,518,221	1,459,104	29,390	2.0	1,488,494	98.0	0	0	1,488,494	98.0
4. 2010	1,534,054	1,479,284	47,361	3.2	1,526,645	99.5	1,398	56	1,528,099	99.6
5. 2011	1,664,324	1,400,950	51,815	3.7	1,452,765	87.3	156,542	5,513	1,614,820	97.0

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 2007	2 2008	3 2009	4 2010	5 2011
1. Prior	36,155	36,173	36,173	36,173	36,173
2. 2007	11,035	12,368	12,396	12,396	12,396
3. 2008	XXX	12,402	13,378	13,378	13,378
4. 2009	XXX	XXX	12,355	13,189	13,211
5. 2010	XXX	XXX	XXX	9,990	10,420
6. 2011	XXX	XXX	XXX	XXX	8,527

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 2007	2 2008	3 2009	4 2010	5 2011
1. Prior	36,155	36,173	36,173	36,173	36,173
2. 2007	14,784	12,724	12,396	12,396	12,396
3. 2008	XXX	15,897	13,724	13,378	13,378
4. 2009	XXX	XXX	15,894	13,756	13,211
5. 2010	XXX	XXX	XXX	15,194	11,163
6. 2011	XXX	XXX	XXX	XXX	15,444

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. 2007	23,963	12,396	399	3.2	12,795	53.4	0	0	12,795	53.4
2. 2008	21,331	13,378	2,039	15.2	15,417	72.3	0	0	15,417	72.3
3. 2009	22,222	13,211	2,657	20.1	15,868	71.4	0	0	15,868	71.4
4. 2010	22,058	10,420	4,284	41.1	14,704	66.7	744	30	15,478	70.2
5. 2011	18,358	8,527	3,619	42.4	12,146	66.2	6,917	385	19,448	105.9

UNDERWRITING AND INVESTMENT EXHIBIT

PART 2C - DEVELOPMENT OF PAID AND INCURRED HEALTH CLAIMS
(000 Omitted)

Section A - Paid Health Claims - Grand Total

	Cumulative Net Amounts Paid				
Year in Which Losses Were Incurred	1 2007	2 2008	3 2009	4 2010	5 2011
1. Prior	10,671,224	10,674,033	10,673,730	10,673,423	10,673,412
2. 2007	2,238,623	2,480,044	2,482,245	2,482,519	2,482,670
3. 2008	XXX	2,261,041	2,497,951	2,500,502	2,500,140
4. 2009	XXX	XXX	2,356,245	2,584,250	2,584,718
5. 2010	XXX	XXX	XXX	2,281,747	2,535,147
6. 2011	XXX	XXX	XXX	XXX	2,409,901

Section B - Incurred Health Claims - Grand Total

	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 2007	2 2008	3 2009	4 2010	5 2011
1. Prior	10,673,768	10,674,033	10,673,731	10,673,423	10,673,412
2. 2007	2,534,420	2,485,086	2,482,245	2,482,519	2,482,670
3. 2008	XXX	2,527,596	2,503,269	2,500,502	2,500,140
4. 2009	XXX	XXX	2,603,916	2,590,785	2,588,287
5. 2010	XXX	XXX	XXX	2,532,231	2,539,409
6. 2011	XXX	XXX	XXX	XXX	2,690,531

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. 2007	2,815,029	2,482,670	79,979	3.2	2,562,649	91.0	0	0	2,562,649	91.0
2. 2008	2,743,995	2,500,140	82,403	3.3	2,582,543	94.1	0	0	2,582,543	94.1
3. 2009	2,876,848	2,584,718	74,169	2.9	2,658,887	92.4	3,569	144	2,662,600	92.6
4. 2010	2,903,974	2,535,147	116,318	4.6	2,651,465	91.3	4,263	171	2,655,899	91.5
5. 2011	3,047,640	2,409,901	106,074	4.4	2,515,975	82.6	280,632	11,286	2,807,893	92.1

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 Benefit 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)	6,940,000	6,410,000	530,000	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	670,535,195	6,160,000	0	0	0	664,375,195	0	0	0
5. Aggregate write-ins for other policy reserves	0	0	0	0	0	0	0	0	0
6. Totals (gross)	677,475,195	12,570,000	530,000	0	0	664,375,195	0	0	0
7. Reinsurance ceded	0	0	0	0	0	0	0	0	0
8. Totals (Net)(Page 3, Line 4)	677,475,195	12,570,000	530,000	0	0	664,375,195	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 $ 6,940,000 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)	2,488,379	7,474,667	7,778,650	0	17,741,696
2. Salary, wages and other benefits	20,227,366	63,756,497	69,648,734	0	153,632,597
3. Commissions (less $ 0 ceded plus $ 0 assumed)	0	0	78,579,952	0	78,579,952
4. Legal fees and expenses	0	2,582	1,630,505	0	1,633,087
5. Certifications and accreditation fees	0	0	0	0	0
6. Auditing, actuarial and other consulting services	222,446	18,389	2,160,611	0	2,401,446
7. Traveling expenses	198,365	555,553	1,651,655	0	2,405,573
8. Marketing and advertising	0	0	2,648,315	0	2,648,315
9. Postage, express and telephone	266,720	5,497,866	4,697,558	0	10,462,144
10. Printing and office supplies	338,623	1,456,361	2,224,823	0	4,019,807
11. Occupancy, depreciation and amortization	0	0	0	0	0
12. Equipment	16,419	65,134	1,127,769	0	1,209,322
13. Cost or depreciation of EDP equipment and software	2,760,407	11,861,778	28,622,652	0	43,244,837
14. Outsourced services including EDP, claims, and other services	19,352,420	21,477,556	38,630,296	0	79,460,272
15. Boards, bureaus and association fees	47,809	10,372	1,858,700	0	1,916,881
16. Insurance, except on real estate	150,331	622,458	476,180	0	1,248,969
17. Collection and bank service charges	0	0	224,166	0	224,166
18. Group service and administration fees	0	0	0	0	0
19. Reimbursements by uninsured plans	(8,661,626)	(24,206,587)	(31,093,962)	0	(63,962,175)
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	232,818	0	232,818
23. Taxes, licenses and fees:					
23.1 State and local insurance taxes	0	0	0	0	0
23.2 State premium taxes	0	0	38,658,000	0	38,658,000
23.3 Regulatory authority licenses and fees	632	2,142	2,753,844	0	2,756,618
23.4 Payroll taxes	1,264,635	3,942,583	3,564,482	0	8,771,700
23.5 Other (excluding federal income and real estate taxes)	14,462	77,479	396,796	0	488,737
24. Investment expenses not included elsewhere	0	0	0	1,903,081	1,903,081
25. Aggregate write-ins for expenses	(3,912,365)	(8,638,028)	(25,501,381)	0	(38,051,774)
26. Total expenses incurred (Lines 1 to 25)	34,775,023	83,976,802	230,971,163	1,903,081	(a) 351,626,069
27. Less expenses unpaid December 31, current year	0	11,600,000	121,208,829	0	132,808,829
28. Add expenses unpaid December 31, prior year	0	10,809,000	102,795,763	0	113,604,763
29. Amounts receivable relating to uninsured plans, prior year	3,744,238	8,531,541	23,641,582	0	35,917,361
30. Amounts receivable relating to uninsured plans, current year	3,383,367	8,170,357	22,471,881	0	34,025,605
31. Total expenses paid (Lines 26 minus 27 plus 28 minus 29 plus 30)	34,414,152	82,824,618	211,388,396	1,903,081	330,530,247
DETAILS OF WRITE-INS					
2501. Charitable contributions	4,688	6,070	8,013,678	0	8,024,436
2502. Service charges Inter-plan bank	0	8,740,958	(219,225)	0	8,521,733
2503. IPSBB Inter-plan bank ITS	0	11,210,614	0	0	11,210,614
2598. Summary of remaining write-ins for Line 25 from overflow page	(3,917,053)	(28,595,670)	(33,295,834)	0	(65,808,557)
2599. Totals (Lines 2501 thru 2503 plus 2598)(Line 25 above)	(3,912,365)	(8,638,028)	(25,501,381)	0	(38,051,774)

(a) Includes management fees of $ 200,979,767 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)	3,488,191	2,984,369
1.1	Bonds exempt from U.S. tax	(a)	0	0
1.2	Other bonds (unaffiliated)	(a)	20,957,464	19,978,314
1.3	Bonds of affiliates	(a)	0	0
2.1	Preferred stocks (unaffiliated)	(b)	70,431	71,063
2.11	Preferred stocks of affiliates	(b)	0	0
2.2	Common stocks (unaffiliated)		3,341,881	3,341,881
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)	111,022	88,399
7	Derivative instruments	(f)	0	0
8.	Other invested assets		10,000	10,000
9.	Aggregate write-ins for investment income		0	798,732
10.	Total gross investment income		27,978,989	27,272,758
11.	Investment expenses			(g) 1,903,081
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)			1,903,081
17.	Net investment income (Line 10 minus Line 16)			25,369,677
	DETAILS OF WRITE-INS			
0901.	Interest income - miscellaneous		0	798,732
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	798,732
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 $ 643,353 accrual of discount less $ 5,234,878 amortization of premium and less $ 6,012,617 paid for accrued interest on purchases.

