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HEALTH ANNUAL STATEMENT

FOR THE YEAR ENDED DECEMBER 31, 2011
OF THE CONDITION AND AFFAIRS OF THE

CareFirst BlueChoice, Inc.

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

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

Country of Domicile United States of America

Licensed as business type: Health Maintenance Organization

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

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

Statutory Home Office 840 First Street, NE (Street and Number), Washington, DC 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 #
Treasurer Jeanne Ann Kennedy
Secretary John Anthony Picciotto #

OTHER

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

DIRECTORS OR TRUSTEES

Joseph Gerard Hall #	Elizabeth St. John Loker #	James Wallace #
Robert Marcellus Willis #		

State of Maryland
County of Baltimore SS:

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

Chester Emerson Burrell President & Chief Executive Officer	John Anthony Picciotto Secretary	Jeanne Ann Kennedy Treasurer

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

CAREFIRST BLUECHOICE, 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 maintenance organizations. I was appointed by the Board of Directors of CareFirst of Maryland, Inc. on November 12, 2008 to render this Actuarial Statement of Opinion on behalf of CareFirst BlueChoice, Inc., a District of Columbia corporation, which is a subsidiary of CareFirst Holdings LLC, a direct holding-company subsidiary of CareFirst of Maryland, Inc and Group Hospitalization and Medical Services, Inc. Notification of this appointment was made to State regulatory officials on February 18, 2009.

SCOPE SECTION

CareFirst BlueChoice, 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 CareFirst BlueChoice, Inc., as prepared for filing with state regulatory officials as of December 31, 2011:

A. Claims unpaid (Page 3, Line 1)	$169,890,254
B. Accrued medical incentive pool and bonus payments (Page 3, Line 2)	$0
C. Unpaid claims adjustment expenses (Page 3, Line 3)	$6,239,000
D. Aggregate health policy reserves (Page 3, Line 4)	$71,530,725
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

CareFirst BlueChoice, Inc. had $169,668,717 of Direct Unpaid claims. CareFirst BlueChoice, Inc. assumed $221,537 of Unpaid claims from The Dental Network, Inc.

Aggregate health policy reserves include Rate Stabilization Reserve of $38,550,725 for FEHBP, Premium Deficiency Reserve of $6,260,000, and Medical Loss Ratio Rebate Reserve of $26,720,000.

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 $6,260,000, 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 CareFirst BlueChoice, Inc. will need to pay rebates for 2011 totaling $26,720,000. We have therefore held an MLR reserve of $26,720,000 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 to the Underwriting and Investment Exhibit – Part 2B of CareFirst BlueChoice, 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 (TDN) Business reserves, I relied on claims and enrollment 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 the data for reasonableness and consistency.

  The Dental Network (the Legal Entity) total reserve is assumed entirely by CareFirst BlueChoice.

I also reconciled that data to the Underwriting and Investment Exhibit – Part 2B of CareFirst BlueChoice, 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 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 CareFirst BlueChoice, 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 CareFirst BlueChoice, 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 CareFirst BlueChoice, 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

CareFirst of BlueChoice, Inc.

For The Year Ending December 31, 2011

I, Paul Maranto, Project Director, Actuarial Systems, on behalf of CareFirst of BlueChoice, Inc., hereby confirm that the data provided to Paula R. Holt to calculate Direct Business Reserves for CareFirst BlueChoice, Inc. was prepared under my direction and to the best of my knowledge and belief, are accurate, reasonable and complete. For CareFirst BlueChoice, Inc., Straight Paid amounted to $1,554,216,955

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

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Owings Mills, MD 21117

Phone #: 410-998-4835

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CareFirst. BlueCross BlueShield

Certification of General Ledger to Actuarial Paid Reconciliation

CareFirst BlueChoice, Inc.

For The Year Ending December 31, 2011

I, William Showman, Associate Vice President (AVP), Accounting Operations, on behalf of CareFirst BlueChoice, 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 $1,576,281,088, which includes manual care of $22,568,823.

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

CareFirst BlueChoice, Inc.
10455 Mill Run Circle
Owings Mills, MD 21117
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CareFirst BlueChoice.

Certification of Direct Business Reserve Paid Claims Data

The Dental Network, Inc. (TDN)

CareFirst BlueChoice, Inc.

For The Year Ending December 31, 2011

I, Robert Wilsie, Senior Programmer/Analyst, on behalf of CareFirst BlueChoice, 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 $2,117,746 for The Dental Network, Inc. and CareFirst BlueChoice TDN combined.

RWilsie

Robert Wilsie	January 13, 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)

CareFirst BlueChoice, Inc.

For The Year Ending December 31, 2011

I, Robert Wilsie, Senior Programmer/Analyst, on behalf of CareFirst BlueChoice, 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 21,901.

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

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

CareFirst. BlueCross BlueShield

CERTIFICATION OF RATE STABILIZATION RESERVE

OFFICE OF PERSONNEL MANAGEMENT HEALTH MAINTENANCE ORGANIZATION

CAREFIRST BLUECHOICE, 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 CareFirst BlueChoice Office of Personnel Management Health Maintenance Organization, hereby confirm that the values contained in the December 31, 2011 balance of the Office of Personnel Management Health Maintenance Organization Rate Stabilization Reserve (account 311.214108) were prepared under my direction and to the best of my knowledge and belief, are appropriately calculated and correctly recorded in the CareFirst BlueChoice, Inc. financial statements.

Balance at December 31, 2011 Account #: 311.214108 $ 38,550,725

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
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CareFirst BlueCross BlueShield

Certification of Rate Stabilization Reserve

CareFirst BlueChoice, Inc.

For The Year Ending December 31, 2011

I, Alan Heath, Senior Director Financial Reporting, on behalf of CareFirst BlueChoice, 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 of CareFirst BlueChoice, Inc. financial statements.

Alan A. 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

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CareFirst. BlueCross BlueShield

Certification of Specified Actuarial Items Presented as Assets in Annual Statement

CareFirst BlueChoice, Inc.

For The Year Ending December 31, 2011

I, Alan Heath, Senior Director Financial Reporting, on behalf of CareFirst BlueChoice, 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 CareFirst BlueChoice, Inc. financial statements.

Alan A. 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

CareFirst BlueChoice, Inc.

For The Year Ending December 31, 2011

I, Jean Mattingly, Manager, Budget and Expense Management, on behalf of CareFirst BlueChoice, Inc., hereby confirm that the Unpaid Claims Adjustment Expenses for CareFirst BlueChoice, 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 $6,239,000.00. Included in this amount is $25,000.00 of Unpaid Claims Adjustment Expenses for The Dental Network (TDN) as of December 31, 2011.

Jean Mattingly

Jean Mattingly January 25, 2012

Title: Manager, Budget and Expense Management

Company: CareFirst BlueChoice, 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)	594,475,354	0	594,475,354	585,820,236
2. Stocks (Schedule D):				
2.1 Preferred stocks	712,800	0	712,800	2,038,337
2.2 Common stocks	157,000,481	313,233	156,687,248	78,365,074
3. Mortgage loans on real estate (Schedule B):				
3.1 First liens	0	0	0	0
3.2 Other than first liens	0	0	0	0
4. Real estate (Schedule A):				
4.1 Properties occupied by the company (less $ 0 encumbrances)	0	0	0	0
4.2 Properties held for the production of income (less $ 0 encumbrances)	0	0	0	0
4.3 Properties held for sale (less $ 0 encumbrances)	0	0	0	0
5. Cash ($ (31,117,495) , Schedule E - Part 1), cash equivalents ($ 0 , Schedule E - Part 2) and short-term investments ($ 62,568,181 , Schedule DA)	31,450,686	0	31,450,686	51,553,332
6. Contract loans, (including $ 0 premium notes)	0	0	0	0
7. Derivatives (Schedule DB)	0	0	0	0
8. Other invested assets (Schedule BA)	0	0	0	0
9. Receivables for securities	0	0	0	0
10. Securities lending reinvested collateral assets (Schedule DL)	0	0	0	0
11. Aggregate write-ins for invested assets	0	0	0	0
12. Subtotals, cash and invested assets (Lines 1 to 11)	783,639,321	313,233	783,326,088	717,776,979
13. Title plants less $ 0 charged off (for Title insurers only)	0	0	0	0
14. Investment income due and accrued	3,897,496	0	3,897,496	4,218,180
15. Premiums and considerations:				
15.1 Uncollected premiums and agents' balances in the course of collection	54,209,995	6,479,749	47,730,246	56,023,292
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	682,452	0	682,452	746,591
17. Amounts receivable relating to uninsured plans	0	0	0	0
18.1 Current federal and foreign income tax recoverable and interest thereon	19,562,495	0	19,562,495	0
18.2 Net deferred tax asset	17,522,187	1,687,975	15,834,212	11,546,213
19. Guaranty funds receivable or on deposit	0	0	0	0
20. Electronic data processing equipment and software	0	0	0	0
21. Furniture and equipment, including health care delivery assets ($ 0)	0	0	0	0
22. Net adjustment in assets and liabilities due to foreign exchange rates	0	0	0	0
23. Receivables from parent, subsidiaries and affiliates	47,868,101	1,826,209	46,041,892	39,490,074
24. Health care ($ 57,979,795) and other amounts receivable	101,496,519	4,965,998	96,530,521	70,289,971
25. Aggregate write-ins for other than invested assets	1,552,473	1,260,759	291,714	0
26. Total assets excluding Separate Accounts, Segregated Accounts and Protected Cell Accounts (Lines 12 to 25)	1,030,431,039	16,533,923	1,013,897,116	900,091,300
27. From Separate Accounts, Segregated Accounts and Protected Cell Accounts	0	0	0	0
28. Total (Lines 26 and 27)	1,030,431,039	16,533,923	1,013,897,116	900,091,300
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. State Tax Recoverable	291,714	0	291,714	0
2502. Other Assets-Prepaid Expenses	1,260,759	1,260,759	0	0
2503.	0	0	0	0
2598. Summary of remaining write-ins for Line 25 from overflow page	0	0	0	0
2599. Totals (Lines 2501 thru 2503 plus 2598)(Line 25 above)	1,552,473	1,260,759	291,714	0