(b) Includes $ 0 accrual of discount less $ 631 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 $ 890 accrual of discount less $ 138,222 amortization of premium and less $ 12,409 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	(3,710,073)	0	(3,710,073)	0	0
1.1	Bonds exempt from U.S. tax	0	0	0	0	0
1.2	Other bonds (unaffiliated)	14,114,223	0	14,114,223	(269,791)	0
1.3	Bonds of affiliates	0	0	0	0	0
2.1	Preferred stocks (unaffiliated)	243,976	0	243,976	17,400	0
2.11	Preferred stocks of affiliates	0	0	0	0	0
2.2	Common stocks (unaffiliated)	4,249,662	0	4,249,662	(13,698,148)	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	1,482	0	1,482	0	0
7.	Derivative instruments	0	0	0	0	0
8.	Other invested assets	919,395	0	919,395	23,574,226	0
9.	Aggregate write-ins for capital gains (losses)	0	0	0	0	0
10.	Total capital gains (losses)	15,818,665	0	15,818,665	9,623,687	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	6,301,182	3,683,579	(2,617,603)
	15.2 Deferred premiums, agents' balances and installments booked but deferred and not yet due	0	0	0
	15.3 Accrued retrospective premiums	0	0	0
16.	Reinsurance:			
	16.1 Amounts recoverable from reinsurers	0	0	0
	16.2 Funds held by or deposited with reinsured companies	0	0	0
	16.3 Other amounts receivable under reinsurance contracts	0	0	0
17.	Amounts receivable relating to uninsured plans	3,182,413	2,435,215	(747,198)
18.1	Current federal and foreign income tax recoverable and interest thereon	0	0	0
18.2	Net deferred tax asset	6,540,756	19,551,129	13,010,373
19.	Guaranty funds receivable or on deposit	0	0	0
20.	Electronic data processing equipment and software	92,538,550	90,580,660	(1,957,890)
21.	Furniture and equipment, including health care delivery assets	5,284,555	5,861,339	576,784
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	12,187,806	7,552,053	(4,635,753)
25.	Aggregate write-ins for other than invested assets	118,111,786	68,635,420	(49,476,366)
26.	Total assets excluding Separate Accounts, Segregated Accounts and Protected Cell Accounts (Lines 12 to 25)	244,313,715	198,466,062	(45,847,653)
27.	From Separate Accounts, Segregated Accounts and Protected Cell Accounts	0	0	0
28.	Total (Lines 26 and 27)	244,313,715	198,466,062	(45,847,653)
	DETAILS OF WRITE-INS			
1101.		0	0	0
1102.		0	0	0
1103.		0	0	0
1198.	Summary of remaining write-ins for Line 11 from overflow page	0	0	0
1199.	Totals (Lines 1101 thru 1103 plus 1198)(Line 11 above)	0	0	0
2501.	Other Assets non admitted	33,697,234	18,394,970	(15,302,264)
2502.	Intangible assets	84,274,328	50,088,379	(34,185,949)
2503.	Pension - Intangible	140,224	152,071	11,847
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)	118,111,786	68,635,420	(49,476,366)

EXHIBIT 1 - ENROLLMENT BY PRODUCT TYPE FOR HEALTH BUSINESS ONLY

	Source of Enrollment	Total Members at End of					6
		1 Prior Year	2 First Quarter	3 Second Quarter	4 Third Quarter	5 Current Year	Current Year Member Months
1.	Health Maintenance Organizations	13,678	0	0	0	0	0
2.	Provider Service Organizations	0	0	0	0	0	0
3.	Preferred Provider Organizations	735,305	722,358	719,409	715,764	711,420	8,627,900
4.	Point of Service	38,307	36,242	36,405	36,460	36,745	436,685
5.	Indemnity Only	8,857	30,353	30,592	30,597	30,692	377,583
6.	Aggregate write-ins for other lines of business	0	41,809	42,730	36,340	36,361	475,544
7.	Total	796,147	830,762	829,136	819,161	815,218	9,917,712
	DETAILS OF WRITE-INS						
0601.	Stoploss	0	41,809	42,730	36,340	36,361	475,544
0602.		0	0	0	0	0	0
0603.		0	0	0	0	0	0
0698.	Summary of remaining write-ins for Line 6 from overflow page	0	0	0	0	0	0
0699.	Totals (Lines 0601 thru 0603 plus 0698) (Line 6 above)	0	41,809	42,730	36,340	36,361	475,544

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 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 2011 and 2010, there were no differences in net income and surplus between NAIC SAP and practices prescribed by the District of Columbia.

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

Fair Value of Financial Instruments

The carrying amounts of unaffiliated stocks, cash and short-term investments, investment income due and accrued, uncollected premiums, other amounts receivable under reinsurance contracts, amounts receivable relating to uninsured plans, federal income tax recoverable, receivables from parent, subsidiaries and affiliates, premiums received in advance, general expenses due or accrued, federal income tax payable, ceded reinsurance premiums payable, amounts withheld or retained for the account of others, remittance and items not allocated, amounts due to parent, subsidiaries and affiliates, liability for amounts held under uninsured plans and reinsurance payable approximate fair value.

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 market 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 market value of a security; and the intent and ability of the Company to hold the security until the market value recovers. These reviews were conducted pursuant to the applicable 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 at December 31, 2011.

The OTTI recorded for bonds and stocks was $726,000 and $0, respectively, at December 31, 2010.

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 government securities (U.S. dollar-denominated), corporate bonds, mortgage-backed securities, asset-backed securities and convertible bonds.

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

Mortgaged-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 *Fair Value Measurements* for discussion of valuation methods for mortgage-backed securities).

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 *Fair Value Measurements* for discussion of valuation methods for common stocks). 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 *Fair Value Measurements* for discussion of valuation methods for preferred stocks).

Investment Dispositions

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

Other Invested Assets

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

Other invested assets consisted of direct investments in unaffiliated limited liability companies and a limited partnership. The limited liability companies and limited partnership which have admissible audits are carried at the underlying equity of the investee. Dividends and distributions are recorded in investment income. Undistributed earnings are included in unrealized gains and losses and are reflected in capital and surplus, net of deferred taxes. During the fourth quarter of 2011, the Company transferred its entire investments in its unaffiliated limited liability companies and limited partnership to CFH.

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, 2011 and 2010, 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, the Company's allocable share of the FEP special reserve discussed below, and health care related receivables from other insurance plans. 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, 2011 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 liability for unpaid claims and claim adjustment expenses includes medical claims payable and the related accrued claims processing expenses. Unpaid claims are computed in accordance with generally accepted actuarial practices and are based upon authorized health care services and past claims payment experience, together with other current factors which, in management's judgment, require recognition in the calculation.

Each reporting period, the Company estimates its liability for medical care services that have been rendered on behalf of insured members but for which claims have either not been received or processed. The Company develops its estimates for medical care services incurred but not reported using an actuarial process that is consistently applied.

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

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

Premium Deficiency Reserve

Premium deficiency reserve represents the Company's estimate of the amount that the expected incurred claims, claims adjustment expenses and certain general administration costs exceed the 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, 2011. The Company recorded a premium deficiency reserve in the amount of $6,940,000 and $0 as of December 31, 2011 and 2010, respectively.

Medical Loss Ratio Rebates

As part of Health Reform Legislation, the minimum medical loss ratio (MLR) requirements became effective on January 1, 2011 and will require payment of premium rebates (MLR rebates) by August 1, 2012 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). The Company estimated the MLR rebate accruals based on the criteria developed by the NAIC and the United States Department of Health and Human Services. As of December 31, 2011, the Company recorded a MLR rebate accrual of $6,160,000, which represents the Company's estimate of the MLR rebate to be paid based upon actual results through December 31, 2011.

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, which have been earned, from employer groups and individuals for health benefits. Provision is made for potential adjustments, which arise as a result of management or third-party review.

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.

Claims Incurred

The Company negotiates contractual agreements with certain physicians and medical management groups to provide defined health care services to its members. All other physician and institutional services are provided by medical providers to whom the Company pays fees based upon fee schedules. 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.

Federal Employee Program

The Company participates in the Federal Employee Health Benefits Program (FEHBP) with other BlueCross BlueShield plans. This program includes an experience-rated contract between the Office of Personnel Management (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 the 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, have an unrestricted right to draw funds being held in the special reserve for any valid claim or expense. The unaudited amounts being held in the special reserve are $5,784,587,000 and $4,750,346,000 as of December 31, 2011 and 2010, respectively. The unaudited amounts being held in the contingency reserve are $5,494,056,000 as of September 30, 2011 and $5,199,368,000 as of December 31, 2010. If the balance of the special reserve is exhausted or falls below certain prescribed levels, OPM will transfer funds from the contingency reserve to the special reserve. 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 the 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, which are included in health care and other amounts receivable and aggregate health policy reserves, respectively. These amounts are $664,375,000 and $598,331,000 as of December 31, 2011 and 2010, respectively.