LIABILITIES, CAPITAL AND SURPLUS

		Current Year 1 Covered	2 Uncovered	3 Total	Prior Year 4 Total
1.	Claims unpaid (less $ 0 reinsurance ceded)	168,656,526	1,233,728	169,890,254	138,739,883
2.	Accrued medical incentive pool and bonus amounts	0	0	0	0
3.	Unpaid claims adjustment expenses	6,193,693	45,307	6,239,000	5,143,000
4.	Aggregate health policy reserves, including the liability of $ 26,720,000 for medical loss ratio rebate per the Public Health Service Act	71,530,725	0	71,530,725	24,724,890
5.	Aggregate life policy reserves	0	0	0	0
6.	Property/casualty unearned premium reserves	0	0	0	0
7.	Aggregate health claim reserves	0	0	0	0
8.	Premiums received in advance	47,634,437	0	47,634,437	44,214,287
9.	General expenses due or accrued	35,599,802	0	35,599,802	32,815,703
10.1	Current federal and foreign income tax payable and interest thereon (including $ 0 on realized capital gains (losses))	0	0	0	8,456,179
10.2	Net deferred tax liability	0	0	0	0
11.	Ceded reinsurance premiums payable	0	0	0	0
12.	Amounts withheld or retained for the account of others	3,462,085	0	3,462,085	674,263
13.	Remittance and items not allocated	0	0	0	0
14.	Borrowed money (including $ 0 current) and interest thereon $ 0 (including $ 0 current)	0	0	0	0
15.	Amounts due to parent, subsidiaries and affiliates	3,790,949	0	3,790,949	2,777,842
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	0	0	0	0
23.	Aggregate write-ins for other liabilities (including $ 1,055,946 current)	2,677,772	0	2,677,772	1,445,746
24.	Total liabilities (Lines 1 to 23)	339,545,989	1,279,035	340,825,024	258,991,793
25.	Aggregate write-ins for special surplus funds	XXX	XXX	0	0
26.	Common capital stock	XXX	XXX	10,000	10,000
27.	Preferred capital stock	XXX	XXX	0	0
28.	Gross paid in and contributed surplus	XXX	XXX	50,615,750	50,615,750
29.	Surplus notes	XXX	XXX	0	0
30.	Aggregate write-ins for other than special surplus funds	XXX	XXX	0	0
31.	Unassigned funds (surplus)	XXX	XXX	622,446,342	590,473,757
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	673,072,092	641,099,507
34.	Total liabilities, capital and surplus (Lines 24 and 33)	XXX	XXX	1,013,897,116	900,091,300
	DETAILS OF WRITE-INS				
2301.	Reinsurance Payable	1,055,946	0	1,055,946	156,106
2302.	Amounts held for escheatment to state	1,621,826	0	1,621,826	1,289,640
2303.					
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)	2,677,772	0	2,677,772	1,445,746
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	6,305,950	6,359,833
2.	Net premium income (including $ 0 non-health premium income)	XXX	2,053,415,111	1,973,676,337
3.	Change in unearned premium reserves and reserve for rate credits	XXX	(46,805,835)	18,709,356
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	98,188	87,414
7.	Aggregate write-ins for other non-health revenues	XXX	0	0
8.	Total revenues (Lines 2 to 7)	XXX	2,006,707,464	1,992,473,107
	Hospital and Medical:			
9.	Hospital/medical benefits	8,737,248	1,230,111,922	1,093,703,222
10.	Other professional services	0	45,735,282	21,554,359
11.	Outside referrals	2,325,794	2,325,794	5,628,571
12.	Emergency room and out-of-area	492,287	30,967,239	55,933,767
13.	Prescription drugs	0	282,084,131	261,226,805
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)	11,555,329	1,591,224,368	1,438,046,724
	Less:			
17.	Net reinsurance recoveries	0	(5,792,736)	(4,463,230)
18.	Total hospital and medical (Lines 16 minus 17)	11,555,329	1,597,017,104	1,442,509,954
19.	Non-health claims (net)	0	0	0
20.	Claims adjustment expenses, including $ 29,323,217 cost containment expenses	0	90,660,681	79,647,163
21.	General administrative expenses	0	285,746,450	290,787,919
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)	11,555,329	1,973,424,235	1,812,945,036
24.	Net underwriting gain or (loss) (Lines 8 minus 23)	XXX	33,283,229	179,528,071
25.	Net investment income earned (Exhibit of Net Investment Income, Line 17)	0	21,562,318	19,457,064
26.	Net realized capital gains (losses) less capital gains tax of $ 3,071,626	0	5,704,447	7,222,774
27.	Net investment gains (losses) (Lines 25 plus 26)	0	27,266,765	26,679,838
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	(850,553)	(228,447)
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	59,699,441	205,979,462
31.	Federal and foreign income taxes incurred	XXX	19,295,539	39,453,607
32.	Net income (loss) (Lines 30 minus 31)	XXX	40,403,902	166,525,855
	DETAILS OF WRITE-INS			
0601.	TDN Access fees	XXX	98,188	87,414
0602.		XXX	0	0
0603		XXX	0	0
0698.	Summary of remaining write-ins for Line 6 from overflow page	XXX	0	0
0699.	Totals (Lines 0601 thru 0603 plus 0698)(Line 6 above)	XXX	98,188	87,414
0701.		XXX	0	0
0702.		XXX	0	0
0703		XXX	0	0
0798.	Summary of remaining write-ins for Line 7 from overflow page	XXX	0	0
0799.	Totals (Lines 0701 thru 0703 plus 0798)(Line 7 above)	XXX	0	0
1401.		0	0	0
1402.		0	0	0
1403.		0	0	0
1498.	Summary of remaining write-ins for Line 14 from overflow page	0	0	0
1499.	Totals (Lines 1401 thru 1403 plus 1498)(Line 14 above)	0	0	0
2901.	Miscellaneous Income/Expense	0	(712,430)	(228,447)
2902.	Fines and penalties	0	(138,123)	0
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	(850,553)	(228,447)

STATEMENT OF REVENUE AND EXPENSES (Continued)

		1 Current Year	2 Prior Year
	CAPITAL AND SURPLUS ACCOUNT		
33.	Capital and surplus prior reporting year	641,099,509	470,736,470
34.	Net income or (loss) from Line 32	40,403,902	166,525,855
35.	Change in valuation basis of aggregate policy and claim reserves	0	0
36.	Change in net unrealized capital gains (losses) less capital gains tax of $ (4,139,078)	(7,568,074)	4,666,853
37.	Change in net unrealized foreign exchange capital gain or (loss)	0	0
38.	Change in net deferred income tax	1,836,897	1,496,726
39.	Change in nonadmitted assets	(2,983,121)	(2,326,395)
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	282,977	0
48.	Net change in capital and surplus (Lines 34 to 47)	31,972,581	170,363,039
49.	Capital and surplus end of reporting period (Line 33 plus 48)	673,072,090	641,099,509
	DETAILS OF WRITE-INS		
4701.	Tax adjustments	282,977	0
4702.		0	0
4703.		0	0
4798.	Summary of remaining write-ins for Line 47 from overflow page	0	0
4799.	Totals (Lines 4701 thru 4703 plus 4798)(Line 47 above)	282,977	0

CASH FLOW

		1 Current Year	2 Prior Year
	Cash from Operations		
1.	Premiums collected net of reinsurance	2,018,719,000	1,984,335,000
2.	Net investment income	29,228,000	24,387,000
3.	Miscellaneous income	98,188	87,414
4.	Total (Lines 1 through 3)	2,048,045,188	2,008,809,414
5.	Benefit and loss related payments	1,544,620,000	1,435,938,000
6.	Net transfers to Separate Accounts, Segregated Accounts and Protected Cell Accounts	0	0
7.	Commissions, expenses paid and aggregate write-ins for deductions	373,840,000	368,193,000
8.	Dividends paid to policyholders	0	0
9.	Federal and foreign income taxes paid (recovered) net of $ 3,071,626 tax on capital gains (losses)	50,103,000	34,050,900
10.	Total (Lines 5 through 9)	1,968,563,000	1,838,181,900
11.	Net cash from operations (Line 4 minus Line 10)	79,482,188	170,627,514
	Cash from Investments		
12.	Proceeds from investments sold, matured or repaid:		
	12.1 Bonds	1,170,163,321	1,079,123,103
	12.2 Stocks	17,843,749	22,680,045
	12.3 Mortgage loans	0	0
	12.4 Real estate	0	0
	12.5 Other invested assets	0	0
	12.6 Net gains or (losses) on cash, cash equivalents and short-term investments	0	0
	12.7 Miscellaneous proceeds	0	0
	12.8 Total investment proceeds (Lines 12.1 to 12.7)	1,188,007,070	1,101,803,148
13.	Cost of investments acquired (long-term only):		
	13.1 Bonds	1,177,495,973	1,215,261,874
	13.2 Stocks	103,683,892	48,871,000
	13.3 Mortgage loans	0	0
	13.4 Real estate	0	0
	13.5 Other invested assets	0	0
	13.6 Miscellaneous applications	3,068,000	250,000
	13.7 Total investments acquired (Lines 13.1 to 13.6)	1,284,247,865	1,264,382,874
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)	(96,240,795)	(162,579,726)
	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)	(3,344,039)	(29,309,054)
17.	Net cash from financing and miscellaneous sources (Lines 16.1 to 16.4 minus Line 16.5 plus Line 16.6)	(3,344,039)	(29,309,054)
	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)	(20,102,646)	(21,261,266)
19.	Cash, cash equivalents and short-term investments:		
	19.1 Beginning of year	51,553,332	72,814,598
	19.2 End of year (Line 18 plus Line 19.1)	31,450,686	51,553,332

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	2,053,415,111	1,863,459,713	0	15,087,884	397,390	174,470,124	0	0	0	0
2. Change in unearned premium reserves and reserve for rate credit	(46,805,835)	(32,980,000)	0	0	0	(13,825,835)	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	98,188	0	0	98,188	0	0	0	0	0	XXX
6. Aggregate write-ins for other non-health care related revenues	0	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	0
7. Total revenues (Lines 1 to 6)	2,006,707,464	1,830,479,713	0	15,186,072	397,390	160,644,289	0	0	0	0
8. Hospital/medical benefits	1,230,111,922	1,090,124,248	0	0	0	139,987,674	0	0	0	XXX
9. Other professional services	45,735,282	35,572,842	0	5,013,596	1,501,124	3,647,720	0	0	0	XXX
10. Outside referrals	2,325,794	2,109,483	0	0	0	216,311	0	0	0	XXX
11. Emergency room and out-of-area	30,967,239	28,087,122	0	0	0	2,880,117	0	0	0	XXX
12. Prescription drugs	282,084,131	281,429,568	0	0	0	654,563	0	0	0	XXX
13. Aggregate write-ins for other hospital and medical	0	0	0	0	0	0	0	0	0	XXX
14. Incentive pool, withhold adjustments and bonus amounts	0	0	0	0	0	0	0	0	0	XXX
15. Subtotal (Lines 8 to 14)	1,591,224,368	1,437,323,263	0	5,013,596	1,501,124	147,386,385	0	0	0	XXX
16. Net reinsurance recoveries	(5,792,736)	0	0	(5,792,736)	0	0	0	0	0	XXX
17. Total medical and hospital (Lines 15 minus 16)	1,597,017,104	1,437,323,263	0	10,806,332	1,501,124	147,386,385	0	0	0	XXX
18. Non-health claims (net)	0	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	0
19. Claims adjustment expenses including $ 29,323,217 cost containment expenses	90,660,680	80,606,736	0	3,371,806	14,937	6,667,201	0	0	0	0
20. General administrative expenses	285,746,450	273,396,062	0	6,322,980	249,208	5,778,200	0	0	0	0
21. Increase in reserves for accident and health contracts	0	0	0	0	0	0	0	0	0	XXX
22. Increase in reserves for life contracts	0	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	0
23. Total underwriting deductions (Lines 17 to 22)	1,973,424,234	1,791,326,061	0	20,501,118	1,765,269	159,831,786	0	0	0	0
24. Total underwriting gain or (loss) (Line 7 minus Line 23)	33,283,230	39,153,652	0	(5,315,046)	(1,367,879)	812,503	0	0	0	0
DETAILS OF WRITE-INS										
0501. TDN Access Fees	98,188	0	0	98,188	0	0	0	0	0	XXX
0502.										XXX
0503.										XXX
0598. Summary of remaining write-ins for Line 5 from overflow page	0	0	0	0	0	0	0	0	0	XXX
0599. Totals (Lines 0501 thru 0503 plus 0598) (Line 5 above)	98,188	0	0	98,188	0	0	0	0	0	XXX
0601.		XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	
0602.		XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	
0603.		XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	
0698. Summary of remaining write-ins for Line 6 from overflow page	0	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	0
0699. Totals (Lines 0601 thru 0603 plus 0698) (Line 6 above)	0	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	0
1301.										XXX
1302.										XXX
1303.										XXX
1398. Summary of remaining write-ins for Line 13 from overflow page	0	0	0	0	0	0	0	0	0	XXX
1399. Totals (Lines 1301 thru 1303 plus 1398) (Line 13 above)	0	0	0	0	0	0	0	0	0	XXX

UNDERWRITING AND INVESTMENT EXHIBIT

PART 1 - PREMIUMS

	Line of Business	1 Direct Business	2 Reinsurance Assumed	3 Reinsurance Ceded	4 Net Premium Income (Cols. 1 + 2 - 3)
1.	Comprehensive (hospital and medical)	1,863,484,713	0	25,000	1,863,459,713
2.	Medicare Supplement	0	0	0	0
3.	Dental only	7,753,656	7,334,228	0	15,087,884
4.	Vision only	397,390	0	0	397,390
5.	Federal Employees Health Benefits Plan	174,470,124	0	0	174,470,124
6.	Title XVIII - Medicare	0	0	0	0
7.	Title XIX - Medicaid	0	0	0	0
8.	Other health	0	0	0	0
9.	Health subtotal (Lines 1 through 8)	2,046,105,883	7,334,228	25,000	2,053,415,111
10.	Life	0	0	0	0
11.	Property/casualty	0	0	0	0
12.	Totals (Lines 9 to 11)	2,046,105,883	7,334,228	25,000	2,053,415,111

UNDERWRITING AND INVESTMENT EXHIBIT

PART 2 - CLAIMS INCURRED DURING THE YEAR

	1 Total	2 Comprehensive (Hospital & Medical)	3 Medicare Supplement	4 Dental Only	5 Vision Only	6 Federal Employees Health Benefits Plan	7 Title XVIII Medicare	8 Title XIX Medicaid	9 Other Health	10 Other Non-Health
1. Payments during the year:										
1.1 Direct	1,570,390,576	1,416,581,019	0	5,082,048	1,501,124	147,226,385	0	0	0	0
1.2 Reinsurance assumed	5,722,094	0	0	5,722,094	0	0	0	0	0	0
1.3 Reinsurance ceded	0	0	0	0	0	0	0	0	0	0
1.4 Net	1,576,112,670	1,416,581,019	0	10,804,142	1,501,124	147,226,385	0	0	0	0
2. Paid medical incentive pools and bonuses	0	0	0	0	0	0	0	0	0	0
3. Claim liability December 31, current year from Part 2A:										
3.1 Direct	169,668,717	157,716,714	0	472,003	0	11,480,000	0	0	0	0
3.2 Reinsurance assumed	221,537	0	0	221,537	0	0	0	0	0	0
3.3 Reinsurance ceded	0	0	0	0	0	0	0	0	0	0
3.4 Net	169,890,254	157,716,714	0	693,540	0	11,480,000	0	0	0	0
4. Claim reserve December 31, current year from Part 2D:										
4.1 Direct	0	0	0	0	0	0	0	0	0	0
4.2 Reinsurance assumed	0	0	0	0	0	0	0	0	0	0
4.3 Reinsurance ceded	0	0	0	0	0	0	0	0	0	0
4.4 Net	0	0	0	0	0	0	0	0	0	0
5. Accrued medical incentive pools and bonuses, current year	0	0	0	0	0	0	0	0	0	0
6. Net healthcare receivables (a)	10,245,938	10,245,938	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	138,588,987	126,728,532	0	540,455	0	11,320,000	0	0	0	0
8.2 Reinsurance assumed	150,895	0	0	150,895	0	0	0	0	0	0
8.3 Reinsurance ceded	0	0	0	0	0	0	0	0	0	0
8.4 Net	138,739,882	126,728,532	0	691,350	0	11,320,000	0	0	0	0
9. Claim reserve December 31, prior year from Part 2D:										
9.1 Direct	0	0	0	0	0	0	0	0	0	0
9.2 Reinsurance assumed	0	0	0	0	0	0	0	0	0	0
9.3 Reinsurance ceded	0	0	0	0	0	0	0	0	0	0
9.4 Net	0	0	0	0	0	0	0	0	0	0
10. Accrued medical incentive pools and bonuses, prior year	0	0	0	0	0	0	0	0	0	0
11. Amounts recoverable from reinsurers December 31, prior year	0	0	0	0	0	0	0	0	0	0
12. Incurred Benefits:										
12.1 Direct	1,591,224,368	1,437,323,263	0	5,013,596	1,501,124	147,386,385	0	0	0	0
12.2 Reinsurance assumed	5,792,736	0	0	5,792,736	0	0	0	0	0	0
12.3 Reinsurance ceded	0	0	0	0	0	0	0	0	0	0
12.4 Net	1,597,017,104	1,437,323,263	0	10,806,332	1,501,124	147,386,385	0	0	0	0
13. Incurred medical incentive pools and bonuses	0	0	0	0	0	0	0	0	0	0

(a) Excludes $ 50,831,400 loans or advances to providers not yet expensed.

UNDERWRITING AND INVESTMENT EXHIBIT

PART 2A - CLAIMS LIABILITY END OF CURRENT YEAR

	1 Total	2 Comprehensive (Hospital & Medical)	3 Medicare Supplement	4 Dental Only	5 Vision Only	6 Federal Employees Health Benefits Plan	7 Title XVIII Medicare	8 Title XIX Medicaid	9 Other Health	10 Other Non-Health
1. Reported in Process of Adjustment:										
1.1 Direct	24,644,929	22,908,862	0	68,560	0	1,667,507	0	0	0	0
1.2 Reinsurance assumed	0	0	0	0	0	0	0	0	0	0
1.3 Reinsurance ceded	0	0	0	0	0	0	0	0	0	0
1.4 Net	24,644,929	22,908,862	0	68,560	0	1,667,507	0	0	0	0
2. Incurred but Unreported:										
2.1 Direct	145,023,788	134,807,852	0	403,443	0	9,812,493	0	0	0	0
2.2 Reinsurance assumed	221,537	0	0	221,537	0	0	0	0	0	0
2.3 Reinsurance ceded	0	0	0	0	0	0	0	0	0	0
2.4 Net	145,245,325	134,807,852	0	624,980	0	9,812,493	0	0	0	0
3. Amounts Withheld from Paid Claims and Capitations:										
3.1 Direct	0	0	0	0	0	0	0	0	0	0
3.2 Reinsurance assumed	0	0	0	0	0	0	0	0	0	0
3.3 Reinsurance ceded	0	0	0	0	0	0	0	0	0	0
3.4 Net	0	0	0	0	0	0	0	0	0	0
4. TOTALS:										
4.1 Direct	169,668,717	157,716,714	0	472,003	0	11,480,000	0	0	0	0
4.2 Reinsurance assumed	221,537	0	0	221,537	0	0	0	0	0	0
4.3 Reinsurance ceded	0	0	0	0	0	0	0	0	0	0
4.4 Net	169,890,254	157,716,714	0	693,540	0	11,480,000	0	0	0	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
	1	2	3	4		
Line of Business	On Claims Incurred Prior to January 1 of Current Year	On Claims Incurred During the Year	On Claims Unpaid December 31 of Prior Year	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)	124,438,035	1,292,142,984	4,504,239	153,212,475	128,942,274	126,728,532
2. Medicare Supplement	0	0	0	0	0	0
3. Dental Only	597,033	10,207,109	4,645	688,894	601,678	691,350
4. Vision Only	0	1,501,124	0	0	0	0
5. Federal Employees Health Benefits Plan	11,602,892	135,623,493	225,280	11,254,720	11,828,172	11,320,000
6. Title XVIII - Medicare	0	0	0	0	0	0
7 Title XIX - Medicaid	0	0	0	0	0	0
8. Other health	0	0	0	0	0	0
9. Health subtotal (Lines 1 to 8)	136,637,960	1,439,474,710	4,734,164	165,156,089	141,372,124	138,739,882
10. Healthcare receivables (a)	0	10,245,938	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)	136,637,960	1,429,228,772	4,734,164	165,156,089	141,372,124	138,739,882

(a) Excludes $ 50,831,400 loans or advances to providers not yet expensed.