FEP revenue earned were $1,675,981,000 and $1,547,433,000 for the years ended December 31, 2011 and 2010, respectively.

FEP Operations Center

Service Benefit Plan Administrative Services Corporation (SBP), a subsidiary of GHMSI, was created to operate the FEP Operations Center under a contract with BCBSA. SBP is 90% owned by GHMSI and 10% owned by BCBSA.

SBP performs certain administrative functions as the national operations center for the FEP under its ten-year cost reimbursement contract, which was effective January 1, 2005, with BCBSA. 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. FEP reimbursed the Company for costs incurred in connection with this agreement totaling $102,994,000 and $85,785,000 for the years ended December 31, 2011 and 2010, respectively.

New Accounting Pronouncement

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

2. Accounting Changes and Corrections of Errors

Not applicable

3. Business Combinations and Goodwill

Not applicable.

4. Discontinued Operations

Not applicable.

5. Investments

A. Mortgage Loans, including Mezzanine Real Estate Loans

None.

B. Debt Restructuring

None.

C. Reverse Mortgages

None.

D. Loan-backed Securities

(1) The Company records its investment in loan-backed securities using the prospective adjustment method. Prepayment assumptions for single and multi-class mortgage-backed/other asset-backed securities are obtained from broker survey values. The Company uses IDC to determine the market 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, 2011, 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, 2011, the Company did not hold any mortgage-backed or other asset-backed securities where the present value of cash flows expected to be collected is less than the amortized cost basis.

(4) The following table shows the gross unrealized losses and fair value of the Company's mortgage-backed/other asset-backed securities with unrealized losses that are not deemed to be other than temporarily impaired, aggregated by investment category and length of time that individual securities have been in a continuous unrealized loss position at December 31, 2011 and 2010 (*in thousands*).

	Fair Value < 1 Year	Unrealized Losses < 1 Year	Fair Value > 1 Year	Unrealized Losses > 1 Year	Total Unrealized Losses
December 31, 2011					
Government sponsored enterprise mortgage-backed securities	**$ 25,191**	**$ 134**	**$ 2,700**	**$ 26**	**$ 160**
Residential mortgage-backed securities	**–**	**–**	**865**	**60**	**60**
Commercial mortgage-backed/ Other asset-backed securities	**10,731**	**243**	**–**	**–**	**243**
Total	**$ 35,922**	**$ 377**	**$ 3,565**	**$ 86**	**$ 463**

	Fair Value < 1 Year	Unrealized Losses < 1 Year	Fair Value > 1 Year	Unrealized Losses > 1 Year	Total Unrealized Losses
December 31, 2010					
Government sponsored enterprise mortgage-backed securities	$ 122,398	$ 3,076	$ –	$ –	$ 3,076
Residential mortgage-backed securities	2,228	26	–	–	26
Commercial mortgage-backed/ Other asset-backed securities	915	5	–	–	5
Total	$ 125,541	$ 3,107	$ –	$ –	$ 3,107

(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.

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, 2011 and 2010.

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 percent. 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 (TMT) rate of 20 percent. As a result, the Company's income tax provision is reduced from the statutory rate of 35 percent 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 percent 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 percent, net of available 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 monthly.

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 amount of admitted adjusted gross deferred tax assets under each component of SSAP 10R during 2011 and 2010 are as follows (*in thousands*):

		December 31, 2011			December 31, 2010		
		Capital	**Ordinary**	**Total**	**Capital**	**Ordinary**	**Total**
Federal Income Taxes Recoverable through loss carry back	10.a	$ -	$ 15,089	$ 15,089	$ 2,543	$ -	$ 10,009
Adjusted Gross DTA expected to be realized in one year	10.b.i	2,213	-	2,213	3,784	3,784	12,552
10% adjusted capital and surplus limit	10.b.ii	-	-	97,430	-	-	96,950
Admitted pursuant to Paragraph 10.b (lesser of i. or ii.)		2,213	-	2,213	3,784	3,784	12,552
Additional admitted pursuant to Paragraph 10.c	10.c	1,660	8,357	10,017	-	9,775	9,775
Risk-based capital:	10.d	-	-	-	-	-	-
Total adjusted capital		-	-	-	-	-	-
Authorized control level		-	-	-	-	-	-
Additional admitted pursuant to 10.e.i.	10.e.i.	-	-	-	-	-	-
Adjusted gross DTA expected to be realized in three years	10.e.ii.a	-	-	-	-	-	-
15% adjusted statutory capital and surplus limit	10.e.ii.b	-	-	-	-	-	-
Additional permitted pursuant to 10.e.ii (lesser of a or b)		-	-	-	-	-	-
Additional admitted pursuant to 10.e.iii	10.e.iii	-	-	-	-	-	-
Total admitted DTA		3,873	23,446	27,319	3,784	18,543	22,327
Total DTL		(10,007)	(10)	(10,017)	(5,576)	(4,199)	(9,775)
Net admitted DTA		$ (6,134)	$ 23,436	$ 17,302	$ (1,792)	$ 14,344	$ 12,552
Nonadmitted DTA		$ -	$ (6,541)	$ (6,541)	$ -	$ 19,551	$ 19,551

The Company has elected not to admit additional deferred tax assets pursuant to SSAP 10R, paragraph 10.e. Note 9A (06) is not applicable.

The provisions for income taxes on earnings for the years ended December 31, 2011 and 2010 are as follows (*in thousands*):

	Dec. 31, 2011	Dec. 31, 2010	Change
Federal provision	$ (789)	$ 16,964	$ (17,753)
Federal income tax on net capital gains	3,163	3,085	78
Federal income taxes incurred	$ 2,374	$ 20,049	$ (17,675)

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*):

	Dec. 31, 2011	Dec. 31, 2010	Change	Character
Deferred tax assets:				
Accounts receivable	$ -	$ 4,236	$ (4,236)	Ordinary
Investments	3,873	3,784	89	Capital
Benefit obligations	9,726	11,115	(1,389)	Ordinary
Unpaid claims	1,304	2,360	(1,056)	Ordinary
Accrued expenses	5,827	5,528	299	Ordinary
Nonadmitted assets and other	13,130	14,855	(1,725)	Ordinary
Total deferred tax assets	33,860	41,878	(8,018)	
Nonadmitted deferred tax assets	(6,541)	(19,551)	13,010	
Admitted deferred tax assets	27,319	22,327	4,992	
Deferred tax liabilities:				
Investments	(3,150)	(4,973)	1,823	Capital
Investment in Affiliate	(6,857)	(603)	(6,254)	Capital
Other	(10)	(4,199)	4,189	Ordinary
Total deferred tax liabilities	(10,017)	(9,775)	(242)	
Net Admitted deferred tax assets	$ 17,302	$ 12,552	$ 4,750	

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, 2011	Dec. 31 2010	Change
Gross deferred tax assets	$ 33,860	$ 41,878	$ (8,018)
Deferred tax liabilities	(10,017)	(9,775)	(242)
Net deferred tax asset (liability)	$ 23,843	$ 32,103	(8,260)
Tax effect of unrealized gains (losses)			(2,427)
Change in net deferred income tax			$ (10,687)

In accordance with SSAP 10R, 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 are as follows (*in thousands*):

	December 31, 2011			December 31, 2010		
	Capital	Ordinary	TOTAL	Capital	Ordinary	TOTAL
Total of gross deferred tax assets	$ 3,873	$ 165,362	$ 169,235	$ 3,784	$ 149,877	$ 153,661
Statutory valuation allowance	0	(135,375)	(135,375)	0	(111,783)	(111,783)
Adjusted gross deferred assets	3,873	29,987	33,860	3,784	38,094	41,878
Gross deferred tax liabilities	(10,007)	(10)	(10,017)	(5,576)	(4,199)	(9,775)
Net deferred tax asset	(6,134)	29,977	23,843	(1,792)	33,895	32,103
Deferred tax asset nonadmitted	0	(6,541)	(6,541)	0	(19,551)	(19,551)
Net admitted deferred tax asset	$ (6,134)	$ 23,436	$ 17,302	$ (1,792)	$ 14,344	$ 12,552

The impact of tax planning strategies is as follows:

	December 31, 2011			December 31, 2010			
	Capital Percent	Ordinary Percent	Total Percent	Capital Percent	Ordinary Percent	Total Percent	Change
% of Adjusted gross DTAs	11%	0%	11%	0%	0%	0%	11%
% of Net admitted adjusted gross DTAs	22%	0%	22%	0%	0%	0%	22%

The provision for income taxes differs from the statutory rate of 35 percent principally as a result of the 833(b) deduction and timing differences.