UNDERWRITING AND INVESTMENT EXHIBIT

PART 2C - DEVELOPMENT OF PAID AND INCURRED HEALTH CLAIMS

(000 Omitted)

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

Year in Which Losses Were Incurred	Cumulative Net Amounts Paid 1 2007	2 2008	3 2009	4 2010	5 2011
1. Prior	4,022,103	4,025,904	4,026,496	4,026,572	4,026,565
2. 2007	1,094,900	1,202,400	1,203,959	1,204,196	1,204,197
3. 2008	XXX	1,239,408	1,354,196	1,356,712	1,356,910
4. 2009	XXX	XXX	1,298,404	1,399,976	1,401,362
5. 2010	XXX	XXX	XXX	1,190,608	1,313,469
6. 2011	XXX	XXX	XXX	XXX	1,281,897

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

Year in Which Losses Were Incurred	Sum of Cumulative Net Amount Paid and Claim Liability, Claim Reserve and Medical Incentive Pool and Bonuses Outstanding at End of Year 1 2007	2 2008	3 2009	4 2010	5 2011
1. Prior	4,023,059	4,025,904	4,026,496	4,026,572	4,026,565
2. 2007	1,211,561	1,205,513	1,203,959	1,204,196	1,204,197
3. 2008	XXX	1,376,598	1,356,281	1,356,712	1,356,910
4. 2009	XXX	XXX	1,419,200	1,403,704	1,402,792
5. 2010	XXX	XXX	XXX	1,313,609	1,316,542
6. 2011	XXX	XXX	XXX	XXX	1,435,110

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	1,508,042	1,204,197	44,997	3.7	1,249,194	82.8	0	0	1,249,194	82.8
2. 2008	1,649,178	1,356,910	50,003	3.7	1,406,913	85.3	0	0	1,406,913	85.3
3. 2009	1,744,900	1,401,362	51,232	3.7	1,452,594	83.2	1,431	53	1,454,078	83.3
4. 2010	1,845,036	1,313,469	74,049	5.6	1,387,518	75.2	3,073	113	1,390,704	75.4
5. 2011	1,830,480	1,281,897	72,684	5.7	1,354,581	74.0	153,212	5,393	1,513,186	82.7

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	8,306	8,378	8,378	8,378	8,378
2. 2007	15,049	15,683	15,684	15,684	15,683
3. 2008	XXX	13,397	14,175	14,180	14,183
4. 2009	XXX	XXX	11,765	12,254	12,258
5. 2010	XXX	XXX	XXX	15,932	16,522
6. 2011	XXX	XXX	XXX	XXX	10,207

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	8,310	8,378	8,378	8,378	8,378
2. 2007	15,800	15,683	15,684	15,684	15,683
3. 2008	XXX	14,065	14,177	14,180	14,183
4. 2009	XXX	XXX	12,701	12,254	12,258
5. 2010	XXX	XXX	XXX	16,623	16,527
6. 2011	XXX	XXX	XXX	XXX	10,896

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	22,521	15,683	586	3.7	16,269	72.2	0	0	16,269	72.2
2. 2008	21,199	14,183	3,325	23.4	17,508	82.6	0	0	17,508	82.6
3. 2009	18,941	12,258	1,994	16.3	14,252	75.2	0	0	14,252	75.2
4. 2010	8,573	16,522	1,073	6.5	17,595	205.2	5	0	17,600	205.3
5. 2011	15,088	10,207	3,040	29.8	13,247	87.8	689	226	14,162	93.9

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	1,501

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	1,501

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	397	1,501	13	0.9	1,514	381.1	0	1	1,515	381.6

UNDERWRITING AND INVESTMENT EXHIBIT

PART 2C - DEVELOPMENT OF PAID AND INCURRED HEALTH CLAIMS

(000 Omitted)

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

	Cumulative Net Amounts Paid				
Year in Which Losses Were Incurred	1 2007	2 2008	3 2009	4 2010	5 2011
1. Prior	216,000	216,165	216,184	216,184	216,184
2. 2007	49,355	54,344	54,401	54,406	54,402
3. 2008	XXX	66,566	74,909	74,999	75,005
4. 2009	XXX	XXX	95,561	103,771	103,740
5. 2010	XXX	XXX	XXX	119,690	131,322
6. 2011	XXX	XXX	XXX	XXX	135,623

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	216,029	216,165	216,185	216,184	216,184
2. 2007	54,236	54,418	54,401	54,406	54,402
3. 2008	XXX	74,742	75,005	74,999	75,005
4. 2009	XXX	XXX	107,304	103,970	103,740
5. 2010	XXX	XXX	XXX	130,811	131,547
6. 2011	XXX	XXX	XXX	XXX	146,878

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	57,154	54,402	2,033	3.7	56,435	98.7	0	0	56,435	98.7
2. 2008	78,936	75,005	1,756	2.3	76,761	97.2	0	0	76,761	97.2
3. 2009	112,851	103,740	2,221	2.1	105,961	93.9	0	0	105,961	93.9
4. 2010	138,776	131,322	5,891	4.5	137,213	98.9	225	8	137,446	99.0
5. 2011	160,644	135,623	6,012	4.4	141,635	88.2	11,255	446	153,336	95.5

UNDERWRITING AND INVESTMENT EXHIBIT

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

Section A - Paid Health Claims - Grand Total

Year in Which Losses Were Incurred	Cumulative Net Amounts Paid 1 2007	2 2008	3 2009	4 2010	5 2011
1. Prior	4,246,409	4,250,447	4,251,058	4,251,134	4,251,127
2. 2007	1,159,304	1,272,427	1,274,044	1,274,286	1,274,282
3. 2008	XXX	1,319,371	1,443,280	1,445,891	1,446,098
4. 2009	XXX	XXX	1,405,730	1,516,001	1,517,360
5. 2010	XXX	XXX	XXX	1,326,230	1,461,313
6. 2011	XXX	XXX	XXX	XXX	1,429,228

Section B - Incurred Health Claims - Grand Total

Year in Which Losses Were Incurred	Sum of Cumulative Net Amount Paid and Claim Liability, Claim Reserve and Medical Incentive Pool and Bonuses Outstanding at End of Year 1 2007	2 2008	3 2009	4 2010	5 2011
1. Prior	4,249,413	4,252,462	4,253,074	4,253,149	4,253,142
2. 2007	1,281,597	1,275,614	1,274,044	1,274,286	1,274,282
3. 2008	XXX	1,465,405	1,445,463	1,445,891	1,446,098
4. 2009	XXX	XXX	1,539,205	1,519,928	1,518,790
5. 2010	XXX	XXX	XXX	1,461,043	1,464,616
6. 2011	XXX	XXX	XXX	XXX	1,594,385

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	1,587,717	1,274,282	47,616	3.7	1,321,898	83.3	0	0	1,321,898	83.3
2. 2008	1,749,313	1,446,098	55,084	3.8	1,501,182	85.8	0	0	1,501,182	85.8
3. 2009	1,876,692	1,517,360	55,447	3.7	1,572,807	83.8	1,431	53	1,574,291	83.9
4. 2010	1,992,385	1,461,313	81,013	5.5	1,542,326	77.4	3,303	121	1,545,750	77.6
5. 2011	2,006,609	1,429,228	81,749	5.7	1,510,977	75.3	165,156	6,066	1,682,199	83.8

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)	6,260,000	6,260,000	0	0	0	0	0	0	0
3. Reserve for future contingent benefits	0	0	0	0	0	0	0	0	0
4. Reserve for rate credits or experience rating refunds (including $ 0) for investment income	65,270,725	26,720,000	0	0	0	38,550,725	0	0	0
5. Aggregate write-ins for other policy reserves	0	0	0	0	0	0	0	0	0
6. Totals (gross)	71,530,725	32,980,000	0	0	0	38,550,725	0	0	0
7. Reinsurance ceded	0	0	0	0	0	0	0	0	0
8. Totals (Net)(Page 3, Line 4)	71,530,725	32,980,000	0	0	0	38,550,725	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 $ 6,260,000 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)	1,666,422	3,336,193	8,173,185	0	13,175,800
2. Salary, wages and other benefits	15,448,932	31,061,546	60,888,477	0	107,398,955
3. Commissions (less $ 0 ceded plus $ 0 assumed)	0	0	113,930,680	0	113,930,680
4. Legal fees and expenses	0	1,989	1,826,260	0	1,828,249
5. Certifications and accreditation fees	0	0	0	0	0
6. Auditing, actuarial and other consulting services	113,266	34	2,557,138	0	2,670,438
7. Traveling expenses	153,808	188,457	1,252,288	0	1,594,553
8. Marketing and advertising	0	0	1,264,430	0	1,264,430
9. Postage, express and telephone	219,259	2,915,481	3,946,412	0	7,081,152
10. Printing and office supplies	303,638	1,278,703	1,854,095	0	3,436,436
11. Occupancy, depreciation and amortization	0	0	0	0	0
12. Equipment	11,689	27,457	821,901	0	861,047
13. Cost or depreciation of EDP equipment and software	1,948,034	6,379,397	23,628,213	0	31,955,644
14. Outsourced services including EDP, claims, and other services	8,111,213	7,380,405	21,263,080	0	36,754,698
15. Boards, bureaus and association fees	38,924	310	1,377,685	0	1,416,919
16. Insurance, except on real estate	114,657	294,274	417,874	0	826,805
17. Collection and bank service charges	0	0	622,707	0	622,707
18. Group service and administration fees	0	0	0	0	0
19. Reimbursements by uninsured plans	0	0	0	0	0
20. Reimbursements from fiscal intermediaries	0	0	0	0	0
21. Real estate expenses	0	0	0	0	0
22. Real estate taxes	0	0	169,009	0	169,009
23. Taxes, licenses and fees:					
23.1 State and local insurance taxes	0	0	0	0	0
23.2 State premium taxes	0	0	34,772,183	0	34,772,183
23.3 Regulatory authority licenses and fees	1,523	46	2,957,213	0	2,958,782
23.4 Payroll taxes	940,824	1,912,008	3,375,568	0	6,228,400
23.5 Other (excluding federal income and real estate taxes)	9,723	40,465	(5,812,674)	0	(5,762,486)
24. Investment expenses not included elsewhere	0	0	0	723,011	723,011
25. Aggregate write-ins for expenses	241,305	6,520,699	6,460,726	0	13,222,730
26. Total expenses incurred (Lines 1 to 25)	29,323,217	61,337,464	285,746,450	723,011	(a) 377,130,142
27. Less expenses unpaid December 31, current year	0	6,239,000	35,599,802	0	41,838,802
28. Add expenses unpaid December 31, prior year	0	5,143,000	32,815,703	0	37,958,703
29. Amounts receivable relating to uninsured plans, prior year	0	0	0	0	0
30. Amounts receivable relating to uninsured plans, current year	0	0	0	0	0
31. Total expenses paid (Lines 26 minus 27 plus 28 minus 29 plus 30)	29,323,217	60,241,464	282,962,351	723,011	373,250,043
DETAILS OF WRITE-INS					
2501. Charitable contributions	4,056	2,954	469,829	0	476,839
2502. Service charges Inter-plan bank	0	100,249	14,880	0	115,129
2503. IPSBB Inter-plan bank ITS	0	780,109	0	0	780,109
2598. Summary of remaining write-ins for Line 25 from overflow page	237,249	5,637,387	5,976,017	0	11,850,653
2599. Totals (Lines 2501 thru 2503 plus 2598)(Line 25 above)	241,305	6,520,699	6,460,726	0	13,222,730