The Company is subject to examination by the Internal Revenue Service and state taxing authorities. In general, the Company's tax years 2008 and forward remain open under the statutes of limitation and subject to examination.

The Company is exempt from all income taxes in the District of Columbia, Maryland, and Virginia.

10. Information Concerning Parent, Subsidiaries and Affiliates

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, health maintenance organization coverage 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.

Until December 31, 2010, CFMI and the Company held a 60% and 40% interest, respectively, in a health maintenance organization subsidiary, CareFirst BlueChoice, Inc. (CFBC). Since control over CFBC operations was vested in CFI, the Company determined that neither the Company nor CFMI exercised control over CFBC. In 2006, the Boards of CFI, CFMI, and GHMSI approved earnings redistributions to evenly share changes in the statutory surplus of CFBC. In 2008, the Boards approved in principle the creation of a new holding company, CareFirst Holdings, LLC (CFH), which would be owned by CFMI and GHMSI. The Company received regulatory approval for the establishment of CFH in 2010 and CFH was formed on December 31, 2010. Since control over CFH operations is vested in CFI, the Company has determined that neither the Company nor CFMI exercise control over CFH.

As part of the formation of CFH, CFMI contributed its 60% interest in CFBC and its wholly owned subsidiaries Willse and Associates, Inc. and FirstCare, Inc. (collectively CFMI's former subsidiaries). The Company contributed to CFH its 40% interest in CFBC, its wholly owned subsidiaries National Capital Administrative Services, Inc., National Capital Insurance Agency, Inc., and Capital Area Services Company, Inc. (CASCI) (collectively GHMSI's former subsidiaries) and a cash contribution of $45,290,000. The restructuring was recorded at book value and resulted in a net transfer of $36,921,000 of surplus from CFMI to GHMSI. The contribution of subsidiaries and cash was effected to essentially share evenly the equity interest of various subsidiaries owned by CFMI and GHMSI. CFH and its subsidiaries are owned 50.001% by CFMI and 49.999% by GHMSI. The ownership interests held in CFH are based on the fair market value contributed by CFMI and GHMSI, approved by the respective regulators, and was effected in a tax-free manner.

The Company's board approved target risk based capital range is 1000% to 1300% for the year ended December 31, 2011.

As of December 31, 2011 and 2010, the Company's equity investment in CFH exceeded 10% of the Company's admitted assets. The financial information for CFH is summarized as follows *(in thousands)*:

	December 31 2011	December 31 2010
Total admitted assets	$ 1,248,039	$ 1,071,668
Total liabilities	$ 448,494	$ 349,407
Capital and surplus	799,545	722,261
Total liabilities and capital and surplus	$ 1,248,039	$ 1,071,668

Summarized results of operations for CFH for the year ended December 31, 2011 (GAAP-basis) and CFBC for the year ended December 31, 2010 (statutory-basis) are as follows (*in thousands*):

	Year Ended December 31 2011	Year Ended December 31 2010
Net revenue	$ 2,042,801	$ 1,992,473
Operating expenses and other, net	(1,991,029)	(1,825,947)
Net income	$ 51,772	$ 166,526

CFI has made changes to its cost allocation methodologies during the second quarter 2011. As a result, there is a shift in administrative expenses between legal entities within CFI and market segments.

During 2011 and 2010, the Company incurred certain costs on behalf of CFMI and its subsidiary (2011) and CFMI and its current and former subsidiaries (2010), including salaries, claims processing expenses, and professional fees. Similarly, certain costs were incurred by CFMI and its current and former subsidiaries 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 and its subsidiary were $152,632,000 during the year ended December 31, 2011. Net charges to the Company for services performed by CFMI and its current and former subsidiaries were $143,967,000 during the year ended December 31, 2010. These allocations are netted against general and administrative expenses.

The Company has an operating relationship with its subsidiaries and affiliates, whereby the Company provides administrative and corporate services which are allocated to the subsidiaries and affiliates under administrative agreements. Total allocations to the subsidiaries and affiliates, excluding CFMI and its subsidiary, for all services provided by the Company were approximately $83,434,000 during the year ended December 31, 2011. Total allocations to the subsidiaries and affiliates, excluding CFMI and its current and former subsidiaries, for all services provided by the Company were approximately $75,883,000 during the year ended December 31, 2010. These allocations are netted against general and administrative expenses.

Historically, the Company along with CFMI has provided the majority of the operating and administrative services, including claims processing to CFBC. These services were charged to CFBC based on the costs incurred by the Company. In 2008, 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 $8,785,000 and $7,896,000 for the years ended December 31, 2011 and 2010, respectively. These charges are recorded as a reduction to general and administrative expenses.

In 2010, 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 $4,096,000 and $3,359,000 for the years ended December 31, 2011 and 2010, 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 were $114,199,000 and $135,477,000 for the years ended December 31, 2011 and 2010, respectively.

The Company bears all of the out-of-network (indemnity) underwriting risk and CFBC bears the in-network (HMO) underwriting risk for certain fully insured point-of-service health care programs. Cost of care for these products is charged directly to the Company and CareFirst BlueChoice based upon the nature of the claims incurred. Premiums on these health care programs are allocated between the Company and CareFirst BlueChoice based on actual underwriting results such that the underwriting gain of the health care programs, as a percentage of premiums earned, is shared equally between the two companies. Total premiums recorded by CFBC for the programs were $26,092,000 and $28,538,000 for the years ended December 31, 2011 and 2010, 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, 2011 the Company reported $5,273,000 and $76,408,000 as amounts due from and due to affiliates, respectively. These amounts are settled monthly.

11. Debt

None

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

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 93.0% and 97.0% funded as of December 31, 2011 and 2010, 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 certain 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 income tax regulations.

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 funds postretirement benefits 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 amount recognized on the balance sheet for the retirement plans, which include the qualified and nonqualified pension plans described above, and the other postretirement plans described above *(in thousands)*:

	Pension Benefits		Other Postretirement Benefits	
	2011	**2010**	**2011**	**2010**
Change in projected benefit obligations				
Benefit obligations at beginning of year	**$ 307,382**	$ 277,303	**$ 20,502**	$ 19,434
Service cost	**7,921**	8,742	**2,138**	1,398
Interest cost	**14,763**	15,216	**1,027**	1,044
Benefits paid	**(18,299)**	(10,331)	**(2,532)**	(669)
Actuarial loss	**20,759**	16,452	**270**	327
Settlements	**(737)**	–	**–**	(1,032)
Benefit obligations at end of year	**$ 331,789**	$ 307,382	**$ 21,405**	$ 20,502
Change in plan assets				
Fair value of plan assets at beginning of year	**$ 289,120**	$ 264,791	**$ -**	$ –
Actual return on plan assets	**(6,538)**	32,438	**–**	–
Employer contributions	**39,722**	2,222	**2,532**	1,701
Benefits paid	**(18,299)**	(10,331)	**(2,532)**	(669)
Settlements	**–**	–	**–**	(1,032)
Fair value of plan assets at end of year	**$ 304,005**	$ 289,120	**$ –**	$ –
Funded status	**$ (27,784)**	$ (18,262)	**$ (21,405)**	$ (20,502)
Transition (asset) liability not yet recognized	**(33,928)**	(36,578)	**566**	566
Unamortized prior service cost	**1,089**	1,279	**–**	–
Unrecognized net loss (gain)	**142,750**	100,917	**(599)**	(586)
Prepaid pension assets or (accrued) liabilities prior to additional liability	**82,127**	47,356	**(21,438)**	(20,522)
Additional liability	**(23,640)**	(8,656)	**–**	–
Prepaid pension assets or (accrued) liabilities	**$ 58,487**	$ 38,700	**$ (21,438)**	$ (20,522)

	Pension Benefits		Other Postretirement Benefits	
	2011	**2010**	**2011**	**2010**
Accumulated benefit obligations (vested portion)	**$ 329,792**	$ 300,508	**$ 18,645**	$ 17,949
Accumulated benefit obligations (non-vested portion)	**$ 118**	$ 1,143		
Benefit obligations (non-vested portion)			**$ 12,934**	$ 13,583

The estimated transition asset, prior service cost and net actuarial loss for the defined benefit pension plans that will be amortized in 2012 from capital and surplus into net periodic benefit costs are $(2,650,000), $190,000 and $11,715,000, respectively.

The estimated transition liability for other postretirement benefit plans that will be amortized in 2012 from capital and surplus into net periodic benefit costs is $283,000.

An additional pension liability is required when the actuarial present value of accumulated benefits obligation exceeds plan assets and accrued pension liabilities. As of December 31, 2011 and 2010, additional liabilities of $23,640,000 and $8,656,000, respectively, were recorded. In connection with the additional liabilities, intangible pension assets of $140,000 and $152,000, respectively, were recorded and nonadmitted.