(a) Includes management fees of $ 186,710,183 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) 3,070,020	2,854,292
1.1	Bonds exempt from U.S. tax	(a) 0	0
1.2	Other bonds (unaffiliated)	(a) 15,940,522	15,818,535
1.3	Bonds of affiliates	(a) 0	0
2.1	Preferred stocks (unaffiliated)	(b) 52,906	53,344
2.11	Preferred stocks of affiliates	(b) 0	0
2.2	Common stocks (unaffiliated)	3,002,388	3,002,388
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) 31,131	48,110
7	Derivative instruments	(f) 0	0
8.	Other invested assets	0	0
9.	Aggregate write-ins for investment income	0	508,660
10.	Total gross investment income	22,096,967	22,285,329
11.	Investment expenses		(g) 723,011
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)		723,011
17.	Net investment income (Line 10 minus Line 16)		21,562,318
	DETAILS OF WRITE-INS		
0901.	Interest Income - Miscellaneous	0	508,660
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	508,660
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 $ 576,751 accrual of discount less $ 4,849,598 amortization of premium and less $ 5,391,649 paid for accrued interest on purchases.

(b) Includes $ 0 accrual of discount less $ 438 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 $ 1,145 accrual of discount less $ 69,786 amortization of premium and less $ 25,329 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	(2,126,708)	0	(2,126,708)	0	0
1.1	Bonds exempt from U.S. tax	0	0	0	0	0
1.2	Other bonds (unaffiliated)	7,957,788	0	7,957,788	(235,730)	0
1.3	Bonds of affiliates	0	0	0	0	0
2.1	Preferred stocks (unaffiliated)	144,108	0	144,108	10,784	0
2.11	Preferred stocks of affiliates	0	0	0	0	0
2.2	Common stocks (unaffiliated)	2,802,046	0	2,802,046	(11,605,558)	0
2.21	Common stocks of affiliates	0	0	0	118,786	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	(1,161)	0	(1,161)	0	0
7.	Derivative instruments	0	0	0	0	0
8.	Other invested assets	0	0	0	0	0
9.	Aggregate write-ins for capital gains (losses)	0	0	0	0	0
10.	Total capital gains (losses)	8,776,073	0	8,776,073	(11,711,718)	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	313,233	0	(313,233)
3.	Mortgage loans on real estate (Schedule B):			
	3.1 First liens	0	0	0
	3.2 Other than first liens	0	0	0
4.	Real estate (Schedule A):			
	4.1 Properties occupied by the company	0	0	0
	4.2 Properties held for the production of income	0	0	0
	4.3 Properties held for sale	0	0	0
5.	Cash (Schedule E - Part 1), cash equivalents (Schedule E - Part 2) and short-term investments (Schedule DA)	0	0	0
6.	Contract loans	0	0	0
7.	Derivatives (Schedule DB)	0	0	0
8.	Other invested assets (Schedule BA)	0	0	0
9.	Receivables for securities	0	0	0
10.	Securities lending reinvested collateral assets (Schedule DL)	0	0	0
11.	Aggregate write-ins for invested assets	0	0	0
12.	Subtotals, cash and invested assets (Lines 1 to 11)	313,233	0	(313,233)
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	6,479,749	6,810,895	331,146
	15.2 Deferred premiums, agents' balances and installments booked but deferred and not yet due	0	0	0
	15.3 Accrued retrospective premiums	0	0	0
16.	Reinsurance:			
	16.1 Amounts recoverable from reinsurers	0	0	0
	16.2 Funds held by or deposited with reinsured companies	0	0	0
	16.3 Other amounts receivable under reinsurance contracts	0	0	0
17.	Amounts receivable relating to uninsured plans	0	0	0
18.1	Current federal and foreign income tax recoverable and interest thereon	0	0	0
18.2	Net deferred tax asset	1,687,975	0	(1,687,975)
19.	Guaranty funds receivable or on deposit	0	0	0
20.	Electronic data processing equipment and software	0	0	0
21.	Furniture and equipment, including health care delivery assets	0	0	0
22.	Net adjustment in assets and liabilities due to foreign exchange rates	0	0	0
23.	Receivable from parent, subsidiaries and affiliates	1,826,209	0	(1,826,209)
24.	Health care and other amounts receivable	4,965,998	5,649,319	683,321
25.	Aggregate write-ins for other than invested assets	1,260,759	1,090,588	(170,171)
26.	Total assets excluding Separate Accounts, Segregated Accounts and Protected Cell Accounts (Lines 12 to 25)	16,533,923	13,550,802	(2,983,121)
27.	From Separate Accounts, Segregated Accounts and Protected Cell Accounts	0	0	0
28.	Total (Lines 26 and 27)	16,533,923	13,550,802	(2,983,121)
	DETAILS OF WRITE-INS			
1101.		0	0	0
1102.		0	0	0
1103.		0	0	0
1198.	Summary of remaining write-ins for Line 11 from overflow page	0	0	0
1199.	Totals (Lines 1101 thru 1103 plus 1198)(Line 11 above)	0	0	0
2501.	Other Assets - Prepaid Expenses	1,260,759	1,090,588	(170,171)
2502.		0	0	0
2503.				
2598.	Summary of remaining write-ins for Line 25 from overflow page	0	0	0
2599.	Totals (Lines 2501 thru 2503 plus 2598)(Line 25 above)	1,260,759	1,090,588	(170,171)

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	400,702	391,052	388,933	387,985	389,991	4,673,547
2.	Provider Service Organizations	0	0	0	0	0	0
3.	Preferred Provider Organizations	0	205	187	204	181	2,360
4.	Point of Service	116,622	129,523	133,738	139,370	144,649	1,624,197
5.	Indemnity Only	0	517	531	506	322	5,846
6.	Aggregate write-ins for other lines of business	0	0	0	0	0	0
7.	Total	517,324	521,297	523,389	528,065	535,143	6,305,950
	DETAILS OF WRITE-INS						
0601.		0	0	0	0	0	0
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	0	0	0	0	0

NOTES TO FINANCIAL STATEMENTS

1. Summary of Significant Accounting Policies

A. Accounting Practices

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

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

For the years ended 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, federal income tax recoverable, receivables from parent, subsidiaries and affiliates, state income tax recoverable, premiums received in advance, general expenses due or accrued, federal income tax payable, amounts withheld or retained for the account of others, amounts due to parent, subsidiaries and affiliates, 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 $170 and $0, respectively, at December 31, 2010.

NOTES TO FINANCIAL STATEMENTS

Cash and Short-Term Investments

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

Bonds

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

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

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

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

Risk Concentrations

Financial instruments that potentially subject the Company to credit risk consist primarily of investment securities and receivables. The Company receives advice through or assigns direct management of investments to professional investment managers selected for their expertise in various markets, within guidelines established by the Board of Directors. These guidelines include broad diversification of investments. Aside from the Federal Employee Health Benefits Program (FEHBP) discussed below, concentrations of credit risk and business volume with respect to commercial receivables are generally limited due to the large number of employer groups comprising the Company's customer base. As of December 31, 2011 and 2010, except for FEHBP, there were no significant concentrations of financial instruments in a single investee, industry or geographic location.

Health Care and Other Amounts Receivable

Health care and other amounts receivable consists of pharmacy rebates receivable, advances to providers, and the Company's special reserve held by Office of Personnel Management (OPM) discussed below. The Company has advances on deposit with certain hospitals in the state of Maryland. These advances permit the Company to earn differentials of 2.25% and 2.00% of allowed inpatient and outpatient charges, respectively, by these hospitals. These provider advances are reported at their realizable value.

Unpaid losses and loss adjustment expenses

The 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 nine to 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 $6,260,000 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 $26,720,000, 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.

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 Health Benefits Program

The Company has an experience-rated HMO contract with OPM to provide managed health care services under the FEHBP. OPM conducts periodic audits to verify compliance with FEHBP requirements.

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

In accordance with the contract, OPM holds the unused funds on behalf of the Company to provide funding for claims, administrative expenses, and other charges to the contract. The Company has an unrestricted right to draw funds being held in the special reserve for any valid claim or expense. The amounts being held in the special reserve are $38,551,000 and $24,725,000 as of December 31, 2011 and 2010, respectively. The unaudited amounts being held in the contingency reserve are $24,873,000 and $21,564,000 as of December 31, 2011 and 2010, respectively. 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.

NOTES TO FINANCIAL STATEMENTS

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

FEHBP premiums earned were $160,644,000 and $138,777,000 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	**35,938**	**136**	**334**	**3**	**139**
Residential mortgage-backed securities	**–**	**–**	**777**	**18**	**18**
Commercial mortgage-backed/Other asset-backed securities	**11,967**	**245**	**–**	**–**	**245**
Total	**$ 47,905**	**$ 381**	**$ 1,111**	**$ 21**	**$ 402**

	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	95,562	2,378	–	–	2,378
Residential mortgage-backed securities	2,347	17	210	8	25
Commercial mortgage-backed/Other asset-backed securities	425	36	–	–	36
Total	$ 98,334	$ 2,431	$ 210	$ 8	$ 2,439

(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. – B. None

7. Investment Income

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

B. No amount of investment income due and accrued was non-admitted and excluded from surplus as of December 31, 2011 and 2010.

8. Derivative Instruments

None

9. Income Taxes

From January 1 to December 30, 2010, CFBC was included in the consolidated income tax return of CFI. For federal income tax purposes, CFI benefits from a special deduction available to certain BlueCross and BlueShield organizations under Internal Revenue Code Section 833(b) (the 833(b) deduction). Due to 833(b) deduction, CFI has incurred federal income taxes at the Alternative Minimum Tax (AMT) rate of 20 percent. For the year ending December 31, 2010, the Company was part of a federal tax sharing agreement that exists among CFI, CFMI and GHMSI (and their related subsidiaries).

Effective December 31, 2010, as a result of the formation of CFH (refer to Note 10 *Information Concerning Parent, Subsidiaries and Affiliates*), CFBC files a consolidated income tax return and is subject to the applicable tax rate of 35 percent.

Effective January 1, 2011, the Company is part of a federal tax sharing agreement that exists among CFBC (and its related subsidiaries). Through this agreement and the tax allocation methodology, federal taxes have been allocated to the Company. The tax sharing agreement calls for allocation of current federal income tax liability to the Company on the basis of the percentage of the consolidated federal income tax liability attributable to the Company computed on a separate company basis to the total consolidated federal income tax liability. The agreement also provides that to the extent the Company's subsidiaries tax attributes (e.g., NOLs) reduce the consolidated federal income tax liability, CFBC shall pay the subsidiaries for use of such attributes in the year utilized. Amounts due from the subsidiaries for federal income taxes are settled monthly.

NOTES TO FINANCIAL STATEMENTS

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

The 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	$ -	$ 12,836	$ 12,836	$ -	$ -	$ -
Adjusted Gross DTA expected to be realized in one year	10.b.i	2,998	-	2,998	2,959	11,126	14,085
10% adjusted capital and surplus limit	10.b.ii	-	-	64,087	-	-	64,364
Admitted pursuant to Paragraph 10.b (lesser of i. or ii.)		2,998	-	2,998	2,959	11,126	14,085
Additional admitted pursuant to Paragraph 10.c	10.c	-	529	529	-	2,134	2,134
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		$ 2,998	$ 13,365	$ 16,363	$ 2,959	$ 13,260	$ 16,219
Total DTL		(521)	(8)	(529)	(4,660)	(13)	(4,673)
Net admitted DTA		$ 2,477	$ 13,357	$ 15,834	$ (1,701)	$ 13,247	$ 11,546
Nonadmitted DTA		$ -	$ (1,688)	$ (1,688)	$ -	$ -	$ -

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	$ 19,296	$ 39,454	$ (20,158)
Federal income tax on net capital gains	3,071	1,806	1,265
Federal income taxes incurred	$ 22,367	$ 41,260	$ (18,893)

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:				
Unearned revenues	$ 3,334	$ 3,095	$ 239	Capital
Unpaid claims	1,039	947	92	Ordinary
Accrued expenses	3,088	4,474	(1,386)	Ordinary
Investments	2,998	2,959	39	Ordinary
Nonadmitted assets and other	7,592	4,744	2,848	Ordinary
Total deferred tax assets	18,051	16,219	1,832	
Nonadmitted deferred tax assets	(1,688)	-	(1,688)	
Admitted deferred tax assets	16,363	16,219	144	
Deferred tax liabilities:				
Investments	(521)	(4,660)	4,139	Capital
Other	(8)	(13)	5	Ordinary
Total deferred tax liabilities	(529)	(4,673)	4,144	
Net Admitted deferred tax assets	$ 15,834	$ 11,546	$ 4,288	

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	$ 18,051	$ 16,219	$ 1,832
Deferred tax liabilities	(529)	(4,673)	4,144
Net deferred tax asset (liability)	17,522	11,546	5,976
Tax effect of unrealized gains (losses)			(4,139)
Change in net deferred income tax			$ 1,837

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*):

	Capital	Ordinary	Total	Capital	Ordinary	Total
Gross deferred tax assets	$ 2,998	$ 15,053	$ 18,051	$ 2,959	$ 13,260	$ 16,219
Statutory valuation allowance	-	-	-	-	-	-
Adjusted gross deferred tax asset	2,998	15,053	18,051	2,959	13,260	16,219
Gross deferred tax liabilities	(521)	(8)	(529)	(4,660)	(13)	(4,673)
Net deferred tax asset before admissability test	2,477	15,045	17,522	(1,701)	13,247	11,546
Less: deferred tax asset nonadmitted	-	(1,688)	(1,688)	-	-	-
Net admitted deferred tax asset	$ 2,477	$ 13,357	$ 15,834	$ (1,701)	$ 13,247	$ 11,546

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	17%	0%	17%	0%	0%	0%	17%
% of Net admitted adjusted gross DTAs	19%	0%	19%	0%	0%	0%	19%

For the year ending December 31, 2011 the provision for federal income taxes incurred approximates the statutory federal income tax rate.

For the year ending December 31, 2010 the provision for federal income taxes incurred is different from that which would be obtained by applying the statutory federal income tax rate to income before income taxes, principally as a result of the 833(b) deduction.

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 files income tax returns in the U.S. federal jurisdiction. The Company no longer files a state income tax return with the Commonwealth of Virginia. For the year ended December 31, 2011 and 2010, the provision for federal income taxes was calculated by applying the statutory income tax rate, to income before provision for income taxes, excluding the state income tax (benefit)/ provision of $(6,100,800) and $3,006,200, respectively.

10. Information Concerning Parent, Subsidiaries and Affiliates

CareFirst BlueChoice, Inc. (CFBC or the Company) is a state-licensed health maintenance organization (HMO) that provides managed health care products and services to individuals and to employees of business and governmental agencies in the Washington, D.C. metropolitan area, Northern Virginia and the state of Maryland. Benefits are provided to members through fee-for-service and capitation agreements with local area physicians, hospitals and other health care providers. CapitalCare, Inc. (CapCare) and The Dental Network, Inc. (TDN) are wholly-owned subsidiaries of the Company. In 2010, CapCare terminated all of its insurance coverage obligations in its state of domicile, the Commonwealth of Virginia. Effective December 13, 2011, CapCare withdrew its HMO license and became a non-insurance entity. CapCare is no longer subject to statutory or regulatory reserve requirements.

Until December 31, 2010, the Company was 60% owned by CareFirst of Maryland, Inc. (CFMI) and 40% owned by Group Hospitalization and Medical Services, Inc. (GHMSI). Effective December 31, 2010, the Company is a wholly-owned subsidiary of CareFirst Holdings, LLC (CFH). CFH, a Maryland limited liability company, was formed on December 31, 2010 in connection to and to facilitate the reorganization of the holding company system of CareFirst, Inc. (CFI), its upstream not-for-profit parent company. CFH was formed by contributed assets from CFMI and GHMSI. GHMSI and CFMI are both affiliates of CFI. These affiliates do business as CareFirst BlueCross BlueShield.

As part of the formation of CFH, CFMI contributed its 60% interest in CFBC and its wholly owned subsidiaries: Willse & Associates, Inc. and FirstCare, Inc. GHMSI 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., 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.

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.

The Company has an operating relationship with GHMSI and CFMI whereby GHMSI and CFMI provide a substantial portion of its administrative and corporate services, which are allocated to the Company under an administrative agreement. Total charges for all services provided by GHMSI and CFMI were $186,710,000 and $157,438,000 during the years ended December 31, 2011 and 2010, respectively. Included in the amounts above is rent expense, which is allocated from its affiliates for all operating leases, totaled $9,389,000 and $7,860,000 for the years ended December 31, 2011 and 2010, respectively.

Historically, the operations and administrative functions of CFBC have been provided by CFMI and GHMSI. These services have been charged to CFBC based on the costs incurred by CFMI and GHMSI respectively. In 2008, CFI performed a review and analysis of certain intercompany transactions with CFBC. The analysis identified services provided by CFMI and GHMSI that should include a profit mark-up on the costs charged to CFBC. Total charges to CFBC for the profit mark-up by CFMI and GHMSI were $27,500,000 and $24,851,000 during the years ended December 31, 2011 and 2010, respectively. These charges are recorded as an increase to general and administrative expenses.

The Company has arrangements with brokers through GHMSI. Under these arrangements GHMSI pays broker commissions and incentives and allocates a portion of these amounts to the Company based upon relevant statistics. Total broker fees allocated to the Company were $113,931,000 and $135,474,000 for the years ended December 31, 2011 and 2010, respectively.

The Company bears all of the in-network (HMO) underwriting risk and GHMSI bears the out-of-network (indemnity) underwriting risk for certain fully insured point-of-service health care programs. Effective January 1, 2011, CFMI bears the out-of-network (indemnity) underwriting risk for these health care programs. Cost of care for these products is charged directly to the Company, CFMI and GHMSI based upon the nature of the claims incurred. Premiums on these health care programs are allocated to the Company from CFMI (2011 only) and GHMSI based on actual underwriting results such that the underwriting gain of the health care programs, as a percentage of premiums earned, is shared equally between the Company and the respective indemnity insurer. Total premiums recorded by the Company for the programs were $35,482,000 and $28,538,000 for the years ended December 31, 2011 and 2010, respectively.

As of December 31, 2011, the Company reported $46,042,000 and $3,791,000 as amounts due from and due to affiliates, respectively. These amounts are settled monthly.

The Company received a dividend of $3,835,000 from CapCare in December 2011. In December 2010, the Company contributed $250,000 to TDN.

11. Debt

None.

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

Not applicable.

NOTES TO FINANCIAL STATEMENTS

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

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

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

(3) – (9) Not applicable.

(10) The portion of unassigned funds (surplus) represented by cumulative net unrealized gains is $3,664,000.

(11) – (13) Not applicable.

14. Contingencies

A.– D. None.

E. All Other Contingencies

CFMI and GHMSI have entered into an intercompany agreement that requires CFMI or GHMSI, 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 GHMSI 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.

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 consolidated 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. The Company has provided CMS with the data of the incorrectly paid claims and offered to settle its obligations to CMS for approximately $19,000,000. Accordingly, CFI has recorded a liability of $19,000,000 at December 31, 2009 for this proposed settlement, of which $6,888,000 has been 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 processed and paid these claims in accordance with the demand letters and accordingly released the reserve associated with these claims in the amount of $1,093,000. Therefore, the Company's remaining liability was $5,795,000 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 $1,301,000 was recorded by the Company. The liability is included in the general expenses due and 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.

NOTES TO FINANCIAL STATEMENTS

15. Leases

Not applicable.

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

Not applicable.

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

Not applicable.

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

A.- C. 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 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.