	Pension Benefits		Other Postretirement Benefits	
	2011	**2010**	**2011**	**2010**
Components of net periodic benefit cost (in thousands)				
Service cost	**$ 7,921**	$ 8,742	**$ 2,138**	$ 1,398
Interest cost	**14,763**	15,216	**1,027**	1,044
Expected return on plan assets	**(22,349)**	(22,006)	**–**	–
Amortization of transition (asset) liability	**(2,649)**	(2,649)	**283**	355
Amortization of prior service cost	**190**	190	**–**	–
Net recognized actuarial loss (gain)	**7,140**	5,570	**–**	(37)
Settlement gain	**(64)**	–	**–**	(500)
Net periodic benefit cost of the year ended December 31	**$ 4,952**	$ 5,063	**$ 3,448**	$ 2,260

The weighted-average assumptions used in calculating the benefit obligations for all plans are as follows:

	Pension Benefits		Other Postretirement Benefits	
	2011	**2010**	**2011**	**2010**
Discount rate – benefit obligation (a)	**4.00%**	5.00%	**4.20%**	5.25%
Discount rate – net benefit cost (a)	**5.00%**	5.50%	**5.25%**	5.75%
Expected rate of return on plan assets	**7.75%/N/A (b)**	8.00%/N/A (b)	**N/A**	N/A
Rate of compensation increase	**4.50%**	4.50%	**N/A**	N/A
Annual rate of increase in the per capita cost of covered health care benefits	**N/A**	N/A	**6.00%**	6.00%

(a) The discount rates used were based on an Aa yield curve.

(b) As of December 31, 2011 and 2010, the expected return on plan assets is 7.75% and 8.00% for qualified pension benefits and N/A for nonqualified pension benefits. The Company contributes to the nonqualified pension plans as benefits are paid.

During 2010, the Company fully settled its liability for its postretirement life insurance plan by transferring the liability to an unaffiliated entity. As a result, a settlement gain was recognized in 2010. In addition, the lump-sum payments for the nonqualified pension plans surpassed the settlement threshold, which equals the sum of service cost and interest cost. As a result, settlements were recognized for all cash settlements in the nonqualified pension plans in 2011.

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 maturity 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.

The Company's pension investment policy, as established by the CareFirst Inc. Retirement Committee, is to provide for growth of capital with a moderate level of volatility by investing assets 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 investment policy is reviewed on a quarterly basis, under the advisement of a certified investment advisor, to determine if the policy should be changed. The weighted-average asset allocations by asset category for the qualified pension plan are as follows:

	Expected Rate of Returns	Target Allocation Range	December 31 2011	December 31 2010
Domestic equity securities	8% – 12%	30% – 50%	**41 %**	37 %
International equity securities	8% – 12%	15% – 25%	**14**	22
Emerging markets equity securities	8% – 12%	0% – 10%	**5**	7
Real estate	4% – 8%	0% – 10%	**3**	3
Fixed maturity securities	4% – 8%	20% – 40%	**25**	30
Cash and cash equivalents	1% – 3%	Residual	**12**	1
Total			**100 %**	100 %

As shown above, the Company's actual weighted-average asset allocation for cash and cash equivalents was not within the allocation range at December 31, 2011. The Company funded the qualified pension plan in late December 2011, but did not invest the cash and cash equivalents prior to December 31, 2011. The assets were reallocated to meet the asset allocation ranges in the first week of 2012.

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

	1% Increase	1% Decrease
Effect on total service and interest cost	$ 32	$ (28)
Effect on postretirement benefit obligations	745	(657)

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

	Pension Benefits	Other Postretirement Benefits	Total
2012 *	$ 20,358	$ 1,256	$ 21,614
2013	19,436	1,309	20,745
2014	22,151	1,367	23,518
2015	20,361	1,448	21,809
2016	21,244	1,851	23,095
2017 through 2021	110,557	10,790	121,347
	$ 214,107	$ 18,021	$ 232,128

* The expected cash flow payments are based on, in part, the assumption that certain nonqualified pension plans participants who have attained age 62 and older during 2011 will retire in 2012.

The Company expects to make contributions of $691,000 and $1,256,000, respectively, to the pension benefit plans and the other postretirement benefits plan during 2012.

In addition, 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 $1,385,000 and $1,604,000 for the years ended December 31, 2011 and 2010, respectively.

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 and outstanding.

(3) – (9) Not applicable.

(10) The portion of unassigned funds (surplus) represented by cumulative net unrealized gains is $260,142,000.

(11) – (13) Not applicable.

14. Contingencies

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 covered under health insurance policies. 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 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 relating to Penn Treaty which could have a material adverse effect on the Company's financial statements.

C. – D. None

E. All Other Contingencies

CFMI and the Company have 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 regulatory reserve requirement, subject to specific limitations, if either CFMI or the Company or their respective affiliates fail to meet or maintain their respective 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 2011 or 2010.

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 accruals 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, through CFI, operates under licensing agreements with BCBSA, whereby the Company uses the service marks of BCBSA in the course of its business. The Company files periodic reports with BCBSA.

The Company insures individuals who are qualified Medicare beneficiaries. Medicare law identifies the primary payer and secondary payer of claims when individuals are insured by both the Company and Medicare. Principally as a result of information systems programming errors, the Company incorrectly paid certain claims in years prior to 2009 as the secondary payer rather than as the primary payer. The issues were communicated to the Centers for Medicare and Medicaid Services (CMS) in May 2009. The Company has implemented corrective measures to (1) correctly identify Medicare beneficiaries that should be paid primary and (2) modify information systems to correctly adjudicate claims on behalf of Medicare beneficiaries.

Based on its interpretation of Medicare law, the Company believes it is liable for improperly processed claims for the period from January 1, 2006 to December 31, 2008. In 2009, CFI provided CMS with the data of the incorrectly paid claims and offered to settle its obligations to CMS for $19,000,000. Accordingly, CFI recorded a liability of $19,000,000 at December 31, 2009 for this proposed settlement, of which $9,376,000 was recorded by the Company, which is included in general expenses due or accrued. The settlement remains subject to government approval. While there can be no assurances that the settlement will be accepted, or that CMS will accept the Company's legal interpretation that Medicare law limits its liability in this matter to the Company's proposed settlement amount, the Company's management, after consultation with legal counsel, does not believe the final resolution of this matter will result in additional material liabilities to the Company. The Company has received demand letters from CMS regarding certain of these individual claims. The Company has processed and paid these claims in accordance with the demand letters and accordingly has released the reserve associated with these claims in the amount of $1,377,000. Therefore, the Company's remaining liability was $7,999,000 as of December 31, 2011.

CFI entered into a three-year agreement with a third party vendor to provide local care coordinator services to members who participate in the Primary Care Medical Home program. The agreement contains certain financial and operational requirements obligating both parties. In 2011, CFI did not meet the volume of patients needing care plans as promised in the agreement. As a result, CFI recorded a liability of $8,000,000 at December 31, 2011, of which $3,353,000 was recorded by the Company. The liability is included in the general expenses due or accrued. It is possible that the liability could increase or decrease over the remaining term of the agreement depending upon the volume and price of the care plans rendered. The agreement will expire on December 31, 2013.

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

15. Leases

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)*:

2012	$	10,087
2013		9,790
2014		8,521
2015		8,514
2016		8,743
Thereafter		54,371
Total minimum payments	$	100,026

Rent expense for operating leases, net of amounts allocated to affiliates, for the years ended December 31, 2011 and 2010, was $13,775,000 and $11,543,000, respectively.

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

Not applicable.

18. Gain or Loss to the Reporting Entity from Uninsured A&H 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 for the years ended December 31, 2011 and 2010 *(in thousands)*:

		2011		2010
Gross reimbursement for medical costs incurred	$	1,142,949	$	1,162,990
Gross administrative fees accrued		73,205		76,814
Gross expenses incurred		(1,217,436)		(1,258,104)
Operating loss, before stop loss	$	(1,282)	$	(18,300)
Stop loss, net		6,133		7,322
Proforma operating loss	$	4,851	$	(10,978)

The stop loss amount reported represents stop loss written for the ASC business shown above. For the year-end December 31, 2011, GHMSI ceded an ASC underwriting gain of $1,134,000 to CFMI and assumed an ASC underwriting gain of $1,089,000 from CFMI for a net underwriting loss of $45,000. For the year-end December 31, 2010, GHMSI ceded an ASC underwriting loss of $5,111,000 to CFMI and assumed an ASC underwriting loss of $81,000 from CFMI for a net underwriting gain of $5,030,000.

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

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

- Level 1 – Quoted (unadjusted) prices for identical assets or liabilities in active markets.
- Level 2 – Other observable inputs, either directly or indirectly.
- Level 3 – Unobservable inputs that cannot be corroborated by observable market data.