The following table presents information about the fair value of the Company’s financial assets as of December 31, 2011 and 2010 (*in thousands*):

NOTES TO FINANCIAL STATEMENTS

	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	$ –	$ 1,506	$ –	$ 1,506
Common stocks				
Large capital equity securities (a)	–	72,662	–	72,662
Small capital equity securities (a)	–	58,826	–	58,826
International equity securities (a)	–	24,722	–	24,722
Total common stocks	–	156,210	–	156,210
Preferred stocks	–	713	–	713
Total assets at fair value	$ –	$ 158,429	$ –	$ 158,429

	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	$ –	$ 1,268	$ –	$ 1,268
Common stocks				
Large capital equity securities (a)	–	22,763	–	22,763
Small capital equity securities (a)	–	24,290	–	24,290
International equity securities (a)	–	26,804	–	26,804
Total common stocks	–	73,857	–	73,857
Total assets at fair value	$ –	$ 75,125	$ –	$ 75,125

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

As of December 31, 2011, the Company has no financial assets measured at fair value using Level 3 inputs.

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

The Company also maintains a quota-share reinsurance contract with TDN. Under the terms of the agreement, the Company assumes all the underwriting risk on the business written by TDN. The Company assumed revenue from TDN in the amount of $7,432,000 and $8,661,000 and incurred an underwriting (loss) gain in the amount of $(2,710,000) and $492,000 for the years ended December 31, 2011 and December 31, 2010, respectively.

24. Retrospectively Rated Contracts

A. – C. Not applicable.

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

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

	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	–	13,470	13,250	–	26,720
(8) Medical loss ratio rebates paid	–	–	–	–	–
(9) Medical loss ratio rebates unpaid	–	13,470	13,250	–	26,720
(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	26,720

25. Change in Incurred Claims and Claim Adjustment Expenses

As of December 31, 2011, $136,638,000 has been paid for incurred claims attributable to insured events for prior years. Reserves remaining for prior years are now $4,734,000 as a result of re-estimation of unpaid claims and unpaid claims adjustment expenses. Therefore, there has been a $2,632,000 unfavorable prior year development since December 31, 2010 to December 31, 2011, of which $508,000 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.

NOTES TO FINANCIAL STATEMENTS

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	$3,906,572	$3,906,572	$ –	$ –	$ –
9/30/2011	4,238,905	4,238,905	997,082	–	–
6/30/2011	3,921,140	3,921,140	3,030,494	864,268	–
3/31/2011	3,984,542	3,984,542	4,061,216	(85,436)	–
12/31/2010	$3,685,278	$3,685,278	$3,668,693	$ –	$ –
9/30/2010	3,648,099	3,648,099	2,766,134	864,041	–
6/30/2010	3,387,024	3,387,024	3,367,036	–	14
3/31/2010	3,578,778	3,578,778	3,588,977	78	–
12/31/2009	$4,229,159	$4,229,159	$4,219,291	$ 1,495	$ –
9/30/2009	5,279,157	5,279,157	5,262,057	–	–
6/30/2009	5,303,270	5,303,270	5,295,076	68	–
3/31/2009	5,086,920	5,086,920	5,047,019	12,350	143

B. Not applicable.

29. Participating Policies

Not applicable.

30. Premium Deficiency Reserve

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

31. Anticipated Salvage and Subrogation

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

Year Incurred	Amount
2011	$ 946
2010	$1,245

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 [X] No [ ]

2.2 If yes, date of change: 03/22/2011

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). 09/05/2009

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, Maryland 21202

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

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

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

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

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

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

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

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

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 [X] No [ ]

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

25.21	Subject to repurchase agreements	$ 0
25.22	Subject to reverse repurchase agreements	$ 0
25.23	Subject to dollar repurchase agreements	$ 0
25.24	Subject to reverse dollar repurchase agreements	$ 0
25.25	Pledged as collateral	$ 0
25.26	Placed under option agreements	$ 0
25.27	Letter stock or other securities restricted as to sale	$ 0
25.28	On deposit with state or other regulatory body	$ 1,071,182
25.29	Other	$ 515,203

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 St. 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 and Cox	55 California St., 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	58,825,498
922040-10-0	Vanguard Institutional Index	72,661,848
921909-82-6	Vanguard Institutional Developed Markets Index	24,721,683
29.2999 - Total		156,209,029

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

1 Name of Mutual Fund (from above table)	2 Name of Significant Holding of the Mutual Fund	3 Amount of Mutual Fund's Book/Adjusted Carrying Value Attributable to the Holding	4 Date of Valuation
Vanguard Extended Market Index	Las Vegas Sands Corp.	400,648	12/31/2011
Vanguard Extended Market Index	Alexion Pharmaceuticals Inc	308,015	12/31/2011
Vanguard Extended Market Index	General Motors Co.	295,147	12/31/2011
Vanguard Extended Market Index	Crown Castle International Corp.	260,965	12/31/2011
Vanguard Extended Market Index	LyondellBasell Industries NV Class A	240,086	12/31/2011
Vanguard Institutional Index	Exxon Mobil Corp.	2,582,456	12/31/2011
Vanguard Institutional Index	Apple Inc.	2,392,651	12/31/2011
Vanguard Institutional Index	International Business Machines Corp.	1,377,595	12/31/2011
Vanguard Institutional Index	Chevron Corp.	1,346,893	12/31/2011
Vanguard Institutional Index	Microsoft Corp.	1,235,434	12/31/2011
Vanguard Institutional Developed Market Index	Nestle SA	493,124	12/31/2011
Vanguard Institutional Developed Market Index	HSBC Holdings plc	354,540	12/31/2011
Vanguard Institutional Developed Market Index	Vodafone group plc	351,572	12/31/2011
Vanguard Institutional Developed Market Index	BP plc	351,146	12/31/2011
Vanguard Institutional Developed Market Index	Novartis Ag	346,734	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	612,839,190	628,913,206	16,074,016
30.2 Preferred stocks	712,800	712,800	0
30.3 Totals	613,551,990	629,626,006	16,074,016

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? $ 1,307,103

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	935,100

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

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

1 Name	2 Amount Paid

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

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

1 Name	2 Amount Paid

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 [ ] No [X]

1.2 If yes, indicate premium earned on U.S. business only. $ 0

1.3 What portion of Item (1.2) is not reported on the Medicare Supplement Insurance Experience Exhibit? $ 0

1.31 Reason for excluding

1.4 Indicate amount of earned premium attributable to Canadian and/or Other Alien not included in Item (1.2) above $ 0

1.5 Indicate total incurred claims on all Medicare Supplement Insurance. $ 0

1.6 Individual policies:

Most current three years:
- 1.61 Total premium earned $ 0
- 1.62 Total incurred claims $ 0
- 1.63 Number of covered lives 0

All years prior to most current three years:
- 1.64 Total premium earned $ 0
- 1.65 Total incurred claims $ 0
- 1.66 Number of covered lives 0

1.7 Group policies:

Most current three years:
- 1.71 Total premium earned $ 0
- 1.72 Total incurred claims $ 0
- 1.73 Number of covered lives 0

All years prior to most current three years:
- 1.74 Total premium earned $ 0
- 1.75 Total incurred claims $ 0
- 1.76 Number of covered lives 0

2. Health Test:

		1 Current Year	2 Prior Year
2.1	Premium Numerator	2,053,415,111	1,973,676,337
2.2	Premium Denominator	2,053,415,111	1,973,676,337
2.3	Premium Ratio (2.1/2.2)	1.000	1.000
2.4	Reserve Numerator	241,420,979	163,464,773
2.5	Reserve Denominator	241,420,979	163,464,773
2.6	Reserve Ratio (2.4/2.5)	1.000	1.000

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

3.2 If yes, give particulars:

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

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

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

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

5.3 Maximum retained risk (see instructions)
- 5.31 Comprehensive Medical $ 0
- 5.32 Medical Only $ 0
- 5.33 Medicare Supplement $ 0
- 5.34 Dental & Vision $ 0
- 5.35 Other Limited Benefit Plan $ 0
- 5.36 Other $ 0

6. Describe arrangement which the reporting entity may have to protect subscribers and their dependents against the risk of insolvency including hold harmless provisions, conversion privileges with other carriers, agreements with providers to continue rendering services, and any other agreements:
Intercompany Support Agreement from CareFirst of Maryland, Inc. and Group Hospitalization and Medical Services, Inc.

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

7.2 If no, give details

8. Provide the following information regarding participating providers:
- 8.1 Number of providers at start of reporting year 28,609
- 8.2 Number of providers at end of reporting year 29,851

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 $ 34,778,273
- 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 [X] No [ ]

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

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

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

11.4 If yes, show the amount required. $ 92,710,701

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
State of Maryland
District of Columbia
Virginia: the cities of Alexandria and Fairfax; the town of Vienna; Arlington County and the areas of Fairfax and 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 5.2 Explanation for stoploss reinsurance

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

Question 11.6 - Minimum net worth requirements

Under the laws of the District of Columbia, the company is required to maintain a minimum net worth (Surplus) of $92,710,701 at December 31, 2011. This minimum net worth (Surplus) is calculated as the greater of:
(A) $1,000,000;
(B) 2% of annual dues revenues as reported on the most recent annual financial statement filed with the Commissioner on the first $150,000,000 of dues and 1% of annual dues in excess of $150,000,000;
(C) An amount equal to the sum of 3 months uncovered health care expenditures as reported on the most recent financial statement filed with the Commissioner; or
(D) An amount equal to the sum of:
(i) 8% of annual health care expenditures except those paid on a capitated basis or managed hospital payment basis as reported on the most recent financial statement filed with the Commissioner; and
(ii) 4% of annual hospital expenditures paid on a managed hospital payment basis as reported on the most recent financial statement filed with the Commissioner.

(A) $1,000,000
(B) $21,566,093
(C) $2,888,832
(D) $92,710,701 (greater amount)

Under the code of Maryland, the Company is required to maintain a surplus that exceeds the liabilities in an amount that is at least equal to the greater of $750,000 or 5 percent of the subscription charges earned during the prior calendar year (not to exceed $3,000,000) as recorded in the annual report filed with the Commissioner.
At December 31, 2011, the minimum surplus requirement is $3,000,000.

Under the code of Virginia, the Company is required to maintain a minimum net worth in an amount at least equal to the sum of uncovered expenses, but not less than $600,000, up to a maximum of $4,000,000; uncovered expenses shall be amounts determined from the most recently ended calendar quarter pursuant to regulations promulgated by the Commission.
At December 31, 2011, the minimum surplus requirement is $4,000,000.