In instances in which the inputs used to measure fair value fall into different levels of the fair value hierarchy, the fair value measurement has been determined based on the lowest level input that is significant to the fair value measurement in its entirety. The Company's assessment of the significance of a particular item to the fair value measurement in its entirety requires judgment, including the consideration of inputs specific to the asset. Management is responsible for the determination of fair value, and performs a monthly analysis 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 Level 1 and Level 2 during the years ended December 31, 2011 and 2010.

The guidance on fair value measurements only applies to items that are measured and reported at fair value in the statement of financial position after initial recognition. The following methods and assumptions were used to estimate the fair value of such financial instruments:

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 government securities, corporate bonds, mortgage-backed securities and asset-backed securities that are priced by independent pricing services using observable inputs are classified as Level 2. The 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. The 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 the inputs such as quoted prices for identical or similar assets, benchmark yields, prepayment speeds, collateral performance, credit spreads and default rates that are observable at commonly quoted intervals.

Stocks. Fair value of publicly traded index funds and preferred stocks 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.

The following table presents information about the Company's financial assets measured at fair value as of December 31, 2011and 2010 *(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, 2011
Assets				
Bonds	$ –	$ 1,638	$ –	$ 1,638
Common stocks				
Large capital equity securities (a)	–	76,501	–	76,501
Small capital equity securities (a)	–	63,745	–	63,745
International equity securities (a)	–	27,415	–	27,415
Privately-held common stocks	–	–	3,903	3,903
Total common stocks	–	167,661	3,903	171,564
Preferred stocks	–	950	–	950
Total assets at fair value	$ –	$ 170,249	$ 3,903	$ 174,152

	Quoted Prices in Active Markets (Level 1)	Other Observable Inputs (Level 2)	Unobservable Inputs (Level 3)	Total Fair Value as of December 31, 2010
Assets				
Bonds	$ –	$ 851	$ –	$ 851
Common stocks				
Large capital equity securities (a)	–	34,525	–	34,525
Small capital equity securities (a)	–	36,928	–	36,928
International equity securities (a)	–	40,626	–	40,626
Privately-held common stocks	–	–	3,771	3,771
Total common stocks	–	112,079	3,771	115,850
Total assets at fair value	$ –	$ 112,930	$ 3,771	$ 116,701

(a) Represent equity investments in publicly-traded index funds.

A reconciliation of the beginning and ending balances of common stocks measured at fair value using Level 3 inputs as of December 31, 2011 and 2010 is as follows *(in thousands):*

	2011	2010
Beginning balance at January 1	**$ 3,771**	$ 3,825
Unrealized gains (losses) in capital and surplus—statutory-basis	**132**	(54)
Ending balance at December 31	**$ 3,903**	$ 3,771
Change in unrealized losses included in net losses related to assets still held	**$ –**	$ –

21. Other Items

(A) Extraordinary Items

Not applicable

(B) Troubled Debt Restructuring: Debtors

Not applicable

(C) Other Disclosures

Not applicable

(D) Uncollectible Balances

Not applicable

(E) Business Interruption Insurance Recoveries

Not applicable

(F) State Transferable Tax Credits

Not applicable

(G) Subprime-Mortgage-Related Risk Exposure

(1) The Company categorizes mortgage securities with an average FICO score of less than 675 (credit score) as a subprime mortgage security. The Company has no subprime mortgage securities as of December 31, 2011.

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

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

(H) Retained Assets

Not applicable

22. Events Subsequent

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

23. Reinsurance

The Company maintains a quota-share reinsurance contract with FirstCare, a plan sponsor offering Medicare Part D prescription drug insurance coverage under a contract with CMS. The Company assumed risk premiums in the amount of $6,286,000 and $6,607,000, and incurred an underwriting loss in the amount of $351,000 and $42,000, for the years ended December 31, 2011 and 2010, respectively, as a result of the quota-share reinsurance contract with FirstCare.

Certain business has been written by CFMI and GHMSI which represents contracts outside the historic CFMI and GHMSI service areas (cross-jurisdictional sales). The income or loss from operations 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 2011	2010
Premiums assumed	$ 59,463	$ 65,783
Premiums ceded	(369,607)	(405,008)
Premiums, net	(310,144)	(339,225)
Cost of care assumed	42,897	47,000
Cost of care ceded	(281,857)	(323,668)
Cost of care, net	(238,960)	(276,668)
General and administrative expenses ceded, net	(55,241)	(57,382)
Net gain ceded	$ (15,943)	$ (5,175)

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	–	–	–	–	–
(2) Medical loss ratio rebates paid	–	–	–	–	–
(3) Medical loss ratio rebates unpaid	–	–	–	–	–
(4) Plus reinsurance assumed amounts	XXX	XXX	XXX	XXX	–
(5) Less reinsurance ceded amounts	XXX	XXX	XXX	XXX	–
(6) Rebates unpaid net of reinsurance	XXX	XXX	XXX	XXX	–
Current Reporting Year-to-Date					
(7) Medical loss ratio rebates incurred	4,410	1,750	–	–	6,160
(8) Medical loss ratio rebates paid	–	–	–	–	–
(9) Medical loss ratio rebates unpaid	4,410	1,750	–	–	6,160
(10) Plus reinsurance assumed amounts	XXX	XXX	XXX	XXX	–
(11) Less reinsurance ceded amounts	XXX	XXX	XXX	XXX	–
(12) Rebates unpaid net of reinsurance	XXX	XXX	XXX	XXX	6,160

25. Change in Incurred Claims and Claim Adjustment Expenses

As of December 31, 2011, $253,645,000 has been paid for incurred claims attributable to insured events for prior years. Reserves remaining for prior years are now $7,832,000 as a result of re-estimation of unpaid claims and unpaid claims adjustment expenses. Therefore, there has been a $4,459,000 unfavorable prior year development since December 31, 2010 to December 31, 2011 of which $11,551,000 was a result of unfavorable development in the Federal Employee Program line of business. Original estimates are increased or decreased as additional information becomes known regarding individual claims.

26. Intercompany Pooling Arrangements

Not applicable.

27. Structured Settlements

Not applicable

28. Health Care Receivables

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

Quarter	Estimated Pharmacy Rebates as Reported on Financial Statements	Pharmacy Rebates as Invoice/ Confirmed	Actual Rebates Collected Within 90 Days of Invoicing/ Contractual Due Date	Actual Rebates Collected within 91-180 Days of Invoicing/ Contractual Due Date	Actual Rebates Collected More Than 180 days After Invoicing/ Contractual Due Date
12/31/2011	$3,654,815	$3,654,815	$ –	$ –	$ –
9/30/2011	3,988,149	3,988,149	938,099	–	–
6/30/2011	4,078,924	4,078,924	3,152,439	899,046	–
3/31/2011	3,585,638	3,585,638	3,654,719	(76,885)	–
12/31/2010	$3,816,305	$3,816,305	$3,799,130	$ –	$ –
9/30/2010	3,702,334	3,702,334	2,807,257	876,886	–
6/30/2010	4,086,739	4,086,739	4,062,795	–	16
3/31/2010	3,484,399	3,484,399	3,494,090	105	–
12/31/2009	$5,247,929	$5,247,929	$5,235,682	$ 1,855	$ –
9/30/2009	6,136,209	6,136,209	6,116,332	–	–
6/30/2009	6,132,159	6,132,159	6,122,684	78	–
3/31/2009	5,832,120	5,832,120	5,786,374	14,159	163

B. Not applicable

29. Participating Policies

Not applicable

30. Premium Deficiency Reserve

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

31. Salvage and Subrogation

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

Year incurred	
2011	$ 972
2010	$ 995

GENERAL INTERROGATORIES

PART 1 - COMMON INTERROGATORIES
GENERAL

1.1 Is the reporting entity a member of an Insurance Holding Company System consisting of two or more affiliated persons, one or more of which is an insurer? Yes [X] No [ ]

1.2 If yes, did the reporting entity register and file with its domiciliary State Insurance Commissioner, Director or Superintendent, or with such regulatory official of the state of domicile of the principal insurer in the Holding Company System, a registration statement providing disclosure substantially similar to the standards adopted by the National Association of Insurance Commissioners (NAIC) in its Model Insurance Holding Company System Regulatory Act and model regulations pertaining thereto, or is the reporting entity subject to standards and disclosure requirements substantially similar to those required by such Act and regulations? Yes [X] No [ ] N/A [ ]

1.3 State Regulating? District of Columbia

2.1 Has any change been made during the year of this statement in the charter, by-laws, articles of incorporation, or deed of settlement of the reporting entity? Yes [ ] No [X]

2.2 If yes, date of change:

3.1 State as of what date the latest financial examination of the reporting entity was made or is being made. 12/31/2008

3.2 State the as of date that the latest financial examination report became available from either the state of domicile or the reporting entity. This date should be the date of the examined balance sheet and not the date the report was completed or released. 12/31/2008

3.3 State as of what date the latest financial examination report became available to other states or the public from either the state of domicile or the reporting entity. This is the release date or completion date of the examination report and not the date of the examination (balance sheet date). 09/29/2009