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)	1,013,897,116	900,091,300	709,224,997	645,508,455	623,745,329
2.	Total liabilities (Page 3, Line 24)	340,825,024	258,991,793	238,488,527	238,833,072	224,324,025
3.	Statutory surplus	92,710,701	83,162,480	86,987,116	84,203,099	73,058,919
4.	Total capital and surplus (Page 3, Line 33)	673,072,092	641,099,507	470,736,470	406,675,383	399,421,304
	Income Statement (Page 4)					
5.	Total revenues (Line 8)	2,006,707,464	1,992,473,107	1,876,754,874	1,746,415,767	1,588,632,329
6.	Total medical and hospital expenses (Line 18)	1,597,017,104	1,442,509,954	1,518,304,942	1,462,469,755	1,259,260,239
7.	Claims adjustment expenses (Line 20)	90,660,681	79,647,163	65,806,617	54,772,752	46,867,230
8.	Total administrative expenses (Line 21)	285,746,450	290,787,919	267,012,449	222,550,634	202,550,860
9.	Net underwriting gain (loss) (Line 24)	33,283,229	179,528,071	25,630,866	6,622,626	79,954,000
10.	Net investment gain (loss) (Line 27)	27,266,765	26,679,838	29,709,908	11,501,878	0
11.	Total other income (Lines 28 plus 29)	(850,553)	(228,447)	1,257,243	(940,277)	129,018
12.	Net income or (loss) (Line 32)	40,403,902	166,525,855	48,411,218	19,312,560	80,599,322
	Cash Flow (Page 6)					
13.	Net cash from operations (Line 11)	79,482,188	170,627,514	15,818,841	45,640,000	84,719,518
	Risk-Based Capital Analysis					
14.	Total adjusted capital	673,072,092	641,099,507	470,736,470	406,675,383	399,421,304
15.	Authorized control level risk-based capital	59,403,548	53,450,327	56,205,750	55,151,892	48,453,502
	Enrollment (Exhibit 1)					
16.	Total members at end of period (Column 5, Line 7)	535,143	517,324	533,181	566,437	656,623
17.	Total members months (Column 6, Line 7)	6,305,950	6,359,833	6,452,603	6,999,903	7,620,204
	Operating Percentage (Page 4) (Item divided by Page 4, sum of Lines 2, 3 and 5) x 100.0					
18.	Premiums earned plus risk revenue (Line 2 plus Lines 3 and 5)	100.0	100.0	100.0	100.0	100.0
19.	Total hospital and medical plus other non-health (Lines 18 plus Line 19)	79.6	72.4	80.9	83.7	79.3
20.	Cost containment expenses	1.5	1.5	0.9	0.8	0.9
21.	Other claims adjustment expenses	3.1	2.5	2.6	2.4	2.1
22.	Total underwriting deductions (Line 23)	98.3	91.0	98.6	99.6	95.0
23.	Total underwriting gain (loss) (Line 24)	1.7	9.0	1.4	0.4	5.0
	Unpaid Claims Analysis (U&I Exhibit, Part 2B)					
24.	Total claims incurred for prior years (Line 13, Col. 5)	141,372,124	117,125,731	128,320,977	120,346,609	97,928,939
25.	Estimated liability of unpaid claims-[prior year (Line 13, Col. 6)]	138,739,882	135,658,896	149,221,780	123,281,887	120,266,238
	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)	791,452	4,507,758	4,193,559	3,624,931	2,654,677
29.	Affiliated short-term investments (subtotal included in Schedule DA Verification, Col. 5, Line 10)	0	0	0	0	0
30.	Affiliated mortgage loans on real estate	0	0	0	0	0
31.	All other affiliated	0	0	0	0	0
32.	Total of above Lines 26 to 31	791,452	4,507,758	4,193,559	3,624,931	2,654,677

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

If no, please explain:

SCHEDULE T PREMIUMS AND OTHER CONSIDERATIONS

Allocated by States and Territories

		1	Direct Business Only							
			2	3	4	5	6	7	8	9
	States, etc.	Active Status	Accident & Health Premiums	Medicare Title XVIII	Medicaid Title XIX	Federal Employees Health Benefits Program Premiums	Life & Annuity Premiums & Other Considerations	Property/ Casualty Premiums	Total Columns 2 Through 7	Deposit-Type Contracts
1.	Alabama AL	N	0	0	0	0	0	0	0	0
2.	Alaska AK	N	0	0	0	0	0	0	0	0
3.	Arizona AZ	N	0	0	0	0	0	0	0	0
4.	Arkansas AR	N	0	0	0	0	0	0	0	0
5.	California CA	N	0	0	0	0	0	0	0	0
6.	Colorado CO	N	0	0	0	0	0	0	0	0
7.	Connecticut CT	N	0	0	0	0	0	0	0	0
8.	Delaware DE	N	0	0	0	0	0	0	0	0
9.	District of Columbia DC	L	231,586,264	0	0	174,470,124	0	0	406,056,388	0
10.	Florida FL	N	0	0	0	0	0	0	0	0
11.	Georgia GA	N	0	0	0	0	0	0	0	0
12.	Hawaii HI	N	0	0	0	0	0	0	0	0
13.	Idaho ID	N	0	0	0	0	0	0	0	0
14.	Illinois IL	N	0	0	0	0	0	0	0	0
15.	Indiana IN	N	0	0	0	0	0	0	0	0
16.	Iowa IA	N	0	0	0	0	0	0	0	0
17.	Kansas KS	N	0	0	0	0	0	0	0	0
18.	Kentucky KY	N	0	0	0	0	0	0	0	0
19.	Louisiana LA	N	0	0	0	0	0	0	0	0
20.	Maine ME	N	0	0	0	0	0	0	0	0
21.	Maryland MD	L	1,406,340,822	0	0	0	0	0	1,406,340,822	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	233,708,673	0	0	0	0	0	233,708,673	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	1,871,635,759	0	0	174,470,124	0	0	2,046,105,883	0
60.	Reporting entity contributions for Employee Benefit Plans	XXX	0	0	0	0	0	0	0	0
61.	Total (Direct Business)	(a) 3	1,871,635,759	0	0	174,470,124	0	0	2,046,105,883	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

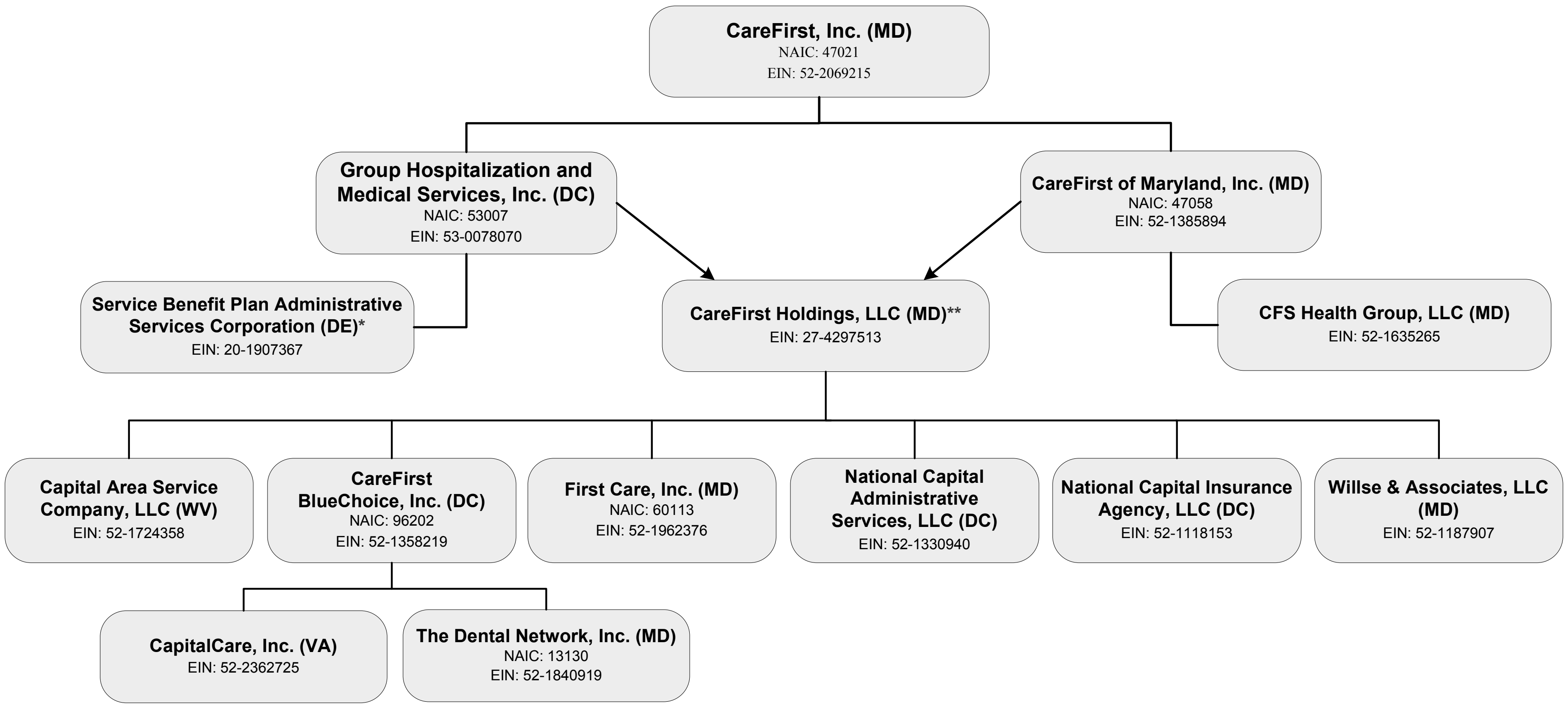
(L) Licensed or Chartered - Licensed Insurance Carrier or Domiciled RRG; (R) Registered - Non-domiciled RRGs; (Q) Qualified - Qualified or Accredited Reinsurer; (E) Eligible - Reporting Entities eligible or approved to write Surplus Lines in the state; (N) None of the above - Not allowed to write business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

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

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



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

OVERFLOW PAGE FOR WRITE-INS

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

	Claim Adjustment Expenses		3	4	5
	1 Cost Containment Expenses	2 Other Claim Adjustment Expenses	General Administrative Expenses	Investment Expenses	Total
2504. Interest claims expense	0	4,064,815	0	0	4,064,815
2505. Miscellaneous expense	(34,136)	72,172	1,227,656	0	1,265,692
2506. Management fee and Investment expense	251,508	562,796	1,356,558	0	2,170,862
2507. Reinsurance Assumed	19,877	937,604	3,391,803	0	4,349,284
2597. Summary of remaining write-ins for Line 25 from overflow page	237,249	5,637,387	5,976,017	0	11,850,653

ALPHABETICAL INDEX

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ANNUAL STATEMENT BLANK (Continued)