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

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

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

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

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

4.12 renewals? Yes [ ] No [X]

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

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

4.22 renewals? Yes [ ] No [X]

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

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

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

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

6.2 If yes, give full information:

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

7.2 If yes,

7.21 State the percentage of foreign control; 0.0 %

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

1 Nationality	2 Type of Entity

GENERAL INTERROGATORIES

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

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

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

8.4 If response to 8.3 is yes, please provide the names and locations (city and state of the main office) of any affiliates regulated by a federal financial regulatory services agency [i.e. the Federal Reserve Board (FRB), the Office of the Comptroller of the Currency (OCC), the Office of Thrift Supervision (OTS), 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 OTS	6 FDIC	7 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, MD 21202

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

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

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

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

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

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

11. What is the name, address and affiliation (officer/employee of the reporting entity or actuary/consultant associated with an actuarial consulting firm) of the individual providing the statement of actuarial opinion/certification?
Paula Holt, FSA, MAAA, Actuary, 10455 Mill Run Circle, Owings Mills, MD 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 [ ] No [X]

14.21 If the response to 14.2 is yes, provide information related to amendment(s).

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

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

GENERAL INTERROGATORIES

15.1 Is the reporting entity the beneficiary of a Letter of Credit that is unrelated to reinsurance with a NAIC rating of 3 or below? 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

24.1 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 24.3) Yes [X] No [ ]

24.2 If no, give full and complete information relating thereto

24.3 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)
Not applicable

24.4 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]

24.5 If answer to 24.4 is yes, report amount of collateral for conforming programs. $ 0

24.6 If answer to 24.4 is no, report amount of collateral for other programs. $ 0

24.7 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]

24.8 Does the reporting entity non-admit when the collateral received from the counterparty falls below 100%? Yes [ ] No [ ] N/A [X]

24.9 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

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 24.3). 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 Pledged as collateral	$	0
25.26 Placed under option agreements	$	0
25.27 Letter stock or other securities restricted as to sale	$	0
25.28 On deposit with state or other regulatory body	$	0
25.29 Other	$	0

25.3 For category (25.27) provide the following:

1 Nature of Restriction	2 Description	3 Amount

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

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

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

27.2 If yes, state the amount thereof at December 31 of the current year. $ 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 Street, N.Y. 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 19482-2900
104596	Dodge & Cox	55 California Street, San Francisco, CA 94104
107105	BlackRock Investment Advisors	55 East 52nd Street, New York, NY 10055
10578	Calamos	2020 Calamos Court, Naperville, IL 60563-2787

GENERAL INTERROGATORIES

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

29.2 If yes, complete the following schedule:

1 CUSIP #	2 Name of Mutual Fund	3 Book/Adjusted Carrying Value
922908-88-4	Vanguard Extended Markets Index	63,744,917
922040-10-0	Vanguard Institutional Index	76,501,327
921909-82-6	Vanguard Institutional Developed Markets Index	27,414,339
29.2999 - Total		167,660,583

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

1 Name of Mutual Fund (from above table)	2 Name of Significant Holding of the Mutual Fund	3 Amount of Mutual Fund's Book/Adjusted Carrying Value Attributable to the Holding	4 Date of Valuation
Vanguard Extended Markets Index	Las Vegas Sands Corp.	434,153	12/31/2011
Vanguard Extended Markets Index	Alexion Pharmaceuticals Inc.	333,773	12/31/2011
Vanguard Extended Markets Index	General Motors Co.	319,830	12/31/2011
Vanguard Extended Markets Index	Crown Castle International Corp.	282,788	12/31/2011
Vanguard Extended Markets Index	LyondellBasell Industries NV Class A	260,164	12/31/2011
Vanguard Institutional Index	Exxon Mobil Corp.	2,718,914	12/31/2011
Vanguard Institutional Index	Apple Inc.	2,519,079	12/31/2011
Vanguard Institutional Index	International Business Machines Corp.	1,450,388	12/31/2011
Vanguard Institutional Index	Chevron Corp.	1,418,063	12/31/2011
Vanguard Institutional Index	Microsoft Corp.	1,300,715	12/31/2011
Vanguard Institutional Developed Markets Index	Nestle SA	546,834	12/31/2011
Vanguard Institutional Developed Markets Index	HSBC Holdings plc	393,156	12/31/2011
Vanguard Institutional Developed Markets Index	Vodafone Group plc	389,865	12/31/2011
Vanguard Institutional Developed Markets Index	BP plc	389,392	12/31/2011
Vanguard Institutional Developed Markets Index	Novartis Ag	384,500	12/31/2011

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	584,671,345	601,415,152	16,743,807
30.2 Preferred stocks	950,400	950,400	0
30.3 Totals	585,621,745	602,365,552	16,743,807

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

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

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

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

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

32.2 If no, list exceptions:

GENERAL INTERROGATORIES

OTHER

33.1 Amount of payments to trade associations, service organizations and statistical or rating bureaus, if any? $ 1,757,326

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	1,091,589

34.1 Amount of payments for legal expenses, if any? $ 1,308,369

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
Hogan Lovells US LLP	675,444

35.1 Amount of payments for expenditures in connection with matters before legislative bodies, officers or departments of government, if any? $ 137,037

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
Hunton & Williams	47,067
Trammell & Company	61,021

Question 14.2 – The Company adopted a new Code of Ethical Business Conduct and Compliance during the second quarter of 2011, which applies to all associates, including executive management and the Board of Directors.

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. $ 15,814,782

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. $ 13,186,805

1.6 Individual policies:

Most current three years:
- 1.61 Total premium earned $ 3,956,268
- 1.62 Total incurred claims $ 4,274,433
- 1.63 Number of covered lives 1,974

All years prior to most current three years:
- 1.64 Total premium earned $ 11,858,514
- 1.65 Total incurred claims $ 8,912,372
- 1.66 Number of covered lives 3,960

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	3,108,426,300	2,974,061,316
2.2	Premium Denominator	3,126,784,071	2,996,119,351
2.3	Premium Ratio (2.1/2.2)	0.994	0.993
2.4	Reserve Numerator	965,938,170	855,348,485
2.5	Reserve Denominator	965,938,170	855,348,485
2.6	Reserve Ratio (2.4/2.5)	1.000	1.000

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

3.2 If yes, give particulars:

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

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

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

5.2 If no, explain:

5.3 Maximum retained risk (see instructions)
- 5.31 Comprehensive Medical $ 0
- 5.32 Medical Only $ 0
- 5.33 Medicare Supplement $ 0
- 5.34 Dental & 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 38,399
- 8.2 Number of providers at end of reporting year 39,848

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

9.2 If yes, direct premium earned:
- 9.21 Business with rate guarantees between 15-36 months $ 4,162,706
- 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 entitiy organized as:

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

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

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

11.4 If yes, show the amount required. $ 109,593,628

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

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. The minimum net worth for each of these jurisdictions is as follows:

District of Columbia: calculated as 8% of prior year's risk premium

Prior Year's Premium Earned	$2,996,119,351
Less: FEP Premiums Earned	$1,626,198,996
Prior Year's Risk Premiums	$1,369,920,355
Multiply by Applicable Rate for the District of Columbia	8%
Minimum Statutory Reserve Requirements	$109,593,628

Maryland: $109,593,628 Minimum Statutory Reserve Requirement: calculated as 8% of prior year's risk premium.

Virginia: $168,873,542 calculated as 45 days of anticipated operating expenses and incurred claims expenses generated from subscription contracts.

	Incurred Claims (1)	Operating Expenses (2)
Total	$2,694,989,919	$349,722,988
Less:FEP	1,569,042,450	105,918,394
Incurred	1,125,947,469	243,804,594
Divided by	365 days	365 days
Times	45 days	45 days
	$138,815,441	$30,058,101

$138,815,441 (incurred claims) plus $30,058,101 (Operating expenses) = $168,873,542

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 2011	2 2010	3 2009	4 2008	5 2007
	Balance Sheet (Pages 2 and 3)					
1.	Total admitted assets (Page 2, Line 28)	2,293,335,089	2,173,566,611	1,887,553,960	1,772,935,044	1,699,544,305
2.	Total liabilities (Page 3, Line 24)	1,329,753,778	1,204,067,237	1,126,095,545	1,086,155,336	945,985,383
3.	Statutory surplus	109,593,628	108,690,100	101,088,276	110,888,548	93,244,845
4.	Total capital and surplus (Page 3, Line 33)	963,581,310	969,499,374	761,458,437	686,779,718	753,558,921
	Income Statement (Page 4)					
5.	Total revenues (Line 8)	3,059,417,446	2,917,428,638	2,890,867,898	2,757,511,005	2,828,482,064
6.	Total medical and hospital expenses (Line 18)	2,694,989,917	2,516,299,296	2,576,445,704	2,478,528,630	2,507,343,711
7.	Claims adjustment expenses (Line 20)	118,751,825	116,317,831	97,283,480	85,485,704	82,496,274
8.	Total administrative expenses (Line 21)	230,971,163	224,013,271	218,271,245	183,980,707	197,711,266
9.	Net underwriting gain (loss) (Line 24)	14,704,541	60,798,240	(1,132,531)	9,515,964	40,930,813
10.	Net investment gain (loss) (Line 27)	38,024,679	41,648,563	44,452,897	24,318,770	42,124,827
11.	Total other income (Lines 28 plus 29)	35,141	1,248,252	496,606	(3,237)	550,806
12.	Net income or (loss) (Line 32)	53,553,789	86,731,549	44,801,453	26,260,168	68,423,901
	Cash Flow (Page 6)					
13.	Net cash from operations (Line 11)	(15,585,238)	121,713,696	31,131,605	21,617,038	(20,974,725)
	Risk-Based Capital Analysis					
14.	Total adjusted capital	963,581,310	969,499,374	761,458,437	686,779,718	753,558,921
15.	Authorized control level risk-based capital	96,518,715	88,316,466	84,463,139	81,253,875	82,303,273
	Enrollment (Exhibit 1)					
16.	Total members at end of period (Column 5, Line 7)	815,218	796,147	861,753	928,875	846,805
17.	Total members months (Column 6, Line 7)	9,917,712	9,736,298	10,297,022	10,975,857	9,972,510
	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)	88.4	86.7	89.6	90.3	89.1
20.	Cost containment expenses	1.1	1.2	0.6	0.6	0.7
21.	Other claims adjustment expenses	2.8	2.8	2.7	2.5	2.3
22.	Total underwriting deductions (Line 23)	99.9	98.4	100.5	100.1	99.0
23.	Total underwriting gain (loss) (Line 24)	0.5	2.1	0.0	0.3	1.5
	Unpaid Claims Analysis (U&I Exhibit, Part 2B)					
24.	Total claims incurred for prior years (Line 13, Col. 5)	261,476,380	237,059,016	244,125,662	249,272,344	238,284,957
25.	Estimated liability of unpaid claims-[prior year (Line 13, Col. 6)]	257,017,677	252,990,781	271,596,789	298,340,241	265,360,719
	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	205,252,996	179,364,063	174,236,603
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	399,764,736	361,123,121	0	0	0
32.	Total of above Lines 26 to 31	399,764,736	361,123,121	205,252,996	179,364,063	174,236,603

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

	States, etc.		1 Active Status	Direct Business Only 2 Accident & Health Premiums	3 Medicare Title XVIII	4 Medicaid Title XIX	5 Federal Employees Health Benefits Program Premiums	6 Life & Annuity Premiums & Other Considerations	7 Property/ Casualty Premiums	8 Total Columns 2 Through 7	9 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	473,305,211	0	0	265,986,535	0	0	739,291,746	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	710,702,600	0	0	772,335,805	0	0	1,483,038,405	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	516,253,778	0	0	692,045,718	0	0	1,208,299,496	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	CN	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	1,700,261,589	0	0	1,730,368,058	0	0	3,430,629,647	0
60.	Reporting entity contributions for Employee Benefit Plans		XXX	0	0	0	0	0	0	0	0
61.	Total (Direct Business)		(a) 3	1,700,261,589	0	0	1,730,368,058	0	0	3,430,629,647	0
	DETAILS OF WRITE-INS										
5801.			XXX								
5802.			XXX								
5803.			XXX								
5898.	Summary of remaining write-ins for Line 58 from overflow page		XXX	0	0	0	0	0	0	0	0
5899.	Totals (Lines 5801 through 5803 plus 5898)(Line 58 above)		XXX	0	0	0	0	0	0	0	0

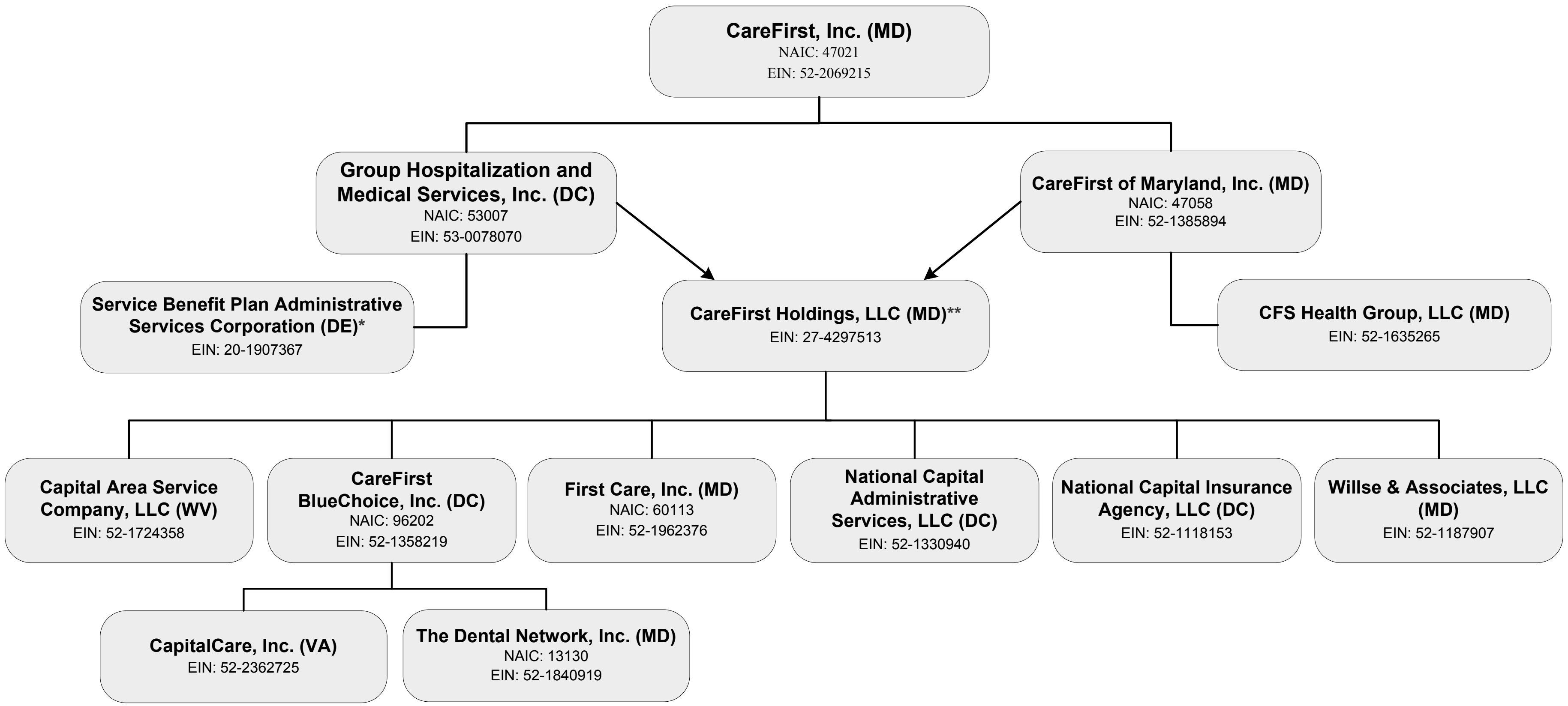
(L) Licensed or Chartered - Licensed Insurance Carrier or Domiciled RRG; (R) Registered - Non-domiciled RRGs; (Q) Qualified - Qualified or Accredited Reinsurer; (E) Eligible - Reporting Entities eligible or approved to write Surplus Lines in the state; (N) None of the above - Not allowed to write business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

(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 Assets Line 25

		Current Year 1 Assets	2 Nonadmitted Assets	3 Net Admitted Assets (Cols. 1 - 2)	Prior Year 4 Net Admitted Assets
2504.	Pension - Intangible	140,224	140,224	0	0
2597.	Summary of remaining write-ins for Line 25 from overflow page	140,224	140,224	0	0

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	(5,538,941)	0	0	(5,538,941)
2505.	Interest claims expense	0	2,834,650	0	0	2,834,650
2506.	Investment income return to retrospective groups	0	0	(13,001)	0	(13,001)
2507.	Network Access Reimbursement - PAR	0	(8,689,652)	0	0	(8,689,652)
2508.	Direct Reimbursements	0	(4,526,096)	0	0	(4,526,096)
2509.	Miscellaneous expense	(152,506)	18,399	(1,395,227)	0	(1,529,334)
2510.	Management fee and Investment expense	42,685	156,190	5,203,078	0	5,401,953
2511.	Reinsurance Assumed/Ceded	(3,807,232)	(12,850,220)	(37,090,684)	0	(53,748,136)
2597.	Summary of remaining write-ins for Line 25 from overflow page	(3,917,053)	(28,595,670)	(33,295,834)	0	(65,808,557)

ALPHABETICAL INDEX

ANNUAL STATEMENT BLANK

ANNUAL STATEMENT BLANK (Continued)